



# 2020 ANNUAL REPORT

**The Annual Meeting of Stockholders**  
of Everi Holdings Inc. will be held:  
Wednesday, May 19, 2021

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

## OUR MISSION STATEMENT

“Everi’s mission is to lead the Industry by reimagining the gaming experience.”

To Our Stockholders:

Everi's results in 2020 reflect one of the most unusual and challenging years in the history of the Company. We faced significant challenges due to the ongoing impact of the coronavirus disease 2019 ("COVID-19") pandemic. We acted swiftly and focused on addressing the pandemic's impact on our employees and their families, our Company, and our customers. As a result, we evaluated our business strategies in the second quarter of 2020, and implemented measures to create a safe workplace environment, including implementing remote working policies, reducing our ongoing operating costs, seeking ways to operate our business more efficiently and effectively, and conserving our resources. We also borrowed an additional \$125 million, which together with cash on hand and our revolving credit line, provided liquidity.

As we continue to navigate the ongoing effects of the COVID-19 pandemic, our first priority continues to be the health and welfare of our employees, our customers, and their guests while maintaining our focus on the long-term success and health of our Company.

The quarterly sequential increases in revenues and net income achieved in the fourth quarter reflect the strength and balance of our businesses, in particular, our significant percentage of higher-margin recurring revenues, and our track record of consistent operating execution. Year-over-year progress in several of our operating metrics, despite increased restrictions on certain casino activities during the quarter, is a direct result of the material advances in our Games and FinTech product portfolios.

These advances reflect our focus on developing new and enhanced products to help our customers extend their relationship with their guests and operate more efficiently, and for which we are seeing increasing demand. Our improved operating performance, together with the ongoing benefits of our cost savings initiatives, resulted in an increase in operating income and our return to generating net income in the fourth quarter.

We believe our FinTech contactless, compliance, and player-loyalty solutions continue to be mission critical elements for our customers as they conduct business. Products and services, such as our digital mobile *CashClub Wallet*<sup>®</sup>, and player-loyalty promotional and self-service enrollment kiosks, enable our customers to provide cashless/contactless solutions and operate more cost efficiently, even as they help drive revenue.

## **2020 Financial Highlights**

**Revenues increased on a quarterly sequential basis in each of the third and fourth quarters of 2020**

**Returned to net income in the fourth quarter**

## **2020 Product Highlights**

**Annual Gaming and Technology Awards from *Global Gaming Business*:**

**Best Slot Product and Best Consumer-Service Technology Awards for Second Consecutive Year**

***The Vault*<sup>®</sup> game theme won Gold Medal for Best Slot Product**

***CashClub Wallet*<sup>®</sup> Core Edition technology won Silver Medal for Best Consumer-Service Technology**

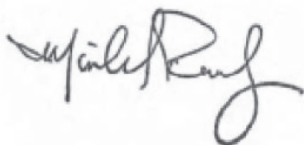
Our Games development teams continue to create original, entertaining, in-demand games that provide memorable player experiences for players in both land-based and online digital gaming.

Our success in implementing our new product development priorities enabled us to drive improvements in several key performance metrics and execute on new opportunities, such as the demand for cashless funding solutions, despite the challenges of the COVID-19 pandemic. This success, combined with our focus on optimizing our operations, has enabled Everi to address the industry's current challenges, while positioning us to grow as the operating environment normalizes.

The combination of our core values – Collaboration, Integrity, Inclusion, Excellence, and Fun, our operating initiatives, and long-term growth prospects has provided Everi with a solid foundation on which we can achieve further success. We expect these factors and our focus on fiscal discipline to drive consistent profitable growth and cash flow in the years ahead, as the gaming industry and broader economy recover. Everi is committed to expanding its innovative and creative reach and continuing to build a culture based on the tenets of respect and transparency.

In closing, we would like to thank each and every one of our team members around the globe for their wholehearted commitment during 2020 and their ongoing dedication, as well as for the support of our customers, stockholders, and vendor partners. We have an exciting growth story and look forward to further elevating Everi as a leading supplier of imaginative gaming entertainment content and products and trusted financial technology and loyalty solutions.

On behalf of the Board and employees of Everi, we also thank Miles Kilburn for his 15 years of distinguished service as both a member and Chairman of the Board of Directors. Miles has been an integral contributor to our success and upon his retirement from the Board at the 2021 Annual Meeting, we wish him all the best in his next and future endeavors.



Michael D. Rumbolz  
Chief Executive Officer

April 19, 2021





April 19, 2021

Dear Stockholder:

On behalf of the Board of Directors and officers of Everi Holdings Inc. (“we,” “us,” “our,” “Everi,” or the “Company”), we are pleased to invite you to attend our 2021 Annual Meeting of Stockholders. The meeting will be held at Everi’s headquarters located at 7250 S. Tenaya Way, Suite 100, Las Vegas, Nevada 89113, on Wednesday, May 19, 2021 at 9:00 a.m. Pacific Time (the “Annual Meeting”).

Due to the ongoing public health impact of the coronavirus disease 2019 (“COVID-19”) global pandemic, and in consideration of the health and well-being of our stockholders and other meeting participants, we will require attendees to comply with health and safety protocols endorsed by the Centers for Disease Control and Prevention, including the wearing of masks and maintaining social distancing.

At the Annual Meeting, you will be asked to:

1	2	3	4	5
<b>Elect two Class I director nominees named in this Proxy Statement.</b>	<b>Approve, on a non-binding, advisory basis, the compensation of our named executive officers.</b>	<b>Approve the Everi Holdings Inc. Amended and Restated 2014 Equity Incentive Plan.</b>	<b>Ratify the appointment of BDO USA, LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2021.</b>	<b>Transact such other business as may properly come before the Annual Meeting or any postponement or adjournment thereof.</b>

The accompanying Proxy Statement provides a detailed description of these proposals and other information that you should read and consider before voting.

Your vote is very important to us. Regardless of whether you expect to attend the Annual Meeting in person, please submit your proxy or voting instructions over the Internet, telephone, or by mail as soon as possible to ensure that your shares are represented at the Annual Meeting and your vote is properly recorded. If you decide to attend the Annual Meeting, you will be able to vote in person, even if you previously submitted your proxy.

If you have any questions concerning the Annual Meeting, and you are the stockholder of record of your shares, please contact our Senior Vice President, Investor Relations, William Pfund, at [william.pfund@everi.com](mailto:william.pfund@everi.com) or (702) 676-9513. If your shares are held by a broker or other nominee, please contact your broker or other nominee for questions concerning the Annual Meeting.

We are fully cognizant of the continued challenges for the Company, our people, our customers, our stockholders, and our other stakeholders. During these uncertain times, we remain optimistic that our products and services will remain highly valued by our customers and their patrons. Your Board brings executive, financial, and strategic leadership together with a wide range of complementary skills and backgrounds relative to the Company’s industry, to assist management in navigating these uncharted times. The Board remains diligent and highly focused on our people, sustainable growth, and performance as we continue to build long-term shareholder value and continue striving for a more diverse and inclusive Company. On behalf of the Board of Directors and our employees, we thank you for your past and ongoing support of the Company.

Sincerely,

Michael D. Rumbolz  
Chief Executive Officer & Director





# NOTICE OF 2021 ANNUAL MEETING OF STOCKHOLDERS

<b>Date and Time:</b>	<b>Location:</b>
<b>Wednesday, May 19, 2021</b> <b>9:00 a.m. Pacific Time</b>	<b>Everi Holdings Inc. Corporate Headquarters</b> <b>7250 S. Tenaya Way, Suite 100</b> <b>Las Vegas, Nevada 89113</b>

To Our Stockholders:

You are cordially invited to attend the 2021 Annual Meeting of Stockholders (the "Annual Meeting") of Everi Holdings Inc., at which stockholders will vote on the following proposals listed below. Your vote is very important to us. Regardless of whether you expect to attend the Annual Meeting in person, please submit your proxy or voting instructions over the Internet, telephone, or by mail as soon as possible to ensure that your shares are represented at the Annual Meeting and your vote is properly recorded. If you decide to attend the Annual Meeting, you will be able to vote in person, even if you previously submitted your proxy. The Company may require attendees to comply with health and safety protocols endorsed by the Centers for Disease Control and Prevention, which may include recommended social distancing and the use of personal protective equipment such as face masks.

## Voting Matters

1. Election of two Class I director nominees named in this Proxy Statement.		Visit <a href="http://www.proxyvote.com">www.proxyvote.com</a> . You will need the 16-digit number included in your proxy card or voting instruction form.
2. To approve on a non-binding, advisory basis, the compensation of our named executive officers.		Call 1-800-690-6903 or the number on your voting instruction form. You will need the 16-digit number included in your proxy card or voting instruction form.
3. To approve the Everi Holdings Inc. Amended and Restated 2014 Equity Incentive Plan to, among other things, increase the maximum aggregate number of shares that may be issued thereunder by 5,000,000 shares.		Send your completed and signed proxy card or voting instruction form to the address on your proxy card or voting instruction form.
4. To ratify the appointment of BDO USA, LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2021.		If you plan to attend the meeting in person, you will need to bring a government-issued picture ID and proof of ownership of Everi Holdings Inc. common stock as of the record date. The Company may require attendees to comply with health and safety protocols, including social distancing and the use of personal protective equipment such as face masks.
5. To transact such other business as may properly come before the Annual Meeting or any postponement or adjournment thereof.		

**Given the impact of the COVID-19 pandemic, we strongly encourage you to vote in advance of the meeting over the Internet, telephone or by mail as described above.**

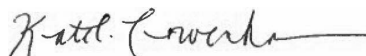
## Record Date

Stockholders of record as of the close of business on April 5, 2021 will be entitled to notice of, and to vote at, the Annual Meeting, or any adjournment or postponement thereof.

**Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to be Held on May 19, 2021.** 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, 2020 (the "2020 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 2021 Annual Meeting of Stockholders, Proxy Statement, Proxy Card, and 2020 Annual Report are available and may be viewed at [www.proxyvote.com](http://www.proxyvote.com).

This Notice of Annual Meeting and the accompanying Proxy Statement are first being made available to our stockholders on or about April 19, 2021.

By Order of the Board of Directors,



Kate C. Lowenhar-Fisher  
Executive Vice President, Chief Legal Officer – General Counsel  
and Corporate Secretary

April 19, 2021

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## PROXY STATEMENT SUMMARY

This Proxy Statement is being furnished in connection with the solicitation of proxies by the Board of Directors (the “Board”) of Everi Holdings Inc. (“we,” “us,” “Everi” or the “Company”) for use at the 2021 Annual Meeting of Stockholders and at any adjournment or postponement thereof. On or about April 19, 2021, we will begin distributing to each stockholder entitled to vote at the 2021 Annual Meeting of Stockholders this Proxy Statement, the Notice of 2021 Annual Meeting of Stockholders, a proxy card or voting instruction form, and our 2020 Annual Report. Shares represented by a properly executed proxy will be voted in accordance with the instructions provided by the stockholder. This summary highlights information contained elsewhere in this Proxy Statement; however, it does not contain all of the information you should consider. You should read the entire Proxy Statement before casting your vote.

<b>Voting Matters and Board Recommendations</b>			
<b>Proposal</b>	<b>Description</b>	<b>Board Recommendation</b>	<b>Page (for more detail)</b>
1	Election of two Class I director nominees named in this Proxy Statement.....	<b>FOR each of the Board’s nominees</b>	13
2	Approval, on an advisory basis, of the compensation of our named executive officers.....	<b>FOR</b>	43
3	Approval of the Everi Holdings Inc. Amended and Restated 2014 Equity Incentive Plan.....	<b>FOR</b>	70
4	Ratification of the appointment of BDO USA, LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2021.....	<b>FOR</b>	78

Stockholders will also transact any other business that properly comes before the meeting.

Additional information, including “**FREQUENTLY ASKED QUESTIONS**” about this Proxy Statement, the Annual Meeting, and voting can be found on page 81.

## 2020 Performance Highlights

Throughout 2020, we responded to the challenges posed by the COVID-19 pandemic and its impact on our Company, our customers, and the gaming and hospitality industry while continuing to execute on our key growth initiatives. At the onset of the pandemic in March 2020, as it impacted our industry and we faced an immediate future of no revenues and no incoming cash flow, we acted swiftly. The leadership team took actions to reduce expenses, conserve liquidity, and plan for the survival of the Company.

Approximately 80 percent of the Company’s workforce were placed on furlough, salaries were reduced for remaining employees, and we implemented remote working and safe workplace policies. To lead the way, the Board of Directors and Chief Executive Officer cut their compensation to zero, with 70 percent reductions for the executive team, and smaller reductions for those employees earning less. In April 2020, the Company was able to secure an additional \$125 million in borrowings, which together with cash on hand and its revolving credit line, provided liquidity for the Company while casinos were closed. Everyone demonstrated his/her dedication across the Company and accepted sacrifices to help the Company become well positioned to weather a prolonged period of little-to-no revenue.

Fortunately, the first casinos reopened their doors in late May, and during the next few months, more customers restarted operations and casino patrons returned. As customers reopened, we brought back furloughed employees, implemented policies designed to provide a safe workplace return, and began to restore compensation. With a majority of our gaming customers reopening properties by the end of September 2020, and our activity rates and results continuing to improve through the third and fourth quarter, we: (i) reinstated base compensation to pre-COVID-19 levels for the employee base and retroactively restored a significant portion of the reduced salaries with one-time catch up payments; (ii) although not promised at the time of



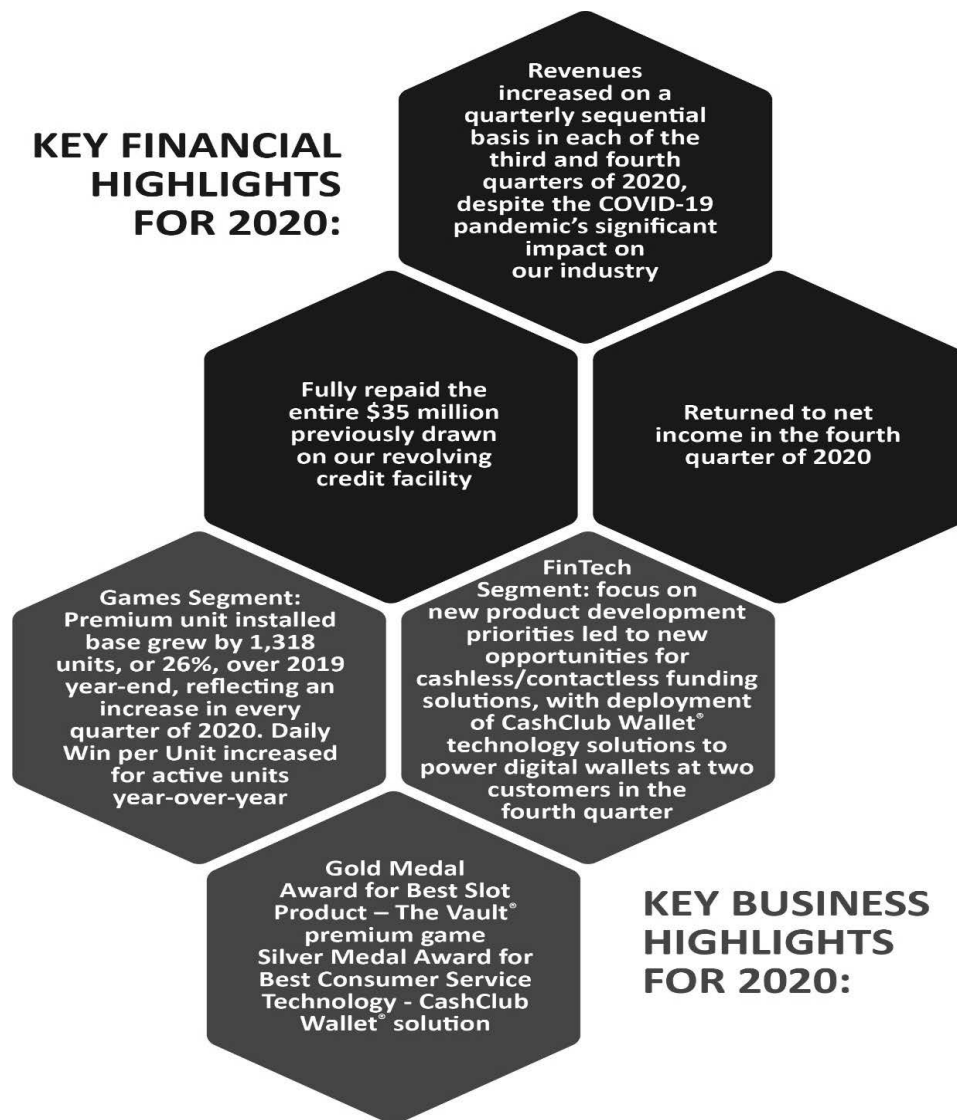
reduction, reversed nearly all compensation reductions for both our executives and directors; and (iii) fully paid down the outstanding balance on our revolving line of credit.

Through our dedication and unwavering commitment to provide our customers and their patrons with exceptional products and services, our 2020 fourth quarter operating results reflected quarterly sequential improvement over the third quarter, despite the continued impact from the COVID-19 pandemic and related casino closures. In addition, we were able to return to net income in the fourth quarter.

In the 2020 fourth quarter, revenues rose to \$119.6 million from \$112.1 million in the 2020 third quarter, and net income improved to \$1.1 million, or \$0.01 per diluted share, compared to a net loss of \$0.9 million, or \$(0.01) per diluted share, in the 2020 third quarter.

Additionally, the creative talents and commitment of our employees were recognized with our premium game, *The Vault*®, winning the Gold Medal for Best Product in the Gaming Industry for the 2020 Global Gaming Business Gaming & Technology Awards, which consecutively follows winning of the Gold Medal last year as well. Our digital mobile *CashClub Wallet*® solution for casinos was awarded the Silver Medal for Best Consumer Technology, the third consecutive year of such recognition for our FinTech business.

The fourth quarter also saw the first deployment of our new digital, cashless *CashClub Wallet*® solution at two customers. Powered by our *CashClub Wallet*® technology, our offering provides operators with a cashless, touchless, flexible, robust, secure, regulatory-compliant, and cost-effective payment method capable of providing their guests with a seamless experience across their entire gaming and resort amenities of the casino.



For more information on our 2020 results and other related financial measures, we refer you to our 2020 Annual Report.

## **CAUTIONARY INFORMATION REGARDING FORWARD-LOOKING STATEMENTS AND WEBSITE REFERENCES**

This Proxy Statement contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, including as they relate to our expectations, goals, or plans related to corporate responsibility, sustainability and environmental matters, employees, policy, business, procurement and other risks and opportunities, as do other materials or oral statements we release to the public. Forward-looking statements are neither historical facts nor assurances of future performance, but instead are based only on our current beliefs, expectations, and assumptions regarding the future of our business, plans and strategies, projections, anticipated events and trends, the economy, and other future conditions, as of the date on which this report is filed, and these are subject to change, including the standards for measuring progress that are still in development. All statements other than statements of historical or current facts, including statements regarding our strategy, our operational objectives, and our environmental and social plans and goals, made in this document are forward-looking and aspirational, and are not guarantees or promises such expectations, plans, or goals will be met. Forward-looking statements often, but do not always, contain words such as “expect,” “anticipate,” “aim to,” “designed to,” “commit,” “intend,” “plan,” “believe,” “goal,” “target,” “future,” “estimate,” “seek,” “project,” “may,” “can,” “could,” “should” or “will,” and other words and terms of similar meaning.

Forward-looking statements 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, and important factors that could cause them to do so include, but are not limited to, the risks and uncertainties described in our 2020 Annual Report on Form 10-K.

We undertake no obligation to update or publicly revise any forward-looking statements as a result of new information, future developments or otherwise. 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”). Website references throughout this document are provided for convenience only, and the content on the referenced websites is not incorporated by reference into this document.

## Corporate Governance Highlights

Our Board has developed strong corporate governance practices to promote long-term value creation, transparency, and accountability to our stockholders. Highlights of our corporate governance policies and structure following the Annual Meeting include:



### WHAT WE DO

- **86% Independent Directors - 6 of 7**
- **29% Female Directors - 2 of 7** (Including Chair of Nom Gov Committee)
- **14% Ethnic Diversity of Directors** (Self-Identified)
- **100% attendance at our Board and Committee meetings in 2020**
- **“Plurality-Plus” Voting for Directors** (mandatory resignation policy for nominees who fail to receive an affirmative majority of votes cast)
- **Limitations on Outside Public Company Board Service**
- **Lead Independent Director**
- **Entirely Independent Committees**
- **Audit Committee Financial Experts - 4 of 6**
- **Annual Board and Committee Self-Evaluations**
- **Systemic Risk Oversight by Board and Committees**
- **Environmental, Social, and Governance Oversight by Board and Committees**
- **Regular Executive Sessions of Independent Directors**
- **Investor Outreach Program**
- **Equity Ownership Policy for Directors and Executives**
- **Cash and Equity Compensation Clawback Policy**
- **Annual Say on Pay Advisory Vote**
- **“Double-Trigger” for Change in Control Severance Payments**
- **Ongoing Board Refreshment Planning**
- **Executive Succession Planning Process**
- **Comprehensive Code of Business Conduct, Standards and Ethics, Supplier Code of Conduct, and Corporate Governance Guidelines**
- **Board and Committee Authority to Engage Independent Advisors**



### WHAT WE DON'T DO

- **Poison Pill**
- **Pledging of Our Securities**
- **Hedging of Our Securities**
- **Repricing of Stock Options without Stockholder Approval**
- **Cash Buyouts of Underwater Stock Options without Stockholder Approval**
- **Tax Reimbursements for Perquisites**

## Environmental Sustainability

### Water and Electricity

Our initiatives to improve working remotely are beneficial to our sustainability efforts, including reduction of our energy, water, and paper consumption. In 2020, we reduced and consolidated the number of our office and facilities locations from 14 to 10, with plans to further reduce our office space by approximately 70,000 square feet by June 2021, effectively reducing our carbon footprint.

We implemented recording and reporting protocols at our corporate headquarters and other office and manufacturing locations to monitor our environmental impact at those locations and commence our progress towards setting long-term sustainability targets.

### Parts Refurbishment

We currently have recycling partners in place for industrial material used in the manufacture of our products, including cardboard, electronics, pallets, batteries, packaging materials, and metals, as well as consumer paper, plastics, and aluminum in all of our facilities. In addition, in our Games business, we redeploy component parts and electronic gaming machines to the extent possible.

## Social Responsibility

### Corporate Culture

We are an industry leader and keenly aware of the importance of this role as we strive to also be an industry-leading corporate citizen. We foster a culture among our employees so that the WHY we work at Everi reflects our shared commitment to positively impact our employees, partners, customers and their guests, stockholders, communities, and the environment.

To build this culture we have invested in programs and implemented standards to promote ethical business conduct, diversity, sustainability, giving and volunteerism, and responsible gaming that we believe will support our long-term business success while also bringing positive, lasting contributions to our communities.

### Policies and Principles

We review our Corporate Governance Guidelines and other governance policies annually.

We recently updated our Supplier Code of Conduct to outline our values and expectations for responsible business practices of our third-party suppliers and reinforce our commitment to the improvement of economic, environmental, and social conditions through our business activities and in the same tone and spirit of our own commitments.

### Diversity and Inclusion

We recognize that we can only be at our best when we embrace and reflect the customers and communities that we serve. We believe diverse backgrounds, perspectives, and talents will enable us to continue to be successful and drive shareholder value.

In 2017, we launched our Women's Leadership Initiative to develop and advance diversity throughout the organization and to create opportunities and a path for advancement.

We continue to be committed to maintaining a diverse and inclusive work environment and have implemented mandatory employee-wide diversity and inclusion training initiatives to continue to cultivate a respectful workplace. These training initiatives address challenges like unconscious bias and micro inequities, and offer employees suggestions for navigating these challenges, to help us create a workplace where all contributions are valued, and a range of voices heard.

## Social Responsibility

### Employee Engagement

We value continuous dialogue with our employees about their experiences. We have several employee feedback mechanisms including opinion surveys, Company-wide email communications, and quarterly Town Hall meetings, among other mediums. Throughout the year, we directly address employee feedback through these mechanisms to increase employee confidence that their feedback will lead to action by management.

### Responsible Gaming

Over the years, the Company has worked with dozens of leading responsible gaming associations across the globe to develop a set of comprehensive tools to help prevent problem gamblers from obtaining funds in a casino. The Company's initiatives and controlled solutions enable casinos to enhance their promotion of responsible gaming while helping them comply with local laws, customs, and culture in the prevention of problem gambling.

### Accolades

Named a Winning 'W' Company by 2020 Women on Boards for achieving at least 20 percent women on its board of directors before the year 2020. One of these board members, Eileen F. Raney, was a keynote panelist on "The National Conversation on Board Diversity" event sponsored by 2020 Women on Boards, and continues to be an active contributor to the organization.



### Human Capital Management

In addition to our Corporate Culture initiatives, Everi implemented programs to support internal and external career development opportunities, offer attractive employee benefits, and actively solicit employee feedback.

# PROXY STATEMENT

## PROPOSAL 1 ELECTION OF TWO CLASS I DIRECTORS

(Item No. 1 on the Proxy Card)

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

### Qualifications of Our Class I Director Nominees:

- Ms. Raney and Mr. Bali are independent.
- Ms. Raney and Mr. Bali have been determined to be financial experts.
- Ms. Raney and Mr. Bali, respectively, have 4+ and 1+ years of service on our Board.
- The two nominees are highly qualified, experienced, diverse, and actively engaged individuals.

Name	Age	Director Since	Principal (or Most Recent) Occupation	Current Committees
Eileen F. Raney.....	71	2016	Former 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	<ul style="list-style-type: none"> <li>• Audit Committee</li> <li>• Compensation Committee</li> <li>• Nominating and Corporate Governance Committee (“Nom Gov Committee” or “Nom Gov”)</li> </ul>
Atul Bali.....	49	2019	Non-executive Chairman of the Board of Meridian Tech Holdings Ltd., a regulated global emerging markets sports betting and online gaming firm, operating in Europe, Latin America, and Africa	<ul style="list-style-type: none"> <li>• Audit Committee</li> <li>• Compensation Committee</li> <li>• Nom Gov Committee</li> </ul>

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 number of directors constituting the Board. The Company’s Bylaws state that the authorized number of directors of the Company shall be fixed in accordance with the Company’s certificate of incorporation. The authorized number of directors of the Company is currently set at eight. 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. As of the filing of the Proxy Statement, the Board is composed of the following eight members:

Class	Directors	Term Commencement	Term Expiration
I	E. Miles Kilburn, Eileen F. Raney, and Atul Bali <sup>(1)</sup> .....	2018 Annual Meeting of Stockholders	2021 Annual Meeting of Stockholders
II	Geoffrey P. Judge, Michael D. Rumbolz, and Ronald V. Congemi..	2019 Annual Meeting of Stockholders	2022 Annual Meeting of Stockholders
III	Linster W. Fox and Maureen T. Mullarkey.....	2020 Annual Meeting of Stockholders	2023 Annual Meeting of Stockholders

(1) Mr. Bali’s term of office began on November 4, 2019, when he was appointed to the Board.

On April 2, 2021, E. Miles Kilburn, a member of the Board since March 2005 and Chairman of the Board since 2008, informed the Company that he will retire from the Board and will not stand for re-election at the Company's 2021 Annual Meeting. Therefore, Mr. Kilburn's last day of service as a director, Chairman of the Board, and member of the Audit Committee, Compensation Committee, and Nom Gov Committee of the Board will be May 19, 2021. The Board has appointed Michael D. Rumbolz, a current member of the Board and Chief Executive Officer of the Company, to jointly serve as Chairman of the Board and Chief Executive Officer of the Company upon Mr. Kilburn's retirement. The Board named Ronald V. Congemi, an independent member of the Board since 2013, as Lead Independent Director, effective April 2, 2021.

Upon the recommendation of the Nom Gov Committee of the Board, the Board has nominated Eileen F. Raney and Atul Bali, current Class I Directors of the Company, for election as Class I Directors of the Company. Mr. Bali was recommended to the Board for appointment by Michael D. Rumbolz, Chief Executive Officer of the Company. If elected, each will serve a three-year term until the 2024 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. Ms. Raney and Mr. Bali have consented, if elected as Class I Directors of the Company, to serve until their respective terms expire. The Board believes that Ms. Raney and Mr. Bali will serve if elected, but if a nominee 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 Nom Gov Committee and approved by the Board.

### **Information Concerning the Director Nominees**

Information regarding the business experience of our nominees for election as Class I Directors is provided below, as well as a description of the skills and qualifications that are desirable in light of our business and structure, and led to the conclusion that each nominee should serve as a director.

## **Class I Directors Whose Term Will Expire in 2021**

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### **Eileen F. Raney** INDEPENDENT, AUDIT COMMITTEE FINANCIAL EXPERT

**Age:** 71

**Director Since:** 2016

**Committees:** Audit, Compensation, Nom Gov (**Chair**)

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#### **BACKGROUND**

- Served from January 2011 to November 2013 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
- Founder and Sole Proprietor of Carpe Executive Coaching, a company which provides advisory services to improve executive leadership and performance since 2020
- Certified as an Executive Coach by the Center for Executive Coaching in 2020
- Certified as a National Association of Corporate Directors (NACD) Board Leadership Fellow in 2018 to 2020
- Active member of the Advisory Board for the University of Nevada-Las Vegas Libraries since 2010
- Active member of the Advisory Board of Fino Consulting since June 2015
- Served on the Board of the University Medical Center of Southern Nevada from 2014 to 2017, as Vice Chair of the Board of Governors and as Chair of both the Strategy Committee and the Audit and Finance Committee
- Served from April 2013 to April 2015 as a member of the Board and Finance Committee of the Board of Nevada Health Centers, a federally-qualified health center in Nevada
- Retired as National Managing Principal, Research & Development and Member, Deloitte & Touche USA Executive Committee in 2007, a position Ms. Raney held from 2003 to 2007
- Served on the Deloitte Board of Directors from 2000 to 2003 while serving as the Human Capital E-Business Leader
- Held numerous positions with Deloitte & Touche USA, LLP from 1988 to 2007, including Global Leader, Integrated Health Group from 1996 to 2000, and Western Regional Leader and National Co-Leader, Integrated Health Group from 1988 to 1996

#### **DIRECTOR QUALIFICATIONS**

Ms. Raney provides valuable knowledge and skills to our Board due to her financial skills and experience in the gaming industry. Ms. Raney has been designated as an "audit committee financial expert" in accordance with NYSE listing standards.

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**Atul Bali** INDEPENDENT, AUDIT COMMITTEE FINANCIAL EXPERT

**Age:** 49

**Director Since:** 2019

**Committees:** Audit, Compensation, Nom Gov

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**BACKGROUND**

- Serves, since 2016, as non-executive Chairman of the Board of Meridian Tech Holdings Ltd., a regulated global emerging markets sports betting and online gaming firm, operating in Europe, Latin America, and Africa
- Serves, since 2021, as non-executive Chairman of The Football Pools Limited, the oldest pool betting company in the world, based in the United Kingdom
- Active as an investor in, and advisor to, a range of privately held lottery, gaming, and fintech businesses, including Instant Win Gaming Ltd., a provider of mobile instant win games to State Lottery operators, and Gaming Realms PLC (LSE: GMR), a developer, publisher, and licensor of mobile games, where he served on the board of directors from 2014 to 2018 and held the position of Deputy Chairman from 2015 to 2018
- Serves, since 2017, as a director on the Board of Rainbow Rare Earths Ltd. (LSE: RBW), a mining company focused on production from, and expansion of Rare Earth Projects in Burundi, East Africa and in South Africa
- Served as President and CEO of GTECH G2, a subsidiary of GTECH Corporation (now NYSE: IGT) until 2010, and held various executive positions, including SVP Corporate Development & Strategy, SVP Commercial Services, and VP Global Business Development at GTECH Corporation between 1997 and 2010
- Served as CEO of XEN Group from 2010 to 2012, and thereafter, in divisional President & CEO roles at Aristocrat Technologies Inc. (ASX: ALL) from 2012 to 2014, and RealNetworks, Inc. (NASDAQ: RNWK) from 2014 to 2015
- Began his career as a Chartered Accountant with KPMG

**DIRECTOR QUALIFICATIONS**

Mr. Bali provides valuable knowledge and skills to our Board due to his extensive skills and experience in the interactive gaming, gaming, and fintech industries. Mr. Bali was previously qualified as a Chartered Accountant and has been designated as an “audit committee financial expert” in accordance with NYSE listing standards.

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## **Directors Whose Terms Will Expire in Future Years**

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, skills and qualifications, and directorships of each such director is provided below.

### **Class II Directors Whose Term Will Expire in 2022**

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#### **Geoffrey P. Judge** INDEPENDENT

**Age:** 67

**Director Since:** 2006

**Committees:** Audit, Compensation (**Chair**), Nom Gov

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#### **BACKGROUND**

- Served as a Partner at iNovia Capital, a manager of early stage venture capital funds, from 2010 to 2016 and continues to sit on boards of iNovia portfolio companies
- Active private equity investor since 2002, working actively with CEOs at his portfolio companies
- Served as Chief Operating Officer in 2002 of Media Solution Services, Inc., a provider of credit card billing insert media
- Co-founder and Senior Vice President and General Manager from 1997 to 2002 of the media division of 24/7 Real Media
- Served from 1995 to 1997 as Vice President of Marketing for iMarket, Inc., a software company
- Served from 1985 to 1994 in various management positions, including as a Vice President and General Manager in the credit card division of American Express
- Holds an M.B.A. from Columbia University and a degree in economics from Northwestern University

#### **DIRECTOR QUALIFICATIONS**

Mr. Judge provides valuable knowledge and skills to our Board due to his extensive knowledge of the Company's business and his experience in the financial services and payments industries.

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**Michael D. Rumbolz** CHIEF EXECUTIVE OFFICER, NON-INDEPENDENT  
CHAIRMAN OF THE BOARD, Effective May 19, 2021

**Age:** 67

**Director Since:** 2010

**Committees:** None

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**BACKGROUND**

- Serves as our Chief Executive Officer, having previously served as our President and Chief Executive Officer since June 2016, as our Interim President and Chief Executive Officer since February 2016, and previously as an independent member of our Board from 2010 until his February 2016 appointment to the Interim President and Chief Executive Officer position. He will also serve as Chairman of the Board following Mr. Kilburn's retirement from the Board at the Annual Meeting.
- Served from 2008 to 2010 as a consultant to the Company advising on various strategic, product development, and customer relations matters following the Company's acquisition in 2008 of Cash Systems, Inc., a provider of cash access services to the gaming industry
- Served as Chairman and Chief Executive Officer of Cash Systems, Inc. from January 2005 until August 2008
- Held various positions in the gaming industry, including Vice Chairman of the Board of Casino Data Systems, President and Chief Executive Officer of Anchor Gaming, Director of Development for Circus Circus Enterprises (later Mandalay Bay Group), President of Casino Windsor at the time of its opening in Windsor, Ontario, and also has provided various consulting services
- Served as Member and Chairman of the Nevada Gaming Control Board from January 1985 to December 1988
- Former Chief Deputy Attorney General of the State of Nevada from January 1983 to January 1985
- Served as Member and 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, from January 2000 until May 2020
- Serves as a member of the Board of Directors of VICI Properties Inc. (NYSE: VICI) since October 2017
- Serves as a member of the Board of Seminole Hard Rock Entertainment, LLC since 2008

**DIRECTOR QUALIFICATIONS**

Mr. Rumbolz' vast experience in, and knowledge of, the highly-regulated gaming industry, both as an operator and as a regulator, as well as his experience in the cash access business, and skills gained from previous and current public and private board service, are valuable to our Company and our Board.

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**Ronald V. Congemi** LEAD INDEPENDENT DIRECTOR, Effective April 2, 2021

**Age:** 74

**Director Since:** 2013

**Committees:** Audit, Compensation, Nom Gov

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**BACKGROUND**

- Active member of the Philadelphia Federal Reserve's Consumer Finance Institute
- Served as a member of the Board of Directors of Clearent LLC, a merchant processing company, from 2007 to 2015
- Served as consultant to the Acxsys Corporation of Canada, the operating arm of the Interac debit network of Canada from 2009 to 2011
- Served as the Chief Executive Officer of First Data's Debit Services Group (which was acquired by KKR and Co. in 2008, and subsequently by Fiserv in 2019), from 2004 until his retirement in 2009
- 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 from 2001 to 2004
- Founded Star Systems, Inc., an ATM and Personal Identification Number, or PIN, debit network in the United States (which was acquired by Concord EFS, Inc. in 2001), and served as its President and Chief Executive Officer from 1984 to 2009

**DIRECTOR QUALIFICATIONS**

Mr. Congemi is valuable to our Board due to his extensive management experience in the payments industry.

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**Class III Directors Whose Term Will Expire in 2023**

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**Linster W. Fox** INDEPENDENT, AUDIT COMMITTEE FINANCIAL EXPERT

**Age:** 71

**Director Since:** 2016

**Committees:** Audit (Chair), Compensation, Nom Gov

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**BACKGROUND**

- Retired and previously 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
- 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
- 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
- Began his career as an accountant at PricewaterhouseCoopers LLC
- Mr. Fox is a Certified Public Accountant in the State of California. His license is presently inactive.
- Has a B.S.B.A. from Georgetown University in Washington, D.C

**DIRECTOR QUALIFICATIONS**

Mr. Fox provides valuable knowledge and skills to our Board due to his financial background and experience in the gaming industry. Mr. Fox is a certified public accountant, with an inactive license in the State of California, and has been designated as an "audit committee financial expert" in accordance with NYSE listing standards.

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**Maureen T. Mullarkey** INDEPENDENT, AUDIT COMMITTEE FINANCIAL EXPERT

**Age:** 61

**Director Since:** 2018

**Committees:** Audit, Compensation, Nom Gov

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**BACKGROUND**

- 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 served in a variety of financial and executive management positions in her 18 years with the company
- Serves since 2014 as a director of PNM Resources, Inc. (NYSE: PNM), a holding company with two regulated utilities providing electricity and electric services in the State of New Mexico and Texas
- Served as a director of NV Energy, Inc. from 2008 to 2013 when the company was sold to Mid-American Energy Holdings Company, a subsidiary of Berkshire Hathaway, Inc.
- Served as Entrepreneur in Residence with The Nevada Institute of Renewable Energy Commercialization from 2009 to 2011
- Has a B.S. from the University of Texas and an M.B.A. from the University of Nevada-Reno

**DIRECTOR QUALIFICATIONS**

Ms. Mullarkey provides valuable knowledge and skills to our Board due to her financial skills and experience in the gaming industry. Ms. Mullarkey has been designated as an “audit committee financial expert” in accordance with NYSE listing standards.

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## BOARD AND CORPORATE GOVERNANCE MATTERS

### *Corporate Governance Philosophy*

The business and 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 oversee the affairs of the Company for the benefit of its stockholders and other constituencies. The Board strives to guide the success and continuity of business through the selection of qualified management. It is also responsible for reviewing the Company's compliance programs so 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 policies and structure following the Annual Meeting include:

## WHAT WE DO



**86% Independent Directors.** Six of our seven directors have been determined by us to be “independent” as defined by the SEC and NYSE listing standards, which the Board has adopted as our standards.



**29% Female Directors.** Two of our seven directors are female.



**14% Ethnic Diversity of Directors (Self-Identified).**



**“Plurality-Plus” Voting for Directors.** Director nominees are elected by the highest number of shares cast “for” a director (mandatory resignation policy for nominees who fail to receive an affirmative majority of votes cast).



**Lead Independent Director.** Our Board, in accordance with provisions as set forth in our Corporate Governance Guidelines, named an independent director of the Board to serve as Lead Independent Director.



**Entirely Independent Committees.** All six members of our Audit, Compensation, and Nom Gov Committees are independent.



**Audit Committee Financial Experts.** Four of the six members of our Audit Committee qualify as an “audit committee financial expert” as defined by the SEC. The remaining two members qualify as “financially literate.”



**Board and Committee Authority to Engage Independent Advisors.**



**All Directors Attended 100% of Board and Respective Committee Meetings.** Each director attended 100% 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 held during 2020.



**Regular Executive Sessions of Independent Directors.** Our independent directors regularly meet in executive session without management’s participation.



### **Limitations on Outside Public Company Board Service.**

- Our independent directors may not serve on more than three boards of public companies in addition to the Company’s Board or on more than two audit committees of public companies, including the Company’s Audit Committee, unless otherwise approved by the Board.

- A director who is Chief Executive Officer of the Company should not serve on more than three boards of public companies, including the Company’s Board.



**Annual Board and Committee Self-Evaluations.** Our Board and Committee members conduct self-evaluations at least annually to determine whether the Board and its Committees are functioning effectively.



**Ongoing Board Refreshment Planning.** Periodic review of our Board’s composition to create the right mix of skills, background, and tenure.



**Executive Succession Planning Process.** Our Board oversees Chief Executive Officer and senior management succession planning, which is reviewed at least annually.



**Code of Business Conduct, Standards and Ethics (and related training).** We have adopted and updated a Code of Business Conduct, Standards and Ethics for our non-employee directors and all employees and provide training on compliance.



**Supplier Code of Conduct.** We have adopted and updated our Supplier Code of Conduct relating to our third-party suppliers.



**Systemic Risk Oversight by Board and Committees.** Our Board has overall responsibility for risk oversight, while each of our Audit, Compensation, and Nom Gov Committees monitor and address risks within the scope of their particular expertise or charter.

## WHAT WE DON’T DO



**No Hedging of Our Securities.** Our officers and directors are prohibited from engaging in any hedging or other speculative trading in our stock.



**No Pledging of Our Securities.** Our officers and directors are prohibited from pledging our stock to secure loans of any type.



**No Tax Reimbursements for Perquisites.**



**No Cash Buyouts of Underwater Stock Options without Stockholder Approval.**



**No Poison Pill.** We do not have a “poison pill” or stockholder rights plan.



**No Repricing of Stock Options without Stockholder Approval.**

## Corporate Governance

### Corporate Governance

We have adopted Corporate Governance Guidelines that reflect the Board's commitment to monitoring the effectiveness of policy and decision making both at the Board and management level, with a view to enhancing stockholder value over the long term.

The Corporate Governance Guidelines address, among other things:

- Director qualification standards, director selection process, voting and administration of election of directors;
- Director responsibilities, time commitments, meeting attendance requirements, orientation and continuing education;
- Equity ownership policy;
- Director access to management and independent advisors;
- Management succession planning, development, and review;
- Annual performance evaluations of the Chief Executive Officer and directors; and
- Director interaction with stockholders and interested parties.

In addition, our Corporate Governance Guidelines are reviewed annually by the Nom Gov Committee and each of our committee charters is reviewed annually by the applicable committee.

### Code of Business Conduct, Standards and Ethics

We have recently adopted an updated version of our Code of Business Conduct, Standards and Ethics to place greater emphasis on diversity and inclusion, privacy, safety and health, sustainability, and corporate social responsibility. Our Code of Business Conduct applies to all our employees, officers, directors, consultants, vendors, suppliers, and agents of the Company.

Our Code of Business Conduct addresses, among other matters:

- Speaking up and reporting concerns;
- Potential conflicts of interest;
- Compliance and adherence to laws, rules, and regulations;
- Privacy and data protection;
- Company assets and property;
- Environmental Sustainability;
- Social Responsibility;
- Diversity and Inclusion/prohibited harassment;
- Human rights;
- Supplier diversity;
- Workplace safety and health;
- Charitable contributions;
- Political activities; and
- Responsible gaming.

To the extent required by law, any substantive amendment to, or waiver of this Code of Business Conduct will be disclosed to the public within four business days on the Company's website at:

<https://www.everi.com/investor-relations/business-summary/governance-documents/>.

### Ethics and Compliance Hotline

Procedures for (i) the receipt, retention and treatment of complaints regarding improper or questionable accounting internal controls or auditing matters or practices, and (ii) the confidential, anonymous submission of such complaints are set forth in the Company's Code of Business Conduct, Standards and Ethics. In order to facilitate the submission of such complaints, we have implemented a secure compliance hotline and website. The compliance hotline and website are operated by an independent service provider and are available for the anonymous submission of complaints.

## Corporate Governance

### Supplier Code of Conduct

We have recently updated our Supplier Code of Conduct to place greater emphasis on our commitment to the improvement of economic, environmental, and social conditions through our business activities and in the same tone and spirit of our own commitments.

Our Supplier Code of Conduct includes our expectation that our suppliers:

- comply with all applicable laws and regulations;
- conduct business ethically, professionally, and with integrity;
- take all necessary steps to keep their workplaces free of harassment and discrimination;
- prohibit forced labor and abuse of labor, including human trafficking;
- prohibit child labor;
- comply with all applicable laws and regulations regarding work hours, wages, and benefits;
- ensure health and safety; and
- support environmental sustainability.

### Clawback Policy

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 Covered Persons.

### Insider Trading Policy

We have an Insider Trading Policy and under it, our directors and executive officers, as well as other designated employees, are prohibited from engaging in the following activities:

- Hedging or monetization transactions involving our securities; and
- Pledging our securities or holding our securities in a margin account as collateral for a loan.

### **Corporate Governance Policies**

As we continue to grow, innovate, and build a culture based on the principles of respect and transparency, it is our duty to our customers, our business associates, our stakeholders, and the communities we serve, to endeavor to uphold the highest standards of ethical conduct, honesty, integrity, and compliance in all that we do, which is what our Code of Business Conduct, Standards and Ethics and our Supplier Code of Conduct are designed to promote.

We recently updated our Code of Business Conduct, Standards and Ethics and Supplier Code of Conduct to place greater emphasis on issues such as diversity and inclusion, privacy, health and safety, environmental sustainability, and corporate social responsibility.

Stockholders may access the Board committee charters, our Code of Business Conduct, Standards and Ethics, Corporate Governance Guidelines, Clawback Policy, and Supplier Code of Conduct in the Corporate Governance section of the "Investors" page on our website at <https://www.everi.com/investor-relations/business-summary/governance-documents/>. Copies of our Board committee charters, Code of Business Conduct, Standards and Ethics, Corporate Governance Guidelines, Clawback Policy, and Supplier Code of Conduct will be provided to any stockholder upon written request to the **Corporate Secretary, Everi Holdings Inc., 7250 South Tenaya Way, Suite 100, Las Vegas, Nevada 89113, or via e-mail to [secretary@everi.com](mailto:secretary@everi.com)**.

## **Environmental Sustainability and Social Responsibility**

### **Overview**

We believe that environmental sustainability and social responsibility are key components to driving and maintaining stockholder value. We take our environmental and social responsibilities seriously, and we are continuously exploring ways to strengthen our culture and corporate responsibility framework.



Through our Nom Gov Committee, our Board oversees the Company's corporate Environmental Sustainability and Social Responsibility efforts. Our Nom Gov Committee regularly reviews policies, goals, and initiatives related to environmental sustainability, building corporate culture (including diversity and inclusion), supporting our communities, and executing on our human capital management strategy (including corporate culture initiatives, career development, and employee feedback). As the management and reporting of Environmental, Social, and Governance risks and opportunities evolve, we expect to adapt accordingly to support our industry, our communities, and our world.

### ***Environmental Sustainability***

We believe our initiatives to improve working remotely are beneficial to our sustainability efforts, including reduction of our energy, water, and paper consumption. In 2020, we reduced and consolidated the number of our office and facilities locations from 14 to 10, with plans to further reduce our office space by approximately 70,000 square feet by June 2021, effectively reducing our carbon footprint.

We have a number of Company-wide programs in place to protect the environment. We implemented recording and reporting protocols at our corporate headquarters and other office and manufacturing locations in order to monitor our environmental impact at those locations and commence our progress towards setting long-term sustainability targets.

With corporate and production facilities worldwide, we are committed to improving our use of electricity and water. In 2019, we implemented metrics to measure water and electric energy use domestically. We strive to reduce overall water and electric energy usage throughout these domestic facilities through technologies such as motion-activated lights and faucets, low-flow toilets, and water filtration systems. Over time, we expect to expand these efforts to support global sustainability in our corporate and production facilities worldwide.

We currently have recycling partners in place for industrial material used in the manufacture of our products, including cardboard, electronics, pallets, batteries, packaging materials, and metals, as well as consumer paper, plastics, and aluminum in all of our facilities. In addition, in our Games business, we redeploy component parts and electronic gaming machines to the extent possible.

Similarly, to reduce bottled water waste, we have installed water filtration systems and hydration stations at a number of our corporate and production facilities to encourage our employees to utilize refillable water bottles, rather than single use plastic water bottles.

In addition, we have an initiative to both reduce our overall paper usage as well as to be more environmentally aware and socially conscious of our choices and consumption. We reprogrammed our printer settings to default to double-sided printing, resulting in an overall reduction in paper consumption. We reinvested the savings from lower purchase volume to begin using copier paper made from recycled paper products.

### ***Social Responsibility***

The Company understands that our long-term success depends in part on our ability to create and sustain a corporate culture that fosters a positive work environment. We believe our focus on employee health and safety, diversity and inclusion, and talent strategies that promote employee development, and employee engagement has, and will continue to, contribute to the Company's overall performance and its future growth. As part of our social responsibility initiatives, we have implemented a Human Rights Statement and Human Rights Policy.

Our Company website makes publicly available descriptions of the Company's policies and commitment to Social Responsibility at: <https://www.everi.com/about-us/corporate-social-responsibility/>.

### ***COVID-19***

Our commitment to the safety and health of our customers and workforce also guides us as we continue to address the unprecedented challenges of COVID-19. Our focus from the outset has been on our people. We proactively took actions to protect our employees and their families from potential virus transmission. As early as February 2020, we began communicating to our employees regarding World Health Organization and Centers for Disease Control and Prevention guidance and providing cleaning supplies and sanitizing stations to promote workplace health and safety, later expanding these communications to include travel restrictions and work-from-home programs, prior to the issuance of various governmental stay-at-home mandates.

For our furloughed employees, the Company covered the cost of health benefit plans through November 30, 2020, and implemented a Board-approved, Company-funded employee disaster relief fund to provide further assistance to our team members.

In anticipation of a phased return to the workplace plan, we implemented a safe workplace program to provide, among other things, workplace health, hygiene, sanitization, and social distancing guidance.

We believe our efforts have helped position the Company to foster a safe and healthy environment.

## **Community**

We aim to bring positive, lasting change to the communities in which we operate. In spite of the COVID-19 pandemic, driven by our employee team members called *Everi Heart™*, we sponsored employee virtual fundraisers and raised contributions for underserved youth, which team contributions were additionally increased by the Company. The Company also made donations to food banks and local charities in Austin, Las Vegas, and Chicago. In the past, we have supported opportunities for youth, underserved families, senior citizens, veterans, animal shelters, and disaster relief efforts, including our own employee disaster relief fund for furloughed Everi employees during the COVID-19 pandemic.

In addition, to continue our commitment to community and provide our casino operator customers a means to also complement their own corporate social responsibility initiatives and support their communities, the Company developed the *Everi Cares™* Giving Module, a platform which allows casino patrons to donate change from redeemed vouchers. Our customers and their patrons have embraced the concept of the Giving Module and the potential each donation of that little bit of change can make. To date, our customers' patrons have made more than \$1,000,000 in donations to approximately 80 regional and national charities through our Giving Module since the introduction of the program in 2017.

## **Responsible Gaming**

Over the years, the Company has worked with dozens of leading responsible gaming associations across the globe to develop a set of comprehensive tools to help prevent problem gamblers from obtaining funds in a casino. The Company's initiatives and Everi's Self Transaction Exclusion Program ("STeP") enable casinos to enhance their promotion of responsible gaming while helping them comply with local laws, customs, and culture in the prevention of problem gambling. Our *CashClub Wallet®* also includes a self-imposed velocity and transaction limits as a supplement to our existing STeP program.

In addition, to further our commitment to Responsible Gaming and to provide our casino operator customers a toolset designed to efficiently maintain compliance with various tax reporting and anti-money laundering requirements, the Company has developed *Everi Compliance®* AML, a platform with features such as quick alerts, currency transaction and suspicious activity report filing, auditable logging, and tax form generation. These Compliance features can similarly be utilized by casinos in support of their responsible gaming initiatives, including Merchant STeP programs.

## **Human Capital**

Everi believes that a key driver to our current and future success is our ability to attract and retain a workforce of talented individuals from diverse backgrounds and are committed to continuing to develop and implement programs and benefits in furtherance of this focus.

### **Composition of Our Workforce**

As of December 31, 2020, we had approximately 1,300 employees, a vast majority of which work domestically, and are comprised of approximately 600 and 700 employees, for our Games and FinTech segments, respectively. We have not experienced a work stoppage and none of our employees is subject to a collective bargaining agreement.

### **Corporate Culture Initiatives / Our Workplace**

Starting in 2019, we began a campaign to refresh our mission statement and core values. After reviewing the historical core values from our legacy companies, we surveyed our employees for feedback on what it means to work for Everi. We launched our WHY campaign, inspired by Simon Sinek's TED talk concept of "Start with the WHY", to encourage our employees to share their own WHYs with their colleagues and customers. In 2020, and again in 2021, we similarly launched our refreshed mission statement and core values.

Our mission statement, which is fundamental to our purpose, is to lead the Industry by reimagining the gaming experience. At Everi, we are guided by our core values: (i) Collaboration; (ii) Integrity; (iii) Inclusion; (iv) Excellence; and (v) Fun, described at our Company website at: <https://www.everi.com/careers-culture/>.

## OUR MISSION STATEMENT

“Everi’s mission is to lead the Industry by reimagining the gaming experience.”

## OUR VALUES



## ***Diversity and Inclusion of Our Workforce***

The Company is committed to a policy of inclusiveness and actively seeks out highly qualified diverse candidates, including race, gender, ethnicity, veteran status, and similar varied experiences. We have implemented manager awareness training and value-based recruitment initiatives to mitigate unconscious bias, including blind resume review, and sought out diverse recruitment locations, recognizing value in differentiated experiences, and accepting and including a range of voices.

We recognize that we can only be at our best when we embrace and reflect the customers and communities that we serve. We believe diverse backgrounds, perspectives, and talents will enable us to continue to be successful and drive shareholder value. We are an equal opportunity employer and are committed to maintaining a diverse and inclusive work environment. Our employees are to be treated with dignity and respect in an environment free from harassment and discrimination regardless of race, color, age, gender, disability, minority, sexual orientation, or any other protected class.

To build this culture, we have invested in programs and implemented standards to promote ethical business conduct, diversity and inclusion, sustainability, giving and volunteerism, and responsible gaming that we believe will support our long-term business success, while also empowering our team members. We recently updated our Code of Business Conduct, Standards and Ethics to place greater emphasis on issues such as diversity and inclusion, privacy, health and safety, environmental sustainability, and corporate social responsibility. We have also created a new Company position of Senior Vice President, Diversity, Inclusion, and Talent Management.

We have implemented mandatory employee-wide diversity and inclusion training initiatives to continue to cultivate a respectful workplace. These training initiatives address some of the diversity and inclusion concepts biggest challenges, such as unconscious bias and micro inequities, and offer employees suggestions for navigating diversity and inclusion challenges to help us create a workplace where contributions are valued, and voices are heard throughout the organization. Throughout the year, email communications are sent to employees Company-wide on social climate and diversity and inclusion topics, including Juneteenth, and daily communications during Black History Month and Women's History Month, featuring and honoring historical, influential contributors.

In 2017, we launched our Women's Leadership Initiative ("WLI") to develop and advance diversity throughout the organization and to create opportunities and a path for advancement. WLI is committed to promoting and advocating for gender diversity at all levels of leadership through awareness, development, and inspiration, recruiting high-potential female candidates from a wide array of areas of the Company.

## ***Employee Development***

We develop our employees through a variety of means, both internally and externally. We offer a leadership program to provide employees training and related resources in a wide variety of managerial skills topics, such as: conflict management, delegation, talent acquisition, eliminating bias behaviors, employee relations, and compliance. In addition, we encourage employees to pursue external education and certification opportunities, many of which may be eligible for cost and tuition reimbursement by the Company, to supplement their career development goals.

## ***Employee Engagement***

We value continuous dialogue with our employees about their experiences. We have several employee feedback mechanisms including opinion surveys, Company-wide email communications, and virtual Company-wide Town Hall meetings, among other mediums. Throughout the year, we directly address employee feedback through these mechanisms to increase employee confidence that their feedback will lead to action by management. In 2020, we surveyed employees regarding work-from-home versus office preferences, addition or revision of benefits, and engaged an outside firm, Entromy, to conduct anonymous and confidential surveys and evaluate feedback on our organization, including on department leadership, executive leadership, Company strategy, organizational communications, onboarding, training, and recognition/rewards. In addition, our employees recently were provided an opportunity to participate in our first pulse survey through Energage Top Workplaces program to benchmark our overall success as a workplace nationally and regionally, including on categories such as values, culture, diversity, leadership, and more.

## ***Employee Health and Safety***

The health and safety of our employees play an important role in the ongoing success of our Company. They are vital to maintaining our brand image through daily positive interactions with customers. We have policies in place to monitor the working conditions of our employees and implement measures to protect their health, safety, and well-being. We focus on compliance with applicable laws and regulations regarding workplace health and safety as well as our efforts with respect to emergency and disaster recovery plans.

We strive to provide our employees with the best benefits possible and we try to continually improve our benefits offerings to meet employees' ever-changing needs. We believe that a comprehensive and compelling benefits package allows for us to attract and retain the best employees. Our benefits are designed to recognize the diverse needs of our workforce. Our program provides: (i) competitive and comprehensive benefit options; (ii) a program that considers individual's needs; and (iii) long-term financial security for our employees and their families.

In 2020, in response to the COVID-19 pandemic, we extended medical benefits and the Company continued to pay both the Company and employee portion of insurance premiums on medical, dental, vision, and life insurance for furloughed employees through November 30, 2020. Additionally, to address the challenges of juggling work and increased family care needs, we added a new suite of benefits, the “Caregiver Loop Support Bundle” (“Care Companions,” “Connected Caregiving,” and “Law Assure”), designed to bring new tools to help care for immediate family members as well as extended family members, such as a parent, grandparent, in-laws, adult children, or siblings. We also implemented a new flexible Discretionary Paid Vacation and Time Off Policy to afford flexibility for employees to take paid time off throughout the year to promote a better-balanced life with more employees working remotely, and sponsored virtual meetings and webinars, including on mental health, health fair, workouts/ yoga, and 401(k) consultation.

## CORPORATE GOVERNANCE

### Board Leadership Structure

On April 2, 2021, E. Miles Kilburn, a member of the Board since March 2005 and Chairman of the Board since 2008, informed the Company that he will retire from the Board and will not stand for re-election at the Company's 2021 Annual Meeting. Therefore, Mr. Kilburn's last day of service as a director, Chairman of the Board, and member of the Audit Committee, Compensation Committee, and Nom Gov Committee of the Board will be May 19, 2021. The Board has appointed Michael D. Rumbolz, a current member of the Board and Chief Executive Officer of the Company, to jointly serve as Chairman of the Board and Chief Executive Officer of the Company upon Mr. Kilburn's retirement. The Board named Ronald V. Congemi, an independent member of the Board since 2013, as Lead Independent Director, effective April 2, 2021.

The Board believes that following Mr. Kilburn's departure, it is in the best interests of the Company for a single person to serve as both the Chairman of the Board and Chief Executive Officer as the Board's strategic planning and oversight efforts, particularly during the ongoing pandemic, will benefit from Mr. Rumbolz' deep knowledge and insights with regard to our day-to-day operations. At the same time, the independent directors will have strong leadership in Mr. Congemi as Lead Independent Director, whose responsibilities will include: (a) presiding at meetings of the Board at which the Chairman is not present, including executive sessions of the independent directors; (b) approving information sent to the Board; (c) approving the agenda and schedule for Board meetings to provide that there is sufficient time for discussion of all agenda items; (d) serving as liaison between the Chairman and the independent directors; and (e) being available for consultation and communication with major stockholders upon request. The Lead Independent Director also has the authority to call executive sessions of the independent directors.

### 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: our credit, liquidity, cybersecurity, compliance and legal and regulatory, strategic, and reputational risks. The Board, or the applicable committee of the Board, regularly 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, including recent risks that the Company has focused on, including various enterprise risks, market impacts, and other risks driven by COVID-19. The Board engages with the Company's Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, and Chief Legal Officer, along with other members of management, to determine the Company's risk tolerance and endeavors to see that management identifies, evaluates, and properly manages and mitigates the overall risk profile of the Company.

#### Audit Committee

Assesses risks relating to the Company's financial statements and cybersecurity matters, including information technology risks (inclusive of but not limited to data privacy and security issues); and

Oversees both the Company's external and internal audit functions and oversees the Company's compliance with applicable laws and regulations

#### Compensation Committee

Oversees the management of risks relating to the Company's executive compensation plans and arrangements; and

Oversees the Company's Employee Equity Plan and issuance of equity to employees

#### Nom Gov Committee

Reviews, no less than annually, the independence of our Board and potential conflicts of interest concerning our Board and senior executives; and

Oversees the Company's Environmental Sustainability, Social Responsibility, and Corporate Governance initiatives

## ***The Board's Role in Overseeing Cyber-Risk***

We employ multiple methods and technologies to secure the Company's computing environment and maintain the confidentiality, integrity, and availability of our information assets. Our Audit Committee and our Board oversee the Company's Information Security Program and cyber-security risk. The Audit Committee and our Board periodically receive reports from the Company's Chief Information Security Officer, or CISO, on the Company's cyber-risk profile and information security initiatives. The Company's Information Security Program is administered by the CISO, who maintains a direct reporting line to both the Audit Committee and the Board. At least annually, the Audit Committee receives a formal, enterprise-wide information technology and cyber-security risk assessment and reviews and recommends the Company's information security program supporting policies to the full Board for evaluation and approval. The Audit Committee regularly reviews and discusses the Company's technology strategy with the CISO and recommends the Company's strategic technology plan to the full Board for evaluation and approval. In addition, the Board regularly receives information about these topics and evolving cybersecurity threat landscape from the chair of the Audit Committee, the CISO and management, and is apprised directly of incidents exceeding certain risk tolerances.

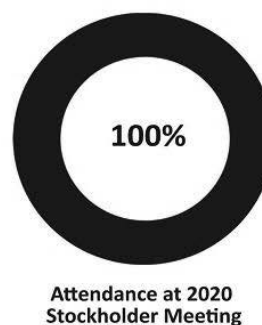
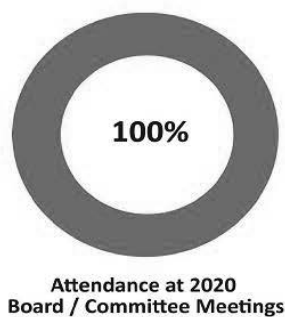
## ***Executive Sessions of Independent Directors***

Pursuant to our Corporate Governance Guidelines and the NYSE listing standards, in order to promote open discussion among non-employee directors, our non-employee directors regularly meet in executive sessions of non-employee directors. The executive sessions occur after each regularly scheduled meeting of the entire Board and at such other times that the non-employee directors deem necessary or appropriate. The Lead Independent Director shall preside over the executive sessions of the independent directors.

## ***Director Attendance at Meetings of the Board and its Committees and Annual Meeting of Stockholders***

Our Board held a total of seventeen (four regular and thirteen special meetings) during the year ended December 31, 2020. During 2020, each director attended 100% of the aggregate of the total number of meetings of our Board and the total number of meetings held by all Board committees on which such person served.

All of our serving directors attended our 2020 annual meeting held on June 16, 2020. We do not have a formal policy regarding director attendance at annual meetings; however, our directors are expected to attend all Board and committee meetings, as applicable, and to meet as frequently as necessary to discharge their responsibilities.



## ***Director Independence***

Our Corporate Governance Guidelines provide that a majority of our directors serving on our Board must be independent as required by, and defined by, the rules, regulations, and listing qualifications of the NYSE. In general, a director is deemed independent if the director has no relationship to us that may interfere with the exercise of the director's independence from management and our Company. Our Board, after broadly considering all relevant facts and circumstances regarding the past and current relationships, if any, of each director with the Company, has affirmatively determined that all of the Company's non-employee directors, Messrs. Kilburn, Judge, Fox, Congemi, Bali, and Ms. Raney and Mullarkey, are independent directors, and determined that there are no material relationships that would interfere with the exercise of such directors' independent from management and our Company.

In making these independence determinations, our Nom Gov Committee reviewed and presented to the Board to consider, the following relationships and transactions, which the Board found did not affect the independence of the applicable director:

- **Atul Bali.** Mr. Bali is (i) an advisor to an online instant win gaming company that is a current licensor of Everi content, and a holder of stock options totaling less than 5% of that company's outstanding shares; (ii) an advisor to a developer, publisher, and licensor of mobile games that licenses Everi games; and (iii) an advisor to a financial software company that is a Remote Gaming Server platform provider for multiple content providers.

## Regular Board and Committee Evaluations

The Board and the Audit, Compensation, and Nom Gov Committees have an annual evaluation of the committees and of the Board as a whole. In 2020, there was a combined evaluation process for the committees and an evaluation process for the Board, which focused on their roles and effectiveness, as well as fulfillment of their fiduciary duties. The evaluations were 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.

## BOARD OF DIRECTORS AND COMMITTEES

### The Board of Directors

Our Board has three standing committees: the Audit Committee, the Compensation Committee, and the Nom Gov 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 Nom Gov Committee.

The table below depicts the Committee membership during fiscal year 2020 and the current Committee membership as of the date of this Proxy Statement. Our Board believes that at this time, it is appropriate for each of the Board's non-employee/independent directors to serve on each of our committees. This approach encourages focused discussions that benefit from the variety of perspectives and experiences represented by each of our non-employee directors. Our Board also benefits from a majority of members being apprised of committee activities, which allows for the Board to respond quickly as needed to issues that arise. 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.

Name	Independent	Audit	Compensation	Nom Gov Committee	# of Other Public Company Boards
E. Miles Kilburn <sup>(1)</sup> .....	✓	●	●	●	0
Geoffrey P. Judge.....	✓	●	Chair	●	0
Ronald V. Congemi.....	✓	●	●	●	0
Eileen F. Raney.....	✓	●	●	Chair	0
Linster W. Fox.....	✓	Chair	●	●	0
Maureen T. Mullarkey.....	✓	●	●	●	1
Atul Bali.....	✓	●	●	●	1
Michael D. Rumbolz <sup>(2)</sup>					1

(1) Mr. Kilburn will retire on May 19, 2021.

(2) Mr. Rumbolz has not served as a member of any committees of the Board since February 2016, when he first became an executive officer of the Company.

### Audit Committee

Our Audit Committee is comprised entirely of directors who satisfy the standards of independence established under the applicable SEC rules and regulations, NYSE listing standards, and our Corporate Governance Guidelines. Also, each member of our Audit Committee satisfies the financial literacy requirements of NYSE listing standards.



<p><b>MEMBERS</b></p> <p>Linster W. Fox (<b>Chair</b>)*  E. Miles Kilburn*  Geoffrey P. Judge**  Ronald V. Congemi**  Eileen F. Raney*  Maureen T. Mullarkey*  Atul Bali*</p> <p>Meetings in 2020: 5</p> <p>* “Audit Committee Financial Expert” in accordance with NYSE listing standards</p> <p>** “Financially Literate” in accordance with NYSE listing standards</p>	<p>The Audit Committee has responsibility to, among other things, review and discuss with management and our independent auditor, each, as appropriate:</p> <ul style="list-style-type: none"> <li>▪ the integrity of our financial statements in accordance with generally accepted accounting principles (“GAAP”) and applicable rules and regulations of the SEC and the NYSE, including the Company’s annual and quarterly audited financial statements;</li> <li>▪ the performance and adequacy of the Company’s internal audit function and internal auditor;</li> <li>▪ 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 major financial risk, and the steps management has taken to monitor and control such exposures (further detail about the role of the Audit Committee in risk assessment and risk management is included in the section entitled “<b>BOARD AND CORPORATE GOVERNANCE MATTERS — Board Role in Risk Oversight</b>” above);</li> <li>▪ the performance and independence of the Company’s independent auditor;</li> <li>▪ our compliance with certain legal and regulatory requirements, including reports from the Company’s independent auditor in connection with the preparation of the Company’s financial statements; and</li> <li>▪ related-party transactions.</li> </ul>
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## Compensation Committee

Our Compensation Committee is comprised entirely of directors who satisfy the standards of independence established under the applicable SEC rules and regulations, NYSE listing standards, and our Corporate Governance Guidelines.

<p><b>MEMBERS</b></p> <p>Geoffrey P. Judge (<b>Chair</b>)  E. Miles Kilburn  Ronald V. Congemi  Eileen F. Raney  Linster W. Fox  Maureen T. Mullarkey  Atul Bali</p> <p>Meetings in 2020: 8</p>	<p>Pursuant to its charter, the purposes of the Compensation Committee are to, among other things:</p> <ul style="list-style-type: none"> <li>▪ oversee the responsibilities of our Board relating to compensation of our directors and executive officers;</li> <li>▪ produce the annual Compensation Committee Report for inclusion in our proxy statement and Annual Report on Form 10-K, as applicable, per applicable rules and regulations; and</li> <li>▪ design, recommend, and evaluate our director and executive compensation plans, policies, and programs.</li> </ul> <p>In addition, our Compensation Committee works with our executive officers, including our Chief Executive Officer, to implement and promote our executive compensation strategy. See “<b>EXECUTIVE COMPENSATION — Compensation Discussion and Analysis</b>” for additional information on our Compensation Committee’s processes and procedures for the consideration and determination of executive compensation. According to its charter, our Compensation Committee has the sole authority, at our expense, to retain, terminate, and approve the fees and other retention terms of outside consultants to advise our Compensation Committee in connection with the exercise of its powers and responsibilities.</p>
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## Compensation Committee Interlocks and Insider Participation

During fiscal year 2020, no member of the Compensation Committee was, or formerly was, an officer or employee of the Company or its subsidiaries. During fiscal year 2020, no interlocking relationship existed between any member of the Company’s Board or Compensation Committee, and any member of the board or compensation committee of any other company.

## Nom Gov Committee

Our Nom Gov Committee identifies individuals qualified to become members of our Board, makes recommendations to our Board regarding director nominees for the next annual general meeting of stockholders, and develops and recommends corporate governance principles to our Board. Our Nom Gov Committee, in its business judgment, has determined that it is comprised entirely of directors who satisfy the applicable standards of independence established under the SEC’s rules and regulations, NYSE listing standards, and our Corporate Governance Guidelines. For information regarding our Nom Gov

Committee’s policies and procedures for identifying, evaluating, and selecting director candidates, including candidates recommended by stockholders, see “**Director Candidate Qualification and Nomination Process**” below.

<p><b>MEMBERS</b></p> <p>Eileen F. Raney (<b>Chair</b>)</p> <p>E. Miles Kilburn</p> <p>Geoffrey P. Judge</p> <p>Ronald V. Congemi</p> <p>Linster W. Fox</p> <p>Maureen T. Mullarkey</p> <p>Atul Bali</p> <p>Meetings in 2020: 5</p>	<p>Pursuant to its charter, the purposes of the Nom Gov Committee are to, among other things:</p> <ul style="list-style-type: none"> <li>▪ compile and present to the Board potential criteria for prospective members of our Board, conduct candidate searches and interviews, and formally propose the slate of directors to be elected at each annual meeting of our stockholders;</li> <li>▪ advise our Board about appropriate composition and compensation of our Board and its committees;</li> <li>▪ develop and recommend to our Board adoption of our Corporate Governance Guidelines, our Code of Business Conduct, Standards and Ethics and our policies with respect to conflicts of interest;</li> <li>▪ make recommendations to the Board as to the membership of committees of the Board;</li> <li>▪ oversee and evaluate our Board and management; and</li> <li>▪ monitor our compliance with applicable laws, rules, and regulations.</li> </ul> <p>In addition, our Nom Gov Committee works with our executive officers, including our Chief Executive Officer, to implement and promote our director compensation strategy. See “<b>Director Compensation</b>” for additional information on our Nom Gov Committee’s processes and procedures for the consideration and determination of director compensation. According to its charter, our Nom Gov Committee has the sole authority, at our expense, to retain, terminate, and approve the fees and other retention terms of outside consultants to advise our Nom Gov Committee in connection with the exercise of its powers and responsibilities.</p>
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The duties and responsibilities of each of our standing committees are more fully described in their respective charters, which are available at the Corporate Governance section of the “Investors” page on our website at <https://www.everi.com/investor-relations/business-summary/governance-documents/>.

**Director Candidate Qualification and Nomination Process**

**Director Selection Process.** Our Nom Gov Committee is responsible for recommending director candidates and nominees to the full Board, in collaboration with the Chairman of the Board.

As provided in the charter of the Nom Gov Committee, nominations for director may be made by the Nom Gov Committee or by a stockholder of record entitled to vote. The Nom Gov Committee will consider and make recommendations to the Board regarding any stockholder recommendations for candidates to serve on the Board. The Nom Gov Committee does not consider stockholder recommended candidates differently than other candidates. Stockholders wishing to recommend candidates for consideration by the Nom Gov Committee may do so in accordance with the instructions set forth under “**When are stockholder proposals due for the 2022 Annual Meeting of Stockholders?**” in the “**FREQUENTLY ASKED QUESTIONS**” section of this Proxy Statement.

Our Nom Gov Committee seeks to identify candidates based on input provided by a number of sources, including (i) other members of the Board, (ii) officers and employees of the Company, and (iii) stockholders of the Company.

Our Nom Gov Committee will also seek ongoing input from the incumbent directors and the Chief Executive Officer, with the goal of identifying and informally approaching possible director candidates in advance of actual need. The Company does not pay any third party to identify or assist in identifying or evaluating potential nominees. The Board shall itself determine in each case, the manner by which an invitation to join the Board shall be extended to director nominees, other than those nominated directly by the Company’s stockholders.

## DIRECTOR QUALIFICATIONS

Key factors that the Nom Gov Committee considers when determining whether to recommend directors for nomination include:

- **Experience** — Particular skills and leadership that are relevant to the Company's industry
- **Diversity** — Diversity of background, race, gender, qualifications, attributes, and skills
- **Age and Tenure** — The age and Board tenure of each incumbent director
- **Board Size** — The Nom Gov Committee periodically evaluates the size of the Board, depending on the Board's needs
- **Board Independence** — Independence of candidates for director nominees, including the appearance of any conflict in serving as a director
- **Board Contribution** — Integrity, business judgment, and commitment
- **Willingness to Continue to Serve** — As applies to current directors if re-nominated

A detailed description of the criteria used by the Nom Gov Committee in evaluating potential candidates may be found in the charter of the Nom Gov Committee which is available at the Corporate Governance section of the "Investors" page on our website at <https://www.everi.com/investor-relations/business-summary/governance-documents/>.

# HOW WE BUILD OUR BOARD

The Board continuously identifies potential director candidates in anticipation of retirements, resignations, or the need for additional capabilities. This chart describes the ongoing Nom Gov Committee process to identify highly qualified candidates.



## Outcome

Added one highly-qualified female director in March 2018.

Expanded the number of directors to serve on the Board from seven to eight members; and added one highly-qualified independent director, self-identified as ethnically diverse in November 2019.

**Board Diversity**

Our Board believes that the Company’s directors should possess a combination of skills, professional experience, expertise, and diversity of backgrounds necessary to enable the Board to perform its oversight function effectively. Our Board maintains there are certain attributes every director should possess, as reflected in the Board’s membership criteria as discussed above in the “**Director Selection Process.**” Accordingly, our Board and our Nom Gov Committee consider the qualifications of directors and director candidates individually, and in the context of the Board’s overall composition, and the Company’s current and anticipated future needs. The Board assesses the effectiveness of this goal as part of its annual evaluation process.

In June 2019, the Company was named a Winning ‘W’ Company by 2020 Women on Boards for achieving at least 20 percent women on its board of directors prior to the 2020 target date. Mses. Raney and Mullarkey have served on the Company’s Board beginning in 2016 and 2018, respectively. Ms. Raney was a keynote panelist on “The National Conversation on Board Diversity” event sponsored by 2020 Women on Boards, and continues to be an active contributor to the organization.

**Board Refreshment**

Below presents a snapshot of the expected composition of our Board immediately following the Annual Meeting.



The Board intends to review the opportunity to fill the open director position created by Mr. Kilburn’s retirement through the addition of a new director that would continue to advance the gender, cultural, and professional diversity of its current composition and that would bring additional gaming, financial technology, digital, and leadership experience to the Board.

Our Board also believes that directors develop an understanding of the Company and an ability to work effectively as a group over time. This provides substantial value and a significant degree of continuity year-over-year which is beneficial to our stockholders.

**Retirement Age**

The Board has established a retirement age policy of 75 years for directors, as reflected in our Corporate Governance Guidelines. The Board believes that it is important to monitor its composition, skills, and needs in the context of the Company’s long-term strategic goals, and, therefore, may elect to waive the policy as it deems appropriate. The Board believes it is important to balance refreshment with the need to retain directors who have developed, over time, significant insight into the Company and its operations, and who continue to make valuable contributions to the Company that benefit our stockholders.

## Director Compensation

Pursuant to the authority granted to it in its charter, the Nom Gov Committee may engage an independent compensation consultant. The consultant reports directly to the Nom Gov Committee, who may replace the consultant or hire additional consultants at any time.

In 2020, the Rewards Solutions practice at Aon plc (“Aon”) served as the Nom Gov Committee’s independent compensation consultant in connection with the committee’s responsibilities related to director compensation. The compensation consultant provides services to the Nom Gov Committee, including, but not limited to: advice on director compensation philosophy, incentive plan design, stockholder engagement, and proxy disclosure, among other compensation topics. The compensation consultant provides no additional services to the Company, other than the similar consulting services provided to the Compensation Committee as to executive compensation and the Equity Incentive Plan.

None of the Company’s management participated in the Nom Gov 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 our Nom Gov Committee with respect to director compensation matters, and the Nom Gov Committee may replace Aon or hire additional consultants at any time. Aon attended meetings of our Nom Gov Committee, as requested, and communicated with the Chair of the Nom Gov Committee between meetings; however, our Nom Gov Committee made all decisions regarding the compensation of the Company’s directors.

Our Nom Gov Committee regularly reviews the services provided by its outside consultants and believes that Aon is independent in providing director compensation consulting services. See also “**Role of Compensation Consultants**” in the “**Compensation, Discussion and Analysis**” section of this Proxy Statement.

Our Nom Gov Committee continues to monitor the independence of its compensation consultant on a periodic basis.

In 2020, our non-employee directors were compensated through equity awards and annual cash retainers for Board and Board Committee service, as follows:

	Annual Cash Retainer <sup>(1)</sup>	Restricted Stock Units <sup>(2)</sup>
All non-employee Board Members .....	\$68,750	18,571 <sup>(3)</sup>
Chairman of the Board .....	\$22,917	29,285 <sup>(4)</sup>
Audit Committee Chair .....	\$22,917	None
Audit Committee Member .....	\$11,459	None
Compensation Committee Chair .....	\$18,333	None
Compensation Committee Member .....	\$9,167	None
Nom Gov Committee Chair .....	\$13,750	None
Nom Gov Committee Member .....	\$8,594	None

(1) As a direct result of the circumstances surrounding the COVID-19 global pandemic, the total cash compensation reflected above represents a reduced amount paid as the month of April 2020 fees for Board and Committee services were to be forfeited by the Board.

(2) Vest on the first anniversary date following the grant date of May 26, 2020. Vested shares will be delivered to the reporting person on the earliest of the following events: (i) May 26, 2030; (ii) the reporting person’s death; (iii) the occurrence of a Change in Control (as defined in our equity incentive plans), subject to qualifying conditions; or (iv) the date that is six months following the reporting person’s separation from service, subject to qualifying conditions.

(3) Represents equity units initially calculated based on a value of \$130,000. The actual value at the date of grant is disclosed in the following table.

(4) Represents equity units initially calculated based on a value of \$205,000. The actual value at the date of grant is disclosed in the following table.

The following table sets forth the compensation of our independent members of the Board for the fiscal year ended December 31, 2020:

Name	Fees earned or paid in cash	Stock awards <sup>(1)</sup>	Total
E. Miles Kilburn <sup>(2)</sup> .....	\$ 120,886	\$ 173,074	\$ 293,960
Linster W. Fox <sup>(2)</sup> .....	109,428	109,755	219,183
Geoffrey P. Judge <sup>(2)</sup> .....	107,136	109,755	216,891
Eileen F. Raney <sup>(2)</sup> .....	103,125	109,755	212,880
Ronald V. Congemi <sup>(2)</sup> .....	97,970	109,755	207,725
Maureen T. Mullarkey <sup>(2)</sup> .....	97,970	109,755	207,725
Atul Bali <sup>(2)</sup> .....	97,970	109,755	207,725

(1) Represents the fair value of the directors' restricted stock unit awards in fiscal year 2020, as calculated in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 718, Stock Compensation. The time-based restricted stock units awards granted in 2020 to independent members of our Board vest on the first anniversary date following the grant date of May 26, 2020. Vested shares will be delivered to the reporting person on the earliest of the following events: (i) May 26, 2030; (ii) the reporting person's death; (iii) the occurrence of a Change in Control (as defined in our equity incentive plans), subject to qualifying conditions; or (iv) the date that is six months following the reporting person's separation from service, subject to qualifying conditions. For a discussion on the assumptions made in the valuation of the directors' restricted stock unit 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, 2020.

(2) At December 31, 2020, our independent directors had the following aggregate numbers of unvested restricted stock unit awards and shares underlying outstanding option awards:

Name	Unvested stock awards	Shares underlying option awards
E. Miles Kilburn.....	51,877 (i)	464,135
Linster W. Fox.....	32,897 (ii)	160,000
Geoffrey P. Judge.....	32,897 (iii)	294,424
Eileen F. Raney.....	32,897 (iv)	160,000
Ronald V. Congemi.....	32,897 (v)	335,000
Maureen T. Mullarkey.....	32,897 (vi)	—
(3) Atul Bali.....	23,532 (vii)	—

- i. In addition to the unvested restricted stock units reported in the table, Mr. Kilburn holds 25,241 deferred stock units, for which the time-based vesting requirement has been satisfied; however, these awards will only settle in shares of Common Stock in accordance with the provisions set forth in the grant notices.
- ii. In addition to the unvested restricted stock units reported in the table, Mr. Fox holds 16,007 deferred stock units, for which the time-based vesting requirement has been satisfied; however, these awards will only settle in shares of Common Stock in accordance with the provisions set forth in the grant notices.
- iii. In addition to the unvested restricted stock units reported in the table, Mr. Judge holds 16,007 deferred stock units, for which the time-based vesting requirement has been satisfied; however, these awards will only settle in shares of Common Stock in accordance with the provisions set forth in the grant notices.
- iv. In addition to the unvested restricted stock units reported in the table, Ms. Raney holds 16,007 deferred stock units, for which the time-based vesting requirement has been satisfied; however, these awards will only settle in shares of Common Stock in accordance with the provisions set forth in the grant notices.
- v. In addition to the unvested restricted stock units reported in the table, Mr. Congemi holds 16,007 deferred stock units, for which the time-based vesting requirement has been satisfied; however, these awards will only settle in shares of Common Stock in accordance with the provisions set forth in the grant notices.
- vi. In addition to the unvested restricted stock units reported in the table, Ms. Mullarkey holds 16,007 deferred stock units, for which the time-based vesting requirement has been satisfied; however, these awards will only settle in shares of Common Stock in accordance with the provisions set forth in the grant notices.

- vii. In addition to the unvested restricted stock units reported in the table, Mr. Bali holds 2,481 deferred stock units, for which the time-based vesting requirement has been satisfied; however, these awards will only settle in shares of Common Stock in accordance with the provisions set forth in the grant notices.

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

The Board's deep commitment to excellence in corporate governance is reflected in its regular review of and ongoing work to further its existing senior leadership succession planning to ensure long-term continuity. Our Board periodically reviews the overall composition of our senior management's qualifications, tenure, and experience. 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.



## CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

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

Under written 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:

- the purchase, sale or lease of assets to or from a related person;
- the purchase or sale of products or services to or from a related person; or
- 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:

- the consequences to the Company of consummating or not consummating the transaction;
- 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
- 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 non-employee directors and our 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***

Since the beginning of fiscal year 2020, 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.

### ***Stockholder Engagement and Outreach***

We actively engage with and value the opinions of our stockholders. We believe in providing transparent and timely information to our investors. Executive management and our Investor Relations team routinely listen to and communicate with our stockholders on a variety of matters relating to our business strategy and performance, corporate governance, board composition and structure, executive compensation program, and corporate responsibility and sustainability initiatives in various forums, which have included and may include:

- quarterly earnings presentations;
- industry conferences, including virtual meetings;
- conference calls; and
- investor day events.

We continued our outreach program in 2020 in spite of the limitations imposed by the COVID-19 pandemic. Throughout the year, we participated in virtual investor conferences and held virtual meetings with analysts and many of our investors. In our virtual meetings, we discussed a variety of topics that are important to investors, including our response to the COVID-19 pandemic, Company performance and operations, new products, industry trends, corporate governance, and short- and long-term strategic direction. We relay stockholder feedback to our Board and its committees regularly, and work with them to enhance our practices and improve our disclosures.

### ***Communication Between Interested Parties and Directors***

Stockholders and other interested parties may communicate with individual directors (including the Chairman and Lead Independent 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 Corporate Secretary, Everi Holdings Inc., 7250 South Tenaya Way, Suite 100, Las Vegas, NV 89113, or via e-mail to [secretary@everi.com](mailto:secretary@everi.com)**. The Company's Corporate 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 Corporate 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.

### ***Executive Employment Agreements***

We are party to employment agreements with each of our named executive officers. The material terms of the employment agreements with our named executive officers are described under "**EXECUTIVE COMPENSATION — Compensation of Named Executive Officers — Employment Contracts and Equity Agreements, Termination of Employment, and Change in Control Arrangements.**"

### ***Director and Officer Indemnification Agreements***

We have entered into an indemnification agreement with each of our directors and executive officers. Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended (the "Securities Act") may be permitted to directors or executive officers, we have been informed that in the opinion of the SEC such indemnification is against public policy and is therefore unenforceable. We have purchased and maintain insurance on behalf of all of our directors and executive officers against liability asserted against or incurred by them in their official capacities, whether or not we are required to have the power to indemnify them against the same liability.

## EXECUTIVE OFFICERS

Set forth below is certain information regarding each of our current executive officers, other than Mr. Rumbolz, whose biographical information is presented under “Class II Directors Whose Terms Will Expire in 2022.”

Name	Age	Position
Michael D. Rumbolz .....	67	Chief Executive Officer
Randy L. Taylor.....	58	President and Chief Operating Officer
Mark F. Labay.....	49	Executive Vice President, Chief Financial Officer and Treasurer
Dean A. Ehrlich.....	52	Executive Vice President, Games Business Leader
David J. Lucchese.....	62	Executive Vice President, Sales, Marketing and Digital
Darren D. A. Simmons...	52	Executive Vice President, FinTech Business Leader
Kate C. Lowenhar-Fisher.....	43	Executive Vice President, Chief Legal Officer - General Counsel and Corporate Secretary
Todd A. Valli.....	46	Senior Vice President, Corporate Finance and Chief Accounting Officer

**Randy L. Taylor** has served as our President and Chief Operating Officer since April 2020, having previously served as our Executive Vice President and Chief Financial Officer since March 2014, and as the Company’s Senior Vice President and Controller since November 2011.

**Mark F. Labay** has served as our Executive Vice President, Chief Financial Officer and Treasurer since April 2020, having previously served as the Company’s Senior Vice President, Finance and Investor Relations since April 2014, among other responsibilities since August 2002.

**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., an electronic gaming and amusement manufacturer, from June 2003 through July 2015, which was acquired by Scientific Games Corporation in late 2013, including as Senior Vice President Global Gaming Operations, where he led business for premium lease products and commercial sales operations and development of progressive strategic initiatives.

**David J. Lucchese** has served as our Executive Vice President, Sales, Marketing and Digital since April 2020, having previously served as our Executive Vice President, Digital and Interactive Business Leader since January 2017, our Executive Vice President, Games since January 2015, our Executive Vice President, Client Operations from March 2014 to January 2015, and our Executive Vice President, Sales from April 2010 to March 2014.

**Darren D. A. Simmons** has served as our Executive Vice President, FinTech Business Leader since January 2019, having previously served as the Company’s Payments Business Leader from December 2017 through December 2018, Senior Vice President, Payments Solutions from January 2015 through November 2017, and Senior Vice President, International Business from August 2006 through December 2014.

**Kate C. Lowenhar-Fisher** has served as our Executive Vice President, Chief Legal Officer – General Counsel and Corporate Secretary since March 22, 2021. Prior to joining the Company, Ms. Lowenhar-Fisher served as an Equity Member of Dickinson Wright, PLLC from January 2015 to March 2021, and served as Chair of its Gaming & Hospitality Practice Group, where she counseled many of the world’s premier gaming companies on regulatory issues in connection with mergers and acquisitions, corporate restructuring, reorganizations, and financings. Prior to Dickinson Wright, PLLC, Ms. Lowenhar-Fisher served as a Shareholder at Brownstein Hyatt Farber Schreck, LLP (formerly known as Schreck Brignone) from September 2002 to December 2014, where she specialized in gaming law and commercial transactions.

**Todd A. Valli** has served as our Senior Vice President, Corporate Finance and Chief Accounting Officer since September 2015. Preceding this appointment, Mr. Valli served as Vice President of Corporate Finance and Investor Relations for the Company, among other responsibilities, since September 2011.

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

As required by Item 24 of Schedule 14A, we are asking for stockholder approval, on a non-binding, advisory basis, of the compensation of our named executive officers as disclosed in this Proxy Statement, which disclosures include the disclosures under “**Compensation Discussion and Analysis**,” the compensation tables, and the narrative discussion following the compensation tables. This proposal, commonly known as a “Say on Pay” proposal, is not intended to address any specific item of compensation, but rather the overall compensation of our named executive officers and the policies and practices described in this Proxy Statement.

We believe that the Company has created a compensation program deserving of stockholder support. At our 2020 annual meeting of stockholders, over 89.3% of the votes cast supported our executive compensation program for 2020. 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 promoting long-term retention, motivation, and alignment with the long-term interests of the Company’s stockholders.

Please read “**Compensation Discussion and Analysis**” for additional details about our executive compensation program, including information about the 2020 compensation of our named executive officers.

The Board unanimously recommends that stockholders vote in favor of the following resolution:

“RESOLVED, that the stockholders of Everi Holdings Inc. approve, on a non-binding 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 2021 Annual Meeting of Stockholders.”

Approval of this non-binding, advisory “Say on Pay” resolution requires the affirmative vote of the holders of a majority of the votes cast at the Annual Meeting at which a quorum is present.

The vote on this proposal is non-binding and advisory in nature and will not affect any compensation already paid or awarded to any named executive officer, and it will not be binding on or overrule any decisions by our Board or our Compensation Committee. Nevertheless, our Board highly values input from our stockholders, and our Compensation Committee will carefully consider the result of this vote when making future decisions about executive compensation. The Board has adopted a policy of providing for annual “Say on Pay” advisory votes. Unless the Board modifies its policy on the frequency of holding “Say on Pay” advisory votes, the next “Say on Pay” advisory vote will occur in 2022.

# EXECUTIVE COMPENSATION

The Company is a holding company, the principal asset of which is the capital stock of Everi Payments Inc. (“Everi FinTech”), 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 FinTech, other than Mr. Ehrlich who is an employee of Everi Games. All references in this Proxy Statement to executive compensation relate to the executive compensation paid by Everi FinTech 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 2020 executive compensation program for our “named executive officers” or “NEOs.” This CD&A is intended to be read in conjunction with the Compensation of Named Executive Officers section contained within this Executive Compensation portion of the Proxy Statement, which provides further historical compensation information.

The following individuals were our NEOs as of December 31, 2020:

Name	Current Title
Michael D. Rumbolz <sup>(1)</sup> .....	Chief Executive Officer
Randy L. Taylor <sup>(2)</sup> .....	President and Chief Operating Officer
Mark F. Labay <sup>(3)</sup> .....	Executive Vice President, Chief Financial Officer and Treasurer
Dean A. Ehrlich.....	Executive Vice President, Games Business Leader
David J. Lucchese <sup>(4)</sup> .....	Executive Vice President, Sales, Marketing and Digital

- 
- (1) Mr. Rumbolz is our Chief Executive Officer; he also served as our President until April 1, 2020.
  - (2) As of April 1, 2020, Mr. Taylor began serving as President and Chief Operating Officer. Mr. Taylor previously served as Executive Vice President, Chief Financial Officer and Treasurer.
  - (3) As of April 1, 2020, Mr. Labay began serving as Executive Vice President, Chief Financial Officer and Treasurer. Mr. Labay previously served as Senior Vice President, Finance and Investor Relations.
  - (4) As of April 1, 2020, Mr. Lucchese began serving as Executive Vice President, Sales, Marketing and Digital. Mr. Lucchese previously served in various Executive positions prior to this appointment.

### 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

The COVID-19 pandemic created unprecedented market and operational challenges for our business in 2020. Throughout 2020, the Company remained committed to implementing strategies to stabilize the business and strengthen the Company going forward. This included improving efficiencies, innovating new content, and enhancing infrastructure related to information technology and security systems. The Company also improved product offerings, such that its current offering is its most diverse portfolio of Games and FinTech solutions.

However, in connection with the uncertainty facing our customers as a result of COVID-19, we evaluated our business strategies in the second quarter of 2020 and implemented measures to reduce our ongoing operating costs. As a result of this evaluation, we executed on a range of actions to maintain balance sheet flexibility and preserve liquidity given what quickly became a rapid and severe business disruption due to the pandemic. Actions included:

- Borrowed 100% of our \$35 million revolving credit facility;
- Secured and borrowed an additional \$125 million under an Incremental Term Loan to ensure liquidity during the shutdown of casinos due to the pandemic;
- Cancelled or delayed material capital expenditures;
- Permanently reduced our employee base, with most of the departures resulting from furloughed employees; and
- Implemented Company-wide salary reductions, including for our CEO (salary cut to zero) and our executive team (salary cut by 70%).

During the second quarter of 2020, businesses began to adapt to social-distancing measures and various phases of reopening pursuant to government-mandated guidelines. As our gaming customers reopened, a number of their properties initially experienced an elevated level of activity as compared to what was originally anticipated. The revenues generated by this initial pent-up demand flattened to slightly below pre- COVID-19 levels as more casinos reopened through the second quarter of 2020. Revenues improved further throughout the third and fourth quarters of 2020, though they remained below pre- COVID-19 levels. With a majority of our gaming customers reopening properties by the end of September 2020, and our activity rates and results continuing to improve through the third and fourth quarters, we have, among other measures:

- Returned nearly all of our furloughed employees to work on primarily a work-from-home basis;
- Reinstated base compensation to pre- COVID-19 levels for all employees, executives, and directors;
- Reversed nearly all compensation reductions for employees, executives and directors; and
- Fully paid down the outstanding balance on our revolving line of credit.

Our 2020 fourth quarter operating results increased on a quarterly sequential basis over the third quarter, despite the continued impact from the COVID-19 pandemic and related casino closures. Highlights include:

- Revenues rose to \$119.6 million from \$112.1 million in the 2020 third quarter;
- Net income improved to \$1.1 million, or \$0.01 per diluted share compared to a net loss of \$0.9 million, or \$(0.01) per diluted share;
- In our Games segment, the gaming operations total installed base of gaming machines increased 7% year-over-year, with premium units increasing 26%;
- In the FinTech segment, our new digital, cashless *CashClub Wallet*<sup>®</sup> technology was deployed at two customers; and
- Awarded a Gold Medal for Best Product in the Gaming Industry for our premium *The Vault*<sup>®</sup> game theme for the 2020 *Global Gaming Business* Gaming & Technology Awards, and our digital mobile *CashClub Wallet*<sup>®</sup> solution for casinos was awarded the Silver Medal for Best Consumer Technology.

### **Compensation Actions**

Throughout the past year, the Compensation Committee, in conjunction with the entire Board, continuously considered and evaluated the business and financial impact of COVID-19 and strived to make prudent compensation decisions that would be in the best interest of the Company, our stockholders, and our employees.

These responses, and our business performance in 2020, are reflected in our executive pay and our Compensation Committee actions of the past year:

- **Salary Reductions:** As previously mentioned, at the beginning of April 2020, Company-wide salary reductions were implemented, including our CEO volunteering to reduce his salary to zero, and the rest of the executive team taking a 70% reduction.
- **Short-Term Incentives:**
  1. *Increased CEO target opportunity.* Partially in recognition of the extension of his employment agreement, the Compensation Committee increased Mr. Rumbolz' target STI opportunity from 100% to 125% for 2020.
  2. *Financial Targets Missed.* Due to business and operational disruption of the pandemic, we did not hit our financial targets, falling well short of our stated targets.
  3. *STI Payouts.* The Compensation Committee determined, in its discretion to pay 20% of target STI opportunities to our NEOs and further limited the CEO's payout to \$150,000. This 20% payout is related to the individual performance goals of the NEO's bonus and no amount of bonus was paid related to the Consolidated, Games or FinTech Adjusted EBITDA targets.
- **Annual Equity Grants in 2020:** Consistent with past years, the Compensation Committee remained conceptually consistent with the prior year in the way it delivered the annual long-term equity awards by granting a mix of performance- and time-based restricted stock units to our executives. The performance-based restricted stock units link executive pay outcomes to three-year corporate revenue and revenue growth rate metrics and time-based restricted stock units vest over a three-year period.

## 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 shareholder value. The Company designed its executive compensation policies to be both fair and reasonable in light of performance, competitive with the compensation paid to executives of similarly situated companies, and 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 primary objectives can be summed up as such:

- Align the interests of our executives with those of stockholders;
- Link executive compensation to the Company's short-term and long-term performance;
- Attract, motivate, and retain high performing executive officers through competitive compensation arrangements; and
- Promote long-term value creation and growth strategies.

## Compensation Governance Practices

The following is an overview of the highlights of our compensation structure, and the fundamental compensation policies and practices we do and do not use:

### WHAT WE DO



**Executive Compensation Based on Pay-for-Performance Philosophy.** We align the interests of our executives and stockholders through the use of performance-based annual cash incentive compensation and service and performance-based long-term equity incentive compensation.



**Double-Trigger Severance Payments.** A Change in Control by itself is not sufficient to trigger severance payments; it must also be accompanied by a qualifying termination.



**Cash and Equity Clawback Policy.** We have a clawback policy regarding the recoupment of incentive compensation if an executive officer willfully committed an illegal act, fraud, intentional misconduct or gross recklessness that caused a mandatory restatement of our financials.



**Stock Ownership Guidelines for Officers and Directors.** Our officers and directors are required to accumulate stock holdings over a reasonable period of time that is a multiple of their respective base salaries or Board retainers, as applicable.



**Independent Committee Members.** Our Compensation Committee is comprised of entirely independent members.



**Independent Compensation Consultant.** We engage an independent compensation consultant to review and provide recommendations regarding our executive compensation program.



**Peer Group Analysis.** We review total direct compensation (base salary, annual cash incentive and long-term incentive payments) and the mix of compensation components for the NEOs relative to the peer group as one of the factors in determining if compensation is adequate to attract and retain executive officers.



**Annual Say on Pay Advisory Vote.** At our 2020 Annual Meeting of Stockholders, the Say on Pay proposal received the support of approximately 89.3% of the shares voted, which we believe indicates strong support for our compensation program and practices.

### WHAT WE DON'T DO



**No Pledging of Our Securities.** Our officers and directors are prohibited from pledging our stock to secure loans of any type.



**No Hedging of Our Securities.** Our officers and directors are prohibited from engaging in any hedging or other speculative trading in our stock.



**No Repricing of Stock Options without Stockholder Approval.**



**No Cash Buyouts of Underwater Stock Options without Stockholder Approval.**



**No Defined Benefit or Supplemental Retirement Plans.** We do not provide pension arrangements, retirement plans or nonqualified deferred compensation plans or arrangements to our executives, other than benefits generally available to our employees.



**No Excise Tax Gross-Ups.**



**No Tax Reimbursements for Perquisites.**



## Components of Our Compensation Program

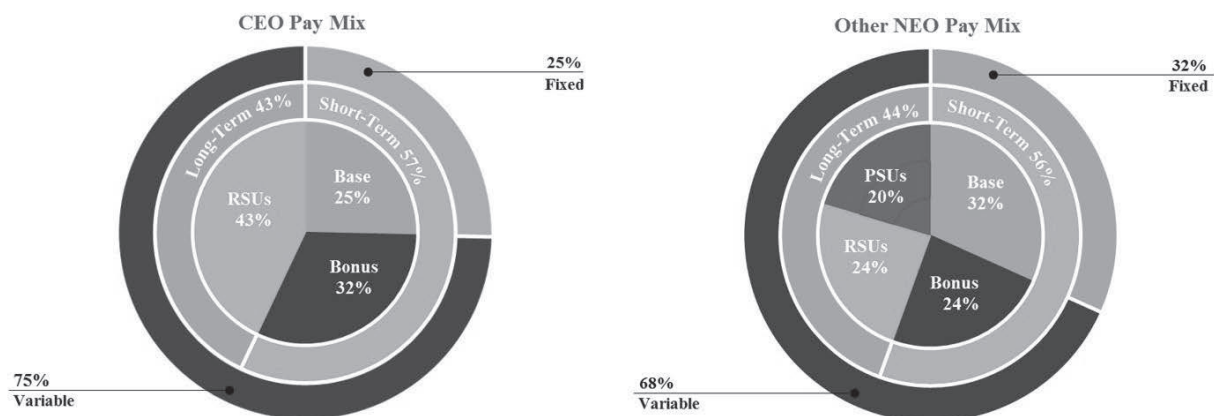
The Compensation Committee oversees our executive compensation program, which includes several elements that have been tailored to incentivize and reward specific aspects of Company performance, which our Board believes are important to delivering long-term stockholder value. Key components of our 2020 compensation program are:

Type	Element	Performance Period	Objective	Performance Measured and Rewarded
Fixed	Base Salary	Annual	Recognizes an individual's role and responsibilities and serves as an important retention vehicle	<ul style="list-style-type: none"> <li>Reviewed annually and set based on market competitiveness, individual performance, and internal equity considerations</li> </ul>
<b>Short-Term Incentive Plan</b>				
Performance - based	Annual Incentive Bonus	Annual	Rewards achievement of annual financial objectives and individual performance goals	<ul style="list-style-type: none"> <li>Consolidated AEBITDA (50%)</li> <li>Segment AEBITDA (30%)<sup>(1)</sup></li> <li>Individual Performance Goals (20%)</li> </ul>
<b>Long-Term Incentive Plan</b>				
Performance - based	Performance-Based Restricted Stock Units	Long-Term	Supports the achievement of long-term financial objectives and share price	<ul style="list-style-type: none"> <li>Relative Revenue growth vs. peer group performance</li> <li>Three-year performance period</li> </ul>
	Time-Based Restricted Stock Units	Long-Term	Aligns the interests of management and stockholders and supports share price growth	<ul style="list-style-type: none"> <li>Vests ratably over three years</li> </ul>

(1) Segment level Adjusted EBITDA ("AEBITDA") measure based upon achievement of either Games, FinTech, or both Segments' respective AEBITDA performance.

## 2020 Target Total Compensation

Consistent with our desire to align pay and performance, we take the above-mentioned elements and more heavily weight their distribution towards variable (or, "at-risk") compensation. Although our Compensation Committee does not target a specific allocation for each pay element, the Compensation Committee attempts to deliver an appropriate balance between fixed and variable elements, as well as short- and long-term incentives, as evidenced here in the following 2020 target pay mix allocation charts.



Note: Target pay mix includes annual base salary (prior to COVID-related reductions), target annual cash incentives, and the grant date fair value of annual equity awards granted on May 26, 2020. Excludes one-time equity granted on March 13, 2020 in respect of 60% of the annual bonuses earned for 2019 as disclosed in last year's proxy statement and equity awards granted on April 1, 2020 in connection with certain NEOs' role changes.

## 2020 Say on Pay Results

At our 2020 Annual Meeting of Stockholders, our Say on Pay proposal received the support of approximately 89.3% of the shares voted, which we believe indicates strong support for our compensation program and practices. Our Compensation

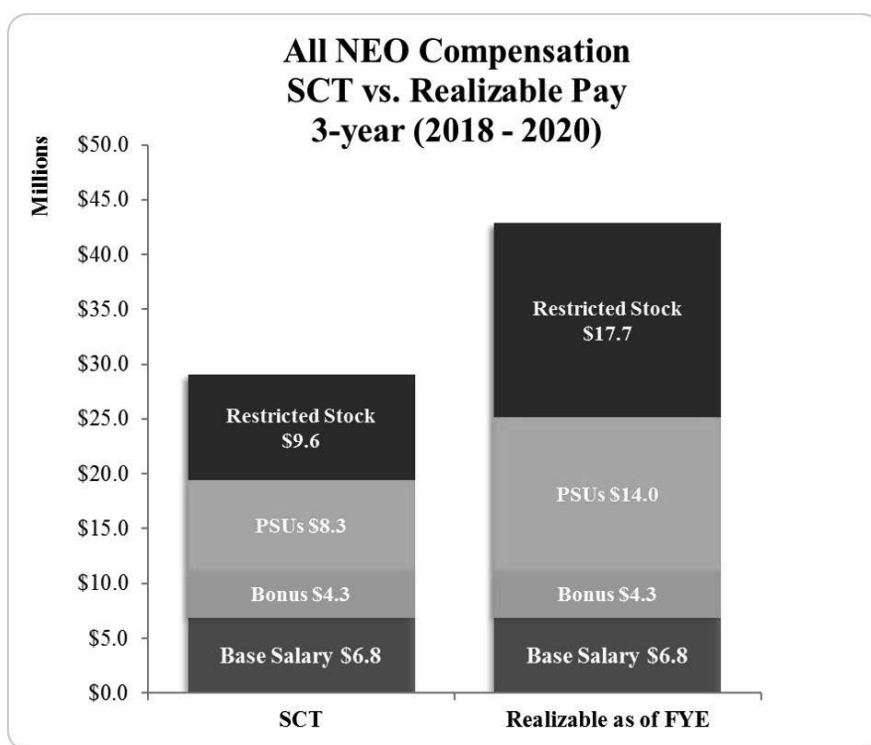
Committee believes the support for our ongoing efforts to improve and refine our compensation program, and further align management and stockholder interests was reflected in the strong support for our 2020 Say on Pay proposal. Therefore, the Compensation Committee did not make any changes to our 2020 compensation program directly as a result of the Say on Pay vote.

### III. Compensation Decision Making Process

#### ***Paying for Performance: Realizable Pay***

Paying for performance continues to be the foundation of our compensation program, and we put much of our executives' pay "at-risk". In 2018, 2019, and 2020 we granted time-based and performance-based restricted stock unit awards to retain and motivate our executives to deliver long-term performance. Given that a significant portion of the compensation packages are variable dependent upon our performance, oftentimes the grant date value of compensation packages (as reported annually in the Summary Compensation Table) is not always reflective of the actual realizable pay value that may be received by the executive team.

The following chart shows the difference between the reported pay, as disclosed in the Summary Compensation Table, for our NEO team over the last three years (2018 to 2020), a period in which our total shareholder return exceeded 83%, and the realizable pay values of those awards as of the end of the 2020 fiscal year.



"SCT" pay is defined as compensation earned or deliverable, each as disclosed in the Summary Compensation Table, including actual base salaries, actual annual bonuses received, and long-term incentive components (restricted stock and option grants) based on the grant date fair value.

"Realizable as of FYE" 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 31, 2020 using the year-end share price of \$13.81 per share.

#### ***Role of the Board***

Our Board has a Compensation Committee, consisting exclusively of independent directors. The Compensation Committee's charter authorizes it 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 may delegate its authority to subcommittees, but 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 attends any portion of Compensation Committee meetings at which his or her compensation is discussed except at the request of the Compensation Committee.

## ***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, shareholder engagement, and CD&A disclosure, among other compensation topics. The compensation consultant provides no additional services to the Company, other than the similar consulting services provided to the Nom Gov Committee as to director compensation and services related to the Equity Incentive Plan. In 2020, Aon served as the Compensation Committee's and Nom Gov Committee's independent compensation consultant and provided the foregoing services to the Compensation Committee.

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 our Compensation Committee with respect to executive compensation matters, and the Compensation Committee may replace Aon or hire additional consultants at any time. Aon attended meetings of our Compensation Committee, as requested, and communicated with the Chair of the Compensation Committee between meetings; however, our Compensation Committee made all decisions regarding the compensation of the Company's executive officers.

Our Compensation Committee regularly reviews the services provided by its outside consultants and believes that Aon is independent in providing executive compensation consulting services. Our Compensation Committee and Nom Gov Committee each conducted specific reviews of its relationship with Aon in 2020 and independently determined that Aon's work for the Compensation Committee and Nom Gov Committee did not raise any conflicts of interest, consistent with the guidance provided under the Dodd-Frank Act, the SEC, and the NYSE. In making this determination, the Compensation Committee and Nom Gov Committee each noted that during 2020:

- Aon did not provide any services to the Company or its management, other than services to our Compensation Committee and the Nom Gov Committee, and its services were limited to executive and director compensation consulting and services related to the Company's Equity Incentive Plan. 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 or Nom Gov 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.

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

## 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 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 executive and Section 16 officers in the unlikely event that incentive plan award decisions were based on financial results that are subsequently restated.

## IV. Compensation Competitive Analysis

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 Compensation Committee looked to identify two types of businesses: Games and FinTech, which represent the two core operations 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 2020 peer group consists of the following companies:

<b>Comparator Company</b>	<b>Ticker</b>	<b>Type</b>
ACI Worldwide, Inc.....	ACIW	FinTech
Blucora, Inc.....	BCOR	FinTech
Cardtronics plc.....	CATM	FinTech
EVERTEC, Inc.....	EVTC	FinTech
Green Dot Corporation.....	GDOT	FinTech
Golden Entertainment, Inc.....	GDEN	Gaming
International Game Technology PLC.....	IGT	Gaming
Monarch Casino & Resort, Inc.....	MCRI	Gaming
PlayAGS, Inc.....	AGS	Gaming
Scientific Games Corporation.....	SGMS	Gaming

**10 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 2020.

### **Base Salary Compensation**

Base salary compensation is intended to provide an appropriate level of assured cash compensation that is sufficient to retain the services of our executives. Base salary compensation is reviewed annually in connection with the Company's performance review process, and is 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 February 2020, the Compensation Committee approved the following base salaries, effective April 1, 2020, for our NEOs:

<b>NEO</b>	<b>2019 Base Salary</b>	<b>2020 Base Salary</b>
Michael D. Rumbolz <sup>(1)</sup>	\$ 700,000	\$ 750,000
Randy L. Taylor <sup>(2)</sup>	475,000	525,000
Mark F. Labay <sup>(3)</sup>	—	300,000
Dean A. Ehrlich	400,000	425,000
David J. Lucchese <sup>(4)</sup>	—	400,000

(1) Mr. Rumbolz is our Chief Executive Officer; he also served as our President until April 1, 2020.

(2) As of April 1, 2020, Mr. Taylor began serving as President and Chief Operating Officer. Mr. Taylor previously served as Executive Vice President, Chief Financial Officer and Treasurer.

(3) As of April 1, 2020, Mr. Labay began serving as Executive Vice President, Chief Financial Officer and Treasurer. Mr. Labay previously served as Senior Vice President, Finance and Investor Relations.

(4) As of April 1, 2020, Mr. Lucchese began serving as Executive Vice President, Sales, Marketing and Digital. Mr. Lucchese previously served in various Executive positions prior to this appointment.

Subsequently, in light of the impact of the ongoing COVID-19 pandemic on the Company, effective March 30, 2020, the Company's executive officers elected to accept the following reductions to their compensation during the pendency of the COVID-19 pandemic in order to better position the Company to withstand the challenging conditions that have caused global and domestic disruption in the current economic environment, such that: (i) the Chief Executive Officer volunteered to forgo 100% of his base salary compensation; (ii) the President and Chief Operating Officer's annual base salary was reduced to \$95,000; and (iii) Messrs. Labay, Ehrlich, and Lucchese, as well as all other executive officers' annual base salaries, were reduced to \$110,000 each. As described previously, although not promised at the time of reduction, these salary amounts were reinstated in October 2020, and a significant portion of any forgone salary was returned to the NEOs during 2020 as the Company's performance improved.

### **Annual Incentives**

All of our NEOs were eligible for the 2020 annual incentive plan, which promoted the Company's pay-for-performance philosophy by providing executives with direct financial incentives in the form of annual incentive bonuses for achieving pre-determined individual and Company performance goals.

Each NEO's annual incentive bonus target is established as a percentage of base salary. Such target bonus percentage was either negotiated and set forth in the NEO's employment agreement or otherwise established by the Compensation Committee. The following targets were effective in 2020:

Name	Target	Maximum <sup>(2)</sup>
	<i>(As a % of base salary)</i>	
Michael D. Rumbolz <sup>(1)</sup> .....	125 %	175 %
Randy L. Taylor.....	75 %	150 %
Mark F. Labay.....	75 %	150 %
Dean A. Ehrlich.....	75 %	150 %
David J. Lucchese.....	75 %	150 %

(1) Effective April 1, 2020, in partial consideration of the extension of Mr. Rumbolz' employment agreement, the Compensation Committee approved an increased target percentage of 125% to a maximum of 175%.

(2) Effective April 1, 2020, the Compensation Committee reaffirmed its 2018 target percentage range for NEOs (excluding the CEO) as 75% to a maximum of 150%.

### 2020 Performance Metrics

For 2020, the Company's annual incentive plan for executives consisted of four performance metrics. The metrics and their associated weightings in the incentive plan were as follows:

Name	Consolidated AEBITDA	Games Segment AEBITDA	FinTech Segment AEBITDA	Personal Goals
Michael D. Rumbolz.....	50.0 %	15.0 %	15.0 %	20.0 %
Randy L. Taylor.....	50.0 %	15.0 %	15.0 %	20.0 %
Mark F. Labay.....	50.0 %	15.0 %	15.0 %	20.0 %
Dean A. Ehrlich.....	50.0 %	30.0 %	— %	20.0 %
David J. Lucchese.....	50.0 %	15.0 %	15.0 %	20.0 %

The goals associated with the AEBITDA components of the annual incentive plan and the associated payouts were as follows:

Component	Performance Ranges	Payout Ranges
	Target	Target <sup>(1)</sup>
Consolidated AEBITDA.....	\$279M	100%
Games AEBITDA.....	\$153M	100%
FinTech AEBITDA.....	\$126M	100%

(1) Maximum awards are capped at 150%, except for the Chief Executive Officer who is capped at 175%, of each executive's target award value based on Board discretion.

In 2020, the Individual Performance Goals established by the Compensation Committee, weighted with greater significance towards overall Corporate performance as compared to segment level performance, consisted of goals related to Corporate Strategy, Leadership, and Enhancing Customer and Community Relationships. The Individual Performance Goals consisted of:

<b>Corporate Strategy</b>	<ul style="list-style-type: none"> <li>• Continue to lead in product innovation and technology for the gaming industry.</li> <li>• Introduce best in class products and services to our customers.</li> <li>• Maintain and expand the Company's operating footprint through technology development to achieve growth targets.</li> <li>• Enhance the Company's offerings through strategic partnerships or acquisitions.</li> </ul>
<b>Leadership</b>	<ul style="list-style-type: none"> <li>• Develop a more diverse and inclusive culture.</li> <li>• Attract and inspire the best available talent.</li> <li>• Identify and mentor prospective NEO successors.</li> </ul>
<b>Enhance Customer and Community Relationships</b>	<ul style="list-style-type: none"> <li>• Enhance the Company's customer service efforts with efficient and effective resources to ensure increased levels of customer confidence in our products and service.</li> <li>• Focus on employee work-life balance to increase talent retention and better align employees with the Company's values.</li> </ul>

The below table shows the target opportunities for the NEOs for each performance goal under the short-term incentive plan\*:

Name	Consolidated		Split FinTech		Split Games		Personal		Total Target	
		50%		15%		15%		20%		100%
Michael D. Rumbolz .....	\$	468,750	\$	140,625	\$	140,625	\$	187,500	\$	937,500
Randy L. Taylor .....		196,875		59,062		59,063		78,750		393,750
Mark F. Labay .....		112,500		33,750		33,750		45,000		225,000
Dean A. Ehrlich <sup>(1)</sup> .....		159,375		—		95,625		63,750		318,750
David J. Lucchese .....		150,000		45,000		45,000		60,000		300,000

\* Rounding may cause variances.

(1) The target opportunity for Mr. Ehrlich is 30% Games, reflecting solely the performance of the Segment that Mr. Ehrlich manages.

### **2020 Performance and Actual Payouts**

For the year ended December 31, 2020, we had the following achievements:

- Consolidated AEBITDA - \$176.5 million (less than target)
- Games AEBITDA - \$102.3 million (less than target)
- FinTech AEBITDA - \$74.2 million (less than target)

As a result of the COVID-19 pandemic, the operating results for FY 2020 were significantly lower, less than 70% of the stated target amounts, for purposes of earning incentive compensation amounts, and the Short-Term Incentive Performance Targets were not achieved by the NEOs. As such, any payment provided as a Short-Term Incentive must be approved by the Compensation Committee of the Board.

The Compensation Committee believes that Management did an outstanding job of navigating the COVID-19 crisis and was able to achieve financial results that were stronger than relative to peer performance, retain key employees, continue executing on key initiatives, and focused on the health and safety of the employees through work-from-home policies and COVID-19 protocols established for those employees working in the office or at customer sites.

For 2020, the Compensation Committee only approved the personal goal portion of the target bonus, which is 20% of the target bonus. In addition, Mr. Rumbolz determined to limit his bonus to \$150,000, which was less than the 20% of his target bonus.

The Compensation Committee determined to award the following amounts:

Name	Base Salary	Target Short-Term Incentive Opportunity as a % of Base Salary	Target Short-Term Incentive Opportunity (\$)	Total Short-Term Incentive Payment	Achieved Short-Term Incentive Opportunity as a % of Target <sup>(1)</sup>
Michael D. Rumbolz.....	\$ 750,000	125 %	\$ 937,500	\$ 150,000	16.0 %
Randy L. Taylor.....	525,000	75 %	393,750	76,865	19.5 %
Mark F. Labay.....	300,000	75 %	225,000	40,366	17.9 %
Dean A. Ehrlich.....	425,000	75 %	318,750	62,807	19.7 %
David J. Lucchese.....	400,000	75 %	300,000	59,057	19.7 %

(1) Executives' Total Short-Term Incentive Payment was based upon actual Base Salary throughout 2020. Achieved Short-Term Incentive as a % of Target is based upon Base Salary in effect at year end after salary of Executive was increased on April 1, 2020.

### **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 and the Company's stock price, we believe that equity awards motivate executives to manage the Company's business in a manner that is consistent with stockholder interests. Through the grant of restricted stock unit 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.

In 2018, the Compensation Committee implemented a program that includes performance- and time-based restricted stock units. This plan continues the pay for performance philosophy, aligns executives with key financial metrics, and aligns with a common market-based compensation approach. The Compensation Committee maintained this design for the annual long-term equity incentive awards made in 2020. As a result, the annual time-based equity awards that we granted to executives in 2020 vest and become fully exercisable over a three-year period. Correspondingly, the annual performance-based equity awards that we granted to executives in 2020 may be earned based on revenue growth targets as measured over a three-year performance period.

The principal factors considered in granting restricted stock unit awards and determining the size of grants to executives were 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.

### **2020 Annual Awards**

In keeping with the Company's commitment to strengthening its overall corporate governance, including its compensation program, the Company continued the practice of granting a mix of performance- and time-based awards. For 2020, (a) 50% of the annual awards for all NEOs other than the CEO consisted of performance-based restricted stock units and vesting will be evaluated by our Compensation Committee over a three-year performance period, through December 31, 2022 as a result of certain revenue and revenue growth rate metrics being met, with achievement of each metric being determined independent of one another, and (b) 50% of the annual awards (100% for the CEO) consisted of time-based restricted stock units that vest in equal annual installments (in equal monthly installments, in the case of the CEO) over a period of three years in order to continue to incentivize, motivate, and retain the executive team, while further strengthening and demonstrating the alignment of management and stockholder interests.

### **Other 2020 Equity Awards**

As described in last year's proxy statement, the Compensation Committee determined, in its discretion, to pay 60% of the earned annual incentive bonus in respect of 2019 in the form of restricted stock units that were granted on March 13, 2020 with a cliff-based vesting provision on the six-month anniversary of the date of grant to further motivate the executives and promote short-term performance. In accordance with SEC rules, these awards appear in the Summary Compensation Table and Grants of Plan Based Awards Table for 2020.

In connection with the extension of our CEO's employment agreement, the appointment of Mr. Taylor to the position of President and Chief Operating Officer, the appointment of Mr. Labay to the position of Executive Vice President, Chief Financial Officer and Treasurer, and the appointment of Mr. Lucchese to the position of Executive Vice President, Sales, Marketing and Digital, our Compensation Committee awarded each of the foregoing executives restricted stock units on April 1, 2020 that vest in equal annual installments over a period of three years (in equal monthly installments over a period of two years, in the case of the CEO



and over a period of three years, in the case of Mr. Taylor) in order to continue to incentivize, motivate, and retain the executives while further strengthening and demonstrating the alignment of management and stockholder interests.

### ***Vesting of 2018-2020 Performance-Based RSUs***

December 31, 2020 marked the end of the three-year performance period for the performance-based restricted stock units granted to the NEOs in 2018. The Compensation Committee determined that, in light of the impacts of the COVID-19 pandemic, it should evaluate performance for the period from January 1, 2018 through December 31, 2019 and separately for the period from January 1, 2020 through December 31, 2020, as shown below. Based on this evaluation, the Compensation Committee determined that the performance-based restricted stock units were earned at 95.8%.

	1/1/2018 to 12/31/2019		1/1/2020 to 12/31/2020	
	Revenue Growth	AEBITDA Growth	Revenue Growth	AEBITDA Growth
Threshold (50% Achievement): .....	6.3 %	7.7 %	6.3 %	7.7 %
Target (100% Achievement): .....	7.9 %	9.6 %	7.9 %	9.6 %
Maximum (200% Achievement): .....	9.5 %	11.5 %	9.5 %	11.5 %
Actual: .....	200.0 %	86.0 %	— %	— %

## **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, and amended the policy as set forth in the Company's Corporate Governance Guidelines in October 2019, in February 2020, and in March 2021 as the Company believes stock ownership is an important tool to strengthen the alignment of interests among stockholders, directors, NEOs, and other executives (each, a "Covered Person"). The amended policy provides that the applicable required level of equity ownership is expected to be satisfied by our Covered Persons 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 receives periodic reports of the ownership achieved by each Covered Person. Until such time as such Covered 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 twelve-month period ended immediately prior to the determination date.

If, after a Covered Person's achievement date, the number of shares the Covered Person is required to own increases as a result of a decline in stock price, the Covered Person's compliance with these guidelines will not be impacted as long as such Covered Person continues to hold the number of shares he or she had at the time on the achievement date for the duration of their tenure of employment or service with the Company. A Covered Person is not required to "buy up" to a new number of shares needed to meet the ownership requirements after the Covered Person's achievement date.

If, after a Covered Person's achievement date, a Covered Person's share ownership requirement increases as a result of a promotion, base salary increase or increase in retainer, the period to achieve compliance with respect to the incremental increase in share ownership will begin on the date of the change event and end on the second anniversary of the change event. For example, if the Covered Person received a 10% increase in salary, within two years following the change event, the Covered Person would then be required to acquire shares corresponding to the share ownership requirements of the 10% higher salary increment.

The following table sets forth the required salary multiples for each category of person subject to the policy:

<b>Covered Persons</b>	<b>Required Salary Multiple</b>
Chief Executive Officer.....	6x annual base salary
President and Chief Operating Officer.....	4x annual base salary
Other NEOs and current Chief Financial Officer.....	3x annual base salary
Other Executive Vice Presidents.....	2x annual base salary
Other Senior Vice Presidents.....	1x annual base salary
Non-employee Directors.....	5x annual cash retainer

The value 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); and
- 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, 2020, all current named executive officers, other officers, and non-employee directors either met the ownership guidelines or were within the phase-in period.

In March 2021, upon the Nom Gov Committee's recommendation, the Board approved to change the measurement date for satisfaction of share ownership requirements by Covered Persons from December 31st of each year to June 30th of each year.

### ***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 Covered Persons. 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 Covered Person. The Clawback Policy was amended concurrent with the amendment of our Equity Ownership Policy to include certain Senior Vice Presidents as Covered Persons. 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 Covered Person, the Board or, if so designated, the Compensation Committee of the Board, will take into consideration whether the Covered Person engaged in the misconduct or was in a position, including in a supervisory role, to have been able to reasonably prevent the misconduct that caused the restatement.

### ***Anti-Hedging and Anti-Pledging Policies***

Under our Insider Trading Policy, Covered Persons, as well as other designated employees such as Senior Vice Presidents, Corporate or Segment Controllers and similar employees, are prohibited from engaging in the following activities with respect to the Company's Common Stock:

- Hedging or monetization transactions involving our securities; and
- Pledging our securities or holding our securities in a margin account as collateral for a loan.

The Insider Trading Policy was amended concurrent with the amendment of our Equity Ownership Policy to include certain Senior Vice Presidents as Covered Persons. As of the date of this Proxy Statement, no shares of Company Common Stock were hedged or pledged by any Covered Person.

### ***Tax Considerations***

In setting compensation, the Compensation Committee and management considered that for taxable years beginning after December 31, 2017, the exemption from Code Section 162(m)'s deduction limit that formerly existed for certain "performance-based" compensation was repealed (except for certain grandfathered compensation arrangements that were in effect as of November 2, 2017). Accordingly, we expect that compensation awarded to our executives who are "covered employees" under Section 162(m) will not be deductible to the extent that it results in compensation above the \$1.0 million threshold established under Section 162(m). Furthermore, the rules and regulations promulgated under Section 162(m) are complicated and subject to change. As such, there can be no assurance that any grandfathered compensation awarded in prior years will be fully tax deductible when paid. Notwithstanding repeal of the exemption for "performance-based" compensation, the Compensation Committee intends to operate our executive compensation program in a manner that they believe best aligns compensation with our pay-for-performance philosophy.

### ***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 on behalf of certain executive officers consistent with Company contributions to all

eligible non-executive employees; however, since the COVID-19 pandemic, we had suspended contributions for a majority of 2020 to all eligible employees until such time as the Company determined to transition, in whole or in part, toward a return to prior Company contribution levels. We have since reinstated full Company contributions as of January 1, 2021.

### **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 are described below under the caption “**Employment Contracts and Equity Agreements, 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**)  
E. Miles Kilburn  
Ronald V. Congemi  
Eileen F. Raney  
Linster W. Fox  
Maureen T. Mullarkey  
Atul Bali

## Compensation of Named Executive Officers

### 2020 Summary Compensation Table

The following table sets forth the total compensation earned for services rendered in 2020 by the NEOs.

Name and principal position	Year	Salary	Bonus	Stock awards <sup>(1)(2)</sup>	Option awards <sup>(1)</sup>	Non-equity incentive plan compensation <sup>(5)</sup>	All other compensation <sup>(6)</sup>	Total
<b>Michael D. Rumbolz</b> <sup>(7)</sup> .....	2020	\$695,000 <sup>(11)</sup>	\$ —	\$ 1,585,092 <sup>(3)(4)</sup>	\$ —	\$ 150,000	\$ 19,911	\$ 2,450,003
Chief Executive	2019	700,000	—	4,225,340	—	210,000	22,882	5,158,222
Officer	2018	700,000	—	2,988,000	—	535,000	17,718	4,240,718
<b>Randy L. Taylor</b> <sup>(8)</sup> .....	2020	490,885 <sup>(11)</sup>	—	1,234,014 <sup>(3)(4)</sup>	—	76,865	16,326	1,818,090
President and Chief	2019	475,000	—	1,562,560	—	106,875	19,783	2,164,218
Operating Officer	2018	475,000	—	1,195,200	—	285,000	16,748	1,971,948
<b>Mark F. Labay</b> <sup>(9)</sup> .....	2020	285,923 <sup>(11)</sup>	—	498,680 <sup>(3)(4)</sup>	—	40,366	6,164	831,133
Executive Vice President, Chief Financial Officer and Treasurer								
<b>Dean A. Ehrlich</b> .....	2020	404,962 <sup>(11)</sup>	—	607,806 <sup>(3)</sup>	—	62,807	12,154	1,087,729
Executive Vice President,	2019	400,000	—	740,160	—	90,000	17,500	1,247,660
Games Business Leader	2018	400,000	—	560,250	—	220,000	15,910	1,196,160
<b>David J. Lucchese</b> <sup>(10)</sup> .....	2020	381,308 <sup>(11)</sup>	—	590,520 <sup>(3)(4)</sup>	—	59,057	17,647	1,048,532
Executive Vice President, Sales, Marketing and Digital								

(1) Represents the fair value of the stock and option awards granted to the NEOs, as calculated in accordance with FASB ASC Topic 718, Stock Compensation. For a discussion of the assumptions made in determining the valuation of these equity awards, see our notes to the financial statements in the Company's Annual Report on Form 10-K for the applicable periods.

(2) The restricted stock units granted in 2020 were comprised of both time- and performance-based awards with respect to the annual grant: (a) with 50% being time-based RSUs that will vest at a rate of 33% per year on each of the first three anniversaries of the grant dates, excluding Mr. Rumbolz, who received 100% time-based awards, which vest on a monthly basis following the first month anniversary of the date of grant ending after three years; and (b) with 50% being performance-based awards and vesting will be evaluated by our Compensation Committee over a three-year performance period, through December 31, 2022, based on total revenue and certain revenue growth rate metrics based on achievement at the target level of performance. If the performance criteria of the metrics have been achieved and are then approved by our Compensation Committee, the eligible awards will become vested on the third anniversary of the date of grant. The values of the performance-based awards for each NEO, assuming that maximum performance is achieved, are as follows: Mr. Taylor: \$1,004,700; Mr. Labay: \$413,700 Mr. Ehrlich: \$472,800; Mr. Lucchese: \$443,250.

(3) On March 13, 2020, short-term incentive compensation, related to the annual bonus for 2019 performance, was awarded in the form of restricted stock units that fully vested on the six-month anniversary thereof.

(4) Mr. Rumbolz, Mr. Taylor, Mr. Labay, and Mr. Lucchese received grants of time-based restricted stock units in relation to their new employment agreements effective April 1, 2020. The awards vest at a rate of 33% per year on the first three

anniversaries of the date of grant, excluding Mr. Rumbolz and Mr. Taylor, whose grants vest monthly over a period of two years and three years, respectively.

- (5) Represents the amount of non-equity incentive compensation earned under the Company's annual short-term incentive plan for the fiscal year. Amounts earned for a calendar year are typically paid to the NEOs in the first quarter of the following fiscal year.
- (6) Includes contributions made by the Company under its 401(k) plan, the cost of short-term and long-term disability coverage, the cost of group term life insurance and executive disability insurance. We make contributions on behalf of certain executive officers consistent with Company contributions to all eligible non-executive employees.
- (7) Mr. Rumbolz is our Chief Executive Officer; he also served as our President until April 1, 2020.
- (8) As of April 1, 2020, Mr. Taylor began serving as our President and Chief Operating Officer. Mr. Taylor previously served as our Executive Vice President, Chief Financial Officer and Treasurer.
- (9) As of April 1, 2020, Mr. Labay began serving as our Executive Vice President, Chief Financial Officer and Treasurer. Mr. Labay previously served as our Senior Vice President, Finance and Investor Relations.
- (10) As of April 1, 2020, Mr. Lucchese began serving as our Executive Vice President, Sales, Marketing and Digital. Mr. Lucchese previously served in various Executive positions prior to this appointment.
- (11) Represents salary amounts paid in 2020. Amendments to the Executive Employment Agreements for voluntary salary reductions were executed during 2020 due to the COVID-19 pandemic, and full salary amounts were restored in the same year.

### Grants of Plan-Based Awards

The following table sets forth certain information concerning grants of plan-based awards made to each NEO for the fiscal year ended December 31, 2020:

Name	Grant Date	Estimated future payouts under non-equity incentive plan compensation <sup>(1)</sup>			Estimated future payouts under equity incentive plan compensation <sup>(2)</sup>			All Other Stock Awards: Number of Shares of Stock Units (#)	Grant date fair value of RSUs awarded (\$) <sup>(6)</sup>
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)		
Michael D. Rumbolz		\$ —	\$937,500	\$1,312,500	—	—	—	—	\$ —
	3/13/2020	—	—	—	—	—	—	42,568 <sup>(3)</sup>	315,003
	4/1/2020	—	—	—	—	—	—	15,000 <sup>(4)</sup>	41,400
	5/26/2020	—	—	—	—	—	—	207,900 <sup>(5)</sup>	1,228,689
Randy L. Taylor.....		—	393,750	787,500	—	—	—	—	—
	3/13/2020	—	—	—	—	—	—	21,664 <sup>(3)</sup>	160,314
	4/1/2020	—	—	—	—	—	—	25,000 <sup>(4)</sup>	69,000
	5/26/2020	—	—	—	42,500	85,000	170,000	85,000 <sup>(5)</sup>	1,004,700
Mark F. Labay.....		—	225,000	450,000	—	—	—	—	—
	3/13/2020	—	—	—	—	—	—	7,754 <sup>(3)</sup>	57,380
	4/1/2020	—	—	—	—	—	—	10,000 <sup>(4)</sup>	27,600
	5/26/2020	—	—	—	17,500	35,000	70,000	35,000 <sup>(5)</sup>	413,700
Dean A. Ehrlich.....		—	318,750	637,500	—	—	—	—	—
	3/13/2020	—	—	—	—	—	—	18,244 <sup>(3)</sup>	135,006
	5/26/2020	—	—	—	20,000	40,000	80,000	40,000 <sup>(5)</sup>	472,800
David J. Lucchese...		—	300,000	600,000	—	—	—	—	—
	3/13/2020	—	—	—	—	—	—	17,104 <sup>(3)</sup>	126,570
	4/1/2020	—	—	—	—	—	—	7,500 <sup>(4)</sup>	20,700
	5/26/2020	—	—	—	18,750	37,500	75,000	37,500 <sup>(5)</sup>	443,250

- (1) Represents amounts potentially payable to the NEOs under the Company's annual incentive plan. A more detailed discussion of how the target is determined and calculated is found in the CD&A above.

- (2) The number of performance-based restricted stock units that are earned will range from 0% to 200% of the target number shown above and will be based upon the attainment of total revenue and certain revenue growth rate metrics based on achievement at the target level of performance and measured over the three-year period ending on December 31, 2022. The parameters set forth in the grant notice for these performance-based restricted stock unit awards are as follows:

	Performance Ranges				Performance-based RSUs Earned (as a percent of target)			
	Below Threshold	Threshold	Target	Maximum	Below Threshold	Threshold	Target	Maximum
Revenue Growth Rate	Less than Peer Group	Equal or greater than Peer Group	Equal or greater than Peer Group and \$460 million	Equal or greater than Peer Group and \$520 million	0%	50%	100%	200%

- (3) On March 13, 2020, short-term incentive compensation, related to the annual bonus for 2019 performance, was awarded in the form of restricted stock units that fully vested on the six-month anniversary thereof.
- (4) Mr. Rumbolz, Mr. Taylor, Mr. Labay, and Mr. Lucchese received grants of time-based restricted stock units in relation to their new employment agreements effective April 1, 2020. The awards vest at a rate of 33% per year on the first three anniversaries of the date of grant, excluding Mr. Rumbolz and Mr. Taylor, whose grants vest monthly over a period of two years and three years, respectively.
- (5) Time-based restricted stock unit awards, granted in May 2020, vest at a rate of 33% per year over three years from the date of grant, excluding awards granted in May 2020 for Mr. Rumbolz, which vest monthly over a period of three years.
- (6) Represents the total fair value of the NEOs' restricted stock unit awards granted to the NEOs, 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, 2020.

## Outstanding Equity Awards

The following table sets forth certain information for our NEOs concerning unexercised stock options, unvested restricted stock units and equity incentive plan awards outstanding at December 31, 2020:

Name	Date Granted	Option awards					Stock awards				
		Number of securities underlying unexercised exercisable options	Number of securities underlying unexercised unexercisable options	Equity Incentive Plan Awards: Number of securities underlying unexercised unearned options	Option exercise price	Option expiration date	Number of shares or units of unvested stock	Market value of number of shares or units of unvested stock	Equity Incentive Plan Awards: Number of shares or units of unearned unvested stock	Equity Incentive Plan Awards: Market or payout value of unearned shares or units of stock that have not vested	
Michael D. Rumbolz	3/2/2012	40,000	—	—	5.58	3/2/2022	—	—	—	—	
	3/6/2013	19,424	—	—	7.09	3/6/2023	—	—	—	—	
	5/2/2014	50,000	—	—	6.59	5/2/2024	—	—	—	—	
	4/22/2015	50,000	—	—	7.74	4/22/2025	—	—	—	—	
	2/13/2016	465,116	—	—	2.78	2/13/2026	—	—	—	—	
	3/8/2017	92,094	30,697 <sup>(1)</sup>	—	3.29	3/8/2027	—	—	—	—	
	3/8/2017	186,977	—	62,325 <sup>(2)</sup>	3.29	3/8/2027	—	—	—	—	
	5/22/2018	—	—	—	—	—	229,942 <sup>(4)</sup>	3,175,499	—	—	
	5/22/2018	—	—	—	—	—	80,000 <sup>(1)</sup>	1,104,800	—	—	
	2/1/2019	—	—	—	—	—	4,166 <sup>(3)</sup>	57,532	—	—	
	5/1/2019	—	—	—	—	—	—	—	189,000 <sup>(5)</sup>	2,610,090	
	5/1/2019	—	—	—	—	—	141,750 <sup>(1)</sup>	1,957,568	—	—	
	4/1/2020	—	—	—	—	—	9,994 <sup>(3)</sup>	138,017	—	—	
	5/26/2020	—	—	—	—	—	167,468 <sup>(7)</sup>	2,312,733	—	—	
Randy L. Taylor	3/2/2012	16,875	—	—	5.58	3/2/2022	—	—	—	—	
	3/6/2013	11,859	—	—	7.09	3/6/2023	—	—	—	—	
	5/2/2014	98,000	—	—	6.59	5/2/2024	—	—	—	—	
	5/13/2016	87,450	—	—	1.46	5/13/2026	—	—	—	—	
	5/13/2016	177,550	—	—	1.46	5/13/2026	—	—	—	—	
	3/8/2017	52,470	17,490 <sup>(1)</sup>	—	3.29	3/8/2027	—	—	—	—	
	3/8/2017	106,530	—	35,510 <sup>(2)</sup>	3.29	3/8/2027	—	—	—	—	
	5/22/2018	—	—	—	—	—	91,977 <sup>(4)</sup>	1,270,202	—	—	
	5/22/2018	—	—	—	—	—	32,000 <sup>(1)</sup>	441,920	—	—	
	5/1/2019	—	—	—	—	—	—	—	76,000 <sup>(5)</sup>	1,049,560	
	5/1/2019	—	—	—	—	—	57,000 <sup>(1)</sup>	787,170	—	—	
	4/1/2020	—	—	—	—	—	19,440 <sup>(7)</sup>	268,466	—	—	
	5/26/2020	—	—	—	—	—	—	—	85,000 <sup>(6)</sup>	1,173,850	
	5/26/2020	—	—	—	—	—	85,000 <sup>(8)</sup>	1,173,850	—	—	
Mark F. Labay	3/2/2012	28,000	—	—	5.58	3/2/2022	—	—	—	—	
	5/13/2016	50,000	—	—	1.46	5/13/2026	—	—	—	—	
	3/8/2017	33,750	11,250 <sup>(1)</sup>	—	3.29	3/8/2027	—	—	—	—	
	5/22/2018	—	—	—	—	—	17,246 <sup>(4)</sup>	238,167	—	—	
	5/22/2018	—	—	—	—	—	6,000 <sup>(1)</sup>	82,860	—	—	
	5/1/2019	—	—	—	—	—	—	—	17,000 <sup>(5)</sup>	234,770	
	5/1/2019	—	—	—	—	—	12,750 <sup>(1)</sup>	176,078	—	—	
	4/1/2020	—	—	—	—	—	10,000 <sup>(8)</sup>	138,100	—	138,100	
	5/26/2020	—	—	—	—	—	—	—	35,000 <sup>(6)</sup>	483,350	
	5/26/2020	—	—	—	—	—	35,000 <sup>(8)</sup>	483,350	—	—	

Name	Date Granted	Option awards				Stock awards				
		Number of securities underlying unexercised exercisable options	Number of securities underlying unexercised unexercisable options	Equity Incentive Plan Awards: Number of securities underlying unexercised unearned options	Option exercise price	Option expiration date	Number of shares or units of unvested stock	Market value of number of shares or units of unvested stock	Equity Incentive Plan Awards: Number of shares or units of unearned unvested stock	Equity Incentive Plan Awards: Market or payout value of unearned shares or units of stock that have not vested
Dean A. Ehrlich .....	12/8/2016	42,900	—	—	2.40	12/8/2026	—	—	—	—
	12/8/2016	87,100	—	—	2.40	12/8/2026	—	—	—	—
	3/8/2017	52,470	17,490 <sup>(1)</sup>	—	3.29	3/8/2027	—	—	—	—
	3/8/2017	106,350	—	35,510 <sup>(2)</sup>	3.29	3/8/2027	—	—	—	—
	5/22/2018	—	—	—	—	—	43,115 <sup>(4)</sup>	595,418	—	—
	5/22/2018	—	—	—	—	—	15,000 <sup>(1)</sup>	207,150	—	—
	5/1/2019	—	—	—	—	—	—	—	36,000 <sup>(5)</sup>	497,160
	5/1/2019	—	—	—	—	—	27,000 <sup>(1)</sup>	372,870	—	—
	5/26/2020	—	—	—	—	—	—	—	40,000 <sup>(6)</sup>	552,400
David J. Lucchese .....	3/2/2012	100,000	—	—	5.58	3/2/2022	—	—	—	—
	3/6/2013	38,398	—	—	7.09	3/6/2023	—	—	—	—
	5/2/2014	100,000	—	—	6.59	5/2/2024	—	—	—	—
	5/13/2016	87,450	—	—	1.46	5/13/2026	—	—	—	—
	5/13/2016	177,550	—	—	1.46	5/13/2026	—	—	—	—
	3/8/2017	52,470	17,490 <sup>(1)</sup>	—	3.29	3/8/2027	—	—	—	—
	3/8/2017	106,530	—	35,510 <sup>(2)</sup>	3.29	3/8/2027	—	—	—	—
	5/22/2018	—	—	—	—	—	22,995 <sup>(4)</sup>	317,561	—	—
	5/22/2018	—	—	—	—	—	8,000 <sup>(1)</sup>	110,480	—	—
	5/1/2019	—	—	—	—	—	—	—	20,000 <sup>(5)</sup>	276,200
	5/1/2019	—	—	—	—	—	15,000 <sup>(1)</sup>	207,150	—	—
	4/1/2020	—	—	—	—	—	7,500 <sup>(6)</sup>	103,575	—	—
	5/26/2020	—	—	—	—	—	—	—	37,500 <sup>(6)</sup>	517,875
5/26/2020	—	—	—	—	—	37,500 <sup>(6)</sup>	517,875	—	—	

- (1) These equity awards vest annually over a period of four years from the date of grant.
- (2) These equity awards vest annually over a period of four years from the date of grant, 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 of \$4.11, 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.
- (3) These equity awards vest monthly over a period of two years from the date of grant.
- (4) These equity awards represent the performance-based restricted stock units that were earned for the performance period ended as of December 31, 2020. Such restricted stock units will vest on May 22, 2021 subject to the executive's continued employment through such date. The target parameters are set forth in the grant notice for these performance-based restricted stock unit awards.
- (5) These equity awards are based on achieving a target level of performance and have vesting conditions that will be evaluated by our Compensation Committee over a three-year performance period through December 31, 2021, as a result of certain Revenue Growth and FCF Growth rate metrics being met, with achievement of each measure to be determined independently of one another. If the performance criteria of the metrics have been achieved and are then approved by our Compensation Committee, the eligible awards will become vested on the third anniversary of the date of grant. The target parameters are set forth in the grant notice for these performance-based restricted stock unit awards.
- (6) These equity awards are based on achieving a target level of performance and have vesting conditions that will be evaluated by our Compensation Committee over a three-year performance period through December 31, 2022 and will be based upon the attainment of the Company's Revenue Growth Rate exceeding the Peer Group. For purposes of



these Performance-Based Vesting Criteria, “Peer Group” means PlayAGS, Inc. (NYSE: AGS), Scientific Games Corporation (NASDAQ: SGMS), and International Game Technology PLC (NYSE: IGT). The parameters are set forth in the grant notice for these performance-based restricted stock unit awards.

(7) These equity awards vest monthly over a period of three years from the date of grant.

(8) These equity awards vest in annually over a period of three years from the date of grant.

### **2020 Option Exercises and Stock Vested**

The following table sets forth certain information concerning the exercise of stock options, and the vesting of restricted stock units, for each NEO for the fiscal year ended December 31, 2020:

Name	Option Awards		Stock Awards	
	Number of shares acquired on exercise	Value realized on exercise <sup>(1)</sup>	Number of shares acquired on vesting	Value realized on vesting <sup>(2)</sup>
Michael D. Rumbolz .....	140,000	\$ 563,489	200,252	\$ 1,371,280
Randy L. Taylor.....	17,000	119,895	62,224	390,924
Mark F. Labay .....	112,524	890,671	15,004	98,184
Dean A. Ehrlich.....	—	—	34,744	228,952
David J. Lucchese .....	62,500	481,250	26,104	181,718

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

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

### **Employment Contracts and Equity Agreements, Termination of Employment and Change in Control Arrangements**

The Company is a party to employment agreements with our NEOs, which provide that, in the event of the termination of the executive’s employment by the Company, the executive is entitled to the severance benefits described below. The severance benefits discussed above are all subject to the executive’s execution of a release of claims in favor of the Company. 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.

#### **Mr. Rumbolz:**

In the event of termination by the Company without cause or by the executive for good reason (as such terms are defined in the employment agreement), Mr. Rumbolz’ employment agreement provides for twenty-four months of salary continuation; and continued group health insurance for the executive and the executive’s eligible dependents over eighteen months. The employment agreement defers to the equity grants with respect to treatment of outstanding awards in connection with a termination of employment or a Change in Control (as defined in the Amended 2014 Plan) which provide for accelerated vesting in full of all unvested equity awards in the event of termination of the executive’s employment by the Company without cause or by the executive for good reason for 2017 equity awards, within eighteen months following a Change in Control event, and for the 2018, 2019, and 2020 equity awards, within twenty-four months of a Change in Control event. In the event of death or incapacity, Mr. Rumbolz is entitled to base salary and employee benefits earned through the date of such death or incapacity, and, for the remainder of the term of his agreement, periodic disability payments equal to sixty percent of his then-current base salary at the time of such death or incapacity. Beginning April 1, 2020, Mr. Rumbolz’ employment agreement will automatically renew for one-year periods on April 1st of each year thereafter, unless either party provides 180 days’ notice of nonrenewal.

#### **Mr. Taylor:**

In the event of termination by the Company without cause or by the executive for good reason (as such terms are defined in the employment agreement), Mr. Taylor’s employment agreement provides for twelve months of salary continuation plus one times the executive’s target bonus amount for the year of termination payable over twelve months and continued group health insurance for the executive and the executive’s eligible dependents over eighteen months. Equity grant agreements provide accelerated vesting in full of all unvested equity awards in the event of termination of the executive’s employment by the Company without cause or by the executive for good reason as an additional acceleration trigger for the 2017 equity award, within eighteen months following a Change in Control event, and for the 2018, 2019, and 2020 equity awards, within twenty-four months following a Change in Control event. In the event of death or incapacity, Mr. Taylor is entitled to base salary and employee benefits earned through the date of such death or incapacity. Beginning April 1, 2020, Mr. Taylor’s employment

agreement is for a one-year term (the "Initial Term"). Unless the Company provides written notice of intent not to renew 90 days prior to the expiration of the Initial Term, the agreement shall automatically renew for one-year periods on April 1st of each year thereafter, unless either party provides 90 days' notice of nonrenewal.

**Mr. Labay:**

In the event of termination by the Company without cause or by the executive for good reason (as such terms are defined in the employment agreement), Mr. Labay's employment agreement provides for twelve months of salary continuation plus one times the executive's target bonus amount for the year of termination payable over twelve months and continued group health insurance for the executive and the executive's eligible dependents over eighteen months. Equity grant agreements provide accelerated vesting in full of all unvested equity awards in the event of termination of the executive's employment by the Company without cause or by the executive for good reason as an additional acceleration trigger for that equity granted as of the Effective Date, within eighteen months following a Change in Control event, and for the 2018, 2019, and 2020 equity awards, within twenty-four months following a Change in Control event. In the event of death or incapacity, Mr. Labay is entitled to base salary and employee benefits earned through the date of such death or incapacity. Beginning April 1, 2020, Mr. Labay's employment agreement is for a one-year term (the "Initial Term"). Unless the Company provides written notice of intent not to renew 90 days prior to the expiration of the Initial Term, the agreement shall automatically renew for one-year periods on April 1st of each year thereafter, unless either party provides 90 days' notice of nonrenewal.

**Mr. Ehrlich:**

In the event of termination by the Company without cause or by the executive for good reason, Mr. Ehrlich's employment agreement provides for twelve months of salary continuation plus one times his target bonus amount for the year of termination payable over twelve months and continued group health insurance for the executive and the executive's eligible dependents over eighteen months. Equity grant agreements provide for accelerated vesting in full of all unvested equity awards in the event of termination of the executive's employment by the Company without cause or by the executive for good reason for the 2017 equity award, within eighteen months following a Change in Control event, and for the 2018, 2019, and 2020 equity awards, within twenty-four months following a Change in Control event. In the event of death or incapacity, Mr. Ehrlich is entitled to base salary and employee benefits earned through the date of such death or incapacity. Unless the Company provides written notice of intent not to renew 90 days prior to the expiration of the Initial Term, the agreement shall automatically renew for one-year periods on April 1st of each year thereafter, unless either party provides 90 days' notice of nonrenewal.

**Mr. Lucchese:**

In the event of termination by the Company without cause or by the executive for good reason (as such terms are defined in the employment agreement), Mr. Lucchese's employment agreement provides for twelve months of salary continuation plus one times the executive's target bonus amount for the year of termination payable over twelve months and continued group health insurance for the executive and the executive's eligible dependents over eighteen months. Equity grant agreements provide accelerated vesting in full of all unvested equity awards in the event of termination of the executive's employment by the Company without cause or by the executive for good reason: as an additional acceleration trigger for that equity granted as of the Effective Date, for the 2017 equity award, within eighteen months following a Change in Control event, and for the 2018, 2019, and 2020 equity awards, within twenty-four months following a Change in Control event. In the event of death or incapacity, Mr. Lucchese is entitled to base salary and employee benefits earned through the date of such death or incapacity. Beginning April 1, 2020, Mr. Lucchese's employment agreement is for a one-year term (the "Initial Term"). Unless the Company provides written notice of intent not to renew 90 days prior to the expiration of the Initial Term, the agreement shall automatically renew for one-year periods on April 1st of each year thereafter, unless either party provides 90 days' notice of nonrenewal.

**Treatment of Equity Upon a Termination Without Cause or For Good Reason or in Connection with a Change in Control**

The following table sets forth the estimated payments and benefits to the NEOs based upon: (i) a hypothetical termination without cause by the Company or for good reason by the executive on December 31, 2020 that is not in connection with a Change in Control event; (ii) a hypothetical Change in Control event on December 31, 2020; and (iii) a hypothetical termination without cause by the Company or for good reason on December 31, 2020 by the executive in connection with a Change in Control event:

Name	Termination without Cause or For Good Reason				Change in Control Event	Termination without Cause or For Good Reason following a Change in Control Event			
	Cash Payment (1)	Benefits (2)	Acceleration of Stock and Options (3)	Total	Acceleration of Stock and Options (3)	Cash Payment (1)	Benefits (2)	Acceleration of Stock and Options (3)	Total
Michael D. Rumbolz .....	\$ 1,500,000	\$11,409	\$ —	\$ 1,511,409	\$ —	\$ 1,500,000	\$ 11,409	\$ 11,464,801	\$12,976,210
Randy L. Taylor.....	918,750	25,036	—	943,786	—	918,750	25,036	5,590,173	6,533,959
Mark F. Labay.....	525,000	22,364	—	547,364	—	525,000	22,364	1,554,549	2,101,913
Dean A. Ehrlich.....	743,750	22,364	—	766,114	—	743,750	22,364	2,800,981	3,567,095
David J. Lucchese.....	700,000	14,125	—	714,125	—	700,000	14,125	2,170,968	2,885,093

- (1) Reflects base salary and target bonus amount that would have been payable to the NEO, assuming the NEO's termination on December 31, 2020.
- (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 units accelerated by \$13.81 (the closing price of our Common Stock on December 31, 2020). The value attributable to the hypothetical acceleration of the vesting of any stock option awards held by a NEO is determined by multiplying (i) the difference, if greater than zero, between the exercise price of the applicable stock option award and the closing price of our Common Stock on December 31, 2020 of \$13.81 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, 2020."

**Pension Benefits and Nonqualified Deferred Compensation**

We do not currently offer, nor do we have plans that 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 19, 2021 by: (i) stockholders who are beneficial owners of 5% or more of our Common Stock; (ii) directors and NEOs; and (iii) all directors and NEOs as a group.

There were 87,341,438 shares of our Common Stock issued and outstanding as of the close of business on March 19, 2021. 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 of the close of business on March 19, 2021. Under these rules, more than one person may be deemed a beneficial owner of securities as to which such person has no economic interest.

Name	Shares Beneficially Owned	
	Number	Percentage <sup>(1)</sup>
<b>Principal stockholders</b>		
Capital Research Global Investors <sup>(2)</sup> .....	7,094,959	8.1
Eagle Asset Management, Inc. <sup>(3)</sup> .....	6,291,585	7.2
BlackRock, Inc. <sup>(4)</sup> .....	6,016,328	6.9
The Vanguard Group <sup>(5)</sup> .....	4,399,639	5.0
<b>Directors and named executive officers<sup>(6)</sup></b>		
Michael D. Rumbolz <sup>(7)</sup> .....	1,405,920	1.6
David Lucchese <sup>(8)</sup> .....	818,474	*
E. Miles Kilburn <sup>(9)</sup> .....	731,780	*
Randy L. Taylor <sup>(10)</sup> .....	718,072	*
Dean A. Ehrlich <sup>(11)</sup> .....	378,056	*
Ronald V. Congemi <sup>(12)</sup> .....	351,000	*
Geoffrey P. Judge <sup>(13)</sup> .....	314,096	*
Eileen F. Raney <sup>(14)</sup> .....	239,000	*
Linster W. Fox <sup>(15)</sup> .....	160,000	*
Mark F. Labay <sup>(16)</sup> .....	145,551	*
Maureen T. Mullarkey <sup>(17)</sup> .....	10,000	*
Atul Bali <sup>(18)</sup> .....	—	*
<b>Directors and current named executive officers as a group (12 persons)</b> .....	5,271,949	5.8

\* 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 March 19, 2021 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 16, 2021 for shares held by Capital Research Global Investors (“Capital Research”). According to the Schedule 13G, Capital Research has sole voting and dispositive power over all 7,094,959 shares. The address for Capital Research is 333 South Hope Street 55th Floor, Los Angeles, CA 90071.
- (3) As reported on Schedule 13G/A filed on February 12, 2021 for shares held by Eagle Asset Management, Inc. (“Eagle”). According to Schedule 13G/A, Eagle has sole voting and dispositive power over all 6,291,585 shares. The address for Eagle is 880 Carillon Parkway, St. Petersburg, FL 33716.
- (4) As reported on Schedule 13G/A filed on January 29, 2021 for shares held by BlackRock, Inc. (“BlackRock”). According to the Schedule 13G/A, BlackRock has sole voting power over 5,904,145 shares and sole dispositive power over all 6,016,328 shares. The address for BlackRock is 55 East 52nd Street, New York, NY 10055.

- (5) As reported on Schedule 13G/A filed on February 10, 2021 for shares held by The Vanguard Group (“Vanguard”). According to the Schedule 13G/A, Vanguard has sole dispositive power over 4,215,721 shares, shared dispositive power over 183,918 shares, and shared voting power over 120,881 shares. The address for Vanguard is 100 Vanguard Blvd., Malvern, PA 19355.
- (6) Includes shares owned and shares issuable upon exercise of stock options that are currently exercisable or will be within 60 days of March 19, 2021.
- (7) Consists of 449,287 shares owned by Mr. Rumbolz and 956,633 shares issuable upon the exercise of stock options that are currently exercisable or will be within 60 days for Mr. Rumbolz.
- (8) Consists of 103,076 shares owned by Mr. Lucchese and 715,398 shares issuable upon the exercise of stock options that are currently exercisable or will be within 60 days for Mr. Lucchese.
- (9) Consists of 267,645 shares owned by Mr. Kilburn and 464,135 shares issuable upon the exercise of stock options that are currently exercisable or will be within 60 days for Mr. Kilburn.
- (10) Consists of 131,213 shares owned by Mr. Taylor and 586,859 shares issuable upon the exercise of stock options that are currently exercisable or will be within 60 days for Mr. Taylor.
- (11) Consists of 36,056 shares owned by Mr. Ehrlich and 342,000 shares issuable upon the exercise of stock options that are currently exercisable or exercisable within 60 days for Mr. Ehrlich.
- (12) Consists of 16,000 shares owned by Mr. Congemi and 335,000 shares issuable upon the exercise of stock options that are currently exercisable or will be within 60 days for Mr. Congemi.
- (13) Consists of 59,672 shares owned by Mr. Judge and 254,424 shares issuable upon the exercise of stock options that are currently exercisable or exercisable within 60 days for Mr. Judge.
- (14) Consists of 79,000 shares owned by Ms. Raney and 160,000 shares issuable upon the exercise of stock options that are currently exercisable or will be within 60 days for Ms. Raney.
- (15) Consists of 160,000 shares issuable upon the exercise of stock options that are currently exercisable or will be within 60 days for Mr. Fox.
- (16) Consists of 22,551 shares owned by Mr. Labay and 123,000 shares issuable upon the exercise of stock options that are currently exercisable or will be within 60 days for Mr. Labay.
- (17) Consists of 10,000 shares owned by Ms. Mullarkey.
- (18) As of the date of this filing, Mr. Bali is not a beneficial owner of any securities, nor does he have a right to acquire beneficial ownership within 60 days.

### **Equity Compensation Plan Information**

The following table provides information as of December 31, 2020 with respect to shares of our Common Stock that may be issued under the Company’s equity compensation plans:

<b>Plan category</b>	<b>Equity Plan</b>	<b>Number of securities to be issued upon exercise and release of outstanding options, awards, warrants and rights</b>	<b>Weighted average exercise price of outstanding options, awards, warrants and rights</b>	<b>Number of securities remaining available for future issuance under equity compensation plans</b>
Equity compensation plans approved by stockholders.....	2014 Plan	4,837,410	\$ 4.05	852,945
	2005 Plan	3,380,842	\$ 7.90	— <sup>(1)</sup>
Equity compensation plans not approved by stockholders <sup>(2)</sup> .....	2012 Plan	2,041,835 <sup>(3)</sup>	\$ 3.34	86,363 <sup>(4)</sup>
<b>Total</b> .....		<b>10,260,087</b>		<b>939,308</b>

(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 and Restated 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.

### 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. The pay ratio included in this information is a reasonable estimate calculated in a manner consistent with Item 402(u) of Regulation S-K.

Name and Principal Position	Year	Salary	Bonus	Stock awards <sup>(1)</sup>	Option awards <sup>(1)</sup>	Non-equity incentive plan compensation <sup>(2)</sup>	All other compensation <sup>(3)</sup>	Total
Michael D. Rumbolz, Chief Executive Officer...	2020	\$695,000	\$ —	\$1,585,092	\$ —	\$ 150,000	\$ 19,911	\$2,450,003
Median Employee <sup>(4)</sup> .....	2020	74,014	—	—	—	3,000	1,192	78,206
<b>Pay Ratio</b> .....								<b>31.3x</b>

- (1) Represents the fair value of the stock and option awards granted to the NEOs, as calculated in accordance with FASB ASC Topic 718, Stock Compensation. For a discussion of the assumptions made in determining the valuation of these equity awards, see our notes to the financial statements in the Company's Annual Report on Form 10-K for the applicable periods.
- (2) Represents the amount of non-equity incentive compensation earned under the Company's annual short-term incentive plan for the fiscal year. Amounts earned for a calendar year are typically paid to the NEOs in the first quarter of the following fiscal year.
- (3) Includes contributions made by the Company under its 401(k) plan and cost of short-term and long-term disability coverage. We make contributions on behalf of certain executive officers consistent with Company contributions to all eligible non-executive employees.
- (4) Represents the total annual compensation of the middle-most employee, excluding the Chief Executive Officer.

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:

- We determined that, as of December 31, 2020, we had approximately 1,300 employees, a vast majority of which work domestically, and are comprised of approximately 600 and 700 employees, for our Games and FinTech segments, respectively.
- 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 2020. We identified our median employee using this compensation measure, which was consistently applied to all our employees included in the calculation.
- Once we identified our median employee, we combined all of the elements of such employee's compensation for 2020 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 other portions of incidental income (e.g. cost of short-term and long-term disability coverage, life insurance, and cell phone stipends). 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 such amounts.

## **PROPOSAL 3**

### **APPROVAL OF THE AMENDED AND RESTATED 2014 EQUITY INCENTIVE PLAN**

(Item No. 3 on the Proxy Card)

**THE BOARD UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS VOTE “FOR” THE AMENDED AND RESTATED 2014 EQUITY INCENTIVE PLAN.**

#### **Overview**

On March 4, 2021 (the “Amendment Date”), the Board of Directors unanimously adopted and approved the Everi Holdings Inc. Amended and Restated 2014 Equity Incentive Plan (the “Plan”), subject to stockholder approval. The Plan amends and restates the Everi Holdings Inc. Amended and Restated 2014 Equity Incentive Plan, which was originally effective May 15, 2014 and last approved by Company stockholders at the 2018 annual meeting (the “Current Plan”). If stockholders do not approve the Plan, the Current Plan will remain in existence, but the Company will not have sufficient shares under it to meet its short- or long-term needs.

#### **Key Changes in the Plan**

The amendment and restatement of the Plan makes the following changes, as described in more detail under “Plan Summary” below:

- Increase the share reserve under the Plan by an additional 5,000,000 shares.
- Extend the expiration date of the Plan to May 19, 2031.
- Make certain ministerial changes, including the removal of provisions relating to the performance-based compensation exception under Section 162(m) of the Code, which has been eliminated.

#### **Why You Should Vote For the Plan**

The Board of Directors recommends that the Company’s stockholders approve the Plan because it believes that equity awards are a critical part of the Company’s compensation program and are essential to the Company’s ability to effectively compete for and appropriately motivate and reward key talent. The Board of Directors believes that it is in the interests of both the Company and its stockholders to strengthen the Company’s ability to attract, motivate and retain high quality employees, directors and consultants and to incentivize such persons to achieve the Company’s financial and strategic goals through the issuance of equity and other performance-based awards. The Company is seeking stockholder approval of the Plan because the Board of Directors does not believe that the shares available for issuance with respect to equity awards under the Current Plan are sufficient to meet the Company’s short- or long-term needs. The Company believes that the availability of an additional 5,000,000 shares under the Plan in addition to the remaining shares under the Current Plan (852,945 shares at December 31, 2020) would provide sufficient additional shares to continue to make awards at historical average rates for two years.

#### **Promotion of Good Corporate Governance Practices**

The Plan includes a number of provisions that we believe promote good corporate governance and the interests of stockholders. Under the Plan:

- There is no “evergreen” annual share increase provision.
- The 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 Plan.
- No discount from fair market value is permitted in setting the exercise price of stock options and stock appreciation rights.
- The Plan provides for gross share counting. The number of shares remaining for grant under the 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 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).
- 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.

#### **Key Data**

The following table provides information regarding equity awards outstanding and shares available for future awards under all of the Company’s equity plans as of December 31, 2020 (and without giving effect to approval of the Plan under this Proposal 3).

We have no equity awards outstanding other than stock options, restricted stock, restricted stock units and performance awards (in the form of both performance restricted stock and performance restricted stock units).

<b>Total shares underlying all outstanding stock options</b>		10,260,087
<b>Weighted average exercise price of outstanding stock options</b>	\$	5.18
<b>Weighted average remaining contractual life of outstanding stock options (years)</b>		4.41
<b>Total shares underlying all outstanding and unvested full-value awards</b>		4,249,118
<b>Shares available for future issuance under the Current Plan</b>		852,945

## Burn Rate

One means of evaluating the long-term dilution from equity compensation plans is to monitor the number of equity awards granted annually, commonly referred to as "burn rate." As shown in the following table, the Company's three-year average annual burn rate calculated using Institutional Shareholder Services (ISS) methodology has been 4.04%\*.

Year	Options Granted	Full-Value Shares Granted (1)	Total Granted (2)	Weighted Average Number of Common Shares Outstanding (Rounded)	Burn Rate
2020	—	2,183,059	3,274,589	85,379,000	3.84 %
2019	—	2,045,414	3,068,121	72,376,000	4.24 %
2018	20,000	1,877,236	2,835,854	69,464,000	4.08 %
<b>Three-Year Average</b>					4.04 %

\* Rounding may cause variances.

(1) Full-Value Shares Granted includes performance stock units reflected at the maximum payout.

(2) Total Granted calculation is based on the ISS methodology of weighing performance stock units and retention stock awards more heavily than options, using a 1.5:1 ratio.

## Potential Dilution

The amendment and restatement of the Plan provides that the total number of shares of common stock available for issuance under the Plan will include (a) the 5,000,000 newly authorized shares of common stock plus (b) the 852,945 shares available for future issuance under the Plan as of December 31, 2020, which would represent approximately 6.75% percent of the Company's shares of common stock outstanding as of December 31, 2020.

## Plan Summary

The following summary of the material terms of the Plan is qualified in its entirety by reference to the complete statement of the Plan, which is set forth in Appendix A to this proxy statement.

*General.* The purpose of the 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.* After giving effect to the amendment to the Plan for which approval is being sought, the maximum aggregate number of shares authorized for issuance under the Plan is 16,875,000 shares. Shares subject to any option or other award outstanding under the predecessor 2005 Plan that expires or is forfeited for any reason shall not be added to the reserve under the Plan.

*Share Counting.* Each share subject to an award under the Plan will reduce the number of shares remaining available for grant under the Plan by one share.

If any award granted under the 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 Plan. Shares will not be treated as having been issued under the 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 Plan. Upon the exercise of a stock appreciation right or net-exercise of an option, the number of shares available under the 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 Plan.

*Adjustments for Capital Structure Changes.* Appropriate and proportionate adjustments will be made to the number of shares authorized under the 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 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 Plan in any fiscal year for more than 300,000 shares.

*Other Award Limits.* The maximum aggregate number of shares or dollar value for which such awards may be granted to any participant who is not a non-employee director in any fiscal year, as follows: (i) no more than 4,000,000 shares under stock-based awards, and (ii) no more than \$3,000,000 for each fiscal year contained in the vesting period under cash-based awards. In addition, to comply with applicable tax rules, the Plan also limits the number of shares that may be issued upon the exercise of incentive stock options granted under the Plan to 16,875,000 shares of Common Stock.

*Administration.* The 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 Plan or to administer the 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 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 provided by the 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 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 Plan. All awards granted under the 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 Plan. The Committee will interpret the 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 Plan or any award.

*Prohibition of Option and SAR Repricing.* The 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 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; provided, that awards to non-employee directors may vest on the Company's next annual meeting of stockholders (provided that such annual meetings are at least fifty (50) weeks apart).

*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 31, 2021, we had approximately 1,300 employees, including 8 executive officers, and 7 non-employee directors who would be eligible under the 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 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 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 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 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 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 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.

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; completion of a joint venture or other corporate transaction; and growth in stockholder value relative to the moving average on the S&P 500 Index or another index.

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. 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 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 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 Plan provides that a "Change in Control" occurs upon (i) a person or entity (with certain exceptions described in the 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 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 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 Plan to the contrary, the Committee is authorized, in its sole discretion and without the consent of any participant, to amend the Plan or any award agreement as it deems necessary or advisable to comply with Section 409A.

*Amendment, Suspension or Termination.* The Plan will continue in effect until its termination by the Committee, provided that no awards may be granted under the Plan following the tenth anniversary of the Plan's effective date, which, after giving effect to the amendment to the Plan for which approval is being sought, is the date of the 2021 annual meeting. The Committee may amend, suspend or terminate the 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 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 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.

## **Federal Income Tax Treatment**

The following discussion is a general summary as of the date of this Proxy Statement of the significant U.S. federal income tax consequences to the Company and the participants in the Plan. The discussion is intended solely for general information and does not make specific representations to any participant. The discussion does not address state, local or foreign income tax rules or other U.S. tax provisions, such as estate or gift taxes. A recipient's particular situation may be such that some variation of the basic rules is applicable to him or her. In addition, the federal income tax laws and regulations are frequently revised and may change at any time. Therefore, each recipient is urged to consult a tax advisor before exercising any award or before disposing of any shares acquired under the Plan both with respect to federal income tax consequences as well as any foreign, state or local tax consequences.

**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 December 31, 2020, to the following persons under the Plan since its inception are as follows: (i) Michael D. Rumbolz, Chief Executive Officer and director, 887,209 shares; (ii) Randy L. Taylor, President and Chief Operating Officer, 477,000 shares; (iii) Mark F. Labay, Executive Vice President, Chief Financial Officer and Treasurer, 165,000 shares; (iv) Dean A. Ehrlich, Executive Vice President, Games Business Leader, 0 shares; (v) David J. Lucchese, Executive Vice President, Sales, Marketing and Digital, 477,000 shares; (vi) all current executive officers as a group, 2,291,209 shares; (vii) all current non-employee directors as a group, 770,000 shares; (viii) Class I director nominees, 100,000 shares, and (ix) all employees (excluding executive officers) as a group, 8,129,550 shares. No options have

been granted under the 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 Plan.

## New Plan Benefits

The benefits that will be awarded or paid under the Plan are not currently determinable. Awards granted under the Plan are within the discretion of the Compensation Committee.

## Equity Compensation Plan Information

The following table provides information as of December 31, 2020 with respect to shares of our Common Stock that may be issued under the Company's equity compensation plans (and does not include the 5,000,000 shares of common stock that are the subject of this Proposal 3):

<u>Plan category</u>	<u>Equity Plan</u>	<u>Number of securities to be issued upon exercise and release of outstanding options, awards, warrants and rights</u>	<u>Weighted average exercise price of outstanding options, awards, warrants and rights</u>	<u>Number of securities remaining available for future issuance under equity compensation plans</u>
Equity compensation plans approved by stockholders.....	2014 Plan	4,837,410	\$ 4.05	852,945
	2005 Plan	3,380,842	\$ 7.90	— <sup>(1)</sup>
Equity compensation plans not approved by stockholders <sup>(2)</sup> .....	2012 Plan	2,041,835 <sup>(3)</sup>	\$ 3.34	86,363 <sup>(4)</sup>
<b>Total</b> .....		<b>10,260,087</b>		<b>939,308</b>

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

## PROPOSAL 4 RATIFICATION OF THE APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

(Item No. 4 on the Proxy Card)

**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, 2021.**

### ***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, 2021.

BDO USA, LLP has served as our independent registered public accounting firm since 2015.

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 year 2021 will stand, unless the Audit Committee finds other good reason for making a change and doing so is in the best interests of the Company and its stockholders. 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, 2021.

### ***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, and will be available to respond to appropriate questions from stockholders.

### ***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, 2020 and 2019, for the audit of the Company’s annual financial statements as well as fees invoiced for other services rendered by it for each respective year (amounts in thousands):

	Year Ended December 31,	
	2020	2019
Audit fees <sup>(1)</sup> .....	\$ 837	\$ 1,031
Audit-related fees <sup>(2)</sup> .....	50	49
Tax fees <sup>(3)</sup> .....	7	5
All other fees.....	—	—
Total.....	<u>\$ 894</u>	<u>\$ 1,085</u>

(1) Audit fees include amounts for the following professional services:

- audit of the Company’s annual financial statements for fiscal years 2020 and 2019;
- 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 are related to the evaluations of service organization controls under the Statement on Standards for Attestation Engagements (SSAE) No. 18.

(3) Tax Fees include amounts for planning (domestic and international), advisory and compliance 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, 2021, 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 2020 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 Audit Committee of the Board currently consists of Messrs. Kilburn, Fox, Judge, Congemi, and Bali, and Meses. 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 <https://www.everi.com/investor-relations/business-summary/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 2020 audited by BDO USA, LLP, the Company's independent registered public accounting firm for its fiscal year ended December 31, 2020, 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 applicable standards of the Public Company Accounting Oversight Board and the SEC. The Audit Committee has also received the written disclosures and the letter from BDO USA, LLP regarding its communications with the Audit Committee concerning independence, as required by the Public Company Accounting Oversight Board's applicable rules, 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, 2020 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, 2021.

### *Members of the Audit Committee:*

Linster W. Fox (**Chair**)  
E. Miles Kilburn  
Geoffrey P. Judge  
Ronald V. Congemi  
Eileen F. Raney  
Maureen T. Mullarkey  
Atul Bali

## DELINQUENT SECTION 16(a) REPORTS

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.

Based solely on its review of the copies of such forms filed with the SEC and written representations from certain Reporting Persons that no such forms were required, the Company believes that during fiscal year 2020, all Reporting Persons complied with the applicable filing requirements on a timely basis.

## FREQUENTLY ASKED QUESTIONS

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

The Board is furnishing these proxy materials to you in connection with the Company's Annual Meeting to be held on Wednesday, May 19, 2021, 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. At the Annual Meeting, you are entitled and requested to vote on the proposals outlined in this Proxy Statement.

This Proxy Statement is dated April 19, 2021 and is first being mailed to stockholders on or about April 19, 2021.

### ***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:

<b>Proposal 1</b>	<b>Board's Voting Recommendations</b>
Election of two Class I directors to serve until the Company's 2024 annual meeting of stockholders.....	<b>FOR each of the Board's nominees</b>
<b>Proposal 2</b>	
Approval (on an advisory basis) of the compensation of our named executive officers as shown in this Proxy Statement.....	<b>FOR</b>
<b>Proposal 3</b>	
Approval of Amended and Restated 2014 Equity Incentive Plan.....	<b>FOR</b>
<b>Proposal 4</b>	
Ratification of the appointment of BDO USA, LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2021.....	<b>FOR</b>

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 2021 Annual Meeting of Stockholders accompanying this Proxy Statement. 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 5, 2021 is (the "Record Date"). 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 5, 2021, there were approximately 87,649,482 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 directly 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 and bring it to the Annual Meeting in order to vote. For additional requirements to attend the Annual Meeting, see the information provided on page 1.

### **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, 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 Proposals 1, 2, and 3. Accordingly, if you do not instruct your nominee or other record holder how to vote with respect to Proposals 1, 2, and 3 no votes will be cast on your behalf with respect to such proposals (this is referred to as a “broker non-vote”). 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 the holders 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?**

<b>Voting Item</b>	<b>Board Recommendation</b>	<b>Voting Standard</b>	<b>Treatment of Abstentions &amp; Broker Non-Votes</b>
Election of Directors..	For	Plurality <sup>(1)</sup> of Shares Represented at the Meeting and Entitled to Vote Thereon	No effect on the outcome of the election
Say on Pay <sup>(2)</sup> .....	For	Majority <sup>(3)</sup> of Shares Represented at the Meeting and Entitled to Vote Thereon	<b>Broker Non-Votes:</b> No effect on the outcome of this proposal <b>Abstentions:</b> Same effect as a vote “Against” this proposal
Amended and Restated 2014 Equity Incentive Plan.....	For	Majority <sup>(3)</sup> of Shares Represented at the Meeting and Entitled to Vote Thereon	<b>Broker Non-Votes:</b> No effect on the outcome of this proposal <b>Abstentions:</b> Same effect as a vote “Against” this proposal
Auditor Ratification....	For	Majority <sup>(3)</sup> of Shares Represented at the Meeting and Entitled to Vote Thereon	<b>Broker Non-Votes:</b> No effect on the outcome of this proposal <b>Abstentions:</b> Same effect as a vote “Against” this proposal

(1) Director nominees who receive the highest number of shares voted “For” his or her election are elected.

If a nominee in an uncontested election (such as this one) nonetheless does not receive the vote of at least the majority of the votes cast and no successor has been elected at such meeting, he or she may trigger the Company's guideline regarding majority voting for directors. Full details of the 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 <https://www.everi.com/investor-relations/business-summary/governance-documents/>.

- (2) Although this vote is advisory and non-binding on our Board, the Board and Compensation Committee will consider the voting results, along with other relevant factors, in connection with their ongoing evaluation of our compensation program.
- (3) Number of shares voted "For" must exceed 50% of the number of shares represented at the meeting.

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, 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;
- after receiving your proxy materials, over the telephone by calling a toll-free number; or
- by mailing the enclosed proxy card.

Given the impact of the COVID-19 pandemic, we strongly encourage you to vote over the Internet or by telephone in advance of the meeting. 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 through 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.

### ***How are the proxy card votes counted?***

If the accompanying proxy card is properly completed, signed, and returned to us, and not subsequently revoked, it will be voted as directed by you. If the proxy card is submitted, but voting instructions are not provided, the proxy will be voted: (i) "For" each of the director nominees; (ii) "For" the advisory approval of the compensation of our named executive officers; (iii) "For" Everi Holding Inc.'s Amended and Restated 2014 Equity Incentive Plan; and (iv) "For" the ratification of the appointment of BDO USA, LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2021.

### ***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, or via e-mail to [secretary@everi.com](mailto:secretary@everi.com)**;
- 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 sent 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 with the SEC within four business days after the end of the Annual Meeting.

### ***Changing the way you receive proxy materials in the future – 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 and benefits the environment. If you are a stockholder of record and would like to receive future proxy materials electronically, you can select this option by following the instructions provided when you vote your proxy over the Internet at [www.proxyvote.com](http://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 materials will provide instructions for voting online. If your proxy materials do not reference Internet information, please complete and return your voting instruction form.

### ***What is "householding"?***

There are circumstances under which you may receive multiple mailings containing copies of the proxy materials, proxy cards, or voting instruction form. For example, if you hold your shares in more than one brokerage account, you may receive separate mailings for each such brokerage account. In addition, if you are a stockholder of record and your shares are registered in more than one name, you may receive more than one mailing. Please authorize your proxy in accordance with the instructions of each mailing separately, since each one represents different shares that you own.

The 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," provides extra convenience for stockholders, cost savings for companies, and benefits the environment. 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 **Corporate Secretary of the Company at 7250 South Tenaya Way, Suite 100, Las Vegas, Nevada 89113, or via e-mail to [secretary@everi.com](mailto:secretary@everi.com), or by calling (702) 855-3000**. The Company, if contacted, will undertake to promptly deliver the requested materials.

### ***When are stockholder proposals due for the 2022 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 must be received at our principal executive offices, addressed to our Corporate Secretary of the Company, not less than 120 calendar days before the date our proxy statement 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 2022 Annual Meeting of Stockholders, the proposal must be received at our principal executive offices, addressed to our Corporate Secretary of the Company, not later than the close of business on December 20, 2021.

Subject to certain exceptions, stockholder business (including nominations) 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 delivered to our Corporate Secretary at our principal executive offices 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 2022 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 19, 2022, nor later than the close of business on February 18, 2022.

A stockholder's notice to the Corporate Secretary of the Company must set forth as to each matter the stockholder proposes to bring before the annual meeting:

- **Director Nomination:** all information relating to such proposed nominee 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); and
- **Stockholder Proposals:** 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.

Each stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made must also include (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.

## OTHER MATTERS

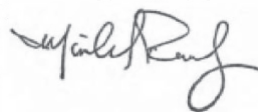
As of the date of this Proxy Statement, the Company knows of no other matters that will be presented for consideration at the Annual Meeting. If any other matters properly come before the Annual Meeting, the persons named as proxies in the enclosed form of proxy or their substitutes will vote in accordance with their judgment on such matters.

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

The 2020 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, 2020, 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, or via e-mail to [secretary@everi.com](mailto:secretary@everi.com).** Any exhibits listed in the Annual Report on Form 10-K for the fiscal year ended December 31, 2020 also will be furnished upon written request at the actual expense we incur in furnishing such exhibits.

By Order of the Board of Directors,



Michael D. Rumbolz  
Chief Executive Officer & Director

Las Vegas, Nevada  
April 19, 2021

## Appendix A

### RECONCILIATION OF NON-GAAP MEASURES

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

	Year Ended December 31, 2020 Reconciliation of Net Income to AEBITDA and to FCF	
	(in thousands)	
Net loss.....	\$	(81,680)
Income tax benefit.....		(5,756)
Loss on extinguishment of debt.....		7,457
Interest expense, net of interest income.....		74,564
<b>Operating loss</b> .....	<b>\$</b>	<b>(5,415)</b>
Plus: depreciation and amortization.....		142,764
<b>EBITDA</b> .....	<b>\$</b>	<b>137,349</b>
Non-cash stock compensation expense.....		13,036
Accretion of contract rights.....		7,675
Write-off of inventory, property and equipment and intangible assets.....		11,766
Employee separation cost and other expenses.....		2,700
Foreign exchange loss.....		1,282
Office and warehouse consolidation.....		1,302
Non-recurring professional fees and other, net.....		962
Other one-time charges.....		456
<b>AEBITDA</b> .....	<b>\$</b>	<b>176,528</b>
Cash paid for interest.....		(67,562)
Cash paid for capital expenditures.....		(76,429)
Cash paid for placement fees.....		(3,085)
Cash paid for taxes, net of refunds.....		(576)
<b>FCF</b> .....	<b>\$</b>	<b>28,876</b>

We present AEBITDA 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 AEBITDA; 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 AEBITDA. AEBITDA is not a measure of financial performance under GAAP. Accordingly, AEBITDA 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**

**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 “*Original Effective Date*”), and subsequently amended and restated, effective May 23, 2017, 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 19, 2021, the date of its approval by the stockholders of the Company (the “*Effective Date*”).

**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 a written employment or services or similar agreement between a Participant and a Participating Company, 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 a written employment or services or similar 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(dd)(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 Everi 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) **“Director”** means a member of the Board.

(n) **“Disability”** means, unless such term or an equivalent term is otherwise defined by the applicable Award Agreement or a written employment or services or similar 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.

(o) **“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.

(p) **“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.

(q) **“Exchange Act”** means the Securities Exchange Act of 1934, as amended.

(r) **“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.

**(s)** “*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.

**(t)** “*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.

**(u)** “*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).

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

**(w)** “*Net Exercise*” means a Net Exercise as defined in Section 6.3(b)(iii).

**(x)** “*Nonemployee Director*” means a Director who is not an Employee.

**(y)** “*Nonemployee Director Award*” means any Award granted to a Nonemployee Director.

(z) “*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.

(aa) “*Officer*” means any person designated by the Board as an officer of the Company.

(bb) “*Option*” means an Incentive Stock Option or a Nonstatutory Stock Option granted pursuant to the Plan.

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

(dd) “*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).

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

(ff) “*Participant*” means any eligible person who has been granted one or more Awards.

(gg) “*Participating Company*” means the Company or any Parent Corporation, Subsidiary Corporation or Affiliate.

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

(ii) “*Performance Award*” means an Award of Performance Shares or Performance Units.

(jj) “*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.

(kk) “*Performance Goal*” means a performance goal established by the Committee pursuant to Section 10.3.

(ll) **“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.

(mm) **“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).

(nn) **“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).

(oo) **“Predecessor Plan”** means the Company’s 2005 Stock Incentive Plan.

(pp) **“Restricted Stock Award”** means an Award of a Restricted Stock Bonus or a Restricted Stock Purchase Right.

(qq) **“Restricted Stock Bonus”** means Stock granted to a Participant pursuant to Section 8.

(rr) **“Restricted Stock Purchase Right”** means a right to purchase Stock granted to a Participant pursuant to Section 8.

(ss) **“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.

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

(uu) **“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.

(vv) **“Section 409A”** means Section 409A of the Code.

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

(xx) **“Securities Act”** means the Securities Act of 1933, as amended.

(yy) **“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 applicable law 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.

(zz) "**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.

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

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

(ccc) "**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.

(ddd) "**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.

(eee) "**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 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 the Fair Market Value of shares of Stock or other property;

(d) 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;

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

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

(g) 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;

(h) 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;

(i) 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

(j) 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.

**3.5 Option or SAR Repricing.** Without stockholder approval, 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.

**3.6 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 Sixteen Million Eight Hundred Seventy-Five Thousand (16,875,000) 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 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

(b) 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 shall be counted against the limit set forth in Section 4.1 as one (1) share.

(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 a 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 Section 5.5, 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 Sixteen Million Eight Hundred Seventy-Five Thousand (16,875,000) 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 Award Limits.** Subject to adjustment as provided in Section 4.4, no Participant who is not a Nonemployee Director shall be granted within any fiscal year of the Company one or more Awards which in the aggregate are for more than Four Million (4,000,000) shares or with a Fair Market Value on the date of grant of more than Three Million Dollars (\$3,000,000.00) per fiscal year over which the Award vests.

**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; provided, that Awards to Nonemployee Directors may vest on the Company's next annual meeting of stockholders (provided that such annual meetings are at least fifty (50) weeks apart).

## **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 complies with the requirements set forth in 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 determined 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, a 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 complies with the requirements set forth in 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, a 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, a SAR shall be exercisable only by the Participant or the Participant's guardian or legal representative. A 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 Section 10.

**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 Section 10.

**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 4.4) 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. 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.
- (xxx) growth in stockholder value relative to the moving average on the S&P 500 Index or another index.

(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 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 Participant'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 Participant 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.

(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 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 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 a written employment or services or similar 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 vested in full and, if applicable, exercisable and, except to the extent assumed, continued or substituted for pursuant to Section 13.1(b), shall be settled effective immediately prior to the time of consummation of the Change in Control.

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

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

(b) **Determination by Independent Accountants.** To aid the Participant in making any election called for under Section 13.3(a), no later than the date of the occurrence of any event that might reasonably be anticipated to result in an “excess parachute payment” to the Participant as described in Section 13.3(a), the Company shall request a determination in writing by the professional firm engaged by the Company for general tax purposes, or, if the tax firm so engaged by the Company is serving as accountant or auditor for the Acquiror, the Company will appoint a nationally recognized tax firm to make the determinations required by this Section. (the “*Tax Firm*”). As soon as practicable thereafter,

the Tax Firm shall determine and report to the Company and the Participant the amount of such acceleration of vesting, payments and benefits which would produce the greatest after-tax benefit to the Participant. For the purposes of such determination, the Tax Firm may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. The Company and the Participant shall furnish to the Tax Firm such information and documents as the Tax Firm may reasonably request in order to make its required determination. The Company shall bear all fees and expenses the Tax Firm charge in connection with its services contemplated by this Section.

**14. Compliance with Securities Law.**

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

**15. Compliance with Section 409A.**

**15.1 Awards Subject to Section 409A.** The Company intends that Awards granted pursuant to the Plan shall either be exempt from or comply with Section 409A, and the Plan shall be so construed. The provisions of this Section 15 shall apply to any Award or portion thereof that constitutes or provides for payment of Section 409A Deferred Compensation. Such Awards may include, without limitation:

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

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

the Award to elect one or more dates or events upon which the Award will be settled after the end of the Short-Term Deferral Period.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(iii) The Participant's death;

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

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

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

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

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



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

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

**(f) *Payment Upon Change in Control.*** Notwithstanding any provision of the Plan or an Award Agreement to the contrary, to the extent that any amount constituting Section 409A Deferred Compensation would become payable under this Plan by reason of a Change in Control, such amount shall become payable only if the event constituting a Change in Control would also constitute a change in ownership or effective control of the Company or a change in the ownership of a substantial portion of the assets of the Company within the meaning of Section 409A. Any Award which constitutes Section 409A Deferred Compensation and which would vest and otherwise become payable upon a Change in Control as a result of the failure of the Acquiror to assume, continue or substitute for such Award in accordance with Section 13.1(b) shall vest to the extent provided by such Award and 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 maximum statutory withholding rates (or such other rate as may be necessary to avoid an adverse accounting consequence or cost). 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 4, 2021, and approved by the stockholders of the Company on May 19, 2021.

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Kate C. Lowenhar-Fisher, 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, 2020

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)

20-0723270  
(I.R.S. Employer Identification No.)

7250 S. Tenaya Way, Suite 100

Las Vegas

Nevada

(Address of principal executive offices)

89113

(Zip Code)

(800) 833-7110

(Registrant's telephone number, including area code)

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

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, \$0.001 par value per share	EVRI	New York Stock Exchange

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. Yes  No

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

As of June 30, 2020, the aggregate market value of the registrant's common stock held by non-affiliates was approximately \$440.8 million based on the closing sale price as reported on the New York Stock Exchange.

There were 86,882,902 shares of the registrant's common stock issued and outstanding as of the close of business on March 1, 2021.

#### **DOCUMENTS INCORPORATED BY REFERENCE**

Certain portions of the registrant's Definitive Proxy Statement for its 2021 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 2020 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.

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**EVERI HOLDINGS INC.**  
**ANNUAL REPORT ON FORM 10-K**  
**FOR FISCAL YEAR ENDED DECEMBER 31, 2020**

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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 Operations and Comprehensive (Loss) Income as our “Statements of Operations,” (iii) our audited Consolidated Balance Sheets as our “Balance Sheets,” and (iv) Item 7. Management’s 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” or “Everi”) is a holding company, the assets of which are the issued and outstanding shares of capital stock of each of Everi Payments Inc. (“Everi FinTech” or “FinTech”) and Everi Games Holding Inc., which owns all of the issued and outstanding shares of capital stock of Everi Games Inc. (“Everi Games” or “Games”). Unless otherwise indicated, the terms the “Company,” “we,” “us,” and “our” refer to Everi Holdings together with its consolidated subsidiaries.

This Annual Report on Form 10-K (“Annual Report”) contains “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, as do other materials or oral statements we release to the public. Forward-looking statements are neither historical facts nor assurances of future performance, but instead are based only on our current beliefs, expectations, and assumptions regarding the future of our business, plans and strategies, projections, anticipated events and trends, the economy, and other future conditions, as of the date on which this report is filed. Forward-looking statements often, but do not always, contain words such as “expect,” “anticipate,” “aim to,” “designed to,” “intend,” “plan,” “believe,” “goal,” “target,” “future,” “estimate,” “seek,” “project,” “may,” “can,” “could,” “should” or “will” and other words and terms of similar meaning.

Forward-looking statements are subject to inherent risks, uncertainties, and changes in circumstances that are often difficult to predict and many of which are beyond our control, including, but not limited to, statements regarding: trends, developments, and uncertainties impacting our business, as well as expectations for the re-opening of casinos, including the related public health confidence and availability of discretionary spending income of casino patrons; our ability to withstand the ongoing disruption, to further product innovation; to address customer needs in a new and evolving operating environment; trends in gaming establishment and patron usage of our products; benefits realized by using our products and services; benefits and/or costs associated with mergers, acquisitions, and/or strategic alliances; product development, including the release of new game features, additional games, and system releases in the future; regulatory approvals; gaming and financial regulatory and legal, card association, and statutory compliance and changes; the implementation of new or amended card association and payment network rules or interpretations; consumer collection activities; competition (including consolidations); tax liabilities; goodwill impairment charges; international expansion; resolution of litigation or government investigations; our dividend policy; new customer contracts and contract renewals; financial performance and results of operations (including revenue, expenses, margins, earnings, cash flow, and capital expenditures); interest rates and interest expense; borrowings and debt repayments; and equity incentive activity and compensation expense.

Our actual results and financial condition may differ materially from those indicated in forward-looking statements, and important factors that could cause them to do so include, but are not limited to, the following:

- our ability to generate profits in the future and to create incremental value for shareholders;
- our ability to execute on mergers, acquisitions, and/or strategic alliances, including our ability to integrate and operate such acquisitions or alliances consistent with our forecasts in order to achieve future growth;
- our ability to execute on key initiatives and deliver ongoing improvements;
- expectations regarding growth for the Company’s installed base and daily win per unit;
- inaccuracies in underlying operating assumptions;
- the impact of the ongoing Coronavirus Disease 2019 (“COVID-19”) global pandemic on our business, operations and financial condition, including (i) actions taken by federal, state, tribal and municipal governmental and regulatory agencies to contain the COVID-19 global pandemic or mitigate its impact, (ii) the direct and indirect economic effects of COVID-19 and measures to contain it, including directives, orders or similar actions by federal, state, tribal and municipal governmental and regulatory agencies to regulate freedom of movement and business operations such as travel restrictions, border closures, business closures, limitations on public gatherings, quarantines and shelter-in-place orders as well as re-opening guidance related to capacity restrictions for casino operations, social distancing, hygiene

and re-opening safety protocols, and (iii) potential adverse reactions or changes to employee relationships in response to the furlough and salary reduction actions taken in response to COVID-19;

- changes in global market, business, and regulatory conditions arising as a result of the COVID-19 global pandemic;
- national and international economic and industry conditions;
- our ability to generate sufficient cash to service all of our indebtedness, fund working capital, and capital expenditures;
- our ability to withstand unanticipated impacts of a pandemic outbreak of uncertain duration;
- our ability to successfully introduce new products and services, including third-party licensed content;
- changes in gaming and financial regulatory and legal, card association, and statutory requirements;
- unanticipated expenses or capital needs;
- technological obsolescence and our ability to adapt to evolving technologies;
- our ability to comply with our debt covenants and service outstanding debt;
- our ability to comply with regulatory requirements under the Payment Card Industry (“PCI”) Data Security Standards and maintain our certified status; 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.

We undertake no obligation to update or publicly revise any forward-looking statements 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 section. 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 imaginative entertainment and trusted technology solutions for the casino and digital gaming industry. Everi's mission is to transform the casino floor through innovative gaming and financial technology and loyalty solutions. With a focus on both land-based and digital gaming operators and players, the Company develops entertaining games and gaming machines, gaming systems and services that facilitate memorable player experiences, and is a preeminent and comprehensive provider of financial products and services that offer convenient and secure cash and cashless-based financial transactions, self-service loyalty tools and applications, and intelligence software and other intuitive solutions that improve casino operational efficiencies and fulfill regulatory compliance requirements.

Everi reports its financial performance, and organizes and manages its operations, across the following two business segments: (i) Games; and (ii) FinTech.

Everi Games provides gaming operators with gaming technology products and services, including: (i) gaming machines, primarily comprising Class II and Class III slot machines placed under participation or fixed-fee lease arrangements or sold to casino customers; (ii) providing and maintaining the central determinant systems for the video lottery terminals ("VLTs") installed in the State of New York and similar technology in certain tribal jurisdictions; (iii) business-to-business ("B2B") and business-to-consumer ("B2C") digital online gaming activities.

Everi FinTech provides gaming operators with financial technology products and services, including: (i) services and equipment that facilitate casino patron's self-service access to cash and cashless funding at gaming facilities via Automated Teller Machine ("ATM") debit withdrawals, credit card cash access transactions and point-of-sale ("POS") debit card purchase cash access transactions; (ii) check warranty services; (iii) self-service loyalty enrollment and marketing equipment, including promotion management software and tools; (iv) software and services that improve credit decision making, automate cashier operations, and enhance patron marketing activities for gaming establishments; (v) equipment that provides cash access and other cash handling efficiency-related services; and (vi) compliance, audit, and data solutions.

For additional information on our segments and the revenues generated by our products and services see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Results of Operations" and "Note 18 — Segment Information" included elsewhere in this Annual Report.

#### Impact of Coronavirus Disease 2019 ("COVID-19") Pandemic

The COVID-19 pandemic has negatively impacted the global economy, disrupted global supply chains, temporarily lowered equity market valuations, created significant volatility in the financial markets, increased unemployment levels, caused temporary, and in certain cases, closures of many businesses. The gaming industry was not immune to these factors as our casino customers closed their gaming establishments, and as a result, our operations experienced significant disruptions. At the immediate onset of the COVID-19 pandemic, we were affected by various measures, including, but not limited to: the institution of social distancing and sheltering-in-place requirements in many states and communities, which significantly impacted demand for our products and services, and resulted in office closures, the furlough of a majority of our employees, the implementation of temporary base salary reductions for our employees and the implementation of a work-from-home policy.

In connection with the uncertainty facing our customers as a result of COVID-19, we evaluated our business strategies in the second quarter of 2020 and implemented measures to reduce our ongoing operating costs. As a result of this evaluation, we permanently reduced our employee base, with most of the departures resulting from our furloughed employees, to accommodate the current and future operating needs of our customers and our business.

During the second quarter of 2020, businesses began to adapt to social-distancing measures and various phases of reopening pursuant to government-mandated guidelines. As our gaming customers reopened, a number of their properties initially experienced an elevated level of activity as compared to what was originally anticipated. The revenues generated by this initial pent-up demand flattened to slightly below pre-COVID levels as more casinos reopened through the second quarter of 2020. Revenues improved further throughout the third and fourth quarter of 2020, though they remained below pre-COVID levels. With a majority of our gaming customers reopening properties by the end of September 2020 and our activity rates and results continuing to improve through the third and fourth quarter, we have, among other measures: (i) returned nearly all of our furloughed employees to work on primarily a work-from-home basis; (ii) reinstated base compensation to pre-COVID levels for the employee base; (iii) reversed nearly all compensation reductions for both our Executives and Directors; and (iv) fully paid down the outstanding balance on our revolving line of credit.

It is unclear when and if customer volumes will return consistently to pre-COVID levels, if a resurgence of COVID-19 could result in the closure of casinos by federal, state, tribal or municipal governments, regulatory agencies, or by the casino operators themselves in an effort to contain the COVID-19 global pandemic or mitigate its impact and the impact of vaccines on these matters; however, we continue to monitor the impacts of COVID-19 and make adjustments to our business accordingly.

The impact of the COVID-19 pandemic exacerbates the risks disclosed in this Annual Report, including, but not limited to: our ability to comply with the terms of our indebtedness, our ability to generate revenues, earn profits and maintain adequate liquidity, our ability to service existing and attract new customers, maintain our overall competitiveness in the market, the potential for significant fluctuations in demand for our services, overall trends in the gaming industry impacting our business, as well as potential volatility in our stock price, among other consequences such as cybersecurity exposure.

For more information about the operational and financial impacts of COVID-19 on our results of operations and liquidity, refer to “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

## **Our Products and Services**

### **Everi Games**

Our products and services include electronic gaming devices, such as Native American Class II offerings and other electronic bingo products, Class III slot machine offerings, VLTs, B2B and B2C digital online gaming activities, accounting and central determinant systems, and other back office systems. We conduct our Games segment business based on results generated from the following major revenue streams: (i) Gaming Operations; (ii) Gaming Equipment and Systems; and (iii) Gaming Other.

### ***Gaming Operations***

With respect to our Gaming operations revenue stream, we primarily provide: (i) leased gaming equipment, both Class II and Class III offerings, on a revenue participation or a daily fixed-fee basis, including standard games and hardware and premium games and hardware, inclusive of local-area progressive, wide-area progressive (“WAP”); (ii) accounting and central determinant systems; and (iii) digital online gaming activities.

In connection with our leased gaming equipment, we retain ownership of the machines installed at customer facilities. We receive recurring revenue based on a percentage of the net win per day (cash-in less jackpots paid) generated by the leased gaming equipment or a daily fixed-fee based upon the number of gaming machines placed. We expect to continue to (i) increase our investment in research and development in order to innovate and introduce new gaming hardware and theme content; (ii) expand our offering of new standard and premium game hardware and theme content; and (iii) extend and expand our game placements into additional jurisdictions. From our historical focus on game placements in the Oklahoma tribal market, Everi Games has diversified its installed base in recent years with entry into additional commercial and tribal markets. As of December 31, 2020, approximately 9,291 units, or 59.0% of the total installed base, was outside of the Oklahoma tribal market. Additionally, Everi Games has grown its premium game installations, with approximately 6,478 units installed (representing approximately 41.1% of our total installed base as of December 31, 2020) since entering the premium category approximately eight years ago.

In connection with our WAP offering, machines placed under such arrangements fall into the premium leased gaming equipment category and we retain ownership of such machines. Currently spanning four product lines, our WAP is offered to customers on the *Player Classic*, *Core HDX*, *Empire MPX*, and *Empire DCX* cabinets.

Gaming operations also include revenues generated under our arrangement to provide the New York State Gaming Commission with a central determinant, monitoring, and accounting system for the VLTs in operation at licensed State of New York gaming facilities. In November 2019, a new agreement between Everi Games and the New York State Gaming Commission was approved and became effective on January 1, 2020. Under this agreement, Everi Games will continue to provide and maintain the central determinant system for the New York Lottery through December 2029. As of December 31, 2020, there were approximately 17,000 VLTs connected to our central determinant system for the New York Lottery, of which approximately 9,400 VLTs were actively connected to this system as a result of the impact of COVID-19, in which the system can interface with, provide outcomes to and manage. Pursuant to our agreement with the New York State Gaming Commission, we receive 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. We also provide the central determinant system technology to Native American tribes in other licensed jurisdictions, for which we receive a portion of the revenue generated from the VLTs that are connected to the system.

In connection with our digital online gaming activities, Everi operates in the following two areas: (i) B2B; and (ii) B2C. Our B2B operations provide games to our business customers, including both regulated real money and social casinos, which offer the games to consumers on their apps. Everi has developed its own remote gaming server (“RGS”) that leverages our extensive library of land-based content to offer a selection of games available to be connected online through our RGS. This RGS library contains casino-themed games available for real money gaming (“RMG”) that are offered to regulated online casinos that operate in the RMG regulated markets, and social games that are offered to our business customers that operate play-for-fun social casinos on their mobile apps and web sites. We enter into revenue share agreements with these online business customers. Our B2C operations offer games directly to consumers for play with virtual currency. The B2C games are limited to free-to-play apps, which are also referred to as social or play for fun casinos. The games are offered on our two Social Casino apps – *Super Jackpot Slots* and *High Rollin’ Vegas Slots* — through connectivity on mobile platforms, such as the Apple App Store for Apple devices and the Google Play Store for Android devices, as well as on Facebook and web-based platforms. The Company earns revenues by providing the virtual currency to the consumers, or players, whenever the consumers purchase additional virtual currency on our mobile and web apps.

### ***Gaming Equipment and Systems***

Gaming equipment and systems revenues are derived from the sale of some combination of: (i) gaming equipment and player terminals; (ii) game content; (iii) license fees; and (iv) ancillary equipment, such as signage and lighting packages.

### ***Gaming Other***

Gaming other revenues are generated from fees paid by casino customers that participate in our *TournEvent of Champions*® national slot tournament. Casinos, in partnership with Everi, host local and regional slot tournaments throughout the year, for which winners of these events participate in a national tournament that results in the determination of an ultimate champion. We did not conduct these tournaments throughout the year ended December 31, 2020 as a direct result of the circumstances surrounding the global pandemic.

### ***Games Products***

Our Games products include mechanical and video reel games in both Class II and Class III configurations and are offered in a variety of differentiated cabinets:

*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 perspective on traditional slot games with eye-catching features, such as *Cash Machine*™, a three-reel, one-line mechanical slot game that offers “win what you see” gameplay. Our premium mechanical linked products include both original and licensed game themes such as *Zoltar 5X Pay*™ and *Zoltar Triple Jackpot*™. Our premium linked products include merchandising options for casino operators that can include overhead signs, backlit plexiglass, pod-fillers, wedge kits, and more. Our mechanical reel games are consistently ranked among the best-performing units in industry reports.

*Video Reel Games.* We offer a growing range of dual-screen and portrait single-screen video reel games that provide entertaining slot gaming experience. Below is a list of our video gaming cabinets and select games on these platforms.

- *Empire 5527.* The *Empire 5527* cabinet features a portrait-oriented 55-inch upper display and a landscape-oriented 27-inch lower display, game-controlled lighting on the base-game display, and a high-quality sound system. The cabinet is also designed to occupy less space on the casino floor, allowing for more flexible configurations. The *Empire 5527* includes the high-performing licensed game *Smokin' Hot Stuff Wicked Wheel*<sup>®</sup>. We expanded the *Empire 5527* into a banked product called *Empire Arena*<sup>™</sup> that offers flexibility in banking configurations for casino operators, with three units and up to a total of eight units. The product is currently supported by two successful game themes – *Discovery Channel's Shark Week*<sup>®</sup>, which launched in October 2018, and *The Vault*<sup>™</sup>, which launched in October 2019. These titles offer base games as well as competitive community-style bank-wide bonus features.
- *Empire Flex.* The *Empire Flex* cabinet, released in December 2019, is the latest video cabinet that is part of the Empire Cabinet Series. The cabinet features a 49-inch flexed monitor capable of supporting 4K content, an enlarged glass button deck, and curved LED light bars that are available in standard or extended options. The cabinet officially launched with two games that are part of the *Wicked Wheel*<sup>™</sup> Series.
- *Empire DCX.* The *Empire DCX* is a premium video cabinet that features dual curved 43-inch displays that support 4K content with integrated edge lighting, premium 4.1 surround sound, and enhanced game-controlled lighting. The cabinet is available exclusively with licensed brand game themes having launched with *The Mask*<sup>®</sup> slot game, which is based on New Line Cinema's 1994 hit comedy.
- *Empire MPX.* The *Empire MPX* cabinet debuted in April 2017 as a leased product and then launched as a for-sale product in December 2017. The cabinet features a single-screen 43-inch monitor, full 1080p high definition ("HD") graphics capabilities, and a fully-customizable touchscreen button panel. As one of the Company's primary for-sale portrait cabinet, the platform is supported by key games including *MoneyBall*<sup>®</sup> and *MoneyBall Inferno*<sup>™</sup> as well as *Yardbirds 3 Fox in the Henhouse*<sup>™</sup> and *Yardbirds 3 Return of the Chicken*<sup>™</sup>.
- *Core HDX.* The *Core HDX* cabinet features dual widescreen 23-inch monitors with 1080p HD capability, integrated touchscreens, and premium three-way sound system. To deepen our library of games on the *Core HDX* cabinet, we have transitioned several of our best performing high-denomination three-reel mechanical games to this cabinet. We are also supporting lower-denomination video games, with titles such as *High Voltage Jackpot Jolt*<sup>™</sup> and *Jackpot Respin Ice on Fire*<sup>®</sup>.
- *The Texan HDX*<sup>®</sup>. The *The Texan HDX*<sup>®</sup> is an 8-foot tall cabinet with dual 42-inch HD video screens that features a two-person bench seat, integrated touch screens, and a premium three-way sound system. The cabinet is designed to showcase the Everi standard video library in an oversized format. *Cash Machine*<sup>™</sup> and *Dragon Zap*<sup>™</sup> were recently made available for play on *The Texan HDX*<sup>®</sup> cabinet.

*TournEvent*<sup>®</sup>. Our slot tournament terminals and system allow gaming operators to switch from in-revenue gaming to out-of-revenue tournaments and to design and build a variety of flexible tournament formats, such as individual or team tournament play, session or round winner advancement, and cumulative or maximum scoring, including providing bonus opportunities in tournament games that improve scores or automatically move a player to first place. We introduced *TournEvent*<sup>®</sup> 6.0 in late 2019 with several new system enhancements, including the *TournEvent Now*<sup>™</sup> feature that enables operators to offer on-the-fly tournaments via their player tracking system. Casino operators can move large numbers of players through the first round of tournaments on the player's time, at the player's pace, and then host a traditional final round for top-scoring players.



## Everi FinTech

Our FinTech products and services include solutions that we offer to gaming establishments to provide their patrons with cash access and deposit-based services supporting digital, cashless and physical cash options across mobile, assisted and self-service channels along with related loyalty and marketing tools, and other information-related products and services. In addition, we provide an end-to-end security suite to protect against an application and cyber-related attack and maintain the necessary secured environments to maintain compliance with applicable regulatory requirements. These solutions include: access to cash and cashless funding at gaming facilities via ATM debit withdrawals, credit card cash access transactions, and POS debit card purchase at casino cage, kiosk and mobile POS devices; federally insured deposit accounts for the CashClub Wallet, check warranty services, self-service ATM's and fully integrated kiosk and maintenance services; self-service loyalty tools and promotion management software; compliance, audit, and data software; casino credit data and reporting services; marketing and promotional offering subscription-based services; and other ancillary offerings. We conduct our FinTech segment business based on results generated from the following major revenue streams: (i) Cash Access Services; (ii) Equipment; and (iii) Information Services and Other.

### *Cash Access Services*

In connection with our Cash Access Services, we offer the following:

*ATM Cash Withdrawals.* ATM cash withdrawal transactions represent the largest category of electronic payment transactions that we process, as measured by dollars processed and transaction volume. In an ATM cash withdrawal transaction, a patron directly accesses funds from either a standalone ATM or a device enabled with our ATM service by using a 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 card issuer, as applicable.

Depending on several factors, including the patron's account balance or credit limit and daily withdrawal limit (which limits are set by the card issuer), the card 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 a 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 service fees assessed by the card issuer and by the Company for the use of the ATM service. In both cases, our service fee is currently a fixed dollar amount and not a percentage of the transaction size. We also receive a fee from the card issuer, which we refer to as interchange reimbursement fee, for accommodating the card issuer's customer (the patron). In most circumstances, we pay a percentage of the service fee received from the patron and, in many circumstances, a portion of the reverse interchange fees received from the card issuer, 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 issuer, not Everi FinTech. 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 card issuer 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-enabled device 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 either a credit card or POS debit card cash access transaction, our processor routes the transaction request through one of the card associations, or EFT networks, to the card issuer. Depending upon several factors, such as the available credit or bank account balance, the transaction is either authorized or declined by the card issuer. 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. Our 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 cage ("financial services center"), to complete the transaction, because both credit card and POS debit card cash access transactions must, in most circumstances, be completed in a face-to-face environment and a unique signature received in order to comply with rules of the card associations. We receive the transaction amount and the service fee from the card issuer, and we reimburse the gaming establishment for the cash amount that it provided to the patron, and in addition, will pay the gaming establishment a portion of the service fee we collected as a commission for the right to operate on its premises. We are also obligated to pay interchange fees to the card issuer and processing costs related to the electronic payment transaction to card associations.

*Check Warranty Services.* Everi provides a check warranty service that allows gaming establishments to accept personal and/or payroll checks without the risk of default. When a patron presents a check to the cashier at a gaming establishment, the check and patron information is sent through Everi's system to our third-party partner. The partner evaluates the information and returns to the cashier a warranty limit that a check or multiple checks can be cashed for on that business day. The partner may also return a decline code telling the cashier not to accept the check.

For a gaming establishment that subscribes to the check warranty service, Everi will warranty any dishonored check that was approved, eliminating any risk for the gaming establishment. Everi's partner facilitates and manages the check processing, deposits, redeposits, and collections for any checks.

On our behalf, our third-party provider charges our 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 the check warranty revenue associated with the fees we charge our customers for the initial check warranty services. We are exposed to risk for the losses associated with warranted checks 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. We also pay certain fees and operating expenses to our third-party provider in connection with the provision of such services.

*CashClub®* is a software payments platform that provides gaming establishments with a personal computer workstation software user interface and point-of-sale terminal that streamlines credit and debit card cash access transaction processing and check warranty transactions for casino patrons. It allows for electronic signature capture and dynamic currency conversion. It also interfaces with our Everi Compliance solutions (defined below) to assist casino operators with meeting regulatory requirements under Title 31 of the Bank Secrecy Act.

### ***Equipment***

*Fully Integrated Kiosks* are a complete line of products that provide multiple functions to gaming operators on their casino floors. This includes cash access functionality that enables ATM cash withdrawals, POS debit card and credit card cash access transactions directly or by using our patented "Seamless Transition" technology, which is the Europay, MasterCard, and Visa global standard for cards equipped with security chip technology ("EMV") corollary of our 3-in-1 Rollover functionality. The kiosks also provide functionality to perform check cashing transactions, slot machine ticket redemption, bill breaking, slot ticket purchase from a debit card, 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 typically closer to gaming devices than traditional cash access devices that are generally located on the periphery of the gaming area 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. These products are designed to be integrated with our cash access products and cage compliance software ensuring 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. In addition, we offer equipment in the form of standalone, non-ATM terminals that perform authorizations for credit card cash access and POS debit card cash access transactions. Our kiosk solutions include the following products:

- *JackpotXchange* family of kiosks, *JXC 4.0*, and *JXC-L*, enable casino personnel to efficiently access funds to pay winning slot machine jackpots for their patrons. These kiosks are integrated with all major slot accounting systems to offer jackpot processing and payout in a combination of cash or slot tickets. These kiosks offer gaming operators the ability to reduce workload for cage operations and for slot personnel.
- *CageXchange* is a cash dispensing device that helps streamline casino cage operations. With *CageXchange*, cash is securely vaulted, creating increased security while also reducing cash shrinkage and helping to improve cashier accuracy. Additional efficiencies are achieved from accelerating the process of cage cashiers obtaining money from the vault. *CageXchange* is integrated with *CashClub®* to create an efficient transaction for casino patrons.
- Our *Cash Recycling Solutions* allow casinos to fully automate the check in and check out process of money, saving time and expense. As gaming establishments vary in size and complexity, these *Cash Recycling Solutions* support a number of diverse resort operations such as retail, food and beverage, entertainment, and gaming operations.

*Loyalty Kiosk and Related Equipment* provide gaming operators with self-service loyalty enrollment, player card issuance, and marketing equipment that manages and delivers a gaming operator's marketing programs through the patron interfaces. This loyalty-related equipment allows the customer to utilize and interact with the loyalty platform as the central hub for all of the marketing offerings.

- *Enrollment Kiosk* is a self-service kiosk that allows casino patrons to either sign up for an initial loyalty card or print a replacement card. These kiosks provide an enhanced level of customer service when the club desk is busy or closed by creating patron self-service locations throughout the casino floor without costly infrastructure or additional overhead costs. Such kiosks also assist with updating contact information of card holders and to verify email or phone contact with a two-step verification process.
- *Promotional Kiosk* is a kiosk that engages casino patrons with the casino's loyalty programs, unifying patron service functions into a simple self-service solution. With a range of promotions and offers, the kiosk enables the customer to better manage their marketing efforts. A flexible interface and control panel functionality enable the kiosk to be responsive to customers' changing business conditions or plans. With the drawings feature, multiple point to entry conversion ratios can be controlled by the hour, as well as scheduled prize earnings. Customized content is shared throughout the solution with property amenities that include menus, photos, and video content. With a graphic-rich, statistically-optimized, and exciting promotions catalog library of more than 300 games, critical assets for instant win, episodic board games, and earn and wins, customers' patrons can easily access differentiated content.

### ***Information Services and Other***

*JackpotXpress* is a full-featured jackpot payout and tax form management platform that allows casino personnel to work through the complex jackpot process using a mobile tablet or kiosk. *JackpotXpress* allows gaming operators to reduce jackpot payout wait times, increase slot play, eliminate manually filling out cumbersome paper documents, and perform "know your customer" checks. It is fully integrated with our *Everi Compliance*, *CageXchange*, and *JackpotXchange* products. In addition to making jackpot operations more efficient, *JackpotXpress* also helps operators increase customer engagement which leads to improved loyalty and service.

*Loyalty Platform* provides a software solution that enables gaming operators to deliver and adopt new promotional strategies to attract, retain, engage, and reward their patrons. Gaming operators utilize the platform to deliver content and promotions on kiosks, tablets, and mobile devices. The software platform engages with patrons by being more relevant and more personalized by integrating with other casino applications. We provide the operators with a control panel to assist with the planning, personalization, and optimization of delivering messages and content via interactions within our platform depending on patron's value to the casino. Our platform allows our customers to unify the patron experience across all touchpoints within the casino and replaces outdated promotional and enrollment tactics by utilizing our content for promotions, drawings, targeted alerts, card signups, reprints, and geo fencing. By providing a comprehensive set of integrated applications within our platform, we offer gaming operators the ease of use and simplicity to interact with their patrons. Additionally, our loyalty platform is integrated with other Everi applications for cash access and compliance tools.

*Maintenance* provides various levels of support and maintenance services for our fully integrated kiosks, loyalty kiosks, and related equipment. Our support operations, field service, and customer engagement teams provide quarterly and annual maintenance on these products and software systems to help maximize the efficiency of our products.

*Everi Compliance* is a leading AML management tool for the gaming industry. Everi Compliance encompasses many elements including filing Suspicious Activity Reports ("SARs"), Currency Transaction Reports ("CTRs"), and Know Your Customer ("KYC") activities. Everi Compliance automates much of the manual processes gaming establishments employ to be compliant with those requirements, thus saving time, improving accuracy, and allowing operators to manage their compliance programs much more efficiently. In addition, Everi Compliance gives operators the ability to enter Multiple Transaction Log ("MTL") and Negotiable Instrument Log ("NIL") transactions, file FinCEN reports electronically, conduct transaction analysis, complete compliance audits, and review reports.

*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 comprise 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 amount plus per-transaction charges for certain requests.

Other marketing solutions include 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 such marketing services.

## **Sales**

As of December 31, 2020, we served more than 1,600 casinos and other gaming properties primarily in the United States and Canada, with additional customers in the United Kingdom, Europe, the Caribbean, Central America, and Asia.

In our Games and FinTech businesses, we sell and market our products and services primarily through the use of a direct sales force, which targets regulated gaming establishments in the United States, Canada, and in certain international markets. 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 various 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 customer engagement teams, who provide on-site customer service. In other cases, our sales executives directly maintain the customer relationships. These customer service executives and field service and customer engagement teams generally reside in the vicinity of the specific gaming establishments they support to provide a prompt response to the needs of those gaming establishments. In some situations, 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.

## **Markets**

### *Development Activities*

We conduct research and development activities for both our Gaming and FinTech lines of business.

Our Gaming research and development activities are primarily to develop gaming systems, game engines, casino data management systems, central determination and other electronic bingo-outcome determination systems, video lottery outcome determination systems, gaming platforms and gaming content, and to enhance our existing product lines.

Our FinTech research and development activities are primarily to develop: (i) payments products, systems, and related capabilities such as security, encryption, and business rule engines that deliver differentiated patron experiences and integrate with our other products; (ii) compliance products that increase efficiencies, profitability, enhance employee/patron relationships, and meet regulatory reporting requirements; and (iii) loyalty products, systems, and features that attract, engage, and retain patrons in more intuitive and contextual ways than our competition.

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, certification and testing fees. Once the technological feasibility has been established, the project is capitalized until it becomes available for general release.

### *Competitive Conditions*

With respect to our Games business, we compete across different gaming markets with a variety of gaming technology and equipment suppliers. Competition is generally based upon the: (i) amount of revenue our products generate for our customers relative to the amount of revenue generated by our competitors’ products, which correlate directly to the appeal of these products to gaming patrons and (ii) prices and fees we and our competitors charge for products and services offered. To improve product attractiveness and drive customer demand, we work to develop a consistent pipeline of new game themes, game platforms, hardware cabinets, and systems that are expected to appeal to gaming patrons; obtain appropriate gaming regulatory approvals for such products; and offer these new products to the marketplace in a timely manner.

With respect to our FinTech 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 have established cooperative relationships with each other to expand their service offerings. We also face competition from: (i) other manufacturers that provide similar goods and services; (ii) independent sales organizations, which provide basic services and often aggressive pricing; and (iii) traditional transaction processors that have entered the gaming patron cash access services market. This competition amongst these various providers can result in pricing pressure and margin erosion with respect to our core cash access products and services. In addition to competing with various providers of cash access services, FinTech experiences competition from either those same providers or standalone providers of anti-money laundering (“AML”) compliance products and self-service kiosks for ticket and jackpot redemption.

## **Resources**

### *Manufacturing*

We have assembly facilities in Austin, Texas and Las Vegas, Nevada, where we assemble gaming machines and kiosk products, which comprise a variety of components, including cabinet hardware, computer assemblies, LCD screens, printers, bill validators and acceptors, power transformer and wiring 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. We utilize contract manufacturers to produce the cabinet hardware that make up our gaming machines, kiosk products, and certain other sub-assemblies.

### *Intellectual Property*

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: (i) the pace of our new product development; (ii) our patent, copyright, trademark, and trade secret protection; and (iii) 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. The expiration dates of these patents vary and are based on their filing and issuance 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.

## **Human Capital**

### *Composition of our workforce*

As of December 31, 2020, we had approximately 1,300 employees, a vast majority of which work domestically, and are comprised of approximately 600 and 700 employees, for our Games and FinTech segments, respectively. We have not experienced a work stoppage and none of our employees are subject to a collective bargaining agreement.

### *Culture of our workplace*

Our mission statement, which is fundamental to our purpose, is to transform the casino floor through innovative gaming, financial technology and loyalty solutions. At Everi, we are guided by our values: (i) collaboration; (ii) integrity; (iii) inclusion; and (iv) excellence. When we deliver on these values consistently, we truly: (i) Harness the power of collaboration; (ii) Act with integrity; (iii) Value all; and (iv) Exceed expectations and be bold, (collectively referred to as “HAVE”) fun.

### *Diversity and Inclusion of our workforce*

We recognize that we can only be at our best when we embrace and reflect the customers and communities that we serve. We believe diverse backgrounds, perspectives and talents will enable us to continue to be successful and drive shareholder value. We are an equal opportunity employer and are committed to maintaining a diverse and inclusive work environment. Our employees are to be treated with dignity and respect in an environment free from harassment and discrimination regardless of race, color, age, gender, disability, minority, sexual orientation or any other protected class.

To build this culture, we have invested in programs and implemented standards to promote ethical business conduct, diversity, sustainability, giving and volunteerism and responsible gaming that we believe will support our long-term business success, while also empowering our team members.

We have implemented mandatory employee-wide diversity and inclusion training initiatives to continue to cultivate a respectful workplace. These training initiatives address some of the diversity and inclusion concepts biggest challenges, such as unconscious bias and micro inequities and offer employees suggestions for navigating diversity and inclusion challenges to help us create a workplace where contributions are valued and voices are heard throughout the organization.

In 2017, we launched our Women's Leadership Initiative ("WLI") to develop and advance diversity throughout the organization and to create opportunities and a path for advancement. WLI is committed to promoting and advocating for gender diversity at all levels of leadership through awareness, development and inspiration, recruiting high-potential female candidates from a wide array of areas of the Company.

Furthermore, our efforts start at the top of the organization as nearly 30% of our independent Board of Directors are comprised of females and we were recognized by 2020 Women on Boards for achieving at least 20% females on our Board of Directors prior to the 2020 target date. More than half of our independent directors are either female or racially diverse.

#### *Employee Engagement*

We value continuous dialogue with our employees about their experiences. We have several employee feedback mechanisms including opinion surveys, Company-wide email communications and quarterly town hall meetings, among other mediums. Each year, we directly address employee feedback through these mechanisms to increase employee confidence that their feedback will lead to action by management.

#### *Employee Development*

We develop our employees through a variety of means, both internally and externally. We offer a leadership program to provide employees training and related resources in a wide variety of managerial skills topics, such as: conflict management, delegation, talent acquisition, eliminating bias behaviors, employee relations and compliance. In addition, we encourage employees to pursue external education and certification opportunities, many of which are eligible for cost and tuition reimbursement by the Company, to supplement their career development goals.

#### *Employee Health and Safety*

The health and safety of our employees play an important role in the ongoing success of our Company. They are vital to maintaining our brand image through daily positive interactions with customers. We have policies in place to monitor the working conditions of our employees and implement measures to protect their health, safety and well-being. Our benefits are designed to recognize the diverse needs of our workforce. Our program provides: (i) competitive and comprehensive benefit options; (ii) a program that considers individual needs; and (iii) long-term financial security for our employees and their families. We focus on compliance with applicable laws and regulations regarding workplace health and safety as well as on our efforts with respect to emergency and disaster recovery plans.

#### **Seasonality**

Our revenues and cash flows may fluctuate throughout the year driven by seasonality, among other factors. Historically, we have generally experienced higher operating income during the first half of a year and lower operating results during the second half of a year; however, such fluctuations do not have a material impact on our revenues and cash flows.

## Government Regulation

### *General*

We believe that we are in substantial compliance with the material gaming and financial institution laws applicable to our business. We have a diligent internal compliance program governing our business activities, as well as legal requirements generally applicable to publicly traded companies. The compliance program is directed on a day-to-day basis by our Chief Legal Officer, who also serves as Chief Compliance Officer. Legal advice is provided by attorneys from the Company's legal department and outside experts. The compliance program is overseen by the Corporate Compliance Committee, which includes a gaming law expert as an independent member. While complying with these regulations can require significant time and resources, we do not believe it results in costs that materially impact our earnings. Despite our compliance efforts, 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.

### *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. The stated policies and other purposes behind such laws, regulations, and ordinances are generally to: (i) secure 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.

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

**Gaming Authorities.** We are regulated by various city, county, state, provincial, federal, tribal, and foreign government agencies (collectively, "Gaming Authorities") in the jurisdictions where we conduct business 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. We must maintain those licenses, registrations, or other approvals in good standing to continue our business. 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.

### *Approvals, Licensing, and Suitability*

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. 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.

## Product Approvals

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. Moreover, there are no guarantees 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 either as currently being conducted by us or to expand our businesses.

Our Native American customers are regulated by the National Indian Gaming Commission (“NIGC”), which was established by the Indian Gaming Regulatory Act of 1988 (“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:

<b>Class</b>	<b>Type of Games</b>	<b>Regulatory Oversight</b>
I	Social gaming for minimal prizes and traditional Native American 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 provide our gaming devices and systems in both Class II and Class III markets.

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.

**The Johnson Act.** 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.

**Internet and Online Gaming Regulation.** Several states have passed 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. To date, several states have authorized some form of Internet or online gaming or lottery activities. However, the legislative and regulatory framework governing these activities may continue to evolve in the future.

## Financial Services Regulation

Our FinTech 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 and Sanctions.*** 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, ongoing employee training programs, an independent audit function to test the program, and customer due diligence. In addition, the cash access services we provide are subject to record keeping and reporting obligations under the Bank Secrecy Act. Our gaming establishment customers are required to file a Suspicious Activity Report (“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 Currency Transaction Report (“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.

We also have a program designed to comply with applicable economic and trade sanctions programs, including those administered and enforced by the U.S. Department of the Treasury’s Office of Foreign Assets Control (“OFAC”). These sanctions are usually targeted against foreign countries, terrorists, international narcotics traffickers and those believed to be involved in the proliferation of weapons of mass destruction. Regulations generally require either the blocking of accounts or other property of specified entities or individuals, but they may also require the rejection of certain transactions involving specified entities or individuals. We maintain policies, procedures and other internal controls designed to comply with these sanctions programs.

***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. These state laws subject us to, among other requirements, examinations by state regulatory agencies, reporting requirements, net worth and bonding requirements, and consumer disclosure requirements.

***Credit Reporting.*** Our Central Credit gaming patron credit bureau services and check verification and warranty services are subject to the Fair Credit Reporting Act (the “FCRA”) and the Fair and Accurate Credit Transactions Act of 2003 (the “FACTA”) 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 FCRA and the FACTA.

***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 (the “FDCPA”), which prohibits unfair, deceptive, or abusive debt collection practices, as well as consumer-debt-collection laws and regulations adopted by the various states.

***Consumer Financial Services.*** The Consumer Financial Protection Bureau and other federal, state, and local law enforcement and regulatory agencies have the authority to regulate consumer financial products. These agencies have broad statutory powers, including to promulgate rules, issue interpretations, and take enforcement actions that may affect our business.

**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 of 1999 (the “GLBA”) 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 GLBA 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, including without limitation, the California Consumer Privacy Act which became effective as of January 1, 2020. 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. In addition, we are subject to foreign data protection and privacy laws including, but not limited to, the European Union General Data Protection Regulation, which became effective in May 2018 and requires companies to meet certain requirements regarding data privacy and security.

**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 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 provide check cashing services, 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 is 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.

In addition, refer to “Item 1A. Risk Factors — Risks Related to the Regulation of Our Industry” for more information regarding industry, state, and federal regulations impacting our business and related risks and uncertainties.

**Available Information**

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](http://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 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 webcast live via our website. The information on our website is not part of this Annual Report or our other filings with the SEC. In addition to visiting our website, you may read documents we file with the SEC at [www.sec.gov](http://www.sec.gov).

## Item 1A. Risk Factors.

*The following section describes material risks and uncertainties that make an investment in our securities risky and may adversely affect our business, financial condition, results of operations, or the market price of our stock. These risk factors do not identify all risks that we face; our operations could also be affected by factors, events, or uncertainties that are not presently known to us or that we currently do not consider to present significant risks to our operations. 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

#### Overall

- **The global COVID-19 pandemic has had and may continue to or in the future have a material adverse impact on our operations and financial performance, as well as on the operations and financial performance of many of the customers and suppliers in the gaming industry that we serve. We are unable to predict the extent to which the pandemic and related impacts will continue to adversely impact our business operations, financial performance, results of operations, financial position, and the achievement of our business objectives.**

The COVID-19 pandemic has negatively impacted the global economy, with particular impact to the gaming industry, disrupted global supply chains, temporarily lowered equity market valuations, created significant volatility and disruption in the financial markets, and increased unemployment levels. In addition, the pandemic has resulted in temporary closures of many businesses, including those of our casino customers, and resulted in the institution of social distancing and sheltering-in-place requirements in many states, countries, and communities in which we operate. Consequently, demand for our products and services continues to be significantly impacted, which adversely affects our revenue and profitability. Furthermore, the pandemic could impair our ability to maintain sufficient liquidity, particularly if certain casinos and other gaming businesses remain closed or, when they reopen, social distancing and other COVID-19 protective measures or a lack of consumer confidence in the gaming industry prevent them from opening at full capacity, the impact on the global economy worsens and impacts the disposable income available to our casino customers' patrons, or customers continue to delay making payments to us under existing obligations. Additionally, after reopening, a resurgence of COVID-19 could cause federal, state, tribal, and municipal governments and regulatory agencies to close casinos or impose other restrictions. Some casinos have voluntarily closed in response to COVID-19 cases among guests or resurgences in the areas in which they operate and may do so again in the future. Similarly, because of changing economic and market conditions affecting the gaming industry, our ability to achieve our business objectives has been impacted. As a result of the financial difficulties facing casino operators due to the pandemic, many of our customers have requested, that we offer our products and our services for less than we did prior to the pandemic, particularly as it relates to our recurring revenue products and the tolling of service fees during the pendency of their closures, which relief we have granted in certain circumstances. Our business operations have also been disrupted as significant portions of our workforce have been working from home, including to protect personal health and safety, and because of illness, quarantines, government actions, or other restrictions imposed in connection with the pandemic. In response to the pandemic, we furloughed a majority our employees and reduced employee salaries through most of the second and third quarters of 2020, borrowed and repaid funds under existing and new credit facilities, adopted certain relief measures provided by the CARES Act and may seek additional funding, to the extent available, under the CARES Act or other new federal or state programs. In addition, we suspended share repurchases, as required under our existing and new credit facilities, and may take other capital actions in response to the COVID-19 pandemic. As a result of the pandemic, we canceled or delayed material capital expenditures and, as a result, we will not have the benefit of those investments to help our operations and financial performance in the future. The extent to which the COVID-19 pandemic further impacts our business, results of operations, and financial condition, as well as our capital and liquidity ratios, will depend on future developments, which are highly uncertain and cannot be predicted, including the scope and duration of the pandemic and actions taken by governmental authorities and other third parties in response to the pandemic. Further, as a result of the inherent uncertainty of our expectations and assumptions regarding business plans, results of operations, and financial condition, any of which may prove to be inaccurate, we may be required to record non-cash impairment charges, among other items, in future periods, whether in connection with our normal review procedures periodically, or earlier, if an indicator of an impairment is present prior to such evaluation.

The COVID-19 pandemic may also exacerbate the risks disclosed in this section of our Annual Report, including, but not limited to: our ability to comply with the terms of our indebtedness, our ability to generate revenues, earn profits and maintain adequate liquidity, our ability to service existing and attract new customers, maintain our overall competitiveness in the market, the potential for significant fluctuations in demand for our services, overall trends in the

gaming industry impacting our business, as well as potential volatility in our stock price, among other consequences such as cybersecurity exposure.

- **If we are unable to develop and 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 a combination of patents, trademarks, copyrights, trade secrets, and contractual restrictions 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. We cannot assure you that we will be successful in protecting these rights and, despite our efforts, our trade secrets and proprietary know-how could become known to, or independently developed by, competitors through malfeasance by employees, contractors or other insiders who may have access to our intellectual property; industrial, corporate or other espionage events; unauthorized intrusions into our networks or those of our third-party vendors. 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 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.

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

- **We rely on 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 financial services products, 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.

To the extent there are adverse conditions present, we may experience various difficulties, particularly with respect to international third-party suppliers of our components, that 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 products 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.

- **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, 2020, we had tax effected federal and state net operating loss (“NOL”) carry-forwards of approximately \$95.2 million and \$14.8 million, respectively, and federal research and development credit carry-forwards of approximately \$12.4 million. The federal net operating losses can be carried forward and applied to offset taxable income for 20 years and will expire starting in 2025 (for losses incurred before 2018). Estimated federal losses incurred after 2017 of approximately \$20.0 million, tax effected, can be carried forward indefinitely to offset taxable income. The state net operating loss carry-forwards will expire between 2021 and 2040. 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.

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. We are in a cumulative loss position and we have increased our valuation allowance for deferred tax assets related to these NOL and other tax credit carry-forwards, excluding the federal NOLs incurred after 2017, by approximately \$17.2 million during 2020. 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.

In addition, 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 is subject to audit by the IRS and thus may have an adverse effect on our NOL carry-forwards.

- **We operate our business in regions subject to natural disasters, public health issues, political instability and other potentially catastrophic events. Any interruption to our business resulting from such an event will adversely affect our revenues and results of operations.**

In the event of a natural or man-made disaster or other catastrophic event, 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 patrons from traveling to or make it difficult for them to frequent the sites where our games and FinTech equipment are installed. Similarly, public health crises, such as the outbreak of communicable diseases like the coronavirus, often deter patrons from visiting our customer’s gaming establishments. If any of those sites, where a significant number of our games and FinTech equipment is installed, either individually or simultaneously experienced adverse weather conditions, our results of business, financial condition, and operations could be materially and adversely affected. From time to time, the impact of weather-related natural disasters has resulted in business disruption at certain of our locations as well as our customers’ facilities and may do so in the future.

Similarly, many of the international third-party suppliers we rely on for the manufacture of our gaming and FinTech equipment are located in areas that are subject to natural disasters, public health issues, political instability and other potentially catastrophic events. When these events occur, our suppliers may not be able to fulfill their obligations to us, which could result in disruptions to our supply chain that adversely affect our results of business, financial condition, and operations.

- **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 regulated 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 preferences; (ii) economic downturns, due to decreases in our consumers’ disposable income or general tourism activities; and (iii) declining consumer confidence, due to general economic conditions, domestic- and geo-political 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.

#### *Games Business*

- **Most of our leased gaming device contracts with our customers are short-term, 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 short-term, 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 non-renewal, 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, 2020, we operated more than 9,200 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.

- **Tribal gaming customers which operate Class III gaming units do so under compact arrangements with state governments. If these tribal gaming customers are unable to maintain or renew these existing gaming compacts, then our business, financial condition, operations, or cash flows may suffer an adverse effect.**

As of December 31, 2020, we operated nearly 6,500 Class III gaming units under lease or daily fixed-fee arrangements to our tribal gaming customers. As Class III units generally perform better than Class II units, the loss of these Class III placements under lease or daily fixed-fee arrangements, if these customers are unable to renew their Class III gaming compacts and we are unable to replace these lost units with our proprietary Class II units, then our business, financial condition, operations, or cash flows may be negatively impacted.

- **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. Governing law and venue provisions in our contracts with Native American tribal customers vary widely and may not be enforceable.

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. For example, certain of our agreements with Native American tribes are subject to review by regulatory authorities. 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.

- **We may not realize sufficient returns or be successful in renewing our existing or future placement and development fee arrangements with casino operators to expand or develop 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 sometimes 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.

#### *FinTech Business*

- **An unexpectedly high level of chargebacks, as a result of fraud or otherwise, could materially and adversely affect our cash access business.**

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 convenience 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 convenience 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 convenience fees or lower cost cash access alternatives become available, the demand for cash access services within gaming establishments will decline and our business could suffer.

- **We maintain a significant amount of cash within our ATMs, which is subject to potential loss due to theft or other events, including natural disasters.**

A loss of cash from our ATMs is generally our responsibility. We typically require that our service providers, who either transport the cash or otherwise have access to the ATM safe, maintain adequate insurance coverage in the event cash losses occur as a result of theft, misconduct or negligence on the part of such providers. Cash losses at the ATM could occur in a variety of ways, such as natural disaster (hurricanes, floods, etc.), fires, vandalism, and theft. While we maintain insurance policies to cover a significant portion of any losses that may occur that are not covered by the



insurance policies maintained by our service providers, such insurance coverage is subject to deductibles, exclusions and limitations that may leave us bearing some or all of those losses. An increase in the frequency and/or amounts of theft and other losses could negatively impact our operating results by causing higher deductible payments and increased insurance premiums.

### **Risks Related to Our Capital Structure**

- **Our substantial leverage could have significant adverse effects on our business, financial condition and results of operations.**

As of December 31, 2020, our total indebtedness was approximately \$1.1 billion, which included the Senior Secured Credit Facilities and the 2017 Unsecured Notes (as discussed and defined in “Note 12 - Long Term Debt”), each of which contain restrictive covenants. Our high degree of leverage could impact 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, any of which could have significant adverse effects on our business, financial condition and results of operations.

- **We may not be able to generate sufficient cash to service all of our indebtedness, including the Credit Facilities and the 2017 Unsecured Notes (defined herein), 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 will depend upon our future operating performance and on our ability to generate cash flow in the future, which is subject to general economic, financial, business, competitive, legislative, regulatory, and other factors that are beyond our control. We cannot assure you that our business will generate sufficient cash flow from operations or that future borrowings, including those under the Credit Facilities, will be available to us in an amount sufficient to pay our indebtedness or to fund other liquidity needs.

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

The Credit Facilities and the indenture governing the 2017 Unsecured Notes contain a number of significant restrictions and covenants that limit our ability, among other considerations, 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, to the extent we are found in default and 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.

The Credit Facilities bear interest at our option of a base rate or LIBOR. We have historically elected to pay interest based on LIBOR, and our indebtedness in the future may also use LIBOR as a benchmark for establishing the interest rate. LIBOR has been, and continues to be, the subject of recent national, international, and other regulatory guidance and proposals for reform. The consequences of these developments cannot be entirely predicted, but if LIBOR is no longer available or if our lenders have increased costs due to changes in LIBOR, it could adversely impact our interest expense, results of operations, and cash flows.

### **Risks Related to Our Information Technology**

- **We have experienced in the past and may experience in the future network or system failures, or service interruptions, including cybersecurity attacks, or other technology and privacy risks. Our inability to protect our systems and data against such risks could harm our business and reputation.**

Our ability to provide uninterrupted and high levels of services depends upon the performance of our internal network, systems and related infrastructure, and those of our third-party vendors. 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, 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 have been and may continue to 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, however, 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, evolve rapidly, and are increasingly sophisticated and hard to defend against. Although we have not incurred material losses or liabilities as a result of security breaches or attempted security breaches and continue to invest in security measures, we cannot be certain that our defensive measures, and those employed by our third-party vendors, will be sufficient to defend against all such current and future methods.

Our careful vetting of third parties to provide technology services and the contractual requirements related to the security that we impose on our third-party vendors who have access to this data may not be sufficient to protect us from network or system failures or service interruptions.

Any actual or perceived security breach, whether experienced by us or a third-party vendor; the reporting or announcement of such an event, or reports of perceived security vulnerabilities of our systems or the systems of our third-party service providers whether accurate or not; or our failure or perceived failure to respond or remediate an event or make adequate or timely disclosures to the public, Gaming Authorities, regulatory or law enforcement agencies following any such event may be material and lead to harm to our financial condition, business reputation, and prospects of future business due to, among other factors: loss of customer confidence arising from interruptions or outages of our services, delays, failure to meet contractual obligations, and loss of data or public release of confidential data; increase regulatory scrutiny on us; compromise our trade secret and intellectual property; expose us to costly uninsured liabilities such as material fines, penalties, liquidated damages, and overall margin compression due to renegotiation of contracts on less favorable terms or loss of business; liability for claims relating to misuse of personal information in violation of contractual obligations or data privacy laws; and potential theft of our intellectual property.

A security breach could occur and persist for an extended period of time without detection. We expect that any investigation of a security breach could take a substantial amount of time, and during such time we may not necessarily know the extent of the harm or how best to remediate it, and certain errors or actions could be repeated or compounded before they are discovered and remediated, all of which could further increase the costs and consequences of such a breach. Further, detecting and remediating such incidents may require specialized expertise and there can be no assurance that we will be able to retain or hire individuals who possess, or otherwise internally develop, such expertise. Our remediation efforts therefore may not be successful. The inability to implement, maintain, and upgrade adequate safeguards could have a material and adverse impact on our business, financial condition and results of operations. Moreover, there could be public announcements regarding any data security-related incidents and any steps we take to respond to or remediate such incidents.

The occurrence of any such failure may also subject us to costly lawsuits, claims for contractual indemnities, and negatively impact the status of our gaming regulatory licenses up to and including revocation, as well as divert valuable management, engineering, information technology, and marketing resources toward addressing these issues and delay our ability to achieve our strategic initiatives. In the event our EGMs or cash access products, systems, or networks are compromised, gaming establishments may require us to remediate any abnormality, downtime, loss of use, or suspicious activity, or require us to indemnify casino operators for lost business and, potentially, their patrons. 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 financial transaction information, and the compromise of such data, which may subject us to fines and other related costs of remediation.

Although we maintain insurance coverage that we believe is reasonable, prudent and adequate for the purpose of our business, it may be insufficient to protect us against all losses and costs stemming from security breaches, cyberattacks and other types of unlawful activity, or any resulting disruptions from such events. We cannot be certain that cyber insurance will continue to be available to us on economically reasonable terms, or at all, or that any insurer will not deny coverage as to any future claim. The successful assertion of one or more large claims against us that exceed available insurance coverage, or the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could have a material and adverse effect on our business, financial condition and results of operations.

## Risks Related to Competition

- **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 FinTech 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 and, 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 FinTech 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 for us to establish or maintain relationships with gaming establishments, our business, financial condition, operations, or cash flows could be materially and adversely affected.

- **Consolidation among our customers or competitors 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 many of our products and services are used. 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, or significant margin compression, if rates vary between acquiring and acquired customers. Consolidation among our competitors in either the Games or FinTech sectors will only increase advantages these competitors may have over us as we compete for these customers, including even greater financial, research, design, development, marketing, technological, and other resources, and the ability to offer customers more favorable rates and prices due to lower operating costs resulting from efficiencies of scale and varying margins of a larger product portfolio, among other factors.

- **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 or legal requirements, 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. 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.

## Risks Related to the Regulation of Our Business

- **Unauthorized disclosure of cardholder and patron data or similar violations of applicable data privacy laws, 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 subjects us to costly fines, penalties, and legal claims.**

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 foreign, 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; therefore, it could limit our future growth.

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

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 which vary from jurisdiction to jurisdiction. 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. The gaming laws, regulations, and ordinances 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; dictate the technical standards and regulations of our electronic player terminals, gaming systems, and certain other products; and set forth the process and manner by which the Gaming Authorities issue such licenses, findings of suitability, and product approvals. In addition, the suspension, revocation, non-renewal or limitation of any of our licenses or product approvals, or the inability to obtain or maintain requisite license or product approvals could have a material adverse effect on our business operations, financial condition, results of operations, and our ability to retain 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, or uncertainty as to the means and manner in which existing gaming laws may be interpreted and applied, either singly or together, 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. For a summary of gaming regulations that could affect our business, see "Item 1. Business — Regulation."

- **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 warranty services are subject to the FCRA, the FACTA, and similar state laws. The collection practices that are used by our third-party providers and us may be subject to the FDCPA 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, including as relates to our federally-mandated internal anti-money laundering program. 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 may be required to obtain additional licenses from federal or state financial authorities in connection with our products and services. There can be no assurance that we will be able to obtain any such licenses, and, even if we were able to do so, there could be substantial costs and potential product changes involved in maintaining such licenses, which could have a material and adverse effect on our business.

We are subject to formal or informal audits, inquiries, examinations, or reviews from time to time by the regulatory authorities that enforce these financial services rules and regulations. Although we have a compliance program that covers the laws and regulations that apply to our business, 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.

- **Gaming and financial services laws and regulations are subject to change and uncertain application.**

Gaming and financial services laws and regulations are subject to change and evolving interpretations and application, including through legislative amendments, new and proposed regulations, executive orders, and agency interpretations, and it can be difficult to predict how they may be applied to our business. We may not be able to respond quickly or effectively to regulatory, legislative, and other developments, and these changes may in turn impair our ability to offer our existing or proposed products and services and/or increase our expenses in providing these products and services.

- **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 association and EFT network changes to interchange reimbursement rates or network operating fees or fees associated with the processing and settlement of our cash access transactions or otherwise change their operating rules and regulations 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. We have been seeing such card association interchange fee increases with higher frequency in recent years and with disproportionate negative impact upon transaction categories into which our cash access transactions typically fall. 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.

- **Changes to consumer privacy laws may require us to change our business practices or expend significant amounts on compliance with such laws.**

Certain of our products and services depend on the ability to collect and use non-public personal, financial transaction, and or other information relating to patrons. To the extent that we collect, control, or process such information, federal, state, and foreign privacy laws and regulations, including without limitation CCPA and GDPR, require us to make disclosures regarding our privacy and information sharing practices, safeguard and protect the privacy of such information, and, in some cases, provide patrons the opportunity to “opt out” of the use of their information for certain purposes. We must comply with federal, state, and foreign requirements regarding notice and consent to obtain, use, share, transmit and store such information.

Consumer protection and data privacy laws are rapidly evolving due to recent high-profile thefts and losses of sensitive consumer information from protected databases. Such laws may broaden the scope of protected information; impose new and/or stricter standards concerning the collection, control, use, sharing, and protection of consumer information; and/or require patrons to “opt-in” to the use of their information for specific purposes. Our compliance with any or all of which may be costly and challenging to operationalize across the uneven requirements of the numerous domestic and international jurisdictions in which we do business.

Changes in consumer protection and data privacy laws may require us to narrow or limit the data we collect; limit how, or how long, we may use it; or require us to purge data from our systems in response to consumer requests, which may hamper our provision of certain of our data-related services or diminish the value of such services to our customers and result in loss of business. To the extent that patrons exercise their right to “opt out,” or are required to “opt in,” our ability to leverage existing and future databases of information would be curtailed. Further, in order to continue to provide such products and services, we may be required to make material modifications to the products and services we offer in order to meet the changing standards, which may result in significant redesign and redeployment costs to us.

To the extent that we fail to comply with applicable consumer protection and data privacy laws, we may become subject to actions by individuals or regulatory authorities, which may result in the payment of fines or the imposition of other monetary or non-monetary penalties.

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.

## **General Risk Factors**

- **We have recorded net losses in the current year and we may not generate profits in the future.**

We had a net loss of \$81.7 million for the year ended December 31, 2020, and net income of \$16.5 million and \$12.4 million for the years ended December 31, 2019 and 2018, respectively. As a result of the interest payments on the indebtedness incurred in connection with Everi Holdings’ purchase of Everi Games 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, depreciation, and other amortization, we may not be able to generate profits in the future. Our ability to continue to generate net profits in the future depends, in part, on our ability to: establish strategic business relationships with new and existing customers; retain our existing customers and expand our relationships with existing customers; provide our products and services in new markets and to new customers in existing markets; develop new games or license third-party content in our Games business and develop new products and services in our FinTech business; effectively manage a larger and more diverse 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 Credit Facilities (defined herein) or the 2017 Unsecured Notes (defined herein).

- **We expect the price of our common stock may continue to fluctuate significantly.**

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, but not limited to those described above in previous risk factor sub-captions.



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

None.

**Item 2. Properties.**

We occupy real estate properties mostly in the United States and, to a lesser degree, internationally that are under lease agreements. We believe that these facilities are adequate for our business needs as presently conducted.

We primarily occupy the following leased real estate properties:

<b>Location</b>	<b>Sq. Ft</b>	<b>Purpose</b>	<b>Segment</b>
Austin, Texas.....	282,586	Games Headquarters and Operations.....	Games
Las Vegas, Nevada.....	245,042	Corporate Headquarters; FinTech Headquarters and Operations.....	FinTech

In addition, we lease additional less significant real estate properties that are used to support our products and services.

**Item 3. Legal Proceedings.**

A discussion of our legal proceedings is contained in “Part II — Item 8 — Financial Statements and Supplementary Data — Notes to Consolidated Financial Statements — Note 13 — Commitments and Contingencies” of this Annual Report on Form 10-K and incorporated here by reference.

**Item 4. Mine Safety Disclosures.**

Not applicable.

## PART II

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

Our common stock is listed for trading on the New York Stock Exchange under the symbol “EVRI.” On March 1, 2021, there were 8 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.

#### Dividends

We have not declared or paid any cash dividends on our capital stock as we intend to retain our earnings and utilize them for the repayment of 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 our contractual restrictions, results of operations, earnings, capital requirements, and other factors considered relevant by our Board of Directors. In addition, the Senior Secured Credit Facilities and the indenture governing the 2017 Unsecured Notes limit our ability to declare and pay cash dividends.

#### Common Stock Repurchases

On February 28, 2020, our Board of Directors authorized and approved a new share repurchase program granting us the authority to repurchase an amount not to exceed \$10.0 million of outstanding Company common stock with no minimum number of shares that the Company is required to repurchase and no expiration date. This new repurchase program commenced in the first quarter of 2020 and authorizes us to buy our common stock from time to time in open market transactions, block trades or in private transactions in accordance with trading plans established in accordance with Rules 10b5-1 and 10b-18 of the Securities Exchange Act of 1934, as amended, or by a combination of such methods, including compliance with the Company’s finance agreements. The share repurchase program is subject to available liquidity, general market and economic conditions, alternate uses for the capital and other factors, and may be suspended or discontinued at any time without prior notice. In light of COVID-19, we have suspended our share repurchase program. There were no share repurchases during the year ended December 31, 2020.

We did not have a share repurchase program in effect for the years ended December 31, 2019 and 2018.

#### Issuer Purchases and Withholding of Equity Securities

We repurchased or withheld from restricted stock awards 193,809, 95,734, and 17,552 shares of our common stock at an aggregate purchase price of approximately \$1.3 million for the year ended December 31, 2020 and approximately \$1.1 million and \$0.1 million for the years ended December 31, 2019 and 2018, respectively, to satisfy the minimum applicable tax withholding obligations incident to the vesting of such restricted stock awards. The following table includes the monthly repurchases or withholdings of our common stock during the fourth quarter ended December 31, 2020:

	Total Number of Shares Purchased <sup>(1)</sup> (in thousands)	Average Price Paid per Share <sup>(2)</sup>	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
10/1/20 - 10/31/20.....	5.4	\$ 8.75	—	—
11/1/20 - 11/30/20.....	3.6	\$ 10.37	—	—
12/1/20 - 12/31/20.....	8.1	\$ 13.34	—	—
<b>Total</b> .....	<b>17.1</b>	<b>\$ 11.27</b>	<b>—</b>	<b>—</b>

#### Tax Withholdings

- (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.

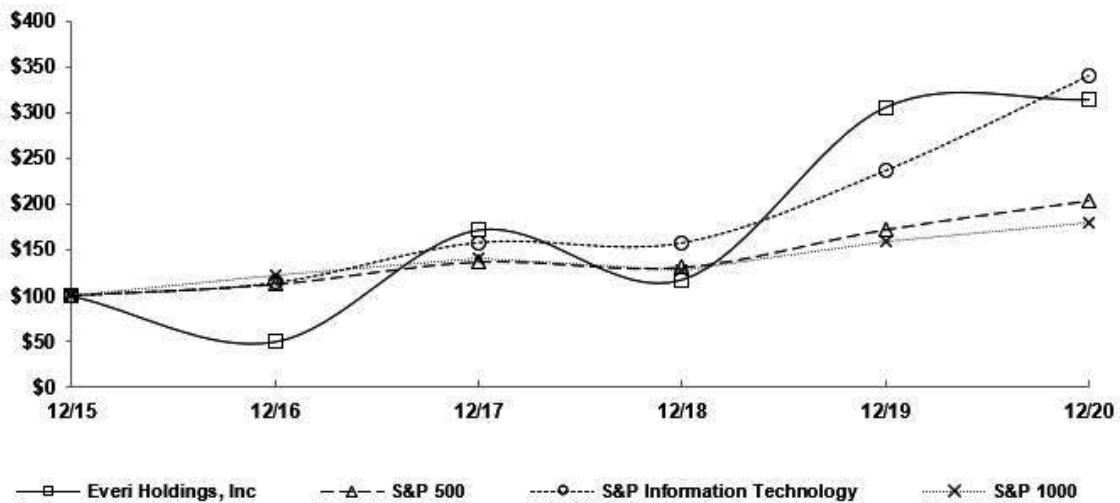
## Stock Performance Graph

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, the S&P 1000 Index, and the S&P Information Technology Index during the five-year period ended December 31, 2020. We included an additional reference point, the S&P 1000 Index, as it is a comparable metric that includes small and mid-capitalization stocks, similar in capitalization to our Company.

The graph assumes that \$100 was invested on December 31, 2015 in our common stock, in the S&P 500 Index, the S&P 1000 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, the S&P 1000 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,  
the S&P Information Technology Index and the S&P 1000 Index



\*\$100 invested on 12/31/15 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. Removed and Reserved.**

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

*The following discussion and analysis of financial condition and results of operations should be read in conjunction with “Item 1. Business” 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.*

### **Overview**

Everi is a leading supplier of imaginative entertainment and trusted technology solutions for the casino and digital gaming industry. Everi’s mission is to transform the casino floor through innovative gaming and financial technology and loyalty solutions. With a focus on both land-based and digital gaming operators and players, the Company develops entertaining games and gaming machines, gaming systems and services that facilitate memorable player experiences, and is a preeminent and comprehensive provider of financial products and services that offer convenient and secure cash and cashless-based financial transactions, self-service loyalty tools and applications, and intelligence software and other intuitive solutions that improve casino operational efficiencies and fulfill regulatory compliance requirements.

Everi reports its financial performance, and organizes and manages its operations, across the following two business segments: (i) Games; and (ii) FinTech.

Everi Games provides gaming operators with gaming technology products and services, including: (i) gaming machines, primarily comprising Class II and Class III slot machines placed under participation or fixed-fee lease arrangements or sold to casino customers; (ii) providing and maintaining the central determinant systems for the video lottery terminals (“VLTs”) installed in the State of New York and similar technology in certain tribal jurisdictions; (iii) business-to-business (“B2B”) and business-to-consumer (“B2C”) digital online gaming activities.

Everi FinTech provides gaming operators with financial technology products and services, including: (i) services and equipment that facilitate casino patron’s self-service access to cash and cashless funding at gaming facilities via Automated Teller Machine (“ATM”) debit withdrawals, credit card cash access transactions and POS debit card purchase cash access transactions; (ii) check warranty services; (iii) self-service loyalty enrollment and marketing equipment, including promotion management software and tools; (iv) software and services that improve credit decision making, automate cashier operations, and enhance patron marketing activities for gaming establishments; (v) equipment that provides cash access and other cash handling efficiency-related services; and (vi) compliance, audit, and data solutions.

### **Impact of COVID-19 Pandemic**

#### ***Overall***

The COVID-19 pandemic has negatively impacted the global economy, disrupted global supply chains, temporarily lowered equity market valuations, created significant volatility in the financial markets, increased unemployment levels, caused temporary, and in certain cases, closures of many businesses. The gaming industry was not immune to these factors as our casino customers closed their gaming establishments, and as a result, our operations experienced significant disruptions. At the immediate onset of the COVID-19 pandemic, we were affected by various measures, including, but not limited to: the institution of social distancing and sheltering-in-place requirements in many states and communities, which significantly impacted demand for our products and services, and resulted in office closures, the furlough of a majority of our employees, the implementation of temporary base salary reductions for our employees and the implementation of a work-from-home policy.

In connection with the uncertainty facing our customers as a result of COVID-19, we evaluated our business strategies in the second quarter of 2020 and implemented measures to reduce our ongoing operating costs. As a result of this evaluation, we permanently reduced our employee base, with most of the departures resulting from our furloughed employees, to accommodate the current and future operating needs of our customers and our business. As the industry continues to evolve and recover from the impacts of the global pandemic, we will continue to evaluate our capabilities to support current and future business needs and adapt accordingly.

During the second quarter of 2020, businesses began to adapt to social-distancing measures and various phases of reopening pursuant to government-mandated guidelines. As our gaming customers reopened, a number of their properties initially experienced an elevated level of activity as compared to what was originally anticipated. The revenues generated by this initial pent-up demand flattened to slightly below pre-COVID levels as more casinos reopened through the second quarter of 2020. Revenues improved further throughout the third and fourth quarter of 2020, though they remained below pre-COVID levels. With a majority of our gaming customers reopening properties by the end of September 2020, and our activity rates and results continuing to improve through the third and fourth quarter, we have, among other measures: (i) returned nearly all of our furloughed employees to work on primarily a work-from-home basis; (ii) reinstated base compensation to pre-COVID levels for the employee base; (iii) reversed nearly all compensation reductions for both our Executives and Directors; and (iv) fully paid down the outstanding balance on our revolving line of credit.

It is unclear when and if customer volumes will return consistently to pre-COVID levels, if a resurgence of COVID-19 could result in the further or re-closure of casinos by federal, state, tribal or municipal governments, regulatory agencies, or by the casino operators themselves in an effort to contain the COVID-19 global pandemic or mitigate its impact and the impact of vaccines on these matters; however, we continue to monitor the impacts of COVID-19 and make adjustments to our business accordingly.

The impact of the COVID-19 pandemic exacerbates the risks disclosed in this Annual Report.

### *Results of Operations and Liquidity*

To date, our operations have experienced revenue reductions and significant disruptions as a direct consequence of the circumstances surrounding the COVID-19 pandemic. This had a material, adverse impact on our overall results of operations and financial condition for the year ended December 31, 2020. As such, we implemented a range of actions in 2020 to maintain balance sheet flexibility and preserve liquidity as a result of the business disruption caused by the rapid nationwide spread of COVID-19, including, but not limited to:

- At the onset of COVID-19 pandemic:
  - we completed the full draw down of our available capacity of \$35.0 million under the Revolving Credit Facility in order to improve our liquidity and preserve financial flexibility in light of the uncertainty in our industry and the global economy as a result of COVID-19 (as discussed and defined in “Note 12 — Long-Term Debt”);
  - we entered into a fourth amendment (the “Fourth Amendment”) to our existing Credit Agreement (as defined in “Note 12 — Long-Term Debt”), which among other things, amended our debt covenants to provide relief with respect to our senior secured leverage ratio (as discussed and defined in “Note 12 — Long-term Debt”);
  - we also entered into a new credit agreement, which provides for a \$125.0 million senior secured term loan, which is secured on a pari passu basis with the loans under our existing Credit Agreement. The entire amount was borrowed upon closing (as discussed and defined in “Note 12 — Long-term Debt”);
  - our executive officers elected to accept significant reductions to their compensation during the pendency of the COVID-19 pandemic in order to better position the Company to withstand the challenging conditions that have caused global and domestic disruption in the current economic environment;
  - our independent members of the Board of Directors of the Company elected to forgo their quarterly cash compensation for Board and related committee services;
  - we furloughed a majority of our employee-base;
  - we reduced the salaries of our employee-base from approximately 15% to 70%;
  - we suspended certain employee benefits, such as providing a Company match on 401(k) contributions;
  - we implemented a remote working environment;
  - we canceled or delayed material capital expenditures; and
  - we suspended our share repurchases under our previously authorized repurchase program;
- As of the end of the second quarter of 2020:
  - we implemented a safe workplace return policy for those of our employees who returned to our facilities;
  - we returned most of our furloughed employees to work;

- we returned a portion of base compensation to our executives;
  - we returned most base compensation to our employee-base;
  - we returned a portion of cash compensation to our Board of Directors;
  - we completed a reduction-in-force and incurred severance costs, among other expenses, of approximately \$2.7 million; and
  - we recorded a write-down of assets of approximately \$11.0 million, of which \$9.2 million and \$1.8 million related to our Games and FinTech businesses, respectively, for certain of our trade receivables, inventory, prepaid expenses and other assets, fixed assets and other intangible assets that were not expected to be recoverable. This charge was reflected in Operating Expenses of our Statements of Operations. While we are unable to determine the nature, or amount, of further write-down charges, it is possible that we may record additional amounts to the extent we experience a decline in operations and financial performance in the future.
- As of the end of the third quarter of 2020:
    - we returned base compensation to our executives and employee-base;
    - we returned cash compensation to our Board of Directors; and
    - we fully repaid the \$35.0 million Revolving Credit Facility in light of improved results of operations and liquidity.
  - As of the end of the fourth quarter of 2020:
    - we recorded a charge of approximately \$2.0 million, of which \$1.3 million and \$0.7 million related to our Games and FinTech businesses, respectively, for costs related to the consolidation and exiting of certain facilities and the write-off of related inventory, reflecting the lower occupancy needs associated with our reduced employee-base, the increased proportion of employees working remotely and our streamlined operations. This charge was reflected in Operating Expenses of our Statements of Operations.

With respect to our Games and FinTech businesses, our revenues and results of operations were significantly lower for the year ended December 31, 2020, as compared to the prior year. The following key factors that contributed to the reduced results, include, but were not limited to: (i) the closure of nearly all casino properties, both domestically and internationally, in March 2020, with the reopening process beginning in mid-to-late May 2020 with approximately 15% of properties still closed at the beginning of the third quarter of 2020 and approximately 10% still closed at the end of the third and fourth quarters of 2020; (ii) reopened casino properties operating at notably reduced capacity levels due to certain regulatory or governmental restrictions and or casino-elected implementation of health and safety protocols related to social distancing; (iii) certain gaming establishments voluntarily reclosing or considering a level of additionally reduced operations at certain of their properties as a result of increases in the number of confirmed cases of COVID-19; and (iv) our revised focus internally to streamline operations and personnel to align with expectations going forward.

With respect to our financial condition, at the onset of the COVID-19 pandemic, there were varying levels of impact to certain components of net working capital balances, including, but not limited to certain of our: (i) trade accounts receivable that increased in age as numerous customers delayed payments on certain outstanding balances; (ii) settlement receivables and settlement liabilities that decreased as these amounts fully settled for those customers who temporarily closed their casinos and that have not returned to pre-COVID total volume levels; (iii) finished goods inventory that increased as certain planned placements of our EGMs into the installed based or sold directly to our customers were either delayed or canceled by those customers; and (iv) accounts payable and accrued liabilities that increased as we made the decision to defer payments to preserve our available cash on hand.

Beginning in the second quarter of 2020, and continuing through the third and fourth quarters of 2020, we experienced an improvement in various components of net working capital associated with casino properties reopening that contributed to the increase in our cash and cash equivalents during those periods, as they are highly dependent upon the timing of cash access transactions; therefore, 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. To the extent our gaming customers continue to recover, we expect our results of operations and financial condition to continue to improve in 2021.

To date, we have not experienced significant impacts on our supply chain as a result of the pandemic; however, given the dynamic nature of the global situation, this could change.

## *Liquidity*

As of December 31, 2020, our cash and cash equivalents were approximately \$251.7 million, a decrease of \$38.2 million from \$289.9 million at December 31, 2019; and our Net Cash Position, a non-GAAP measure (as discussed and defined in Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources” section below), was approximately \$139.1 million, an increase of \$13 million from \$126.1 million at December 31, 2019.

We implemented measures at the onset of the pandemic to prepare us to withstand what could have been a prolonged period of industry inactivity, though industry conditions improved after casino properties reopened in the second, third and fourth quarters of 2020. Our revenues, cash flows, and liquidity improved more during the third and fourth quarter of 2020 compared with the second quarter of 2020 on a sequential basis. Given the significant number of casino properties that have reopened through September 2020, our customers implemented protocols intended to protect their patrons and guests from potential COVID-19 exposure and re-establish customer confidence in the gaming and hospitality industry. These measures, which may include enhanced sanitization, public gathering limitations of casino capacity, patron social distancing requirements, limitations on casino operations, face mask and temperature check requirements, as well as the closure of certain common attractions such as restaurants, bars and other food and beverage outlets, table games, spas, and pools, have limited the number of patrons that are able or who desire to attend these venues and have impacted the pace at which demand for our products and services rebounds.

We expect that demand for our products and services will continue to be tempered to the extent gaming activity decreases or fails to increase at expected rates and to the extent our customers determine to restrict their capital spending as a result of uncertainty in the industry or otherwise. As a result, we expect revenues to remain below pre-COVID levels in the near term and we will continue to monitor and manage liquidity levels and we may, from time to time, evaluate available capital resource alternatives on acceptable terms to provide additional financial flexibility.

## *Government Relief*

In late March 2020, the U.S. government enacted the Coronavirus Aid Relief and Economic Security Act (the “CARES Act”) in response to the COVID-19 pandemic. We have taken advantage of the following components contained within the CARES Act:

- Employee Retention Payroll Tax Credit: We are applying a credit against payroll taxes for 50% of eligible employee wages paid or incurred from March 13, 2020 to December 31, 2020. This employee retention payroll tax credit would be provided for as much as \$10,000 of qualifying wages for each eligible employee, including health benefits;
- Employer Social Security Tax Payment Deferral: We are deferring payment of the employer portion of the social security taxes due on remaining payments and from enactment of the CARES Act through December 31, 2020, with 50% due by December 31, 2021 and 50% due by December 31, 2022; and
- Alternative Minimum Tax (“AMT”) Credit Refund: We applied for and received a refund of our AMT tax credits as the CARES Act afforded us the ability to accelerate the recovery of such credits.

## **Additional Items Impacting Comparability of Results of Operations**

Our Financial Statements included in this report reflect the following transactions and events, exclusive of the impact of COVID-19:

- During the first quarter of 2020, we completed a partial redemption payment of approximately \$84.5 million of aggregate principal with respect to the 7.50% Senior Unsecured Notes due 2025 previously issued in December 2017 (the “2017 Unsecured Notes”) and an open market repurchase of approximately \$5.1 million of aggregate principal with respect to the 2017 Unsecured Notes. The total outstanding balance of the 2017 Unsecured Notes following the redemption and repurchase transactions was approximately \$285.4 million. We incurred a loss on extinguishment of debt of approximately \$7.5 million, which consisted of a \$6.4 million redemption premium related to the satisfaction and redemption of a portion of the 2017 Unsecured Notes, and non-cash charges for the accelerated amortization of the related debt issuance costs of approximately \$1.1 million.
- During 2019, we acquired certain assets of Atrient, Inc. (“Atrient”), a privately held company that developed and distributed hardware and software applications to gaming operators to enhance gaming patron loyalty, and Micro Gaming Technologies, Inc. (“MGT”), a privately held company that developed and distributed kiosks and software applications to gaming patrons to enhance patron loyalty, and made cash payments of \$20.0 million and \$15.0 million at the closing of each transaction, respectively. The acquisitions impacted our results of operations as of and for the years ended December 31, 2020 and December 31, 2019.

As a result of these events, together with the impacts of COVID-19, our 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 FinTech businesses. Below we have identified a number of trends that could have a material impact on our business:

- 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, gaming establishment capital budgets, and ultimately the demand for new gaming equipment, which impacts both of our segments.
- The total North American installed slot base was slightly lower at the end of 2020 than for 2019, due to reduced capital spending and equipment removals by casino operators due to the impact of COVID-19 restrictions and casino closures. The total base had previously increased in both 2019 and 2018. We expect flat to moderate growth in the forward replacement cycle for slot machines in 2021 and in the total installed base compared to 2020, which could have a positive impact on our Games segment while new machine demand associated with new casino openings and major expansions is likely to be relatively flat year-over-year in 2021.
- We face continued competition from smaller competitors in the gaming cash access market, as well as from larger gaming equipment manufacturers and systems providers. This competition continues to contribute to ongoing pricing pressure for both our Games and FinTech businesses.
- Concerns related to COVID-19 have increased interest in cashless alternatives by casino operators and casino patrons. With the introduction of our cashless, touchless CashClub Wallet solution, this could have a positive impact on our FinTech segment, but could also result in added competition from new competitors.
- Transaction processing and related fees have increased in recent years. We expect the financial services and payments industry to respond to these changes, including in ways that may negatively impact our FinTech business in the future.
- Governmental and regulatory oversight on cash transactions, financial services, and payments processing may provide continued motivation for gaming establishments to consider additional products and services that facilitate regulatory compliance and operational efficiencies.
- 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.
- Casino operators continue to broaden their appeal by focusing on investments in non-gaming amenities for their facilities, which could impact casino operator's capital allocations for games and payment solution products and services that impact both of our operating segments.

### **Operating Segments**

We report our financial performance within two operating segments: (i) Games; and (ii) FinTech. For additional information on our segments see "Item 1. Business" and "Part II — Item 8 — Financial Statements and Supplementary Data — Notes to Consolidated Financial Statements — Note 18 — Segment Information" included in this Annual Report on Form 10-K.



## Results of Operations

### Year ended December 31, 2020 compared to the year ended December 31, 2019

The following table presents our Results of Operations as reported for the year ended December 31, 2020 compared to the year ended December 31, 2019 (amounts in thousands)\*:

	Year Ended					
	December 31, 2020		December 31, 2019		2020 vs 2019	
	\$	%	\$	%	\$	%
<b>Revenues</b>						
<b>Games revenues</b>						
Gaming operations.....	\$ 156,199	41 %	\$ 188,874	35 %	\$ (32,675)	(17)%
Gaming equipment and systems..	44,006	11 %	90,919	17 %	(46,913)	(52)%
Gaming other.....	96	— %	3,326	1 %	(3,230)	(97)%
<b>Games total revenues.....</b>	<b>200,301</b>	<b>52 %</b>	<b>283,119</b>	<b>53 %</b>	<b>(82,818)</b>	<b>(29)%</b>
<b>FinTech revenues</b>						
Cash access services.....	112,035	30 %	164,741	31 %	(52,706)	(32)%
Equipment.....	24,297	6 %	37,865	7 %	(13,568)	(36)%
Information services and other....	47,041	12 %	47,502	9 %	(461)	(1)%
<b>FinTech total revenues.....</b>	<b>183,373</b>	<b>48 %</b>	<b>250,108</b>	<b>47 %</b>	<b>(66,735)</b>	<b>(27)%</b>
<b>Total revenues.....</b>	<b>383,674</b>	<b>100 %</b>	<b>533,227</b>	<b>100 %</b>	<b>(149,553)</b>	<b>(28)%</b>
<b>Costs and expenses</b>						
<b>Games cost of revenues <sup>(1)</sup></b>						
Gaming operations.....	15,192	4 %	18,043	3 %	(2,851)	(16)%
Gaming equipment and systems..	25,680	7 %	50,826	10 %	(25,146)	(49)%
Gaming other.....	456	— %	3,025	— %	(2,569)	(85)%
<b>Games total cost of revenues.</b>	<b>41,328</b>	<b>11 %</b>	<b>71,894</b>	<b>13 %</b>	<b>(30,566)</b>	<b>(43)%</b>
<b>FinTech cost of revenues <sup>(1)</sup></b>						
Cash access services.....	6,755	2 %	14,236	3 %	(7,481)	(53)%
Equipment.....	14,724	3 %	22,292	4 %	(7,568)	(34)%
Information services and other....	3,029	1 %	3,964	1 %	(935)	(24)%
<b>FinTech total cost of revenues.....</b>	<b>24,508</b>	<b>6 %</b>	<b>40,492</b>	<b>8 %</b>	<b>(15,984)</b>	<b>(39)%</b>
Operating expenses.....	152,546	40 %	162,184	30 %	(9,638)	(6)%
Research and development.....	27,943	7 %	32,505	6 %	(4,562)	(14)%
Depreciation.....	67,459	17 %	63,198	12 %	4,261	7 %
Amortization.....	75,305	20 %	68,937	13 %	6,368	9 %
<b>Total costs and expenses.....</b>	<b>389,089</b>	<b>101 %</b>	<b>439,210</b>	<b>82 %</b>	<b>(50,121)</b>	<b>(11)%</b>
<b>Operating (loss) income.....</b>	<b>(5,415)</b>	<b>(1)%</b>	<b>94,017</b>	<b>18 %</b>	<b>(99,432)</b>	<b>(106)%</b>

\* Rounding may cause variances.

(1) Exclusive of depreciation and amortization.

	Year Ended					
	December 31, 2020		December 31, 2019		2020 vs 2019	
	\$	%	\$	%	\$	%
<b>Other expenses</b>						
Interest expense, net of interest income.....	74,564	19 %	77,844	15 %	(3,280)	(4)%
Loss on extinguishment of debt.....	7,457	2 %	179	— %	7,278	4066 %
<b>Total other expenses</b> .....	<b>82,021</b>	<b>21 %</b>	<b>78,023</b>	<b>15 %</b>	<b>3,998</b>	<b>5 %</b>
<b>(Loss) income before income tax</b> ....	<b>(87,436)</b>	<b>(23)%</b>	<b>15,994</b>	<b>3 %</b>	<b>(103,430)</b>	<b>(647)%</b>
Income tax benefit.....	(5,756)	(2)%	(523)	— %	(5,233)	1001 %
<b>Net (loss) income</b> .....	<b>\$ (81,680)</b>	<b>(21)%</b>	<b>\$ 16,517</b>	<b>3 %</b>	<b>\$ (98,197)</b>	<b>(595)%</b>

\* Rounding may cause variances.

### Total Revenues

Total revenues decreased by approximately \$149.6 million, or 28%, to approximately \$383.7 million for the year ended December 31, 2020, as compared to the prior year period. This was primarily due to the impact of COVID-19 and the closure of many casino properties for a portion of the period. Games revenues decreased by approximately \$82.8 million, or 29%, to approximately \$200.3 million for the year ended December 31, 2020, as compared to the prior year period. We had: (i) a decline in the sale of gaming machines included in our gaming equipment and systems revenues; and (ii) a decrease in the average daily win per unit as a result of units being deactivated for a prolonged period of time on a higher installed base of leased games largely reflecting greater demand for our premium units included in our gaming operations revenues. FinTech revenues decreased by approximately \$66.7 million, or 27%, to approximately \$183.4 million for the year ended December 31, 2020, as compared to the prior year period. We had: (i) a decline in the dollar and transaction volumes included in our cash access services revenues; and (ii) a decrease in the sale of full service kiosks, partially offset by an increase in our loyalty kiosks included in our equipment revenues.

### Costs and Expenses

Total costs and expenses decreased by approximately \$50.1 million, or 11%, to approximately \$389.1 million for the year ended December 31, 2020, as compared to the same period in the prior year. This was primarily due to the impact of COVID-19 and the closure of many casino properties for a portion of the period. Games cost of revenues decreased by approximately \$30.6 million, or 43%, to approximately \$41.3 million for the year ended December 31, 2020, as compared to the prior year period. We had a reduction in the variable costs included in our gaming and equipment systems cost of revenues as a result of the decline in the sale of machines. FinTech cost of revenues decreased by approximately \$16.0 million, or 39%, to approximately \$24.5 million for the year ended December 31, 2020, as compared to the prior year period. We had a reduction in the variable costs primarily as a result of : (i) a decline in the dollar and transaction volumes included in our cash access services cost of revenues; and (ii) a decrease in the sale of full-service kiosks, partially offset by an increase in our loyalty kiosks included in our equipment revenues.

Operating expenses decreased by approximately \$9.6 million, or 6%, to approximately \$152.5 million for the year ended December 31, 2020, as compared to the prior year period. This was primarily due to lower payroll and related expenses and trade show-related costs from actions taken in response to COVID-19 for both our Games and FinTech operating segments. In addition, our legal expenses were lower as a result of the litigation costs we incurred in the prior year period in connection with our FACTA matter related to our FinTech operating segment.

Research and development decreased by approximately \$4.6 million, or 14%, to approximately \$27.9 million for the year ended December 31, 2020, as compared to the prior year period. This was primarily due to lower payroll and related costs included in our Games segment in light of actions taken in response to COVID-19, partially offset by higher payroll and related costs included in our FinTech segment primarily as a result of the acquisition of certain assets in connection with our loyalty solutions in the prior year as costs for research and development consist primarily of salaries and benefits, consulting fees, certification and testing costs.

Depreciation increased by approximately \$4.3 million, or 7%, to approximately \$67.5 million for the year ended December 31, 2020, as compared to the prior year period. This was primarily due to an increase in the installed base of lease gaming machines placed in service included in our Games segment.

Amortization increased by approximately \$6.4 million, or 9%, to approximately \$75.3 million for the year ended December 31, 2020, as compared to the prior year period. The increase was primarily due to the release of new game themes included in our Games segment and the intangible assets acquired in the prior year period in connection with the loyalty business included in our FinTech segment.

Primarily as a result of the factors and responsive actions taken, described above, in light of COVID-19 and the closure of many casino properties for a portion of the period, operating income decreased by approximately \$99.4 million, or 106%, and resulted in an operating loss of approximately \$5.4 million for the year ended December 31, 2020, as compared to the prior year. The operating loss margin was 1% for the year ended December 31, 2020 compared to an operating income margin of 18% for the same period in the prior year.

Interest expense, net of interest income, decreased by approximately \$3.3 million, or 4%, to approximately \$74.6 million for the year ended December 31, 2020, as compared to the prior year period. This was primarily due to lower debt balances with respect to certain of our instruments and more favorable variable interest rates in effect for certain of our debt instruments; partially offset by: (i) the amortization of debt issuance costs incurred in connection with the Fourth Amendment to the existing Credit Agreement and entering into the Incremental Term Loan Credit Agreement; (ii) the additional Incremental Term Loan debt incurred with less favorable variable interest rates in effect; (iii) an adjustment to, and the associated accretion of, interest related to the acquisition of certain assets from Atrient and MGT in the prior year; and (iv) a reduction in interest income earned.

Loss on extinguishment of debt of approximately \$7.5 million for the year ended December 31, 2020 was a result of the redemption and repurchase transactions related to the 2017 Unsecured Notes.

Income tax benefit increased by \$5.2 million, or 1001%, to approximately \$5.8 million for the year ended December 31, 2020, as compared to the same period in the prior year period. The income tax benefit for the year ended December 31, 2020 reflected an effective income tax rate of 6.6%, which was less than the statutory federal rate of 21.0%, primarily due to an increase in our valuation allowance as a result of the book loss incurred during the period, partially offset by certain indefinite lived deferred tax assets that may be offset against our indefinite lived deferred tax liabilities. The income tax benefit reflected an effective income tax rate of negative 3.3% for the same period in the prior year, which was less than the statutory federal rate of 21.0%, primarily due to a partial decrease in our valuation allowance for deferred tax assets and a research credit.

Primarily as a result of the factors and responsive actions taken, described above, in light of COVID-19, our net income decreased by approximately \$98.2 million, or 595%, as compared to the prior year, and resulted in a net loss of approximately \$81.7 million for the year ended December 31, 2020.

**Year ended December 31, 2019 compared to year ended December 31, 2018:**

The following table presents our Results of Operations as reported for the year ended December 31, 2019 compared to the year ended December 31, 2018 (amounts in thousands)\*:

	Year Ended					
	December 31, 2019		December 31, 2018		2019 vs 2018	
	\$	%	\$	%	\$	%
<b>Revenues</b>						
<b>Games revenues</b>						
Gaming operations.....	\$ 188,874	35 %	\$ 168,146	36 %	\$ 20,728	12 %
Gaming equipment and systems	90,919	17 %	87,038	18 %	3,881	4 %
Gaming other.....	3,326	1 %	3,794	1 %	(468)	(12)%
<b>Games total revenues.....</b>	<b>283,119</b>	<b>53 %</b>	<b>258,978</b>	<b>55 %</b>	<b>24,141</b>	<b>9 %</b>
<b>FinTech revenues</b>						
Cash access services.....	164,741	31 %	156,806	34 %	7,935	5 %
Equipment.....	37,865	7 %	20,977	4 %	16,888	81 %
Information services and other..	47,502	9 %	32,754	7 %	14,748	45 %
<b>FinTech total revenues.....</b>	<b>250,108</b>	<b>47 %</b>	<b>210,537</b>	<b>45 %</b>	<b>39,571</b>	<b>19 %</b>
<b>Total revenues.....</b>	<b>533,227</b>	<b>100 %</b>	<b>469,515</b>	<b>100 %</b>	<b>63,712</b>	<b>14 %</b>
<b>Costs and expenses</b>						
<b>Games cost of revenues <sup>(1)</sup></b>						
Gaming operations.....	18,043	3 %	17,603	4 %	440	2 %
Gaming equipment and systems	50,826	10 %	47,121	9 %	3,705	8 %
Gaming other.....	3,025	— %	3,285	1 %	(260)	(8)%
<b>Games total cost of revenues.....</b>	<b>71,894</b>	<b>13 %</b>	<b>68,009</b>	<b>14 %</b>	<b>3,885</b>	<b>6 %</b>
<b>FinTech cost of revenues <sup>(1)</sup></b>						
Cash access services.....	14,236	3 %	9,717	2 %	4,519	47 %
Equipment.....	22,292	4 %	12,601	3 %	9,691	77 %
Information services and other..	3,964	1 %	4,110	1 %	(146)	(4)%
<b>FinTech total cost of revenues.....</b>	<b>40,492</b>	<b>8 %</b>	<b>26,428</b>	<b>6 %</b>	<b>14,064</b>	<b>53 %</b>
Operating expenses.....	162,184	30 %	142,298	30 %	19,886	14 %
Research and development.....	32,505	6 %	20,497	4 %	12,008	59 %
Depreciation.....	63,198	12 %	61,225	14 %	1,973	3 %
Amortization.....	68,937	13 %	65,245	14 %	3,692	6 %
<b>Total costs and expenses.....</b>	<b>439,210</b>	<b>82 %</b>	<b>383,702</b>	<b>82 %</b>	<b>55,508</b>	<b>14 %</b>
<b>Operating income.....</b>	<b>94,017</b>	<b>18 %</b>	<b>85,813</b>	<b>18 %</b>	<b>8,204</b>	<b>10 %</b>

\* Rounding may cause variances.

(1) Exclusive of depreciation and amortization.

	Year Ended					
	December 31, 2019		December 31, 2018		2019 vs 2018	
	\$	%	\$	%	\$	%
<b>Other expenses</b>						
Interest expense, net of interest income.....	77,844	15 %	83,001	18 %	(5,157)	(6)%
Loss on extinguishment of debt.....	179	— %	166	— %	13	8 %
<b>Total other expenses</b> .....	<b>78,023</b>	<b>15 %</b>	<b>83,167</b>	<b>18 %</b>	<b>(5,144)</b>	<b>(6)%</b>
<b>Income before income tax</b> .....	<b>15,994</b>	<b>3 %</b>	<b>2,646</b>	<b>1 %</b>	<b>13,348</b>	<b>504 %</b>
Income tax benefit.....	(523)	— %	(9,710)	(2)%	9,187	(95)%
<b>Net income</b> .....	<b>\$ 16,517</b>	<b>3 %</b>	<b>\$ 12,356</b>	<b>3 %</b>	<b>\$ 4,161</b>	<b>34 %</b>

\* Rounding may cause variances.

### Total Revenues

Total revenues increased by approximately \$63.7 million, or 14%, to approximately \$533.2 million for the year ended December 31, 2019, as compared to the prior year period. Games revenues increased by approximately \$24.1 million, or 9%, to approximately \$283.1 million for the year ended December 31, 2019, as compared to the prior year period. This was primarily due to an increase in revenue from gaming operations resulting from both a higher average daily win per unit and an increase in the installed base of leased gaming machines, as well as an increase in equipment revenues due to higher gaming machine unit sales and an increase in our digital (formerly called interactive) revenues. FinTech revenues increased by approximately \$39.6 million, or 19%, to approximately \$250.1 million for the year ended December 31, 2019, as compared to the prior year period. This was primarily due to an increase in equipment revenues resulting from higher sales of our equipment and information services and other solutions, which included, among other sources, revenues of approximately \$16.2 million from our loyalty operations acquired during the year, as well as additional cash access services revenues associated with higher dollar and transaction volumes.

### Costs and Expenses

Total costs and expenses increased by approximately \$55.5 million, or 14%, to approximately \$439.2 million for the year ended December 31, 2019, as compared to the same period in the prior year. This was primarily due to higher Games and FinTech costs and expenses. Cost of revenues from our Games segment increased by approximately \$3.9 million, or 6%, to approximately \$71.9 million for the year ended December 31, 2019, as compared to the prior year period. This was primarily due to higher variable costs directly related to the increased sales of gaming equipment. Cost of revenues from our FinTech segment increased by approximately \$14.1 million, or 53%, to approximately \$40.5 million for the year ended December 31, 2019, as compared to the prior year period. This was primarily due to the variable costs associated with the higher sales of our equipment and information services solutions, inclusive of the addition of the loyalty business acquired during the year.

Operating expenses increased by approximately \$19.9 million, or 14%, to approximately \$162.2 million for the year ended December 31, 2019, as compared to the prior year period. Our Games segment operating expenses increased primarily due to higher payroll and related expenses, advertising costs related to our digital operations, and additional trade show-related expenses. Our FinTech segment operating expenses increased primarily associated with the loss contingency recorded in connection with the FACTA-related matter and related legal fees, the loyalty operations acquired during the year, and higher payroll and related expenses.

Research and development increased by approximately \$12.0 million, or 59%, to approximately \$32.5 million for the year ended December 31, 2019, as compared to the prior year period. This was primarily due to higher payroll and related expenses incurred by our FinTech and Games segments.

Depreciation increased by approximately \$2.0 million, or 3%, to approximately \$63.2 million for the year ended December 31, 2019, as compared to the prior year period, which was relatively consistent with the prior year.

Amortization increased by approximately \$3.7 million, or 6%, to approximately \$68.9 million for the year ended December 31, 2019, as compared to the prior year period. The increase was primarily driven by the amortization of the intangible assets acquired in connection with the loyalty business for our FinTech segment.

Primarily as a result of the increase in revenue partially offset by the increased costs and expenses described above, operating income increased by approximately \$8.2 million, or 10%, to approximately \$94.0 million for the year ended December 31, 2019, as compared to the prior year. The operating income margin was consistent at 18% for the years ended December 31, 2019 and 2018.

Interest expense, net of interest income, decreased by approximately \$5.2 million, or 6%, to approximately \$77.8 million for the year ended December 31, 2019, as compared to the prior year period. This was primarily due to higher interest income earned during the current reporting period and our lower debt balances.

Loss on extinguishment of debt of approximately \$0.2 million for the year ended December 31, 2019 in connection with the repricing of the Term Loan Facility completed in December 2019 was comparable to approximately \$0.2 million recorded for the year ended December 31, 2018 related to the Term Loan Facility repricing completed in May 2018.

Income tax benefit was approximately \$0.5 million for the year ended December 31, 2019, as compared to an income tax benefit of approximately \$9.7 million in the prior year period. The income tax benefit for the year ended December 31, 2019 reflected an effective income tax rate of negative 3.3%, which was less than the statutory federal rate of 21.0% primarily due to a partial decrease in our valuation allowance for deferred tax assets and a research credit. The tax benefit for the year ended December 31, 2018 reflected an effective income tax rate of negative 367.0% which was less than the statutory federal rate of 21.0%, primarily due to a partial decrease in our valuation allowance for deferred tax assets and a research credit. In addition, for the years ended December 31, 2019 and 2018, the partial decrease in our valuation allowance was primarily due to the book income as well as net operating losses for tax purposes, and the interest deduction limitation (deferred tax assets), which can be offset against our indefinite lived deferred tax liabilities.

Primarily as a result of the foregoing, our net income increased by approximately \$4.2 million, or 34%, to a net income of approximately \$16.5 million for the year ended December 31, 2019, as compared to the prior year period.

### **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 those that are most important to the portrayal of the financial position 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. Refer to “Part II — Item 8 — Financial Statements and Supplementary Data — Notes to Consolidated Financial Statements — Note 2 — Basis of Presentation and Summary of Significant Accounting Policies” 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.

**Goodwill.** We had approximately \$682.0 million of goodwill, of which approximately \$449.0 million was generated by our Games reporting unit, on our Balance Sheets at December 31, 2020 resulting from acquisitions of other businesses. We test for impairment annually on a reporting unit basis, at the beginning of our fourth fiscal quarter, or more often under certain circumstances. Our reporting units are identified as operating segments or one level below and we evaluate our reporting units at least annually. Refer to “Part II — Item 8 — Financial Statements and Supplementary Data — Notes to Consolidated Financial Statements — Note 10 — Goodwill and Other Intangible Assets” included elsewhere in this Annual Report on Form 10-K for a further discussion.

The annual evaluation of goodwill requires the use of different assumptions, estimates, or judgments in the goodwill impairment testing process, such as: the methodology, the estimated future cash flows of our reporting units, the discount rate used to present value such cash flows, and the market multiples of comparable companies. 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 fluid throughout each year and considered in conjunction with the annual goodwill impairment evaluation. Changes in forecasted operations can materially affect these estimates, which could materially affect our results of operations. Our estimates of fair value require significant judgment and are based on assumptions we determined to be reasonable; however, they are unpredictable and inherently uncertain, including: estimates of future growth rates, operating margins, results of operations and financial condition, 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, anticipated growth rates, or expectations of results of operations and financial condition are not correct, we may be required to record goodwill impairment charges in future periods, whether in connection with our next annual impairment testing process, or earlier, in the event an indicator of impairment is present at such time during the year.

**Long-Lived Assets.** We review the carrying amount of long-lived assets or asset groups whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. If triggering events are identified, we compare the carrying amount of the asset to future net cash flows expected to be generated by the asset, on an undiscounted basis 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. Refer to “Part II — Item 8 — Financial Statements and Supplementary Data — Notes to Consolidated Financial Statements — Note 9 — Property, Equipment and Leased Assets ” and “Part II — Item 8 — Financial Statements and Supplementary Data — Notes to Consolidated Financial Statements — Note 10 — Goodwill and Other Intangible Assets” included elsewhere in this Annual Report on Form 10-K for a further discussion.

### Recent Accounting Guidance

For a description of our recently adopted accounting guidance and recent accounting guidance not yet adopted, see “Part II — Item 8 — Financial Statements and Supplementary Data — Notes to Consolidated Financial Statements — Note 2 — Basis of Presentation and Summary of Significant Accounting Policies — Recent Accounting Guidance” 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,	
	2020	2019
<b>Balance sheet data</b>		
Total assets.....	\$ 1,477,179	\$ 1,629,223
Total borrowings.....	1,129,253	1,108,078
Total stockholders’ equity (deficit).....	(7,898)	53,988
<b>Cash available</b>		
Cash and cash equivalents.....	\$ 251,706	\$ 289,870
Settlement receivables.....	60,652	70,282
Settlement liabilities.....	(173,211)	(234,087)
<b>Net cash position</b> <sup>(1)</sup> .....	139,147	126,065
Undrawn revolving credit facility.....	35,000	35,000
<b>Net cash available</b> <sup>(1)</sup> .....	\$ 174,147	\$ 161,065

(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 with GAAP. Accordingly, these measures should not be considered in isolation, or as a substitute for GAAP measures, and should be read in conjunction with our balance sheets prepared in accordance with GAAP. We define our (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. Our Net Cash Position and Net Cash Available change substantially based upon the timing of our receipt of funds for settlement receivables and payments we make to customers for our settlement liabilities. We present these non-GAAP measures as we monitor these amounts in connection with forecasting of cash flows and future cash requirements, both on a short-term and long-term basis.

### *Issuance of Common Stock*

In December 2019, we filed with the SEC an automatic shelf registration statement for an undetermined amount of common stock, preferred stock, debt securities, warrants, and/or units that the Company may offer and sell in one or more offerings on terms to be decided at the time of sale, which will expire on December 4, 2022.

In December 2019, we then issued and sold 11,500,000 shares of our common stock pursuant to a prospectus supplement under the automatic shelf registration statement, for which the aggregate net proceeds of approximately \$122.4 million were utilized to pay down and reprice a portion of our existing indebtedness.

### *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 on both, a short- and long-term basis. Cash and cash equivalents at December 31, 2020 included cash in non-U.S. jurisdictions of approximately \$11.5 million. Generally, these funds are available for operating and investment purposes within the jurisdiction in which they reside, and we may from time to time consider repatriating these foreign funds to the United States, subject to potential withholding tax obligations, based on operating requirements.

We expect that cash provided by operating activities will be sufficient for our operating and debt servicing needs during the foreseeable future on both a short- and long-term basis. In addition, we have sufficient borrowings available under our senior secured revolving credit facility to meet further funding requirements. We monitor the financial strength of our lenders on an ongoing basis using publicly available information. Based upon available information, we believe our lenders should be able to honor their commitments under the Credit Agreement (defined in “Note 12 — Long-term Debt”).

### *Cash Flows*

The following table presents a summary of our cash flow activity for the years ended December 31, 2020, 2019 and 2018 (in thousands):

	Year Ended December 31,			\$ Change	
	2020	2019	2018	2020 vs 2019	2019 vs 2018
<b>Cash flow activities</b>					
Net cash provided by operating activities.....	\$ 36,179	\$ 84,890	\$ 294,286	\$ (48,711)	\$ (209,396)
Net cash used in investing activities.....	(94,118)	(166,337)	(123,350)	72,219	(42,987)
Net cash provided by financing activities.....	15,066	77,613	11	(62,547)	77,602
Effect of exchange rates on cash.....	(1,388)	1,263	(1,370)	(2,651)	2,633
<b>Cash and cash equivalents</b>					
Net (decrease) increase for the period.....	(44,261)	(2,571)	169,577	(41,690)	(172,148)
Balance, beginning of the period.....	296,610	299,181	129,604	(2,571)	169,577
<b>Balance, end of the period.....</b>	<b>\$ 252,349</b>	<b>\$ 296,610</b>	<b>\$ 299,181</b>	<b>\$ (44,261)</b>	<b>\$ (2,571)</b>

Cash flows provided by operating activities were approximately \$36.2 million, \$84.9 million, and \$294.3 million for the years ended December 31, 2020, 2019, and 2018, respectively. Cash flows provided by operating activities decreased by approximately \$48.7 million for the year ended December 31, 2020, as compared to the prior year period, primarily attributable to the impact of COVID-19 on our Games and FinTech segments, as well as changes in working capital and non-cash adjustments from our Games and FinTech segment. Cash flows provided by operating activities decreased by approximately \$209.4 million for the year ended December 31, 2019, as compared to the prior year period. This was primarily attributable to the changes in working capital associated with settlement receivables and settlement liabilities from our FinTech segment.



Cash flows used in investing activities were approximately \$94.1 million, \$166.3 million, and \$123.4 million for the years ended December 31, 2020, 2019, and 2018, respectively. Cash flows used in investing activities decreased by approximately \$72.2 million for the year ended December 31, 2020, as compared to the prior year period, primarily attributable to our response to the impact of COVID-19, for which we reduced our capital expenditures in both our Games and FinTech segments, and the impact of the acquisition of certain loyalty related assets in our FinTech segment in the prior year. Cash flows used in investing activities increased by approximately \$43.0 million for the year ended December 31, 2019, as compared to the prior year period. This was primarily attributable to the acquisition of certain loyalty related assets for our FinTech segment and an increase in capital expenditures.

Cash flows provided by financing activities were approximately \$15.1 million, \$77.6 million, and \$11.0 thousand for the year ended December 31, 2020, 2019, and 2018 respectively. Cash flows provided by financing activities decreased by approximately \$62.5 million in the year ended December 31, 2020, as compared to the prior year period. This was primarily attributable to the repayments of borrowings under our 2017 Unsecured Notes and Senior Secured Credit Facilities during the period and the secondary equity offering in the prior year period, partially offset by the proceeds from the Incremental Term Loan. Cash flows provided by financing activities increased by approximately \$77.6 million in the year ended December 31, 2018, as compared to the prior period, primarily due to issuance and sale of our common stock under the automatic shelf registration statement and proceeds from the exercise of stock options, partially offset by repayments of our credit facility completed in 2019.

### **Capital Expenditures**

For the year ended December 31, 2020, cash spent for capital expenditures totaled \$76.4 million, of which \$62.6 million and \$13.8 million was related to our Games and FinTech segments, respectively. For the year ended December 31, 2019, cash spent for capital expenditures totaled \$114.3 million, of which \$96.0 million and \$18.3 million, was related to our Games and FinTech segments, respectively.

### **Long-Term Debt**

At December 31, 2020, we had approximately \$735.5 million of borrowings outstanding under the Term Loan Facility and there were no borrowings outstanding under the Revolving Credit Facility. We had \$35.0 million of additional borrowing availability under the Revolving Credit Facility as of December 31, 2020. At December 31, 2020, we had approximately \$124.4 million of borrowings outstanding under the Incremental Term Loan Facility and we had approximately \$285.4 million outstanding under our 2017 Unsecured Notes.

For additional information regarding our credit agreement and other debt as well as interest rate risk see “Contractual Obligations” in this Item 7 below, “Part II, Item 7A Quantitative and Qualitative Disclosures About Market Risk,” and “Item 8 — Financial Statements and Supplementary Data — Notes to Consolidated Financial Statements — Note 12 — Long-Term Debt.”

### **Contractual Obligations**

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

	At December 31,						
	Total	2021	2022	2023	2024	2025	Thereafter
<b>Contractual obligations</b>							
Debt obligations <sup>(1)</sup>	\$ 1,145,256	\$ 1,250	\$ 1,250	\$ 1,250	\$ 856,125	\$ 285,381	\$ —
Estimated interest obligations <sup>(2)</sup>	247,712	63,814	63,669	63,523	36,254	20,452	—
Lease obligations <sup>(3)</sup>	24,724	6,782	6,141	4,414	3,456	2,889	1,042
Purchase obligations <sup>(4)</sup>	73,321	51,509	10,705	7,865	3,242	—	—
Asset acquisition obligations <sup>(5)</sup>	25,000	25,000	—	—	—	—	—
<b>Total contractual obligations...</b>	<b>\$ 1,516,013</b>	<b>\$ 148,355</b>	<b>\$ 81,765</b>	<b>\$ 77,052</b>	<b>\$ 899,077</b>	<b>\$ 308,722</b>	<b>\$ 1,042</b>

(1) As part of the Incremental Term Credit Agreement, we are required to make quarterly principle payments with the remaining principal being due on the maturity date. The Term Loan Facility (defined herein) does not require a quarterly principal payment with the final principal repayment installment being due on the maturity date. For additional information see Part II — Item 8 — Financial Statements and Supplementary Data — Notes to Consolidated Financial Statements — Note 12 — Long-Term Debt”

- (2) Estimated interest payments were computed using the interest rate in effect at December 31, 2020 multiplied by the principal balance outstanding. For our debt obligations, the weighted average rate assumed was approximately 5.53% until May 2024, when the weighted average rate would increase to 7.50% until the remaining debt is fully satisfied in December 2025.
- (3) Our lease obligations primarily consist of real estate arrangements we enter into with third parties. For additional information see “Part II — Item 8 — Financial Statements and Supplementary Data — Notes to Consolidated Financial Statements — Note 3 — Leases.”
- (4) The Company is a party to certain purchase obligations, which primarily include purchases of raw materials, capital expenditures, and other indirect purchases in connection with conducting our business. The purchase obligations represent open purchase orders with our suppliers that have not yet been received as these agreements generally allow us the option to cancel, reschedule and adjust terms based on our business needs prior to the delivery of goods or performance of services.
- (5) Represents our obligations under the asset purchase agreements with Atrient and MGT discussed in “Part II — Item 8 — Financial Statements and Supplementary Data — Notes to Consolidated Financial Statements — Note 4 — Business Combinations.” we anticipate paying these obligations during 2021 from our operating funds.

### ***Other Liquidity Needs and Resources***

We need cash to support our foreign operations. Depending on the jurisdiction and the treaty between different foreign jurisdictions, our applicable withholding tax rates could vary significantly. If we expand our business into new foreign jurisdictions, we will 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***

In the normal course of business, we have commercial arrangements with third-party vendors to provide cash for certain of our ATMs. For the use of these funds, we pay a cash usage fee on either the average daily balance of funds utilized multiplied by a contractually defined cash usage rate or the amounts supplied multiplied by a contractually defined cash usage rate. These cash usage fees, reflected as interest expense within the Statements of Operations, were approximately \$3.1 million, \$7.2 million, and \$7.0 million for the years ended December 31, 2020, 2019, and 2018, respectively. As a direct consequence surrounding the circumstances of COVID-19, the cash usage fees in the current reporting period were significantly reduced as compared to prior years. We are exposed to interest rate risk to the extent that the applicable federal funds rate increases.

Under these agreements, the currency supplied by third-party vendors remain their sole property until the funds are dispensed. As these funds are not our assets, supplied cash is not reflected on our Balance Sheets. The outstanding balances of ATM cash utilized by us from the third-party vendors were approximately \$340.3 million and \$292.6 million as of December 31, 2020 and 2019, respectively.

Our primary commercial arrangement, the Contract Cash Solutions Agreement, as amended, with Wells Fargo Bank, N.A. provides us with cash in the maximum amount of \$300.0 million with the ability to increase the amount by \$75.0 million over a 5-day period for special occasions, such as the period around New Year’s Day. The agreement currently expires on June 30, 2023 and will automatically renew for additional one-year periods unless either party provides a 90-day written notice of its intent not to renew. For additional information see “Part II — Item 8 — Financial Statements and Supplementary Data — Notes to Consolidated Financial Statements — Note 5 — Funding Agreements.”

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, 2020, 2019, and 2018.

### ***Effects of Inflation***

Our monetary assets that primarily consist of cash, receivables, inventory, as well as our non-monetary assets that are mostly comprised of 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 FinTech products and services to gaming establishments.

## **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 condition. At present, we do not hedge this exposure; however, we continue to evaluate such foreign currency exchange risk.

In the normal course of business, we have commercial arrangements with third-party vendors to provide cash for certain of our ATMs. Under the terms of these agreements, we pay a monthly cash usage fee based upon the target federal funds rate. We are, therefore, exposed to interest rate risk to the extent that the applicable federal funds rate increases. The outstanding balance of ATM cash utilized by us from third-party vendors was approximately \$340.3 million as of December 31, 2020; therefore, each 100 basis points increase in the target federal funds rate would have approximately a \$3.4 million impact on income before tax over a 12-month period.

The Term Loan Facility and Revolving Credit Facility and the Incremental Term Loan Credit Facility (collectively, the “Credit Facilities”) bear interest at rates that can vary over time. We have the option of paying interest on the outstanding amounts under the Credit Facilities using a base rate or LIBOR. We have historically elected to pay interest based on LIBOR, and we expect to continue to do so for various maturities.

The weighted average interest on the Term Loan was 3.95% and 5.26% for the year ended December 31, 2020 and 2019, respectively. Based upon the outstanding balance of the Term Loan of \$735.5 million as of December 31, 2020, each 100 basis points increase in the applicable LIBOR would have a combined impact of approximately \$7.4 million on interest expense over a 12-month period.

The weighted average interest rate on the Incremental Term Loan Credit Facility was 11.50% for the year ended December 31, 2020. Based upon the outstanding balance on the Incremental Term Loan Credit Facility of \$124.4 million as of December 31, 2020, each 100 basis points increase in the applicable LIBOR would have an impact of approximately \$1.2 million on interest expense over a 12-month period.

The interest rate for the 7.5% Senior Unsecured Notes due 2025 is fixed; therefore, an increase in LIBOR does not impact the related interest expense. At present, we do not hedge the risk related to the changes in interest rate; however, we continue to evaluate such interest rate exposure.

We continue to evaluate the potential impact of the eventual replacement of the LIBOR benchmark, which is set to phase out by the end of 2021. We expect to utilize the replacement rate commonly referred to as the secured overnight financing rate (“SOFR”), which is the anticipated benchmark in place of LIBOR, and we do not expect the transition to SOFR to have a material impact on our business, financial condition and results of operations.

**Item 8. Financial Statements and Supplementary Data.**

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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. and Subsidiaries (the “Company”) as of December 31, 2020 and 2019, the related consolidated statements of operations and comprehensive (loss) income, stockholders’ (deficit) equity, and cash flows for each of the three years in the period ended December 31, 2020, 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 at December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, 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, 2020, 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 12, 2021 expressed an unqualified opinion thereon.

### Change in Accounting Principle

As discussed in Note 3 to the consolidated financial statements, the Company changed its method of accounting for leases in 2019 due to the adoption of Accounting Standards Codification (“ASC”) Topic 842, *Leases*.

### 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.

### Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which it relates.

## *Goodwill – Interim Impairment Assessment – Games and Central Credit Reporting Units*

As discussed in Note 10 to the consolidated financial statements, the Company's consolidated goodwill balance as of December 31, 2020 was approximately \$682 million. The Company tests for impairment annually on a reporting unit basis, at the beginning of the fourth fiscal quarter and performs interim 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. At December 31, 2020, the Games and Central Credit reporting units' goodwill balances were \$449.0 million and \$17.1 million, respectively. The Company performed an interim goodwill impairment test as of May 31, 2020 due to the impact of COVID-19, and the closure of most casino properties, on the Company's operations. The Company performed a quantitative impairment analysis, which required a comparison of the carrying amount of each reporting unit to its estimated fair value. The fair value of the Games reporting unit was determined using both an income approach and a market approach that compared market multiples of comparable companies and the fair value of the Central Credit reporting unit was determined using an income approach.

We identified the Company's evaluation of goodwill impairment as of May 31, 2020 for the Games and Central Credit reporting units as a critical audit matter. Certain assumptions used in the Company's estimate of the fair value of each of the reporting units' projected discounted cash flows, including the revenue growth rate, terminal value growth rate, the weighted average cost of capital, and the uncertainty related to the timing and extent of economic recovery and the resulting adverse impacts attributed to the COVID-19 pandemic required significant management judgment. Auditing these assumptions involved subjective and challenging auditor judgements and increased audit effort, including the involvement of individuals with specialized skills and knowledge.

The primary procedures we performed to address this critical audit matter included:

- Testing the design and operating effectiveness of internal controls related to the assessment of the triggering event, developing the Company's forecasts of future cash flows, and review of other valuation assumptions used in the determination of reporting units' fair values
- Evaluating the reasonableness of assumptions used in the Company's estimates of fair values of the reporting units, including the revenue growth rate and terminal value growth rate by comparing the projections to the underlying business strategies, published industry data, and management's growth plans.
- Evaluating the reasonableness of management's assumptions related to the extent of business disruption and timing of recovery by i) comparing management's analysis of the expected business disruption attributed to the pandemic to actual results observed since the pandemic began during the Company's fiscal year 2020, and ii) comparing management's analysis of the timing of economic recovery to published industry forecasts and analyst reports in order to consider contradictory evidence regarding the expected impact of the COVID-19 disruption and timing of recovery.
- Assessing the Company's ability to estimate future cash flows, including projected revenues by comparing the Company's historical cash flow forecasts for the reporting units to actual results.
- Utilizing personnel with specialized knowledge and skills in valuation to assist in assessing the appropriateness of the Company's valuation methodologies including the reasonableness of the weighted average cost of capital and revenue terminal value growth rates used as inputs in developing the Company's estimates of fair values.

/s/ BDO USA, LLP

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

Las Vegas, Nevada  
March 12, 2021

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

	Year Ended December 31,		
	2020	2019	2018
<b>Revenues</b>			
<b>Games revenues</b>			
Gaming operations.....	\$ 156,199	\$ 188,874	\$ 168,146
Gaming equipment and systems.....	44,006	90,919	87,038
Gaming other.....	96	3,326	3,794
<b>Games total revenues</b> .....	<b>200,301</b>	<b>283,119</b>	<b>258,978</b>
<b>FinTech revenues</b>			
Cash access services.....	112,035	164,741	156,806
Equipment.....	24,297	37,865	20,977
Information services and other.....	47,041	47,502	32,754
<b>FinTech total revenues</b> .....	<b>183,373</b>	<b>250,108</b>	<b>210,537</b>
<b>Total revenues</b> .....	<b>383,674</b>	<b>533,227</b>	<b>469,515</b>
<b>Costs and expenses</b>			
<b>Games cost of revenues <sup>(1)</sup></b>			
Gaming operations.....	15,192	18,043	17,603
Gaming equipment and systems.....	25,680	50,826	47,121
Gaming other.....	456	3,025	3,285
<b>Games total cost of revenues</b> .....	<b>41,328</b>	<b>71,894</b>	<b>68,009</b>
<b>FinTech cost of revenues <sup>(1)</sup></b>			
Cash access services.....	6,755	14,236	9,717
Equipment.....	14,724	22,292	12,601
Information services and other.....	3,029	3,964	4,110
<b>FinTech total cost of revenues</b> .....	<b>24,508</b>	<b>40,492</b>	<b>26,428</b>
Operating expenses.....	152,546	162,184	142,298
Research and development.....	27,943	32,505	20,497
Depreciation.....	67,459	63,198	61,225
Amortization.....	75,305	68,937	65,245
<b>Total costs and expenses</b> .....	<b>389,089</b>	<b>439,210</b>	<b>383,702</b>
<b>Operating (loss) income</b> .....	<b>(5,415)</b>	<b>94,017</b>	<b>85,813</b>
<b>Other expenses</b>			
Interest expense, net of interest income.....	74,564	77,844	83,001
Loss on extinguishment of debt.....	7,457	179	166
<b>Total other expenses</b> .....	<b>82,021</b>	<b>78,023</b>	<b>83,167</b>
<b>(Loss) income before income tax</b> .....	<b>(87,436)</b>	<b>15,994</b>	<b>2,646</b>
Income tax benefit.....	(5,756)	(523)	(9,710)
<b>Net (loss) income</b> .....	<b>(81,680)</b>	<b>16,517</b>	<b>12,356</b>
Foreign currency translation.....	(372)	1,179	(1,745)
<b>Comprehensive (loss) income</b> .....	<b>\$ (82,052)</b>	<b>\$ 17,696</b>	<b>\$ 10,611</b>

(1) Exclusive of depreciation and amortization.

	Year Ended December 31,		
	2020	2019	2018
<b>(Loss) earnings per share</b>			
<b>Basic</b> .....	\$ (0.96)	\$ 0.23	\$ 0.18
<b>Diluted</b> .....	\$ (0.96)	\$ 0.21	\$ 0.17
<b>Weighted average common shares outstanding</b>			
<b>Basic</b> .....	85,379	72,376	69,464
<b>Diluted</b> .....	85,379	79,235	73,796

See notes to consolidated financial statements.



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

	At December 31,	
	2020	2019
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents.....	\$ 251,706	\$ 289,870
Settlement receivables.....	60,652	70,282
Trade and other receivables, net of allowances for credit losses of \$3,689 and \$5,786 at December 31, 2020 and December 31, 2019, respectively.....	74,191	87,910
Inventory.....	27,742	26,574
Prepaid expenses and other assets.....	17,348	27,896
<b>Total current assets.....</b>	<b>431,639</b>	<b>502,532</b>
<b>Non-current assets</b>		
Property and equipment, net.....	112,323	128,869
Goodwill.....	681,974	681,635
Other intangible assets, net.....	214,627	279,187
Other receivables.....	14,620	16,661
Other assets.....	21,996	20,339
<b>Total non-current assets.....</b>	<b>1,045,540</b>	<b>1,126,691</b>
<b>Total assets.....</b>	<b>\$ 1,477,179</b>	<b>\$ 1,629,223</b>
<b>LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY</b>		
<b>Current liabilities</b>		
Settlement liabilities.....	\$ 173,211	\$ 234,087
Accounts payable and accrued expenses.....	145,029	173,103
Current portion of long-term debt.....	1,250	—
<b>Total current liabilities.....</b>	<b>319,490</b>	<b>407,190</b>
<b>Non-current liabilities</b>		
Deferred tax liability, net.....	19,956	26,401
Long-term debt, less current portion.....	1,128,003	1,108,078
Other accrued expenses and liabilities.....	17,628	33,566
<b>Total non-current liabilities.....</b>	<b>1,165,587</b>	<b>1,168,045</b>
<b>Total liabilities.....</b>	<b>1,485,077</b>	<b>1,575,235</b>
<b>Commitments and contingencies (Note 13)</b>		
<b>Stockholders' (deficit) equity</b>		
Common stock, \$0.001 par value, 500,000 shares authorized and 111,872 and 109,493 shares issued at December 31, 2020 and December 31, 2019, respectively.....	112	109
Convertible preferred stock, \$0.001 par value, 50,000 shares authorized and no shares outstanding at December 31, 2020 and December 31, 2019, respectively.....	—	—
Additional paid-in capital.....	466,614	445,162
Accumulated deficit.....	(294,620)	(212,940)
Accumulated other comprehensive loss.....	(1,191)	(819)
Treasury stock, at cost, 25,190 and 24,996 shares at December 31, 2020 and December 31, 2019, respectively.....	(178,813)	(177,524)
<b>Total stockholders' (deficit) equity.....</b>	<b>(7,898)</b>	<b>53,988</b>
<b>Total liabilities and stockholders' (deficit) equity.....</b>	<b>\$ 1,477,179</b>	<b>\$ 1,629,223</b>

See notes to consolidated financial statements.

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

	Year Ended December 31,		
	2020	2019	2018
<b>Cash flows from operating activities</b>			
Net (loss) income.....	\$ (81,680)	\$ 16,517	\$ 12,356
Adjustments to reconcile net (loss) income to cash provided by operating activities:			
Depreciation.....	67,459	63,198	61,225
Amortization.....	75,305	68,937	65,245
Non-cash lease expense.....	4,880	4,276	—
Amortization of financing costs and discounts.....	4,283	4,285	4,877
Loss on sale or disposal of assets.....	450	1,678	869
Accretion of contract rights.....	7,675	8,710	8,421
Provision for credit losses.....	8,010	14,647	11,459
Deferred income taxes.....	(6,579)	(1,594)	(10,343)
Write-down of assets.....	13,068	1,268	2,575
Reserve for obsolescence.....	2,166	1,463	1,919
Loss on extinguishment of debt.....	7,457	179	166
Stock-based compensation.....	13,036	9,857	7,251
Other non-cash items.....	456	—	—
Changes in operating assets and liabilities:			
Settlement receivables.....	9,881	12,961	143,705
Trade and other receivables.....	8,621	(41,754)	(29,320)
Inventory.....	(5,650)	(3,067)	(3,848)
Prepaid and other assets.....	(4,301)	(18,724)	1,672
Settlement liabilities.....	(61,133)	(100,783)	17,159
Accounts payable and accrued expenses.....	(27,225)	42,836	(1,102)
<b>Net cash provided by operating activities.....</b>	<b>36,179</b>	<b>84,890</b>	<b>294,286</b>
<b>Cash flows from investing activities</b>			
Capital expenditures.....	(76,429)	(114,291)	(103,031)
Acquisitions, net of cash acquired.....	(15,000)	(35,000)	—
Proceeds from sale of property and equipment.....	396	56	237
Placement fee agreements.....	(3,085)	(17,102)	(20,556)
<b>Net cash used in investing activities.....</b>	<b>(94,118)</b>	<b>(166,337)</b>	<b>(123,350)</b>
<b>Cash flows from financing activities</b>			
Proceeds from incremental term loan.....	125,000	—	—
Repayments of incremental term loan.....	(625)	—	—
Proceeds from revolving credit facility.....	35,000	—	—
Repayments of revolving credit facility.....	(35,000)	—	—
Repayments of existing term loan.....	(13,500)	(58,700)	(8,200)
Repayments of unsecured notes.....	(89,619)	—	—
Fees associated with debt transactions.....	(11,128)	(707)	(1,276)
Proceeds from issuance of common stock, net.....	—	122,376	—
Proceeds from exercise of stock options.....	6,226	15,704	9,610
Treasury stock.....	(1,288)	(1,060)	(123)
<b>Net cash provided by financing activities.....</b>	<b>15,066</b>	<b>77,613</b>	<b>11</b>
Effect of exchange rates on cash.....	(1,388)	1,263	(1,370)
<b>Cash, cash equivalents and restricted cash</b>			
Net (decrease) increase for the period.....	(44,261)	(2,571)	169,577
Balance, beginning of the period.....	296,610	299,181	129,604
<b>Balance, end of the period.....</b>	<b>\$ 252,349</b>	<b>\$ 296,610</b>	<b>\$ 299,181</b>

See notes to consolidated financial statements.

	Year Ended December 31,		
	2020	2019	2018
<b>Supplemental cash disclosures</b>			
Cash paid for interest.....	\$ 67,562	\$ 77,351	\$ 81,609
Cash paid for income tax, net of refunds.....	576	694	402
<b>Supplemental non-cash disclosures</b>			
Accrued and unpaid capital expenditures.....	\$ 2,801	\$ 4,500	\$ 3,657
Accrued and unpaid placement fees added during the year.....	—	585	—
Accrued and unpaid liabilities for acquisitions added during the year.....	—	36,940	(550)
Transfer of leased gaming equipment to inventory.....	5,775	10,980	10,028

See notes to consolidated financial statements.

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

	Common Stock— Series A		Additional Paid-in Capital	(Accumulated Deficit)	Accumulated Other Comprehensive (Loss) Income	Treasury Stock	Total (Deficit) Equity
	Number of Shares	Amount					
<b>Balance, January 1, 2018</b> .....	93,120	\$ 93	\$ 282,070	\$ (246,202)	\$ (253)	\$ (176,341)	\$ (140,633)
Net income.....	—	—	—	12,356	—	—	12,356
Cumulative adjustment related to adoption of ASC 606.....	—	—	—	4,389	—	—	4,389
Foreign currency translation.....	—	—	—	—	(1,745)	—	(1,745)
Stock-based compensation expense.....	—	—	7,251	—	—	—	7,251
Exercise of options.....	1,962	2	9,608	—	—	—	9,610
Restricted share vesting and withholding	18	—	—	—	—	(123)	(123)
<b>Balance, December 31, 2018</b> .....	95,100	\$ 95	\$ 298,929	\$ (229,457)	\$ (1,998)	\$ (176,464)	\$ (108,895)
Net income.....	—	—	—	16,517	—	—	16,517
Foreign currency translation.....	—	—	—	—	1,179	—	1,179
Issuance of common stock in public offering, net.....	11,500	11	122,365	—	—	—	122,376
Stock-based compensation expense.....	—	—	8,167	—	—	—	8,167
Exercise of options.....	2,595	3	15,701	—	—	—	15,704
Restricted share vesting and withholding	298	—	—	—	—	(1,060)	(1,060)
<b>Balance, December 31, 2019</b> .....	109,493	\$ 109	\$ 445,162	\$ (212,940)	\$ (819)	\$ (177,524)	\$ 53,988
Net loss.....	—	—	—	(81,680)	—	—	(81,680)
Foreign currency translation.....	—	—	—	—	(372)	—	(372)
Stock-based compensation expense.....	—	—	14,726	—	—	—	14,726
Issuance of warrants.....	—	—	502	—	—	—	502
Exercise of options.....	1,474	2	6,224	—	—	—	6,226
Restricted share vesting and withholding	905	1	—	—	—	(1,289)	(1,288)
<b>Balance, December 31, 2020</b> .....	111,872	\$ 112	\$ 466,614	\$ (294,620)	\$ (1,191)	\$ (178,813)	\$ (7,898)

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 Operations and Comprehensive (Loss) Income as our “Statements of Operations;” and (iii) our audited Consolidated Balance Sheets as our “Balance Sheets.”*

**1. BUSINESS**

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

Everi is a leading supplier of imaginative entertainment and trusted technology solutions for the casino and digital gaming industry. Everi’s mission is to transform the casino floor through innovative gaming and financial technology and loyalty solutions. With a focus on both land-based and digital gaming operators and players, the Company develops entertaining games and gaming machines, gaming systems and services that facilitate memorable player experiences, and is a preeminent and comprehensive provider of financial products and services that offer convenient and secure cash and cashless-based financial transactions, self-service loyalty tools and applications, and intelligence software and other intuitive solutions that improve casino operational efficiencies and fulfill regulatory compliance requirements.

Everi reports its financial performance, and organizes and manages its operations, across the following two business segments: (i) Games; and (ii) FinTech.

Everi Games provides gaming operators with gaming technology products and services, including: (i) gaming machines, primarily comprising Class II and Class III slot machines placed under participation or fixed-fee lease arrangements or sold to casino customers; (ii) providing and maintaining the central determinant systems for the video lottery terminals (“VLTs”) installed in the State of New York and similar technology in certain tribal jurisdictions; (iii) business-to-business (“B2B”) and business-to-consumer (“B2C”) digital online gaming activities.

Everi FinTech provides gaming operators with financial technology products and services, including: (i) services and equipment that facilitate casino patron’s self-service access to cash and cashless funding at gaming facilities via Automated Teller Machine (“ATM”) debit withdrawals, credit card cash access transactions and point-of-sale (“POS”) debit card purchase and cash access transactions; (ii) check warranty services; (iii) self-service loyalty enrollment and marketing equipment, including promotion management software and tools; (iv) software and services that improve credit decision making, automate cashier operations, and enhance patron marketing activities for gaming establishments; (v) equipment that provides cash access and other cash handling efficiency-related services; and (vi) compliance, audit, and data solutions.

**Impact of COVID-19 Pandemic**

The COVID-19 pandemic has negatively impacted the global economy, disrupted global supply chains, temporarily lowered equity market valuations, created significant volatility in the financial markets, increased unemployment levels, caused temporary, and in certain cases, closures of many businesses. The gaming industry was not immune to these factors as our casino customers closed their gaming establishments, and as a result, our operations experienced significant disruptions. At the immediate onset of the COVID-19 pandemic, we were affected by various measures, including, but not limited to: the institution of social distancing and sheltering-in-place requirements in many states and communities, which significantly impacted demand for our products and services, and resulted in office closures, the furlough of a majority of our employees, the implementation of temporary base salary reductions for our employees and the implementation of a work-from-home policy.

In connection with the uncertainty facing our customers as a result of COVID-19, we evaluated our business strategies in the second quarter of 2020 and implemented measures to reduce our ongoing operating costs. As a result of this evaluation, we permanently reduced our employee base, with most of the departures resulting from our furloughed employees, to accommodate the current and future operating needs of our customers and our business.

During the second quarter of 2020, businesses began to adapt to social-distancing measures and various phases of reopening pursuant to government-mandated guidelines. As our gaming customers reopened, a number of their properties initially experienced an elevated level of activity as compared to what was originally anticipated. The revenues generated by this initial pent-up demand flattened to slightly below pre-COVID levels as more casinos reopened through the second quarter of 2020. Revenues improved further throughout the third and fourth quarter of 2020, though they remained below pre-COVID levels.

With a majority of our gaming customers reopening properties by the end of September 2020, and our activity rates and results continuing to improve through the third and fourth quarter, we have, among other measures: (i) returned nearly all of our furloughed employees to work on primarily a work-from-home basis; (ii) reinstated base compensation to pre-COVID levels for the employee base; (iii) reversed nearly all compensation reductions for both our Executives and Directors; and (iv) fully paid down the outstanding balance on our revolving line of credit.

It is unclear when and if customer volumes will return consistently to pre-COVID levels, if a resurgence of COVID-19 could result in the further or re-closure of casinos by federal, state, tribal or municipal governments, regulatory agencies, or by the casino operators themselves in an effort to contain the COVID-19 global pandemic or mitigate its impact and the impact of vaccines on these matters; however, we continue to monitor the impacts of COVID-19 and make adjustments to our business accordingly.

## **2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Principles of Consolidation**

The consolidated financial statements are prepared under US Generally Accepted Accounting Principles (GAAP) and include the accounts of the Company and its subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

### **Business Combinations**

When we acquire a business, we recognize the assets acquired and the liabilities assumed, at their acquisition date fair values. Goodwill is measured and recognized 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, 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 (referred to as the measurement period). 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 Operations.

### **Cash and Cash Equivalents**

Cash and cash equivalents include cash and balances on deposit in banks and financial institutions. We consider 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 our 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, we enter into commercial arrangements with third party vendors to provide us the currency needed for normal operating requirements for our ATMs. For the use of these funds, we pay a cash usage fee based upon the target federal funds rate. Under these agreements, the currency supplied by the third-party vendors remains the sole property of these suppliers until cash is dispensed, at which time the third-party vendors obtain an interest in the corresponding settlement receivable. As the cash is an asset of these suppliers, it is therefore not reflected on our Balance Sheets. The usage fee for the cash supplied in these ATMs is included as interest expense in the Statements of Operations. Our rationale to record cash usage fees as interest expense is primarily 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 Credit Losses**

We continually evaluate the collectability of outstanding balances and maintain an allowance for credit losses related to our trade and other receivables and notes receivable that have been determined to have a high risk of uncollectability, which represents our best estimates of the current expected credit losses to be incurred in the future. To derive our estimates, we analyze historical collection trends and changes in our customer payment patterns, current and expected conditions and market trends along with our operating forecasts, concentration, and creditworthiness when evaluating the adequacy of our allowance for credit losses. In addition, with respect to our check warranty receivables, we are exposed to risk for the losses associated with warranted items that cannot be collected from patrons issuing these items. We evaluate the collectability of the outstanding balances and establish a reserve for the face amount of the current expected credit losses related to these receivables. The provision for doubtful accounts receivable is included within operating expenses and the check warranty loss reserves are included within cash access services cost of revenues in the Statements of Operations.

## **Settlement Receivables and Settlement Liabilities**

We provide cash settlement services to gaming establishments related to our cash access services, which involve the movement of funds between various parties involved in these types of transactions. We receive reimbursement from the patron's credit or debit card issuing financial institution for the amount owed to the gaming establishment plus the fee charged to the patron. These activities result in amounts due to us at the end of each business day that we generally recover over the next few business days, which are classified as settlement receivables on our Balance Sheets. In addition, cash settlement services result in amounts due to gaming establishments for the cash disbursed to patrons through the issuance of a negotiable instrument or through electronic settlement for the face amount provided to patrons that we generally remit over the next few business days, which are classified as settlement liabilities on our 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 and other 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 Operations.

## **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").

## Restricted Cash

Our restricted cash primarily consists of: (i) funds held in connection with certain customer agreements; (ii) deposits held in connection with a sponsorship agreement; (iii) wide-area progressive (“WAP”)-related restricted funds; and (iv) internet-related cash access activities. The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the Balance Sheets that sum to the total of the same such amounts shown in the statements of cash flows.

	Classification on our Balance Sheets	Year Ended December 31,		
		2020	2019	2018
Cash and cash equivalents.....	Cash and cash equivalents.....	\$ 251,706	\$ 289,870	\$ 297,532
Restricted cash — current.....	Prepaid expenses and other assets.....	542	6,639	1,548
Restricted cash — non-current.....	Other assets.....	101	101	101
<b>Total.....</b>		<b>\$ 252,349</b>	<b>\$ 296,610</b>	<b>\$ 299,181</b>

## Property and Equipment

Property and equipment, which includes leased assets, are stated at cost, less accumulated depreciation, and are computed using the straight-line method over the lesser of the lease term or estimated life of the related assets, generally one to five years. 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 also consists of 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 Operations. 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 future cash flows, on an undiscounted basis, do not exceed the carrying value of the asset.

## Placement Fee and Development Agreements

We enter into placement fee and, to a certain extent, development agreements to provide financing for the expansion of existing facilities, or for new gaming facilities. Funds provided under placement fee agreements are not reimbursed, while funds provided under development agreements are reimbursed to us, in whole, or in part. 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 amounts per day over the term of the agreement, which is generally from 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 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. 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 both 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. To the extent the carrying amount of a reporting unit is less than its estimated fair value, an impairment charge is recorded.



The evaluation of impairment of goodwill requires the use of estimates about future operating results. Changes in forecasted operations can materially affect these estimates, which could materially affect our results of operations and financial condition. The estimates of expected future cash flows require significant judgment and are based on assumptions we determined to be reasonable; however, they 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 within which we operate. There can be no assurance that our estimates and assumptions made for purposes of our impairment assessments as of the time of evaluation 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 non-cash impairment charges in future periods, whether in connection with our normal review procedures periodically, or earlier, if an indicator of an impairment is present prior to such evaluation.

Our reporting units are identified as operating segments or one level below. Reporting units must: (i) engage in business activities from which they earn revenues and incur expenses; (ii) 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 (iii) have discrete financial information available. As of December 31, 2020, our reporting units included: (i) Games, (ii) Cash Access Services, (iii) Kiosk Sales and Service, (iv) Central Credit Services, (v) Compliance Sales and Services, and (vi) Loyalty Sales and Services.

### **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 FinTech services to gaming establishment customers), developed technology, trade names and trademarks, and contract rights acquired through business combinations; and (ii) capitalized software development costs. Customer contracts require us to make renewal assumptions, which impact the estimated useful lives of such assets. Capitalized software development costs require us to make certain judgments as to the stages of development and costs eligible for capitalization. Capitalized software costs placed in service are amortized over their useful lives, generally not to exceed five years. We review intangible assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Such events or circumstances include, but are not limited to, a significant decrease in the fair value of the underlying business or market price of the asset, a significant adverse change in legal factors or business climate that could affect the value of an asset, or a current period operating or cash flow loss combined with a history of operating or cash flow losses. We group intangible assets for impairment analysis at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Recoverability of definite lived 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, on an undiscounted basis 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 our Balance Sheets. All other debt issuance costs are included as contra-liabilities in long-term debt.

### **Revenue Recognition**

#### *Overview*

We evaluate the recognition of revenue based on the criteria set forth in Accounting Standards Codification (“ASC”) 606 — Revenue from Contracts with Customers and ASC 842 — Leases, as appropriate. We recognize revenue upon transferring control of goods or services to our customers in an amount that reflects the consideration we expect to receive in exchange for those goods or services. We enter into contracts with customers that include various performance obligations consisting of goods, services, or combinations of goods and services. Timing of the transfer of control varies based on the nature of the contract. We recognize revenue net of any sales and other taxes collected from customers, which are subsequently remitted to governmental authorities and are not included in revenues or operating expenses. We measure revenue based on the consideration specified in a contract with a customer and adjusted, as necessary.

We evaluate the composition of our revenues to maintain compliance with SEC Regulation S-X Section 210.5-3, which requires us to separately present certain categories of revenues that exceed the quantitative threshold on our Statements of Operations.

### *Collectability*

To assess collectability, we determine whether it is probable that we will collect substantially all of the consideration to which we are entitled in exchange for the goods and services transferred to the customer in accordance with the terms and conditions of the contract. In connection with these procedures, we evaluate the customer using internal and external information available, including, but not limited to, research and analysis of our credit history with the customer. Based on the nature of our transactions and historical trends, we determine whether our customers have the ability and intention to pay the amounts of consideration when they become due to identify potentially significant credit risk exposure.

### *Contract Combinations - Multiple Promised Goods and Services*

Our contracts may include various performance obligations for promises to transfer multiple goods and services to a customer, especially since our Games and FinTech businesses may enter into multiple agreements with the same customer that meet the criteria to be combined for accounting purposes under ASC 606. When this occurs, a Stand-Alone Selling Price (“SSP”) will be determined for each performance obligation in the combined arrangement, and the consideration will be allocated between the respective performance obligations. The SSP of our goods and services is generally determined based on observable prices, an adjusted market assessment approach, or an expected cost plus margin approach. We utilize a residual approach only when the SSP for performance obligations with observable prices has been established and the remaining performance obligation in the contract with a customer does not have an observable price as it is uncertain or highly variable and, therefore, is not discernible. We use our judgment to analyze the nature of the promises made and determine whether each is distinct or should be combined with other promises in the contract based on the level of integration and interdependency between the individual deliverables.

### *Disaggregation of Revenues*

We disaggregate revenues based on the nature and timing of the cash flows generated by such revenues as presented in “Note 18 — Segment Information.”

### *Outbound Freight Costs, Installation and Training*

Upon transferring control of goods to a customer, the shipping and handling costs in connection with sale transactions are generally accounted for as fulfillment costs and included in cost of revenues.

Our performance of installation and training services relating to the sales of gaming equipment and systems and FinTech equipment does not modify the software or hardware in those equipment and systems. Such installation and training services are generally immaterial in the context of the contract; and therefore, such items do not represent a separate performance obligation.

### *Costs to Acquire a Contract with a Customer*

We typically incur incremental costs to acquire customer contracts in the form of sales commissions; however, because the expected benefit from these contracts is one year or less, we expense these amounts as incurred.

### Contract Balances

Since our contracts may include multiple performance obligations, there is often a timing difference between cash collections and the satisfaction of such performance obligations and revenue recognition. Such arrangements are evaluated to determine whether contract assets and liabilities exist. We generally record contract assets when the timing of billing differs from when revenue is recognized due to contracts containing specific performance obligations that are required to be met prior to a customer being invoiced. We generally record contract liabilities when cash is collected in advance of us satisfying performance obligations, including those that are satisfied over a period of time. Balances of our contract assets and contract liabilities may fluctuate due to timing of cash collections.

The following table summarizes our contract assets and contract liabilities arising from contracts with customers (in thousands):

	<b>Year Ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Contract assets <sup>(1)</sup></b>		
Balance at January 1 — current.....	\$ 8,634	\$ 6,821
Balance at January 1 — non-current.....	6,774	4,489
<b>Total</b> .....	<b>15,408</b>	<b>11,310</b>
Balance at December 31 — current.....	9,240	8,634
Balance at December 31 — non-current.....	8,321	6,774
<b>Total</b> .....	<b>17,561</b>	<b>15,408</b>
<b>Increase</b> .....	<b>\$ 2,153</b>	<b>\$ 4,098</b>
<b>Contract liabilities <sup>(2)</sup></b>		
Balance at January 1 — current.....	\$ 28,510	\$ 14,661
Balance at January 1 — non-current.....	354	809
<b>Total</b> .....	<b>28,864</b>	<b>15,470</b>
Balance at December 31 — current.....	26,980	28,510
Balance at December 31 — non-current.....	289	354
<b>Total</b> .....	<b>27,269</b>	<b>28,864</b>
<b>(Decrease)/Increase</b> .....	<b>\$ (1,595)</b>	<b>\$ 13,394</b>

(1) The current portion of contract assets is included within trade and other receivables, net and the non-current portion is included within other receivables in our Balance Sheets.

(2) The current portion of contract liabilities is included within accounts payable and accrued expenses, and the non-current portion is included within other accrued expenses and liabilities in our Balance Sheets.

We recognized approximately \$23.5 million and \$14.2 million in revenue that was included in the beginning contract liability balance during 2020 and 2019, respectively.

### Games Revenues

Our products and services include electronic gaming devices, such as Native American Class II offerings and other electronic bingo products, Class III slot machine offerings, VLTs, B2B and B2C digital online gaming activities, accounting and central determinant systems, and other back office systems. We conduct our Games segment business based on results generated from the following major revenue streams: (i) Gaming Operations; (ii) Gaming Equipment and Systems; and (iii) Gaming Other.

## ***Gaming Operations***

We primarily provide: (i) leased gaming equipment, both Class II and Class III offerings, on a participation or a daily fixed-fee basis, including standard games and hardware and premium games and hardware, inclusive of local-area progressive, and WAP; (ii) accounting and central determinant systems; and (iii) digital online gaming activities. We evaluate the recognition of lease revenues based on criteria set forth in ASC 842. Under these arrangements, we retain ownership of the machines installed at customer facilities. We recognize recurring rental income over time based on a percentage of the net win per day generated by the leased gaming equipment or a daily fixed-fee based on the timing services are provided. Such revenues are generated daily and are limited to the lesser of the net win per day generated by the leased gaming equipment or the fixed daily fee and the lease payments that have been collected from the lessee. Gaming operations revenues generated by leased gaming equipment deployed at sites under placement fee agreements give rise to contract rights, which are amounts recorded to intangible assets for dedicated floor space resulting from such agreements. The gaming operations revenues generated by these arrangements are reduced by the accretion of contract rights, which represents the related amortization of the contract rights recorded in connection with such agreements. Gaming operations lease revenues accounted for under ASC 842 are generally short-term in nature with payment terms ranging from 30 to 90 days. We recognized \$116.1 million, \$143.2 million, and \$136.6 million in lease revenues for the years ended December 31, 2020, 2019, and 2018, respectively.

Gaming operations revenues include amounts generated by WAP systems, which are recognized under ASC 606. WAP consists of linked slot machines located in multiple casino properties that are connected to a central system. WAP-based gaming machines have a progressive jackpot administered by us that increases with every wager until a player wins the top award combination. Casino operators pay us a percentage of the coin-in (the total amount wagered), a percentage of net win, or a combination of both for services related to the design, assembly, installation, operation, maintenance, administration, and marketing of the WAP offering. The gaming operations revenues with respect to WAP machines represent a separate performance obligation and we transfer control and recognize revenue over time based on a percentage of the coin-in, a percentage of net win, or a combination of both, based on the timing services are provided. These arrangements are generally short-term in nature with a majority of invoices payable within 30 to 90 days. Such revenues are presented in the Statements of Operations, net of the jackpot expense, which are composed of incremental amounts funded by a portion of coin-in from the players. At the time a jackpot is won by a player, an additional jackpot expense is recorded in connection with the base seed amount required to fund the minimum level as set forth in the WAP arrangements with the casino operators.

Gaming operations also include revenues generated under our arrangement to provide the New York State Gaming Commission (the "NYSGC") with a central determinant monitoring and accounting system for the VLTs in operation at licensed State of New York gaming facilities. Pursuant to our agreement with the NYSGC, we receive 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 and recognize revenue over time, based on the timing services are provided. We also provide the central determinant system technology to Native American tribes in other licensed jurisdictions, for which we receive a portion of the revenue generated from the VLTs connected to the system. These arrangements are generally short-term in nature with payments due monthly.

Gaming operations revenues include amounts generated by our digital offering comprised of B2B and B2C activities. Our B2B operations provide games to our business customers, including both regulated real money and social casinos, which offer the games to consumers on their apps. Our B2B arrangements primarily provide access to our game content, and revenue is recognized over time as the control transfers upon our business partners' daily access to such content based on either a flat fee or revenue share arrangements with the social and regulated real money casinos, based on the timing services are provided. Our B2C operations offer games directly to consumers for play with virtual currency, which can be purchased through our web and mobile applications. Control transfers, and we recognize revenues from player purchases of virtual currency as it is consumed for game play, which is based on a historical data analysis.

## ***Gaming Equipment and Systems***

Gaming equipment and systems revenues are derived from the sale of some combination of: (i) gaming equipment and player terminals; (ii) game content; (iii) license fees; and (iv) ancillary equipment, such as signage and lighting packages. Such arrangements are predominately short-term in nature with payment terms ranging from 30 to 180 days, and with certain agreements providing for extended payment terms up to 39 months. Each contract containing extended payment terms over a period of 12 months is evaluated for the presence of a financing component; however, our contracts generally do not contain a financing component that has been determined to be significant to the contract. Distinct and thus, separately identifiable performance obligations for gaming equipment and systems arrangements include gaming equipment, player terminals, content, system software, license fees, ancillary equipment, or various combinations thereof. Gaming equipment and systems revenues are recognized at a point in time when control of the promised goods and services transfers to the customer, which is generally upon shipment or delivery pursuant to the terms of the contract. The performance obligations are generally satisfied at the same time or within a short period of time.

## ***Gaming Other***

Gaming other revenues are generated from fees paid by casino customers that participate in our *TournEvent of Champions*® national slot tournament. Casinos, in partnership with Everi, host slot tournaments, in which winners of the local and regional tournaments throughout the year then participate in a national tournament that results in the determination of a final champion. Revenues are recognized as earned over a period of time, based on the timing services are provided. These arrangements are generally short-term in nature with payment terms ranging from 30 to 90 days.

## **FinTech Revenues**

### ***Cash Access Services***

Cash access services revenues are generally comprised of the following distinct performance obligations: cash advance, ATM, and check services. We do not control the cash advance and ATM services provided to a customer and, therefore, we are acting as an agent whose performance obligation is to arrange for the provision of these services. Our cash access services involve the movement of funds between the various parties associated with cash access transactions and give rise to settlement receivables and settlement liabilities, both of which are settled in days following the transaction.

Cash advance revenues are primarily comprised of transaction fees assessed to gaming patrons in connection with credit card cash access and POS debit card cash access transactions. Such fees are primarily 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. In connection with these types of transactions, we report certain direct costs incurred as reductions to revenues on a net basis, which generally include: (i) commission expenses payable to casino operators; (ii) interchange fees payable to the network associations; and (iii) processing and related costs payable to other third-party partners.

ATM revenues are primarily 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 interchange reimbursement fees paid to us by the patrons' issuing banks. 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. In connection with these types of transactions, we report certain direct costs incurred as reductions to revenues on a net basis, which generally include: (i) commission expenses payable to casino operators; (ii) interchange fees payable to the network associations; and (iii) processing and related costs payable to other third-party partners.

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.

For cash access services arrangements, since the customer simultaneously receives and consumes the benefits as the performance obligations occur, we recognize revenues as earned over a period of time using an output method depicting the transfer of control to the customer based on variable consideration, such as volume of transactions processed with variability generally resolved in the reporting period.

### ***Equipment***

Equipment revenues are derived from the sale of our cash access and loyalty kiosks and related equipment and are accounted for under ASC 606, unless such transactions meet definition of a sales type or direct financing lease which are accounted for under ASC 842. Revenues are recognized at a point in time when control of the promised goods and services transfers to the customer generally upon shipment or delivery pursuant to the terms of the contract. The sales contracts are generally short-term in nature with payment terms ranging from 30 to 90 days, while certain agreements provide for extended payment terms of up to 60 months. Each contract containing extended payment terms over a period of 12 months is evaluated for the presence of a financing component; however, our contracts generally do not contain a financing component that has been determined to be significant to the contract.

### ***Information Services and Other***

Information services and other revenues include amounts derived from our cash access, loyalty kiosk, compliance, and loyalty related revenue streams from the sale of: (i) software licenses, software subscriptions, professional services, and certain other ancillary fees; (ii) service-related fees associated with the sale, installation, training, and maintenance of equipment directly to our customers under contracts, which are generally short-term in nature with payment terms ranging from 30 to 90 days, secured by the related equipment; (iii) credit worthiness-related software subscription services 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 (iv) ancillary marketing and database services.

Our software represents a functional right-to-use license, and the revenues are recognized as earned at a point in time. Subscription services are recognized over a period of time using an input method based on time elapsed as we transfer the control ratably by providing a stand-ready service. Professional services, training, and other revenues are recognized over a period of time as services are provided, thereby reflecting the transfer of control to the customer.

### **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 costs included within cost of revenues (exclusive of depreciation and amortization) are inventory and related costs associated with the sale of our fully integrated kiosks, electronic gaming machines and system sale, 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 Operations, were \$1.3 million, \$5.0 million, and \$3.4 million for the years ended December 31, 2020, 2019, and 2018, respectively.

### **Research and Development Costs**

We conduct research and development activities for both our Games and FinTech segments. Our Gaming research and development activities are primarily to develop gaming systems, game engines, casino data management systems, central determination and other electronic bingo-outcome determination systems, video lottery outcome determination systems, gaming platforms and gaming content, and to enhance our existing product lines. Our FinTech research and development activities are primarily to develop: (i) payments products, systems, and related capabilities such as security, encryption, and business rule engines that deliver differentiated patron experiences and integrate with our other products; (ii) compliance products that increase efficiencies, profitability, enhance employee/patron relationships, and meet regulatory reporting requirements; and (iii) loyalty products, systems, and features that attract, engage, and retain patrons in more intuitive and contextual ways than our competition.

Research and development costs consist primarily of salaries and benefits, consulting fees, certification and testing fees. Once the technological feasibility has been established, the project is capitalized until it becomes available for general release.

Research and development costs were \$27.9 million, \$32.5 million, and \$20.5 million for the years ended December 31, 2020, 2019, and 2018, 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. Due to the 2017 Tax Act, there is no U.S. federal tax on cash repatriation from foreign subsidiaries; however, we could be subject to foreign withholding tax and U.S. state income taxes. The 2017 Tax Act also subjects our foreign subsidiary earnings to the Global Intangible Low-Taxed Income (“GILTI”) tax provisions. 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 Operations 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 the 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 may 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 generally accepted accounting principles (“GAAP”) 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). As a direct result of the circumstances surrounding the global pandemic, we were unable to offer a Company match of employee contributions for a majority of 2020. Expenses related to the matching portion of the contributions to the 401(k) Plan were \$0.6 million, \$2.6 million, and \$2.2 million for the years ended December 31, 2020, 2019, and 2018, 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, restricted cash, settlement receivables, short-term trade and other receivables, settlement liabilities, accounts payable, and accrued expenses approximate fair value due to the short-term maturities of these instruments. The fair value of the long-term trade and loans receivable is estimated by discounting expected future cash flows using current interest rates at which similar loans would be made to borrowers with similar credit ratings and remaining maturities. The fair value of long-term accounts payable is estimated by discounting the total obligation using the appropriate interest rates. As of December 31, 2020 and 2019, the fair value of trade and loan receivable approximated the carrying value due to contractual terms generally being slightly over 12 months. The fair value of our borrowings is 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 (dollars in thousands):

	<u>Level of Hierarchy</u>	<u>Fair Value</u>	<u>Outstanding Balance</u>
<b><u>December 31, 2020</u></b>			
Term loan.....	2	\$ 729,138	\$ 735,500
Incremental term loan.....	2	\$ 129,972	\$ 124,375
Senior unsecured notes.....	2	\$ 296,083	\$ 285,381
<b><u>December 31, 2019</u></b>			
Term loan.....	2	\$ 753,494	\$ 749,000
Senior unsecured notes.....	2	\$ 401,738	\$ 375,000

Our borrowings' fair values were determined using Level 2 inputs based on quoted market prices for these securities.

### **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 (loss) income on the Statements of Operations. 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 in conformity with GAAP. The actual results may materially differ from these estimates.

### **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 anti-dilutive. To the extent we report a net loss from continuing operations in a particular period, no potential dilution from the application of the treasury stock method would be applicable.

### **Stock-Based Compensation**

Stock-based compensation results in a cost that is measured at fair value on the grant date of an award. Generally, we issue grants that are classified as equity awards. However, if we issue grants that are considered liability awards, they are remeasured at fair value at the end of each reporting period until settlement with changes being recognized as stock-based compensation cost and a corresponding adjustment recorded to the liability, either immediately or during the remaining service period depending on the vested status of the award. Generally, with respect to stock option awards granted under our plans, they expire 10 years from the date of grant with the exercise price based on the closing market price of our common stock on the date of the grant.

Our restricted stock awards, restricted stock units, and performance-based stock units are measured at fair value based on the closing stock price on the grant date. Our time-based stock option awards are measured at fair value on the grant date using the Black Scholes model. The stock-based compensation cost is recognized on a straight-line basis over the vesting period of the awards.

Forfeiture amounts are estimated at the grant date for stock awards and are updated periodically based on actual results, to the extent they differ from the estimates.

### **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.



## 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

Standard	Description	Date of Adoption	Effect on Financial Statements
<b>Accounting Standards Update (“ASU”) No. 2016-13, Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments and subsequent amendments</b>	This ASU replaces the incurred loss impairment methodology in current GAAP with a methodology that reflects lifetime expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.	January 1, 2020	This guidance primarily impacts our trade and other receivables, including those related to revenues from contracts with customers that may contain contract assets with respect to performance obligations that are satisfied for which the customers have not yet been invoiced. We adopted this guidance using the modified retrospective method. The adoption of ASC 326 did not have a material effect on our Financial Statements and did not result in a cumulative-effect adjustment. Refer to “Note 6 — Trade and Other Receivables” for further discussion.
<b>ASU No. 2018-15, Intangibles — Goodwill and Other — Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract</b>	This ASU aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license).	January 1, 2020	The adoption of this ASU did not have a material effect on our Financial Statements or on our disclosures.
<b>ASU No. 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting</b>	This ASU provides optional guidance for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting for contracts, hedging relationships, and other transactions that reference the London Interbank Offered Rate (“LIBOR”).	March 12, 2020	The adoption of this ASU has not had a material effect on our Financial Statements or on our disclosures through December 31, 2020.

Standard	Description	Date of Planned Adoption	Effect on Financial Statements
ASU No. 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes	This ASU simplifies the accounting for income taxes by removing certain exceptions for investments, intraperiod allocations, and interim calculations, and adds guidance to reduce the complexity of applying Topic 740.	January 1, 2021	We are currently evaluating the impact of adopting this ASU on our Financial Statements and our disclosures; however, we do not expect the impact to be material.

As of December 31, 2020, other than what has been described above, we do not anticipate recently issued accounting guidance to have a significant impact on our consolidated financial statements.

### 3. LEASES

On January 1, 2019, we adopted the new lease accounting guidance, ASC 842. We adopted the guidance using a modified retrospective approach utilizing the transition relief expedient method. Information related to leases as of December 31, 2020 and December 31, 2019 is presented under Topic 842, while prior period amounts are not adjusted and continue to be reported under legacy guidance in Topic 840.

We determine if a contract is, or contains, a lease at the inception, or modification, of a contract based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control over the use of an asset is predicated upon the notion that a lessee has both the right to (i) obtain substantially all of the economic benefit from the use of the asset; and (ii) direct the use of the asset.

Operating lease ROU assets and liabilities are recognized based on the present value of minimum lease payments over the expected lease term at commencement date. Lease expense is recognized on a straight-line basis over the expected lease term. Our lease arrangements have both lease and non-lease components, and we have elected the practical expedient to account for the lease and non-lease elements as a single lease.

Certain of our lease arrangements contain options to renew with terms that generally have the ability to extend the lease term to a range of approximately 1 to 10 years. The exercise of lease renewal options is generally at our sole discretion. The expected lease terms include options to extend or terminate the lease when it is reasonably certain that we will exercise such option. The depreciable life of leased assets and leasehold improvements are limited by the expected term of such assets, unless there is a transfer of title or purchase option reasonably certain to be exercised.

#### Lessee

We enter into operating lease agreements for real estate purposes that generally consist of buildings for office space and warehouses for manufacturing purposes. Certain of our lease agreements consist of rental payments that are periodically adjusted for inflation. Our lease agreements do not contain material residual value guarantees or material restrictive covenants. Our lease agreements do not generally provide explicit rates of interest; therefore, we use our incremental collateralized borrowing rate, which is based on a fully collateralized and fully amortizing loan with a maturity date the same as the length of the lease that is based on the information available at the commencement date to determine the present value of lease payments. Leases with an expected term of 12 months or less (short-term) are not accounted for on our Balance Sheets. Our finance leases are immaterial.

Supplemental balance sheet information related to our operating leases is as follows (in thousands):

	<u>Classification on our Balance Sheets</u>	<u>At December 31, 2020</u>	<u>At December 31, 2019</u>
<b>Assets</b>			
Operating lease ROU assets.....	Other assets, non-current.....	\$ 16,104	\$ 12,257
<b>Liabilities</b>			
Current operating lease liabilities.....	Accounts payable and accrued expenses.....	\$ 5,649	\$ 5,824
Non-current operating lease liabilities.....	Other accrued expenses and liabilities	\$ 16,077	\$ 9,628

Supplemental cash flow information related to leases is as follows (in thousands):

	<u>Year Ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
<b>Cash paid for:</b>		
Long-term operating leases.....	\$ 6,411	\$ 5,893
Short-term operating leases.....	\$ 1,908	\$ 1,799
<b>Right-of-use assets obtained in exchange for lease obligations:</b>		
Operating leases <sup>(1)</sup> .....	\$ 10,356	\$ 16,533 <sup>(2)</sup>

(1) The amounts are presented net of current year terminations and exclude amortization for the period.

(2) The amount includes approximately \$13.6 million of operating lease ROU assets obtained in exchange for existing lease obligations due to the adoption of ASC 842 (net of operating lease terminations occurring in 2019 in the amount of approximately \$0.5 million), and approximately \$2.5 million of operating lease ROU assets obtained in exchange for new lease obligations entered into during the year ended December 31, 2019.

Other information related to lease terms and discount rates is as follows:

	<u>At December 31, 2020</u>	<u>At December 31, 2019</u>
<b>Weighted Average Remaining Lease Term (in years):</b>		
Operating leases.....	4.16	2.96
<b>Weighted Average Discount Rate:</b>		
Operating leases.....	5.16 %	5.25 %

Components of lease expense are as follows (in thousands):

	<u>Year Ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
<b>Operating Lease Cost:</b>		
Operating lease cost <sup>(1)</sup> .....	\$ 5,770	\$ 4,907
Variable lease cost.....	\$ 1,682	\$ 1,619

(1) The amount includes approximately \$4.9 million and \$4.3 million in non-cash lease expense for the years ended December 31, 2020 and 2019, respectively.

Maturities of lease liabilities are summarized as follows as of December 31, 2020 (in thousands):

Year ending December 31,	Amount
2021.....	\$ 6,523
2022.....	5,892
2023.....	4,414
2024.....	3,456
2025.....	2,889
Thereafter.....	1,042
<b>Total future minimum lease payments</b> .....	<b>\$ 24,216</b>
Amount representing interest .....	2,490
<b>Present value of future minimum lease payments</b> .....	<b>\$ 21,726</b>
Current operating lease obligations.....	5,649
<b>Long-term lease obligations</b> .....	<b>\$ 16,077</b>

#### Lessor

We generate lease revenues primarily from our gaming operations activities, and the majority of our leases are month-to-month leases. Under these arrangements, we retain ownership of the EGMs installed at customer facilities. We receive recurring revenues based on a percentage of the net win per day generated by the leased gaming equipment or a fixed daily fee. Such revenues are generated daily and are limited to the lesser of the net win per day generated by the leased gaming equipment or the fixed daily fee and the lease payments that have been collected from the lessee. Certain of our leases have terms and conditions with options for a lessee to purchase the underlying assets. Refer to “Note 2 — Basis of Presentation and Summary of Significant Accounting Policies” for further discussion of lease revenues. The cost of property and equipment the Company is leasing to third-parties as of December 31, 2020 is approximately \$216.8 million, which includes accumulated depreciation of approximately \$137.0 million.

For the year ended December 31, 2020, our sales type leases are immaterial. For the year ended December 31, 2019 we generated lease revenue from sales type leases in the FinTech segment in the amount of approximately \$2.6 million.

Supplemental balance sheet information related to our sales-type leases is as follows (in thousands):

	Classification on our Balance Sheets	At December 31, 2020	At December 31, 2019
<b>Assets</b>			
Net investment in sales-type leases — current.....	Trade and other receivables, net.....	\$ 1,397	\$ 874
Net investment in sales-type leases — non-current.....	Other receivables.....	\$ 803	\$ 1,288

#### 4. BUSINESS COMBINATIONS

The following is a summary of business combinations completed during the year ended December 31, 2019.

##### Atrient, Inc.

On March 8, 2019, we acquired certain assets of Atrient, Inc. (“Atrient,” the “Seller”), a privately held company that developed and distributed hardware and software applications to gaming operators to enhance gaming patron loyalty, pursuant to an asset purchase agreement. This acquisition included existing contracts with gaming operators, technology, and intellectual property that allow us to provide gaming operators with self-service enrollment, loyalty and marketing equipment, a mobile application to offer a gaming operator’s patrons additional flexibility in accessing casino promotions, and a marketing platform that manages and delivers a gaming operator’s marketing programs through these patron interfaces. This acquisition expanded our financial technology solutions offerings within our FinTech segment. Under the terms of the asset purchase agreement, we paid the Seller \$20.0 million at the closing of the transaction and an additional \$10.0 million one year following the closing and we will pay another \$10.0 million two years following the date of closing. In addition, we expect that an additional \$10.0 million in contingent consideration will be earned by the Seller based upon the achievement of certain revenue targets over the first two years post-closing. We expect the total consideration for this acquisition, inclusive of the contingent consideration, to be approximately \$50.0 million.

The total purchase consideration for certain assets of Atrient was as follows (in thousands):

	<u>Amount</u>
<b>Purchase consideration</b>	
Cash consideration paid at closing .....	\$ 20,000
Cash consideration to be paid in subsequent periods (at fair value) .....	18,528
<b>Total cash consideration</b> .....	<b>38,528</b>
Contingent consideration (at fair value) .....	9,028
<b>Total purchase consideration</b> .....	<b>\$ 47,556</b>

As of December 31, 2019, cash consideration was comprised of a short-term component recorded in accounts payable and accrued expenses and a long-term component payable within two years recorded in other accrued expenses and liabilities in our Balance Sheets. As of December 31, 2020, cash consideration is comprised of a short-term component recorded in accounts payable and accrued expenses.

As of December 31, 2019, the contingent consideration was comprised of a long-term component recorded in other accrued expenses and liabilities in our Balance Sheets. As of December 31, 2020, contingent consideration is comprised of a short-term component recorded in accounts payable and accrued expenses.

The transaction was recorded using the acquisition method of accounting, which requires, among other things, that the assets acquired and liabilities assumed are recognized at their respective fair values as of the closing date of the transaction. The excess of the fair value of the purchase consideration over those fair value amounts was recorded as goodwill, which will be amortized over a period of 15 years for tax purposes. The goodwill recognized is primarily attributable to the income potential from the expansion of our footprint in the gaming space by enhancing our existing financial technology solution portfolio to add new touch-points for gaming patrons at customer locations and a new loyalty and marketing-focused business line, assembled workforce, among other strategic benefits.

The information below summarizes the amounts of identifiable assets acquired and liabilities assumed, which reflects an adjustment of approximately \$0.2 million from the preliminary allocation completed as of the closing date of the transaction. The adjustment related to the provisional amounts recognized for certain receivables, inventory, and liabilities for which we have subsequently obtained and evaluated more detailed information than what existed as of the closing date of the transaction (in thousands):

	<b>Amount</b>
Current assets.....	\$ 3,146
Property and equipment, net.....	8
Goodwill.....	33,126
Other intangible assets, net.....	14,200
Other assets.....	239
<b>Total assets</b> .....	<b>50,719</b>
Accounts payable and accrued expenses.....	(3,073)
Other accrued expenses and liabilities.....	(90)
<b>Total liabilities</b> .....	<b>(3,163)</b>
<b>Net assets acquired</b> .....	<b>\$ 47,556</b>

Receivables acquired of approximately \$1.8 million were short-term in nature and considered to be collectible, and therefore, the carrying amounts of these assets were determined to represent their fair values. Inventory acquired of approximately \$1.3 million consisted of raw materials and finished goods and was fair valued based on the estimated net realizable value of these assets. Property and equipment acquired were not material in size or scope, and the carrying amounts of these assets represented their fair values. The operating lease ROU assets of approximately \$0.2 million, which are included in other assets in our Balance Sheets, were recorded at their fair values based on the present value of future lease payments discounted in accordance with the policy disclosed in “Note 3 — Leases.”

Other intangible assets acquired of approximately \$14.2 million were comprised of customer contracts and developed technology. The fair value of customer contracts of approximately \$9.2 million was determined by applying the income approach utilizing the excess earnings methodology using Level 3 inputs in the hierarchy with a discount rate utilized of 17%. The fair value of developed technology of approximately \$5.0 million was determined by applying the income approach utilizing the relief from royalty methodology using Level 3 inputs with a royalty rate of 15% and a discount rate utilized of 18%.

The following table summarizes acquired intangible assets (dollars in thousands):

	<b>Useful Life (Years)</b>	<b>Estimated Fair Value</b>
<b>Other Intangible Assets</b>		
Developed technology.....	3	\$ 5,000
Customer contracts.....	5	9,200
<b>Total other intangible assets</b> .....		<b>\$ 14,200</b>

The financial results included in our Statements of Operations since the acquisition date and for the year ended December 31, 2019 reflected revenues of approximately \$16.0 million and net income of approximately \$3.9 million. We incurred acquisition-related costs of approximately \$0.2 million for the year ended December 31, 2019.

#### **Micro Gaming Technologies, Inc.**

On December 24, 2019, we acquired certain assets of Micro Gaming Technologies, Inc. (“MGT”), a privately held company that developed and distributed kiosks and software applications to gaming patrons to enhance patron loyalty, in an asset purchase agreement. The acquired assets consisted of existing contracts with gaming operators, technology, and intellectual property intended to allow us to provide gaming operators with self-service patron loyalty functionality delivered through stand-alone kiosk equipment and a marketing platform that manages and delivers gaming operators marketing programs through these patron interfaces. This acquisition further expanded our financial technology loyalty offerings within our FinTech segment. Under the terms of the asset purchase agreement, we paid MGT \$15.0 million at the closing of the transaction, with an additional \$5.0 million due by April 1, 2020 and a final payment of \$5.0 million due two years following the date of closing. In light of the COVID-19 pandemic, we entered into an amendment to the asset purchase agreement allowing us to remit the additional \$5.0 million by July 1, 2020, which we paid in June 2020, with a final payment of \$5.0 million due by July 1, 2021.

The related liabilities were recorded at fair value on the acquisition date as part of the consideration transferred and were included in accounts payable and accrued expenses and other accrued expenses and liabilities as of December 31, 2020 and 2019 for the current and non-current portions, respectively. The total consideration for this acquisition is expected to be approximately \$25.0 million. The acquisition did not have a significant impact on our results of operations or financial condition.

The total purchase consideration for certain assets of MGT was as follows (in thousands):

	<u>Amount</u>
<b>Purchase consideration</b> .....	
Cash consideration paid at closing .....	\$ 15,000
Cash consideration to be paid in subsequent periods (at fair value) .....	9,514
<b>Total cash consideration</b> .....	<u>\$ 24,514</u>

As of December 31, 2019, cash consideration was comprised of a short-term component that was recorded in accounts payable and accrued expenses and a long-term component payable within two years recorded in other accrued expenses and liabilities in our Balance Sheets. As of December 31, 2020, cash consideration is comprised of a short-term component recorded in accounts payable and accrued expenses.

The transaction was recorded using the acquisition method of accounting, as described above, and the goodwill will be amortized over a period of 15 years for tax purposes. The goodwill recognized is primarily attributable to the income potential from further expansion of our footprint in the gaming space and from enhancement of our financial technology loyalty offerings and marketing-focused business line, assembled workforce, among other strategic benefits.

The information below summarizes the amount of identifiable assets acquired and liabilities assumed, which reflect an adjustment of approximately \$0.4 million from the preliminary allocation completed as of the closing date of the transaction. The adjustment related to the provisional amounts recognized for certain receivables and liabilities, for which we have subsequently obtained evaluated more detailed information than what existed as of the closing date of the transaction. (in thousands):

	<u>Amount</u>
Current assets .....	\$ 2,890
Property and equipment, net .....	25
Goodwill .....	8,268
Other intangible assets, net .....	16,600
Other assets .....	1,853
<b>Total assets</b> .....	<u>29,636</u>
Accounts payable and accrued expenses .....	(3,493)
Other accrued expenses and liabilities .....	(1,629)
<b>Total liabilities</b> .....	<u>(5,122)</u>
<b>Net assets acquired</b> .....	<u>\$ 24,514</u>

Receivables acquired of approximately \$2.8 million were short-term in nature and considered to be collectible, and therefore, the carrying amounts of these assets were determined to represent their fair values. We did not acquire a material amount of inventory. Property and equipment and other assets acquired were not material in size or scope, and the carrying amounts of these assets represented their fair values. The operating lease ROU assets of approximately \$1.8 million, which are included in other assets in our Balance Sheets, were recorded at their fair values based on the present value of future lease payments discounted in accordance with the policy disclosed in “Note 3 — Leases.”

Other intangible assets acquired of approximately \$16.6 million were comprised of customer contracts, developed technology, and non-compete agreements. The fair value of customer contracts of approximately \$11.6 million was determined by applying the income approach utilizing the excess earnings methodology using Level 3 inputs with a discount rate utilized of 23%. The fair value of developed technology of approximately \$4.4 million was determined by applying the income approach utilizing the relief from royalty methodology with a royalty rate of 15% and a discount rate utilized of 24%. The fair value of non-compete agreements of approximately \$0.6 million was determined by applying the income approach utilizing the with and without methodology with a discount rate of 23%.

The following table summarizes acquired intangible assets (dollars in thousands):

	<u>Useful Life (Years)</u>	<u>Estimated Fair Value</u>
<b>Other Intangible Assets</b>		
Customer contracts.....	8	\$ 11,600
Developed technology.....	3	4,400
Non-compete agreements.....	3	600
<b>Total other intangible assets.....</b>		<u>\$ 16,600</u>

The financial results included in our Statements of Operations since the acquisition date and for the year ended December 31, 2019 reflected revenues of approximately \$0.2 million and a net result that was break even. Acquisition-related costs incurred in the years ended December 31, 2020 and 2019 were immaterial.

The unaudited pro forma financial data with respect to the revenue and earnings on a consolidated basis as if the Atrient and MGT acquisitions occurred on January 1, 2018 included revenues of approximately \$550.8 million and \$496.6 million and net income of approximately \$16.4 million and \$13.0 million for the years ended December 31, 2019 and 2018, respectively.

## 5. FUNDING AGREEMENTS

### Commercial Cash Arrangements

We have commercial arrangements with third-party vendors to provide cash for certain of our ATMs. For the use of these funds, we pay a cash usage fee on either the average daily balance of funds utilized multiplied by a contractually defined cash usage rate or the amounts supplied multiplied by a contractually defined cash usage rate. These cash usage fees, reflected as interest expense within the Statements of Operations, were approximately \$3.1 million, \$7.2 million, and \$7.0 million for the years ended December 31, 2020, 2019, and 2018, respectively. We are exposed to interest rate risk to the extent that the applicable rates increase.

Under these agreements, the currency supplied by third party vendors remain their sole property until the funds are dispensed. As these funds are not our assets, supplied cash is not reflected in our Balance Sheets. The outstanding balances of ATM cash utilized by us from the third parties were approximately \$340.3 million and \$292.6 million as of December 31, 2020 and 2019, respectively.

Our primary commercial arrangement, the Contract Cash Solutions Agreement, as amended, is with Wells Fargo, N.A. (“Wells Fargo”). Wells Fargo provides us with cash in the maximum amount of \$300 million with the ability to increase the amount by \$75 million over a five-day period for holidays, such as the period around New Year’s Day. The term of the agreement expires on June 30, 2023 and will automatically renew for additional one-year periods unless either party provides a ninety-day written notice of its intent not to renew.

We are responsible for losses of cash in the ATMs under this agreement, and we self-insure for this type of risk. There were no material losses for the years ended December 31, 2020, 2019, and 2018.



### Site-Funded ATMs

We operate ATMs at certain customers' gaming establishments where the gaming establishment provides the cash required for the ATMs' 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 included within settlement liabilities in the accompanying Balance Sheets was approximately \$125.3 million and \$157.3 million as of December 31, 2020 and 2019, respectively.

### Everi-Funded ATMs

We enter into agreements with international customers for certain of our ATMs whereby we provide the cash required to operate the ATMs. We supplied approximately \$0.2 million and \$5.5 million of our cash for these ATMs at December 31, 2020 and 2019, respectively, which represents an outstanding balance under such agreements at the end of the period. Such amounts are reported within settlement receivables line on our Balance Sheets.

### Pre-funded Cash Access Agreements

Due to regulatory requirements in certain jurisdictions, some international gaming establishments require pre-funding of cash to cover the outstanding settlement amounts in order for us to provide cash access services to their properties. We enter into agreements with these gaming operators for which we supply our cash access services to their properties. Under these agreements, we maintain sole discretion to either continue or cease operations as well as discretion over the amounts pre-funded to the properties and may request amounts to be refunded to us, with appropriate notice to the operator, at any time. The initial pre-funded 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 the transaction activity in that account. The total amount of pre-funded cash outstanding was approximately \$2.6 million and \$6.3 million at December 31, 2020 and 2019, respectively, and is included in prepaid expenses and other assets line on our Balance Sheets.

## 6. TRADE AND OTHER RECEIVABLES

Trade and other receivables represent short-term credit granted to customers and long-term loans receivable in connection with our Games and FinTech equipment 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. Other receivables include income tax receivables and other miscellaneous receivables.

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

	At December 31,	
	2020	2019
<b>Trade and other receivables, net</b>		
Games trade and loans receivables.....	\$ 44,794	\$ 51,651
FinTech trade and loans receivables.....	14,683	23,723
Contract assets <sup>(1)</sup> .....	17,561	15,408
Insurance settlement receivable <sup>(2)</sup> .....	7,650	7,650
Other receivables.....	1,923	3,977
Net investment in sales-type leases.....	2,200	2,162
<b>Total trade and other receivables, net.....</b>	<b>88,811</b>	<b>104,571</b>
<b>Non-current portion of receivables</b>		
Games trade and loans receivables.....	(1,333)	(1,018)
FinTech trade and loans receivables.....	(4,163)	(7,581)
Contract assets <sup>(1)</sup> .....	(8,321)	(6,774)
Net investment in sales-type leases.....	(803)	(1,288)
<b>Total non-current portion of receivables.....</b>	<b>(14,620)</b>	<b>(16,661)</b>
<b>Total trade and other receivables, current portion.....</b>	<b>\$ 74,191</b>	<b>\$ 87,910</b>

(1) Refer to "Note 2 — Basis of Presentation and Summary of Significant Accounting Policies" for a discussion on the contract assets.

(2) Refer to "Note 13 — Commitments and Contingencies" for a discussion on the insurance settlement receivable.

## Allowance for Credit Losses

As discussed in “Note 2 — Basis of Presentation and Summary of Significant Accounting Policies,” we adopted ASC 326 effective January 1, 2020 using the modified retrospective approach such that the new guidance applies to the reporting periods following the adoption date with prior period presentation not being impacted. The adoption of ASC 326 did not have a material impact on our Financial Statements and did not result in a cumulative-effect adjustment as of the adoption date. Our operations were not significantly impacted, both for short- and long-term accounts receivable, due to the following:

- Our FinTech business acts as a merchant of record for settlement transactions for our cash access related customers wherein cash is held by the Company; therefore, we generally have the ability to withhold the necessary funds from customers to satisfy the outstanding receivables associated with equipment, information and other products and services.
- Our Games business sells EGMs to gaming establishments on a relatively short-term basis and collections are reasonably certain based on historical experience, financial stability of our customers, and lack of concentration of our receivables. The material portion of long-term loans receivable balance is fully collateralized, and therefore, does not represent a risk of credit loss. The risk of credit loss is further reduced by the fact that both segments generally share the same top customers such that sales made by the Games business to the existing FinTech customers are secured by our ability to withhold the necessary funds through the FinTech revenue arrangements.

The activity in our allowance for credit losses for the years ended December 31, 2020 and 2019 is as follows (in thousands):

	<b>At December 31,</b>	
	<b>2020</b>	<b>2019</b>
Beginning allowance for credit losses.....	\$ (5,786)	\$ (6,425)
Provision.....	(8,010)	(14,647)
Charge-offs and recoveries.....	10,107	15,286
Ending allowance for credit losses.....	<u>\$ (3,689)</u>	<u>\$ (5,786)</u>

## 7. 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, and is accounted for using the FIFO method. The inventory is stated at the lower of cost or net realizable value.

Inventory consisted of the following (in thousands):

	<b>At December 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Inventory</b>		
Component parts, net of reserves of \$1,262 and \$2,007 at December 31, 2020 and December 31, 2019, respectively.....	\$ 21,560	\$ 24,864
Work-in-progress.....	182	94
Finished goods.....	6,000	1,616
<b>Total inventory</b> .....	<u>\$ 27,742</u>	<u>\$ 26,574</u>

## 8. PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets include the balance of prepaid expenses, deposits, debt issuance costs on our Revolving Credit Facility (defined herein), restricted cash, operating lease ROU assets, and other assets. The current portion of these assets is included in prepaid expenses 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 the current portion of prepaid and other assets consisted of the following (in thousands):

	At December 31,	
	2020	2019
<b>Prepaid expenses and other assets</b>		
Prepaid expenses.....	\$ 11,282	\$ 11,272
Deposits.....	4,133	8,501
Restricted cash <sup>(1)</sup> .....	542	6,639
Other.....	1,391	1,484
<b>Total prepaid expenses and other assets.....</b>	<b>\$ 17,348</b>	<b>\$ 27,896</b>

(1) Refer to “Note 2 — Basis of Presentation and Summary of Significant Accounting Policies” for discussion on the composition of the restricted cash balance.

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

	At December 31,	
	2020	2019
<b>Other assets</b>		
Operating lease ROU assets.....	\$ 16,104	\$ 12,257
Prepaid expenses and deposits.....	4,952	7,378
Debt issuance costs of revolving credit facility.....	267	460
Other.....	673	244
<b>Total other assets.....</b>	<b>\$ 21,996</b>	<b>\$ 20,339</b>

## 9. PROPERTY AND EQUIPMENT

Property and equipment consist of the following (in thousands):

	Useful Life (Years)	At December 31, 2020			At December 31, 2019		
		Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
<b>Property and equipment</b>							
Rental pool - deployed.....	2-4	\$ 216,775	\$ 136,975	\$ 79,800	\$ 196,571	\$ 106,888	\$ 89,683
Rental pool - undeployed.....	2-4	21,974	16,680	5,294	31,901	22,970	8,931
FinTech equipment.....	1-5	33,349	21,947	11,402	29,947	22,114	7,833
Leasehold and building improvements.....	Lease Term	11,352	8,557	2,795	11,815	8,150	3,665
Machinery, office, and other equipment.....	1-5	45,085	32,053	13,032	48,860	30,103	18,757
<b>Total.....</b>		<b>\$ 328,535</b>	<b>\$ 216,212</b>	<b>\$ 112,323</b>	<b>\$ 319,094</b>	<b>\$ 190,225</b>	<b>\$ 128,869</b>

Depreciation expense related to property and equipment totaled approximately \$67.5 million, \$63.2 million, and \$61.2 million for the years ended December 31, 2020, 2019, and 2018, respectively.

## 10. GOODWILL AND OTHER INTANGIBLE ASSETS

### Goodwill

Goodwill represents the excess of the purchase price over the identifiable tangible and intangible assets acquired plus liabilities assumed arising from business combinations. The balance of goodwill was approximately \$682.0 million and \$681.6 million at December 31, 2020 and 2019, respectively. We have the following reporting units: (i) Games; (ii) Cash Access Services; (iii) Kiosk Sales and Services; (iv) Central Credit Services; (v) Compliance Sales and Services; and (vi) Loyalty Sales and Services.

### Assessment for Impairment of Goodwill

We test our goodwill for impairment on October 1 each year, or more frequently if events or changes in circumstances indicate that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. The impact of COVID-19 and the closure of most casino properties during the second quarter of 2020 qualified as a triggering event and accordingly, we performed a goodwill impairment test at such time, for which we utilized the quantitative “Step 1” approach that required a comparison of the carrying amount of each reporting unit to its estimated fair value.

In connection with the interim assessment conducted during the second quarter of 2020, we determined that no goodwill impairment adjustments were necessary as a result of the fair value of each reporting unit exceeding its carrying amount. Our Games reporting unit had a carrying amount of approximately \$449.0 million as of May 31, 2020, which represented a majority of the total goodwill balance. The fair value of this reporting unit exceeded the carrying value by approximately 10% as of May 31, 2020.

To estimate the fair value of each reporting unit, we used a combination of an income valuation approach and a market valuation approach. The income valuation approach is based on a discounted cash flow (“DCF”) analysis. This method involves estimating the after-tax net cash flows attributable to a reporting unit and then discounting them to a present value using a risk-adjusted discount rate. Assumptions applied in the DCF to derive our after-tax net cash flows require the use 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 projected cash flows are based on our most recent expectations. 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 after-tax net cash flow projections used in the DCF are based on estimates of the weighted average cost of capital (the “WACC”) of market participants relative to each respective reporting unit. The market valuation approach considers comparable market data based on multiples of revenue or earnings before interest, taxes, depreciation and amortization (“EBITDA”). To the extent the carrying amount of a reporting unit is less than its estimated fair value, an impairment charge is recorded.

Since our quantitative goodwill impairment analysis at May 31, 2020, we performed a qualitative assessment of goodwill impairment on October 1, 2020 using a “Step 0” approach by evaluating our economic performance, outlook and other events and circumstances. As a result of the annual assessment of goodwill impairment, we noted there were no indicators that would warrant further quantitative testing of our goodwill.

As additional facts and circumstances evolve, we continue to observe and assess our reporting units with a specific focus on the Games reporting unit, particularly as a direct consequence of the circumstances surrounding COVID-19. To the extent new information becomes available that may impact our results of operations and financial condition, we expect to revise our projections accordingly as our estimates of future net after-tax cash flows are highly dependent upon certain assumptions, including, but not limited to, the amount and timing of the economic recovery globally, nationally and specifically within the gaming industry. More specifically, we may need to further adjust our assumptions and we may be required to perform either a quantitative or qualitative assessment of our goodwill in future periods given the significant degree of uncertainty with respect to: (i) the timing of reopening, and the subsequent reclosing, of certain casino properties; (ii) regulatory and governmental restrictions; and (iii) the demand from patrons that visit gaming establishments.

Furthermore, the evaluation of impairment of goodwill requires the use of estimates about future operating results. Changes in forecasted operations can materially affect these estimates, which could materially affect our results of operations and financial condition. The estimates of expected future cash flows require significant judgment and are based on assumptions we determined to be reasonable; however, they 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 within which we operate. There can be no assurance that our estimates and assumptions made for purposes of our impairment assessments as of the time of evaluation will prove to be accurate predictions of the future, especially in light of the uncertainty surrounding the COVID-19 pandemic. If our assumptions regarding business plans, competitive environments, or anticipated growth rates are not correct, we may be required to record non-cash impairment charges in future periods, whether in connection with our normal review procedures periodically, or earlier, if an indicator of an impairment is present prior to such evaluation.

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	Loyalty Sales and Services	Total
<b>Goodwill</b>							
<b>Balance, December 31, 2018...</b>	\$ 449,041	\$ 157,046	\$ 5,745	\$ 17,127	\$ 11,578	\$ —	\$ 640,537
Foreign translation adjustment.....	—	28	—	—	—	—	28
Acquisitions <sup>(1)</sup> .....	—	—	—	—	—	41,070	41,070
<b>Balance, December 31, 2019...</b>	\$ 449,041	\$ 157,074	\$ 5,745	\$ 17,127	\$ 11,578	\$ 41,070	\$ 681,635
Foreign translation adjustment.....	—	14	—	—	—	—	14
Acquisitions <sup>(1)</sup> .....	—	—	—	—	—	325	325
<b>Balance, December 31, 2020...</b>	\$ 449,041	\$ 157,088	\$ 5,745	\$ 17,127	\$ 11,578	\$ 41,395	\$ 681,974

(1) Refer to “Note 4 — Business Combinations” for a discussion on the acquisitions.

#### Other Intangible Assets

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

	Useful Life (Years)	At December 31, 2020			At December 31, 2019		
		Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
<b>Other intangible assets</b>							
Contract rights under placement fee agreements.....	3-7	\$ 60,561	\$ 28,108	\$ 32,453	\$ 58,516	\$ 20,888	\$ 37,628
Customer contracts.....	3-14	71,975	54,407	17,568	71,975	49,477	22,498
Customer relationships.....	3-7	231,100	126,549	104,551	231,100	105,584	125,516
Developed technology and software.....	1-6	313,957	255,771	58,186	314,343	224,274	90,069
Patents, trademarks, and other	2-18	19,682	17,813	1,869	19,682	16,206	3,476
<b>Total.....</b>		<u>\$697,275</u>	<u>\$ 482,648</u>	<u>\$214,627</u>	<u>\$695,616</u>	<u>\$ 416,429</u>	<u>\$279,187</u>

Amortization expense related to other intangible assets totaled approximately \$75.3 million, \$68.9 million, and \$65.2 million for the years ended December 31, 2020, 2019, and 2018, respectively. We capitalized \$21.2 million, \$43.7 million, and \$33.3 million of internally-developed software costs for the years ended December 31, 2020, 2019, and 2018, respectively.

On a quarterly basis, we evaluate our other intangible assets for potential impairment as part of our review process. During 2020, we recorded a full write-down of intangible assets of approximately \$6.3 million, of which \$6.0 million and \$0.3 million, related to our Games and FinTech businesses, respectively, for certain of our internally developed and third-party software projects that were not expected to be pursued. This charge was reflected in Operating Expenses of our Statement of Operations. There was no material impairment identified for any of our other intangible assets for the years ended December 31, 2019 and 2018.

The anticipated amortization expense related to other intangible assets, assuming no subsequent impairment of the underlying assets, is as follows (in thousands):

<b>Anticipated amortization expense</b>	<b>Amount</b>
2021.....	\$ 61,139
2022.....	44,507
2023.....	29,006
2024.....	23,274
2025.....	17,328
Thereafter.....	18,020
<b>Total <sup>(1)</sup>.....</b>	<b>\$ 193,274</b>

(1) For the year ended December 31, 2020, the Company had \$21.3 million in other intangible assets that had not yet been placed into service.

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 the agreements to reduce our floor space at these 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 its remaining estimated useful life.

We paid approximately \$3.1 million, \$17.7 million, and \$22.7 million in placement fees for the years ended December 31, 2020, 2019, and 2018, respectively. The payments made in 2019 and 2018 included approximately \$0.6 million and \$2.1 million of imputed interest, respectively.

## 11. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

	<b>At December 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Accounts payable and accrued expenses</b>		
Trade accounts payable.....	\$ 54,531	\$ 78,627
Contract liabilities.....	26,980	28,510
Contingent consideration and acquisition-related liabilities <sup>(1)</sup> ....	24,674	14,902
Payroll and related expenses.....	13,357	18,058
Litigation accrual <sup>(2)</sup> .....	12,727	14,000
Operating lease liabilities.....	5,649	5,824
Other.....	3,605	3,893
Accrued taxes.....	1,329	1,846
Cash access processing and related expenses.....	1,109	5,511
Accrued interest.....	1,068	1,347
Placement fees.....	—	585
<b>Total accounts payable and accrued expenses.....</b>	<b>\$ 145,029</b>	<b>\$ 173,103</b>

(1) Refer to “Note 4 — Business Combinations” for discussion on contingent consideration and acquisition-related liabilities.

(2) Refer to “Note 13 — Commitments and Contingencies” for discussion on this legal matter.

## 12. LONG-TERM DEBT

The following table summarizes our indebtedness (in thousands):

	Maturity Date	Interest Rate	At December 31,	
			2020	2019
<b>Long-term debt</b>				
\$820 million Term Loan Facility.....	2024	LIBOR+2.75%	\$ 735,500	\$ 749,000
\$125 million Incremental Term Loan Facility..	2024	LIBOR+10.50%	124,375	—
\$35 million Revolving Credit Facility.....	2022	LIBOR+4.50%	—	—
<b>Senior Secured Credit Facilities.....</b>			<b>859,875</b>	<b>749,000</b>
\$375 million 2017 Unsecured Notes.....	2025	7.50%	285,381	375,000
<b>Total debt.....</b>			<b>1,145,256</b>	<b>1,124,000</b>
Debt issuance costs and discount.....			(16,003)	(15,922)
<b>Total debt after debt issuance costs and discount.....</b>			<b>1,129,253</b>	<b>1,108,078</b>
Current portion of long-term debt.....			(1,250)	—
<b>Total long-term debt, net of current portion.....</b>			<b>\$ 1,128,003</b>	<b>\$ 1,108,078</b>

### Senior Secured Credit Facilities

Our Senior Secured Credit Facilities consist of: (i) an \$820.0 million, seven-year senior secured term loan facility (the “Term Loan Facility”); (ii) a \$125.0 million, seven-year senior secured term loan (the “Incremental Term Loan”); and (iii) a \$35.0 million, five-year senior secured revolving credit facility (the “Revolving Credit Facility”) provided for under our credit agreement with Everi Payments, as borrower, and Everi Holdings 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 (the “Credit Agreement”).

In March 2020, we completed the full draw down of our available capacity of \$35.0 million under the Revolving Credit Facility in order to improve our liquidity and preserve financial flexibility in light of the uncertainty in our industry and the global economy as a result of COVID-19. In accordance with the terms of the Revolving Credit Facility, the proceeds from this borrowing were being used for working capital, general corporate purposes and other permitted uses. On September 14, 2020, we repaid in full the \$35.0 million under the Revolving Credit Facility that we had previously drawn at the onset of the global pandemic.

On April 21, 2020, we entered into the Fourth Amendment to our existing Credit Agreement, which among other things: (i) permits the incurrence of incremental equivalent debt subject to a 4.50:1.00 Consolidated Secured Leverage Ratio (as defined in the Credit Agreement) for calculation periods prior to December 31, 2021; and (ii) amends the consolidated secured leverage ratio covenant, including to remove the maximum consolidated secured leverage ratio for the quarters ending June 30, 2020, September 30, 2020 and December 31, 2020 and to change the computation methodology of the consolidated leverage ratio for the quarters ending March 31, 2021, June 30, 2021, and September 30, 2021.

On April 21, 2020 (the “Closing Date”), we entered into a new credit agreement, dated as of April 21, 2020 (the “Incremental Term Loan Credit Agreement”), which provides for a \$125.0 million Incremental Term Loan, which is secured on a pari passu basis with the loans under our existing Credit Agreement. The entire amount of the Incremental Term Loan was borrowed on April 21, 2020.

The Incremental Term Loan matures May 9, 2024. The interest rate per annum applicable to the Incremental Term Loan will be, at Everi Payment’s option, the Eurodollar rate plus 10.50% or the base rate plus 9.50%.

Voluntary prepayments of the Incremental Term Loan prior to the two-year anniversary of the Closing Date will be subject to a make-whole premium, and voluntary prepayments for the subsequent six-month period will be subject to a prepayment premium of 1.00% of the principal amount repaid.

Subject to certain exceptions, the obligations under the Credit Facilities are secured by substantially all of the present and subsequently acquired assets of each of Everi FinTech, Everi Holdings, and the subsidiary guarantors party thereto including: (a) a perfected first priority pledge of all the capital stock of Everi FinTech and each domestic direct, wholly owned material restricted subsidiary held by Everi Holdings, Everi FinTech, or any such subsidiary guarantor; and (b) a perfected first priority security interest in substantially all other tangible and intangible assets of Everi Holdings, Everi FinTech, and such subsidiary guarantors (including, but not limited to, accounts receivable, inventory, equipment, general intangibles, investment property, real property, intellectual property, and the proceeds of the foregoing). Subject to certain exceptions, the Credit Facilities are unconditionally guaranteed by Everi Holdings and such subsidiary guarantors.

The Incremental Term Loan Credit Agreement contains certain covenants that, among other things, limit our ability, and the ability of certain of our subsidiaries, to incur additional indebtedness, sell assets or consolidate or merge with or into other companies, pay dividends or repurchase or redeem capital stock, make certain investments, issue capital stock of subsidiaries, incur liens, prepay, redeem or repurchase subordinated debt, and enter into certain types of transactions with our affiliates. The Incremental Term Loan Credit Agreement also requires us, together with our subsidiaries, to comply with a maximum consolidated secured leverage ratio, except that no such requirement shall apply for the quarter ending December 31, 2020.

In connection with the issuance of the Incremental Term Loan on April 21, 2020, we also issued warrants to Sagard Credit Partners, LP and Sagard Credit Partners (Cayman), LP (collectively, "Sagard") to acquire 184,670 and 40,330 shares of our common stock, respectively, with an exercise price equal to \$5.37 per share. The warrants were issued in connection with the Incremental Term Loan as further consideration based on the level of participation in the arrangement by Sagard. The warrants expire on the fifth anniversary of the date of issuance. The number of shares issuable pursuant to the warrants and the warrant exercise price are subject to adjustment for stock splits, reverse stock splits, stock dividends, recapitalization, mergers and certain other events.

The weighted average interest rate on the Term Loan was 3.95% and 5.26% for the years ended December 31, 2020 and 2019, respectively. The weighted average interest rate on the Incremental Term Loan Credit Facility was 11.50% for the year ended December 31, 2020.

At December 31, 2020, we had approximately \$735.5 million of borrowings outstanding under the Term Loan Facility and no borrowings outstanding under the Revolving Credit Facility. We had \$35.0 million of additional borrowing availability under the Revolving Credit Facility as of December 31, 2020.

### **Senior Unsecured Notes**

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), Everi 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 since June 15, 2018.

In January 2020, we completed a partial redemption payment of approximately \$84.5 million of aggregate principal with respect to the 2017 Unsecured Notes. In March 2020, we completed an open market repurchase of approximately \$5.1 million of aggregate principal with respect to the 2017 Unsecured Notes. The total outstanding balance of the 2017 Unsecured Notes following the redemption and repurchase transactions was approximately \$285.4 million. We incurred a loss on extinguishment of debt of approximately \$7.5 million, which consisted of a \$6.4 million redemption premium related to the satisfaction and redemption of a portion of the 2017 Unsecured Notes, and non-cash charges for the accelerated amortization of the related debt issuance costs of approximately \$1.1 million.

### **Compliance with Debt Covenants**

We were in compliance with the covenants and terms of the Senior Secured Credit Facilities and the 2017 Unsecured Notes as of December 31, 2020.



## Principal Repayments

The maturities of our borrowings at December 31, 2020 are as follows (in thousands):

	<u>Amount</u>
<b>Maturities of borrowings</b>	
2021.....	\$ 1,250
2022.....	1,250
2023.....	1,250
2024.....	856,125
2025.....	285,381
<b>Total.....</b>	<b><u>\$ 1,145,256</u></b>

## 13. COMMITMENTS AND CONTINGENCIES

We are involved in various legal proceedings in the ordinary course of our business. While we believe resolution of the claims brought against us, both individually and in the aggregate, will not have a material adverse impact on our financial condition or results of operations, litigation of this nature is inherently unpredictable. Our views on these legal proceedings, including those described below, may change in the future. We intend to vigorously defend against these actions, and ultimately believe we should prevail.

### Legal Contingencies

We evaluate matters and record an accrual for legal contingencies when it is both probable that a liability has been incurred and the amount or range of the loss may be reasonably estimated. We evaluate legal contingencies at least quarterly and, as appropriate, establish new accruals or adjust existing accruals to reflect: (i) the facts and circumstances known to us at the time, including information regarding negotiations, settlements, rulings, and other relevant events and developments; (ii) the advice and analyses of counsel; and (iii) the assumptions and judgment of management. Legal costs associated with such proceedings are expensed as incurred. Due to the inherent uncertainty of legal proceedings as a result of the procedural, factual, and legal issues involved, the outcomes of our legal contingencies could result in losses in excess of amounts we have accrued.

We accrued approximately \$14.0 million for the legal contingencies in connection with Fair and Accurate Credit Transactions Act (“FACTA”)-related matters based on ongoing settlement negotiations by and among the various plaintiffs described in the FACTA-related matters discussion below and Everi by and on behalf of itself and Everi FinTech. We expect to recover approximately \$7.7 million of the amount accrued from certain of our insurance providers in 2021, for which we had recorded an insurance settlement receivable included within trade and other receivables, net on our Balance Sheets as of December 31, 2020 and 2019, as recovery is deemed to be probable. As a result, we recorded approximately \$6.3 million as a loss contingency in operating expenses on our Statements of Operations for the year ended December 31, 2019. In addition, we are seeking relief from Peleus Insurance Company pursuant to the provisions of our policy. See below for discussion of *Everi Payments Inc. and Everi Holdings Inc. v. Peleus Insurance Company* case. We did not have any new material legal matters that were accrued as of December 31, 2020.

#### *FACTA-related matters:*

Geraldine Donahue, et. al. v. Everi FinTech, et. al. (“Donahue”), is a putative class action matter filed on December 12, 2018, in the Circuit Court of Cook County, Illinois, County Division, Chancery Division. The original defendant was dismissed and the Company was substituted as the defendant on April 22, 2019. Plaintiff, on behalf of himself and others similarly situated, alleges that Everi FinTech and the Company (i) have violated certain provisions of FACTA by their failure, as agent to the original defendant, to properly truncate patron credit card numbers when printing cash access receipts as required under FACTA, and (ii) have been unjustly enriched through the charging of service fees for transactions conducted at the original defendant's facilities. Plaintiff seeks an award of statutory damages, attorney's fees, and costs. The parties have reached an agreement in principle for settlement of this matter, which will include the settlement and resolution of all the FACTA-related matters pending against the Company and Everi FinTech. In the third quarter of 2020, the court granted preliminary approval of the settlement agreement between the parties, which will include the settlement and resolution of all the FACTA-related matters pending against Everi. On December 3, 2020, the court approved the final settlement. All claims must be postmarked by February 1, 2021.

*Oneeb Rehman, et. al. v. Everi FinTech and Everi Holdings*, was a putative class action matter pending in the U.S. District Court for the Southern District of Florida, Ft. Lauderdale Division filed on October 16, 2018. The original defendant was dismissed and the Company was substituted as the defendant on April 22, 2019. Plaintiff, on behalf of himself and others similarly situated, alleged that Everi FinTech and the Company (i) had violated certain provisions of FACTA by their failure, as agent to the original defendant, to properly truncate patron credit card numbers when printing cash access receipts as required under FACTA, and (ii) had been unjustly enriched through the charging of service fees for transactions conducted at the original defendant's facilities. Plaintiff sought an award of statutory damages, attorney's fees, and costs. This case was dismissed and settled as part of the court approved settlement in the Donahue action.

*Mat Jessop, et. al. v. Penn National Gaming, Inc.*, was a putative class action matter filed on October 15, 2018, pending in the U.S. District Court for the Middle District of Florida, Orlando Division. Everi FinTech was added as a defendant on December 21, 2018. Penn National Gaming, Inc. ("Penn National") was dismissed by the Court with prejudice on October 28, 2019, leaving only claims against Everi FinTech. Plaintiff, on behalf of himself and others similarly situated, alleged that Everi FinTech had been unjustly enriched through the charging of service fees for transactions conducted at Penn National facilities. Plaintiff sought injunctive relief against both parties, and an award of statutory damages, attorney's fees, and costs. This case was dismissed and settled as part of the court approved settlement in the Donahue action.

*Everi Payments Inc. and Everi Holdings Inc. v Peleus Insurance Company* is a civil action filed by the Company on January 28, 2020, in the District Court, Clark County, Nevada alleging defendant breached its contractual obligations under an excess insurance policy when it denied the Company coverage of the FACTA-related matters described above. Everi FinTech and the Company are seeking actual and consequential damages for breach of contract, costs, attorney's fees, and other fees and expenses incurred by Everi FinTech and the Company, up to and including amounts related to the settlement in *Donahue*. On February 16, 2021, the parties entered into a Confidential Settlement Agreement and Release resolving this matter. A final court order dismissing this matter is anticipated in the first quarter of 2021.

*NRT matter:*

*NRT Technology Corp., et. al. v. Everi Holdings Inc., et. al.*, is a civil action filed on April 30, 2019 against the Company and Everi FinTech in the United States District Court for the District of Delaware by NRT Technology Corp. and NRT Technology, Inc., alleging monopolization of the market for unmanned, integrated kiosks in violation of federal antitrust laws, fraudulent procurement of patents on functionality related to such unmanned, integrated kiosks and sham litigation related to prior litigation brought by Everi FinTech (operating as Global Cash Access Inc.) against the plaintiff entities. Plaintiffs seek compensatory damages, treble damages and injunctive and declaratory relief. This case is in the early stages of discovery. We are currently unable to determine the probability of the outcome or estimate the range of reasonably possible loss, if any, in this matter.

*Zenergy Systems, LLC matter:*

*Zenergy Systems, LLC v. Everi Holdings Inc.*, is a civil action filed on May 29, 2020 against the Company in the United States District Court for the District of Nevada, Clark County by Zenergy Systems, LLC, alleging breach of contract, breach of a non-disclosure agreement, conversion, breach of the covenant of good faith and fair dealing, and breach of a confidential relationship related to a contract with Everi that expired in November 2019. The plaintiff is seeking compensatory and punitive damages. Everi has counterclaimed against Zenergy alleging breach of contract, breach of implied covenant of good faith and fair dealing, and for declaratory relief. The case is in early stages of discovery process. We are currently unable to determine the probability of the outcome or estimate the range of reasonably possible loss, if any, in this matter.

In addition, we have commitments with respect to certain lease obligations discussed in "Note 3 — Leases" and installment payments under our asset purchase agreements discussed in "Note 4 — Business Combinations."

#### **14. SHAREHOLDERS' EQUITY**

On February 28, 2020, our Board of Directors authorized and approved a new share repurchase program granting us the authority to repurchase an amount not to exceed \$10.0 million of outstanding Company common stock with no minimum number of shares that the Company is required to repurchase. This new repurchase program commenced in the first quarter of 2020 and authorizes us to buy our common stock from time to time in open market transactions, block trades or in private transactions in accordance with trading plans established in accordance with Rules 10b5-1 and 10b-18 of the Securities Exchange Act of 1934, as amended, or by a combination of such methods, including compliance with the Company's finance agreements. The share repurchase program is subject to available liquidity, general market and economic conditions, alternate uses for the capital and other factors, and may be suspended or discontinued at any time without prior notice. In light of COVID-19, we have suspended our share repurchase program. There were no share repurchases during the year ended December 31, 2020.

**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, 2020 and 2019, 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, 2020 and 2019, we had 111,872,439 and 109,492,754 shares of common stock issued, respectively.

**Treasury Stock.** Employees may direct us to withhold vested shares of restricted stock to satisfy the maximum statutory withholding requirements applicable to their restricted stock vesting. We repurchased or withheld from restricted stock awards 193,809 and 95,734 shares of common stock at an aggregate purchase price of approximately \$1.3 million and \$1.1 million for the years ended December 31, 2020 and 2019, respectively, to satisfy the maximum applicable tax withholding obligations related to the vesting of such restricted stock awards.

**Issuance of Common Stock.** In December 2019, we filed with the Securities and Exchange Commission a registration statement for an undetermined amount of common stock, preferred stock, debt securities, warrants, and/or units that the Company may offer and sell in one or more offerings on terms to be decided at the time of sale, which will expire on December 4, 2022. In December 2019, we issued and sold 11,500,000 shares of our common stock pursuant to a prospectus supplement under the automatic shelf registration statement and used the aggregate net proceeds of approximately \$122.4 million to pay down a portion of the Term Loan Facility and to redeem a portion of the 2017 Unsecured Notes. Refer to “Note 12 — Long-Term Debt” for further discussion.

## 15. WEIGHTED AVERAGE SHARES OF COMMON STOCK

The weighted average number of common stock outstanding used in the computation of basic and diluted earnings per share is as follows (in thousands):

	At December 31,		
	2020	2019	2018
Weighted average shares			
Weighted average number of common shares outstanding - basic.....	85,379	72,376	69,464
Potential dilution from equity awards <sup>(1)</sup> .....	—	6,859	4,332
Weighted average number of common shares outstanding - diluted <sup>(1)</sup> .....	<u>85,379</u>	<u>79,235</u>	<u>73,796</u>

- (1) The Company was in a net loss position for the year ended December 31, 2020; therefore, no potential dilution from the application of the treasury stock method was applicable. Equity awards to purchase approximately 3.3 million shares of common stock for the year ended December 31, 2020 were excluded from the computation of diluted net loss per share, as their effect would have been anti-dilutive. The potential dilution excludes the weighted average effect of equity awards to purchase approximately 0.5 million and 7.5 million shares of common stock for the years ended December 31, 2019, and 2018 as the application of the treasury stock method, as required, makes them anti-dilutive.

## 16. SHARE-BASED COMPENSATION

### Equity Incentive Awards

Our 2014 Equity Incentive Plan (as amended and restated effective May 22, 2018, the “Amended and Restated 2014 Plan”) and our 2012 Equity Incentive Plan (as amended, the “2012 Plan”) are used to attract and retain key personnel, to provide additional incentives to employees, directors, and consultants, and to promote the success of our business. 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, as applicable.

Generally, we grant the following types of awards: (i) time-based options; (ii) market-based options; (iii) time-based restricted stock; and (iv) restricted stock units (“RSUs”) with either time- or performance-based criteria. We estimate forfeiture amounts based on historical patterns.

A summary of award activity is as follows (in thousands):

	<u>Stock Options Granted</u>	<u>Restricted Stock Awards Granted</u>	<u>Restricted Stock Units Granted</u>
<b>Outstanding, December 31, 2019</b> .....	11,969	—	3,451
Granted.....	—	—	2,183
Exercised options or vested shares.....	(1,474)	—	(905)
Canceled or forfeited.....	(234)	—	(479)
<b>Outstanding, December 31, 2020</b> .....	<u>10,261</u>	<u>—</u>	<u>4,250</u>

There are approximately 0.9 million awards of our common stock available for future equity grants under our existing equity incentive plans.

### Stock Options

Our time-based stock options granted under our equity plans 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 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% premium for 2017 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, 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.

There were no market-based or time-based option awards granted during the years ended December 31, 2020 and 2019. There were no market-based option awards granted during the year ended December 31, 2018.

The fair values of our standard time-based options granted during the year ended December 31, 2018 were determined as of the date of grant using the Black-Scholes option pricing model with the following assumptions:

	<u>December 31,</u> <u>2018</u>
Risk-free interest rate.....	3 %
Expected life of options (in years).....	6
Expected volatility.....	53 %
Expected dividend yield.....	—

The following table presents the options activity:

	Number of Options (in thousands)	Weighted Average Exercise Price (per Share)	Weighted Average Life Remaining (Years)	Aggregate Intrinsic Value (in thousands)
<b>Outstanding, December 31, 2019</b> .....	11,969	\$ 5.06	5.5	\$ 100,143
Granted.....	—			
Exercised.....	(1,474)	4.22		
Canceled or forfeited.....	(234)	5.24		
<b>Outstanding, December 31, 2020</b> .....	<u>10,261</u>	5.18	4.4	88,550
<b>Vested and expected to vest after, December 31, 2020</b> .....	<u>10,241</u>	5.18	4.4	88,363
<b>Exercisable, December 31, 2020</b> .....	<u>9,487</u>	\$ 5.32	4.3	\$ 80,576

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 \$ 1.46	1,517	5.3	\$ 1.46	1,517	\$ 1.46
1.57 2.78	959	5.3	2.41	959	2.41
3.29 3.29	2,663	6.0	3.29	1,929	3.29
3.41 6.59	1,219	2.8	6.21	1,206	6.21
6.90 7.61	826	2.4	7.35	822	7.35
7.74 7.74	1,010	4.3	7.74	1,010	7.74
7.88 7.88	20	7.6	7.88	10	7.88
8.32 8.32	39	6.8	8.32	26	8.32
8.92 8.92	2,000	3.1	8.92	2,000	8.92
9.74 9.74	8	3.0	9.74	8	9.74
	<u>10,261</u>			<u>9,487</u>	

As stated above, we had no options granted for the years ended December 31, 2020 and 2019. There were 20,000 options granted for the year ended December 31, 2018. The weighted average grant date fair value per share of the options granted was \$4.15 for the year ended December 31, 2018. The total intrinsic value of options exercised was \$6.7 million, \$9.1 million, and \$6.5 million for the years ended December 31, 2020, 2019, and 2018, respectively.

There was approximately \$0.3 million in unrecognized compensation expense related to options expected to vest as of December 31, 2020. This cost was expected to be recognized on a straight-line basis over a weighted average period of 0.2 years. We recorded approximately \$1.4 million in non-cash compensation expense related to options granted that were expected to vest as of December 31, 2020. We received approximately \$6.2 million in cash proceeds from the exercise of options during 2020.

There was approximately \$1.4 million and \$3.4 million in unrecognized compensation expense related to options expected to vest as of December 31, 2019 and 2018, respectively. This cost was expected to be recognized on a straight-line basis over a weighted average period of 1.0 year and 2.8 years for the years ended December 31, 2019 and 2018, respectively. We recorded approximately \$2.4 million and \$5.1 million in non-cash compensation expense related to options granted that were expected to vest as of December 31, 2019 and 2018, respectively. We received approximately \$15.7 million and \$9.6 million in cash proceeds from the exercise of options during 2019 and 2018, respectively.

## **Restricted Stock Awards**

There were no shares of restricted stock granted for the years ended December 31, 2020, 2019, and 2018. The total fair value of restricted stock vested was approximately \$0.1 million, and \$0.5 million for the years ended December 31, 2019, and 2018, respectively.

There was approximately \$31,952 in unrecognized compensation expense related to shares of restricted stock expected to vest as of December 31, 2018. This cost was expected to be recognized on a straight-line basis over a weighted average period of 0.3 years. There were 8,330 and 65,501 shares of restricted stock that vested during 2019 and 2018, respectively, and we recorded approximately \$48,203 and \$0.4 million in non-cash compensation expense related to the restricted stock granted that was expected to vest during 2019 and 2018, respectively.

## **Restricted Stock Units**

The fair value of each RSU grant is based on the market value of our common stock at the time of grant.

The time-based RSUs granted during 2020 vest at a rate of either 33% per year on each of the first three anniversaries of the grant dates, or monthly basis following the first month anniversary of grant date ending after 2 years.

The performance-based RSUs granted during 2020 will be evaluated by the Compensation Committee of our Board of Directors after a performance period, beginning on the date of grant through December 31, 2022, based on total revenue and certain revenue growth rate metrics. If the performance criteria of the metrics are approved, the eligible awards will become vested on the third anniversary of the grant dates.

The time-based RSUs granted during 2020 to independent members of our Board of Directors vest in equal installments on each of the first three anniversary dates of the grant date and settle on the earliest of the following events: (i) May 26, 2030; (ii) death; (iii) the occurrence of a Change in Control (as defined in the Amended and Restated 2014 Plan), subject to qualifying conditions; or (iv) the date that is six months following the separation from service, subject to qualifying conditions.

The performance-based RSUs granted during 2019 will be evaluated by the Compensation Committee of our Board of Directors after a performance period, beginning on the date of grant through December 31, 2021, based on certain revenue and free cash flow growth rate metrics, with achievement of each measure to be determined independently of one another. If the performance criteria of the metrics are approved, the eligible awards will become vested on the third anniversary of the grant dates.

The time-based RSUs granted during 2019 to independent members of our Board of Directors vest in equal installments on each of the first three anniversary dates of the grant date and settle on the earliest of the following events: (i) May 1, 2029 or November 4, 2029; (ii) death; (iii) the occurrence of a Change in Control (as defined in the Amended and Restated 2014 Plan), subject to qualifying conditions; or (iv) the date that is six months following the separation from service, subject to qualifying conditions.

The performance-based RSUs granted during 2018 will be evaluated by the Compensation Committee of our Board of Directors after a performance period, beginning on the date of grant through December 31, 2020, based on certain revenue and Adjusted EBITDA growth rate metrics, with achievement of each measure to be determined independently of one another. If the performance criteria of the metrics are approved, the eligible awards will become vested on the third anniversary of the grant dates.

The time-based RSUs granted during 2018 to independent members of our Board of Directors vest in equal installments on each of the first three anniversary dates of the grant date and settle on the earliest of the following events: (a) March 7, 2028; (b) death; (c) the occurrence of a Change in Control (as defined in the Amended and Restated 2014 Plan), subject to qualifying conditions; or (d) the date that is six months following the separation from service, subject to qualifying conditions.

The following table presents our RSU awards activity:

	Shares Outstanding (in thousands)	Weighted Average Grant Date Fair Value (per Share)	Weighted Average Life Remaining (Years)	Aggregate Intrinsic Value (in thousands)
<b>Outstanding, December 31, 2019</b> .....	3,451	\$ 9.05	1.7	\$ 46,342
Granted.....	2,183	6.08		
Vested.....	(905)	8.26		
Forfeited.....	(479)	8.49		
<b>Outstanding, December 31, 2020</b> .....	<u>4,250</u>	7.75	1.2	58,680
<b>Vested and expected to vest after, December 31, 2020</b> .....	<u>3,569</u>	\$ 7.62	1.1	\$ 49,294

There were approximately 2.2 million shares of RSU awards granted during the year ended December 31, 2020. There were approximately 0.9 million RSUs that vested during the year ended December 31, 2020. There was approximately \$15.3 million in unrecognized compensation expense related to RSU awards expected to vest as of December 31, 2020. This cost is expected to be recognized on a straight-line basis over a weighted average period of 1.8 years. We recorded approximately \$11.6 million in non-cash compensation expense related to RSU awards for the year ended December 31, 2020.

There were approximately 2.0 million and 1.9 million shares of RSU granted for the years ended December 31, 2019 and 2018, respectively. The weighted average grant date fair value per share of the RSU granted was \$10.16 and \$7.49 for the years ended December 31, 2019 and 2018, respectively. There were 0.3 million and no RSUs that vested during the years ended December 31, 2019 and 2018, respectively. There was approximately \$14.1 million and \$6.7 million unrecognized compensation expense related to RSU awards expected to vest as of December 31, 2019 and 2018, respectively. This cost was expected to be recognized on a straight-line basis over a weighted average period of 2.5 years and 3.0 years, respectively. We recorded approximately \$5.7 million and \$1.8 million in non-cash compensation expense related to RSU awards for the years ended December 31, 2019 and 2018, respectively .

In February 2020, the Compensation Committee of our Board of Directors authorized an award of RSUs to be granted to key members of management during the quarter ending March 31, 2020 based on the results of operations for the year ended December 31, 2019. The award met the definition of a liability-classified award with 2019 being the service period. As a result, the Company recorded compensation cost and corresponding share-based liability of approximately \$1.7 million representing the fair value of the award at December 31, 2019 measured using the same valuation technique as for our equity-classified awards. The award was expected to be fully vested 6 months from the grant date and expected to be settled in shares of common stock.

## 17. INCOME TAXES

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

	Year Ended December 31,		
	2020	2019	2018
<b>Consolidated (loss) income before tax</b>			
Domestic.....	\$ (87,832)	\$ 11,709	\$ 1,227
Foreign.....	396	4,285	1,419
<b>Total.....</b>	<b>\$ (87,436)</b>	<b>\$ 15,994</b>	<b>\$ 2,646</b>

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

	Year Ended December 31,		
	2020	2019	2018
<b>Income tax (benefit) provision</b>			
Domestic.....	\$ (5,711)	\$ (1,238)	\$ (10,166)
Foreign.....	(45)	715	456
<b>Total income tax benefit.....</b>	<b>\$ (5,756)</b>	<b>\$ (523)</b>	<b>\$ (9,710)</b>
<b>Income tax (benefit) provision.....</b>			
Current.....	\$ 823	\$ 1,071	\$ 633
Deferred.....	(6,579)	(1,594)	(10,343)
<b>Total income tax benefit.....</b>	<b>\$ (5,756)</b>	<b>\$ (523)</b>	<b>\$ (9,710)</b>

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

	Year Ended December 31,		
	2020	2019	2018
<b>Income tax reconciliation</b>			
Federal statutory rate.....	21.0 %	21.0 %	21.0 %
Foreign provision.....	(0.2)%	2.5 %	6.8 %
State/province income tax.....	4.2 %	(1.6)%	12.4 %
Non-deductible compensation cost.....	0.5 %	(5.3)%	(7.7)%
Adjustment to carrying value.....	0.2 %	6.8 %	6.2 %
Research credit.....	1.0 %	(18.8)%	(76.3)%
Valuation allowance.....	(19.7)%	(11.9)%	(344.9)%
Global intangible low-taxed income <sup>(1)</sup> .....	— %	2.7 %	9.1 %
Non-deductible expenses - other.....	(0.1)%	1.2 %	7.2 %
Other.....	(0.3)%	0.1 %	(0.8)%
<b>Effective tax rate.....</b>	<b>6.6 %</b>	<b>(3.3)%</b>	<b>(367.0)%</b>

(1) We had no GILTI inclusion in 2020 due to the high tax exception in some foreign jurisdictions and losses in others.



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

	Year Ended December 31,		
	2020	2019	2018
<b>Deferred income tax assets related to:</b>			
Net operating losses.....	\$ 109,872	\$ 97,613	\$ 97,190
Stock compensation expense.....	7,293	6,802	7,264
Accounts receivable allowances.....	912	1,415	1,582
Accrued and prepaid expenses.....	8,977	7,869	3,639
Other.....	2,098	1,880	1,319
Tax credits.....	12,377	12,116	9,244
Interest limitation.....	—	3,738	2,738
Valuation allowance.....	(68,746)	(51,522)	(53,156)
<b>Total deferred income tax assets.....</b>	<b>\$ 72,783</b>	<b>\$ 79,911</b>	<b>\$ 69,820</b>
<b>Deferred income tax liabilities related to:</b>			
Property and equipment.....	\$ 18,699	\$ 23,012	\$ 3,855
Other intangible assets.....	67,996	76,279	89,865
Long-term debt.....	1,482	2,680	3,614
Other.....	4,562	4,341	353
<b>Total deferred income tax liabilities.....</b>	<b>\$ 92,739</b>	<b>\$ 106,312</b>	<b>\$ 97,687</b>
<b>Deferred income taxes, net.....</b>	<b>\$ (19,956)</b>	<b>\$ (26,401)</b>	<b>\$ (27,867)</b>

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) was enacted and signed into law. The CARES Act contains numerous tax provisions including changes to the limitation on interest deductions for 2019 and 2020. The modification to Section 163(j) significantly increases the allowable interest expense deduction of the Company and results in significantly larger taxable loss for the years ended 2019 and 2020. As a result of the CARES Act, the Company fully utilized all interest expense that was deferred beginning in 2018 with no additional disallowed interest expense in 2020.

The Tax Cuts and Jobs Act of 2017 (“2017 Tax Act”) made significant changes to the 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 a post-2017 net operating loss (“NOL”), and a one-time transition tax on previously deferred earnings of certain foreign subsidiaries. This one-time deemed repatriation of these earnings did not result in a cash tax liability for the Company as the transition tax liability was offset by the utilization of U.S. foreign tax credits generated as a result of the deemed repatriation, as well as additional foreign tax credits carried forward. Any remaining foreign tax credits not utilized by the transition tax were fully offset by a valuation allowance. These foreign tax credits of \$0.5 million expired on December 31, 2020.

In 2020, we repatriated \$9.3 million from our United Kingdom (the “UK”) subsidiary, which was not needed to fund the UK operations and did not require the provision of any associated withholding or other taxes. We had unrepatriated foreign earnings of approximately \$13.8 million as of December 31, 2020. These earnings are considered permanently reinvested, as it is management’s intention to reinvest these foreign earnings in foreign operations. We project sufficient cash flow, or borrowings available under our Senior Secured Credit Facilities in the U.S.; therefore, we do not need to repatriate our remaining foreign earnings to finance U.S. operations at this time. Due to the 2017 Tax Act, there is no U.S. federal tax on cash repatriation from foreign subsidiaries, however, it could be subject to foreign withholding and other taxes.

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 a valuation allowance 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.

We evaluated negative evidence noting that we reported cumulative net losses for the three-year periods ended as of December 31, 2020, 2019, and 2018. 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. Based on our current year activity and the changes in the CARES Act, we increased our valuation allowance for deferred tax assets by approximately \$17.2 million during 2020. The increase in our valuation allowance was primarily due to the book loss during the year, partially reduced by certain indefinite-lived deferred tax assets that can be offset against our indefinite-lived deferred tax liabilities. 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 carry-forwards 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,		
	2020	2019	2018
<b>Balance at beginning of period</b>	\$ 51,522	\$ 53,156	\$ 63,303
Charged to provision for income taxes.....	17,224	(1,634)	(9,125)
Other <sup>(1)</sup> .....	—	—	(1,022)
<b>Balance at end of period.....</b>	<b>\$ 68,746</b>	<b>\$ 51,522</b>	<b>\$ 53,156</b>

(1) For 2018, the amount was recorded as a result of our adoption of ASC 606 effective January 1, 2018.

We had approximately \$453.1 million, or \$95.2 million, tax effected, of accumulated federal NOLs as of December 31, 2020, which may be carried forward and applied to offset taxable income for 20 years and will expire starting in 2025 (for losses incurred prior to 2018). NOLs incurred after 2017 of approximately \$95.1 million, or \$20 million, tax effected, are carried forward indefinitely to offset taxable income. We had approximately \$12.4 million, tax effected, of federal research and development credit carry-forwards as of December 31, 2020. The research and development credits are limited to a 20 year carry-forward period and will expire starting in 2029. We also have a receivable for approximately \$0.3 million related to alternative minimum tax credits for which was received in January 2021. As of December 31, 2020, approximately \$57.5 million of our valuation allowance relates to federal NOL carry-forwards and credits that we estimate are not more likely than not to be realized.

We had tax effected state NOL carry-forwards of approximately \$14.8 million as of December 31, 2020, which will expire between 2021 and 2040. The determination and utilization of these state NOL carry-forwards are dependent upon apportionment percentages and other respective state laws, which may change from year to year. As of December 31, 2020, approximately \$11.2 million of our valuation allowance relates to certain state NOL carry-forwards that we estimate are not more likely than not to be realized.

The following is a tabular reconciliation of the total amounts of unrecognized tax benefits (in thousands):

	Year Ended December 31,		
	2020	2019	2018
<b>Unrecognized tax benefit</b>			
Unrecognized tax benefit at the beginning of the period.....	\$ 1,435	\$ 1,062	\$ 937
Gross increases - tax positions in prior period.....	279	373	125
<b>Unrecognized tax benefit at the end of the period.....</b>	<b>\$ 1,714</b>	<b>\$ 1,435</b>	<b>\$ 1,062</b>

We analyzed filing positions in the federal, state, and foreign jurisdictions in which we are required to file income tax returns, as well as the open tax years in these jurisdictions. As of December 31, 2020, we recorded approximately \$1.7 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 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 Operations.

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 2005 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 2017.

## **18. SEGMENT INFORMATION**

Operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision-making group (the “CODM”). Our CODM consists of the Chief Executive Officer, the President and Chief Operating Officer, and the Chief Financial Officer. Our CODM allocates resources and measures profitability based on our operating segments, which are managed and reviewed separately, as each represents products and services that can be sold separately to our customers. Our segments are monitored by management for performance against our internal forecasts.

We have reported our financial performance based on our segments in both the current and prior periods. Our CODM determined that our operating segments for conducting business are: (i) Games and (ii) FinTech:

- The Games segment provides solutions directly to gaming establishments to offer their patrons gaming entertainment-related experiences including: leased gaming equipment; sales of gaming equipment; gaming systems; digital online solutions; and ancillary products and services.
- The FinTech segment provides solutions directly to gaming establishments to offer their patrons cash access-related services and products, including: access to cash and cashless funding at gaming facilities via debit withdrawals; credit card cash access transactions and POS debit card cash access transactions; check warranty services; kiosks for cash access and other services; self-service enrollment, loyalty and marketing equipment; 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 business segments.

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

The following tables present segment information (in thousands):

	For the Year Ended December 31,		
	2020	2019	2018
<b>Games</b>			
<b>Revenue</b>			
Gaming operations.....	\$ 156,199	\$ 188,874	\$ 168,146
Gaming equipment and systems .....	44,006	90,919	87,038
Gaming other.....	96	3,326	3,794
<b>Total revenues</b> .....	<b>\$ 200,301</b>	<b>\$ 283,119</b>	<b>\$ 258,978</b>
<b>Costs and expenses</b>			
<b>Cost of revenues <sup>(1)</sup></b>			
Gaming operations.....	15,192	18,043	17,603
Gaming equipment and systems .....	25,680	50,826	47,121
Gaming other.....	456	3,025	3,285
<b>Cost of revenues</b> .....	<b>41,328</b>	<b>71,894</b>	<b>68,009</b>
Operating expenses.....	63,789	61,522	57,244
Research and development.....	20,060	24,954	20,497
Depreciation.....	61,566	56,882	55,058
Amortization.....	59,926	57,491	55,099
<b>Total costs and expenses</b> .....	<b>246,669</b>	<b>272,743</b>	<b>255,907</b>
<b>Operating (loss) income</b> .....	<b>\$ (46,368)</b>	<b>\$ 10,376</b>	<b>\$ 3,071</b>

(1) Exclusive of depreciation and amortization.

	For the Year Ended December 31,		
	2020	2019	2018
<b>FinTech</b>			
<b>Revenues</b>			
Cash access services.....	\$ 112,035	\$ 164,741	\$ 156,806
Equipment.....	24,297	37,865	20,977
Information services and other.....	47,041	47,502	32,754
<b>Total revenues</b> .....	<b>\$ 183,373</b>	<b>\$ 250,108</b>	<b>\$ 210,537</b>
<b>Costs and expenses</b>			
<b>Cost of revenues <sup>(1)</sup></b>			
Cash access services.....	6,755	14,236	9,717
Equipment.....	14,724	22,292	12,601
Information services and other.....	3,029	3,964	4,110
<b>Cost of revenues</b> .....	<b>24,508</b>	<b>40,492</b>	<b>26,428</b>
Operating expenses.....	88,757	100,662	85,054
Research and development.....	7,883	7,551	—
Depreciation.....	5,893	6,316	6,167
Amortization.....	15,379	11,446	10,146
<b>Total costs and expenses</b> .....	<b>142,420</b>	<b>166,467</b>	<b>127,795</b>
<b>Operating income</b> .....	<b>\$ 40,953</b>	<b>\$ 83,641</b>	<b>\$ 82,742</b>

(1) Exclusive of depreciation and amortization.

	<b>For the Year Ended December 31,</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Total Games and FinTech</b>			
<b>Total revenues</b> .....	\$ 383,674	\$ 533,227	\$ 469,515
<b>Costs and expenses</b>			
Cost of revenues <sup>(1)</sup> .....	65,836	112,386	94,437
Operating expenses.....	152,546	162,184	142,298
Research and development.....	27,943	32,505	20,497
Depreciation.....	67,459	63,198	61,225
Amortization.....	75,305	68,937	65,245
<b>Total costs and expenses</b> .....	<b>389,089</b>	<b>439,210</b>	<b>383,702</b>
<b>Operating (loss) income</b> .....	<b>\$ (5,415)</b>	<b>\$ 94,017</b>	<b>\$ 85,813</b>

(1) Exclusive of depreciation and amortization.

	<b>At December 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Total assets</b>		
Games.....	\$ 811,523	\$ 902,888
FinTech.....	665,656	726,335
<b>Total assets</b> .....	<b>\$ 1,477,179</b>	<b>\$ 1,629,223</b>

For the year ended December 31, 2020, cash spent for capital expenditures totaled \$76.4 million, of which \$62.6 million and \$13.8 million was related to our Games and FinTech businesses, respectively. For the year ended December 31, 2019, cash spent for capital expenditures totaled \$114.3 million, of which \$96.0 million and \$18.3 million, was related to our Games and FinTech businesses, respectively.

**Major customers.** For the years ended December 31, 2020, 2019, and 2018, no single customer accounted for more than 10% of our revenues. Our five largest customers accounted for approximately 16%, 14%, and 22% of our total revenue in 2020, 2019, and 2018, respectively.

## 19. SELECTED QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

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

	Quarter				Year
	First	Second	Third	Fourth	
<b>2020</b>					
Revenues.....	\$ 113,308	\$ 38,716	\$ 112,098	\$ 119,552	\$ 383,674
Operating income (loss).....	10,426	(52,728)	19,738	17,149	(5,415)
Net (loss) income.....	(13,454)	(68,481)	(878)	1,133	(81,680)
Basic (loss) earnings per share.....	\$ (0.16)	\$ (0.80)	\$ (0.01)	\$ 0.01	\$ (0.96)
Diluted (loss) earnings per share.....	\$ (0.16)	\$ (0.80)	\$ (0.01)	\$ 0.01	\$ (0.96)
Weighted average common shares outstanding					
Basic.....	84,624	85,122	85,556	86,205	85,379
Diluted.....	84,624	85,122	85,556	94,256	85,379
<b>2019</b>					
Revenues.....	\$ 123,775	\$ 129,706	\$ 134,569	\$ 145,177	\$ 533,227
Operating income.....	25,872	24,879	27,293	15,973	94,017
Net income (loss).....	5,860	5,486	9,315	(4,144)	16,517
Basic earnings (loss) per share.....	\$ 0.08	\$ 0.08	\$ 0.13	\$ (0.05)	\$ 0.23
Diluted earnings (loss) per share.....	\$ 0.08	\$ 0.07	\$ 0.12	\$ (0.05)	\$ 0.21
Weighted average common shares outstanding					
Basic.....	70,334	71,477	72,251	75,387	72,376
Diluted.....	75,256	79,158	79,125	75,387	79,235

\* Rounding may cause variances.

## 20. SUBSEQUENT EVENTS

On February 2, 2021, we entered into the Fifth Amendment to our existing Credit Agreement, which reduced the LIBOR and Base Rate floor components of the interest rate by 25 basis points from 1.00% to 0.75% and from 2.00% to 1.75%, respectively, with the LIBOR and Base Rate margins unchanged at 2.75% and 1.75%, respectively. The First Lien Term Loan under the Credit Agreement will be subject to a prepayment premium of 1.00% of the principal amount repaid for any voluntary prepayment or mandatory prepayment with proceeds of debt that has a lower effective yield than the repriced First Lien Term Loan or any amendment to the repriced First Lien Term Loan that reduces the interest rate thereon, in each case, to the extent occurring within six months of the effective date of the Amendment. The maturity of the First Lien Term Loan remains May 9, 2024, and no changes were made to the financial covenants or other debt repayment terms.

### 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, with the participation of 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 December 31, 2020. 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 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 15d-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 U.S. generally accepted accounting principles ("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, 2020, 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, 2020.

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**

There was no change 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, 2020 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**Item 9B. Other Information.**

None.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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, 2020, 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, 2020, 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 as of December 31, 2020 and 2019, the related consolidated statements of operations and comprehensive (loss) income, stockholders' (deficit) equity, and cash flows for each of the three years in the period ended December 31, 2020, and the related notes and our report dated March 12, 2021 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 12, 2021



## PART III

### **Item 10. Directors, Executive Officers and Corporate Governance.**

The information regarding our directors, executive officers, and certain corporate governance related matters including our Code of Business Conduct, Standards and Ethics is contained under the headings “Proposal 1,” “Executive Officers,” and “Board and Corporate Governance Matters,” and to the extent applicable, “Delinquent Section 16(a) Reports” in the Company’s definitive proxy statement to be filed with the SEC in connection with our 2021 annual meeting of stockholders (the “2021 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 — Director Compensation” and “Executive Compensation,” respectively, in the 2021 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 2021 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 2021 Proxy Statement is incorporated herein by reference.

### **Item 14. Principal Accountant 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 2021 Proxy Statement is incorporated herein by reference.

## PART IV

### Item 15. Exhibits and Financial Statement Schedules.

(a) The following documents are filed as part of this Annual Report on Form 10-K:

#### 1. Financial Statements

Report of BDO USA, LLP, Independent Registered Public Accounting Firm	53
Consolidated Statements of Operations and Comprehensive (Loss) Income for the three years ended December 31, 2020, 2019 and 2018	55
Consolidated Balance Sheets as of December 31, 2020 and 2019	57
Consolidated Statements of Cash Flows for the three years ended December 31, 2020, 2019 and 2018	58
Consolidated Statements of Stockholders' (Deficit) Equity for the three years ended December 31, 2020, 2019, and 2018	60
Notes to Consolidated Financial Statements	61

#### 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 Everi Holdings (incorporated by reference to Exhibit 3.1 of Amendment No.1 Everi 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 Everi Holdings (incorporated by reference to Exhibit 3.1 of Everi 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 Everi Holdings (incorporated by reference to Exhibit 3.1 of Everi Holdings' Current Report on Form 8-K filed with the SEC on August 14, 2015).
3.4	Second Amended and Restated Bylaws of Everi Holdings (effective as of August 24, 2015) (incorporated by reference to Exhibit 3.2 of Everi 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 FinTech, Everi Holdings, certain of its wholly owned subsidiaries, as guarantors, and Deutsche Bank Trust Company Americas, as trustee (incorporated by reference to Exhibit 4.1 of Everi Holdings' Current Report on Form 8-K filed with the SEC on December 5, 2017).
4.2	First Supplemental Indenture, dated as of December 13, 2019, by and among Everi FinTech, Everi Holdings, certain of its wholly owned subsidiaries, as guarantors, and Deutsche Bank Trust Company Americas, as trustee (incorporated by reference to Exhibit 1.2 of Everi Holdings' Current Report on Form 8-K filed with the SEC on December 17, 2019).
4.3	Description of Securities (incorporated by reference to Exhibit 4.3 of Everi Holdings' Annual Report on Form 10-K filed with the SEC on March 2, 2020).

Exhibit Number	Exhibit Description
10.1	Credit Agreement, dated as of May 9, 2017, among Everi FinTech, Everi 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 Everi 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 FinTech, Everi 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 Everi Holdings' Current Report on Form 8-K filed with the SEC on May 9, 2017).
10.3	Guaranty, dated May 9, 2017, by Everi Holdings, as a guarantor, and the subsidiary guarantors party thereto, in favor of the lenders party from time to time to the Credit Agreement and Jefferies Finance LLC, as administrative agent (incorporated by reference to Exhibit 10.3 of Everi 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 FinTech, Everi Holdings, the subsidiary guarantors party thereto, the lenders party thereto and Jefferies Finance LLC, as administrative agent (incorporated by reference to Exhibit 10.1 of Everi Holdings' Current Report on Form 8-K filed with the SEC on November 13, 2017).
10.5	American State Bank Sponsorship Agreement, dated February 11, 2011, between Everi FinTech and American State Bank (incorporated by reference to Exhibit 10.54 of Everi Holdings' Annual Report on Form 10-K filed with the SEC on March 14, 2011).
†10.6	Everi Holdings 2005 Stock Incentive Plan (incorporated by reference to Exhibit 10.25 of the Annual Report on Form 10-K of Everi FinTech filed with the SEC on March 10, 2005).
†10.7	Form of Stock Option Award for Performance Price Vesting under the 2005 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to Everi Holdings' Quarterly Report on Form 10-Q filed with the SEC on August 5, 2014).
†10.8	Form of Stock Option Award for Cliff Vesting under the 2005 Stock Incentive Plan (incorporated by reference to Exhibit 10.2 to Everi Holdings' Quarterly Report on Form 10-Q filed with the SEC on August 5, 2014).
†10.9	Form of Stock Option Award for Non-Employee Directors under the 2005 Stock Incentive Plan (incorporated by reference to Exhibit 10.3 to Everi Holdings' Quarterly Report on Form 10-Q filed with the SEC on August 5, 2014).
†10.10	Form of Stock Option Award for Executives under the 2005 Stock Incentive Plan (incorporated by reference to Exhibit 10.4 to Everi Holdings' Quarterly Report on Form 10-Q filed with the SEC on August 5, 2014).
†10.11	Form of Stock Option Award for Employees under the 2005 Stock Incentive Plan (incorporated by reference to Exhibit 10.5 to Everi Holdings' Quarterly Report on Form 10-Q filed with the SEC on August 5, 2014).
†10.12	Everi Holdings Amended and Restated 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to Everi Holdings' Current Report on Form 8-K filed with the SEC on May 25, 2018).
†10.13	Form of Stock Option Agreement under the 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.7 to Everi Holdings' Current Report on Form 8-K filed with the SEC on May 10, 2016).
†10.14	Form of Stock Option Award (Performance-Based) (Double-Trigger Acceleration) for Non-Employee Directors under the 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.2 to Everi Holdings' Current Report on Form 8-K filed with the SEC on May 10, 2016).

Exhibit Number	Exhibit Description
†10.15	Form of Stock Option Award (Performance-Based) (Double-Trigger Acceleration) for Executives under the Equity Incentive Plan (incorporated by reference to Exhibit 10.3 to Everi Holdings' Current Report on Form 8-K filed with the SEC on May 10, 2016).
†10.16	Form of Stock Option Award (Time-Based) (Double-Trigger Acceleration) for Non-Employee Directors under the Equity Incentive Plan (incorporated by reference to Exhibit 10.4 to Everi Holdings' Current Report on Form 8-K filed with the SEC on May 10, 2016).
†10.17	Form of Stock Option Award (Time-Based) (Double-Trigger Acceleration) for Executives under the Equity Incentive Plan (incorporated by reference to Exhibit 10.5 to Everi Holdings' Current Report on Form 8-K filed with the SEC on May 10, 2016).
†10.18	Form of Stock Option Award (Time-Based) (Double-Trigger Acceleration) for Employees under the Equity Incentive Plan (incorporated by reference to Exhibit 10.6 to Everi Holdings' Current Report on Form 8-K filed with the SEC on May 10, 2016).
†10.19	Everi Holdings 2012 Equity Incentive Plan (incorporated by reference to Exhibit 99.1 to Everi Holdings' Current Report on Form S-8 filed with the SEC on March 16, 2015).
†10.20	Amendment to the Everi Holdings 2012 Equity Incentive Plan (incorporated by reference to Exhibit 99.2 to Everi Holdings' Current Report on Form S-8 filed with the SEC on March 16, 2015).
†10.21	Form of Stock Option Agreement under the 2012 Equity Incentive Plan (incorporated by reference to Exhibit 10.13 to Everi Holdings' Current Report on Form 8-K filed with the SEC on May 10, 2016).
†10.22	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 Everi Holdings' Current Report on Form 8-K filed with the SEC on May 10, 2016).
†10.23	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 Everi 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 Non-Employee Directors under the 2012 Equity Incentive Plan (incorporated by reference to Exhibit 10.10 to Everi Holdings' Current Report on Form 8-K filed with the SEC on May 10, 2016).
†10.25	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 Everi Holdings' Current Report on Form 8-K filed with the SEC on May 10, 2016).
†10.26	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 Everi Holdings' Current Report on Form 8-K filed with the SEC on May 10, 2016).
†10.27	Amended and Restated Employment Agreement with Michael Rumbolz (effective May 5, 2017) (incorporated by reference to Exhibit 10.4 of Everi Holdings' Current Report on Form 8-K filed with the SEC on May 9, 2017).
†10.28	Notice of Grant of Stock Option with Michael Rumbolz, dated February 13, 2016 (incorporated by reference to Exhibit 10.1 of Everi Holdings' Current Report on Form 8-K filed with the SEC on February 16, 2016).
†10.29	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 Everi Holdings' Current Report on Form 8-K filed with the SEC on September 2, 2010).

Exhibit Number	Exhibit Description
10.30	Second Amendment to Credit Agreement, dated May 17, 2018, among Everi FinTech, Everi Holdings, the subsidiary guarantors party thereto, the lenders party thereto and Jefferies Finance LLC, as administrative agent (incorporated by reference to Exhibit 10.1 of Everi Holdings' Current Report on Form 8-K filed with the SEC on May 17, 2018).
†10.31	First Amendment to Amended and Restated Employment Agreement with Michael Rumbolz (effective February 1, 2019) (incorporated by reference to Exhibit 10.40 of Everi Holdings' Annual Report on Form 10-K filed with the SEC on March 12, 2019).
†10.32	Notice of Grant of Restricted Stock Units (Time-Based) under the 2014 Equity Incentive Plan for Michael Rumbolz (effective February 1, 2019) (incorporated by reference to Exhibit 10.41 of Everi Holdings' Annual Report on Form 10-K filed with the SEC on March 12, 2019).
†10.33	Employment Agreement with Dean A. Ehrlich (effective January 1, 2017) (incorporated by reference to Exhibit 10.1 of Everi Holdings' Quarterly Report on Form 10-Q filed with the SEC on May 9, 2018).
†10.34	Form of Deferred Restricted Stock Units Agreement for Non-Employee Directors under the 2012 Equity Incentive Plan (incorporated by reference to Exhibit 10.2 to Everi Holdings' Quarterly Report on Form 10-Q filed with the SEC on August 7, 2018).
†10.35	Form of Notice of Grant of Deferred Restricted Stock Units for the Non-Employee Directors under the 2012 Equity Incentive Plan (incorporated by reference to Exhibit 10.3 to Everi Holdings' Quarterly Report on Form 10-Q filed with the SEC on August 7, 2018).
†10.36	Form of Deferred Restricted Stock Units Agreement for Non-Employee Directors under the 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.4 to Everi Holdings' Quarterly Report on Form 10-Q filed with the SEC on August 7, 2018).
†10.37	Form of Notice of Grant of Deferred Restricted Stock Units Agreement for Non-Employee Directors under the 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.5 to Everi Holdings' Quarterly Report on Form 10-Q filed with the SEC on August 7, 2018).
†10.38	Form of Restricted Stock Units Agreement under the 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.6 to Everi Holdings' Quarterly Report on Form 10-Q filed with the SEC on August 7, 2018).
†10.39	Form of Notice of Grant of Restricted Stock Units (Performance-Based) for Executives under the 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.7 to Everi Holdings' Quarterly Report on Form 10-Q filed with the SEC on August 7, 2018).
†10.40	Form of Notice of Grant of Restricted Stock Units (Time-Based) under the 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.8 to Everi Holdings' Quarterly Report on Form 10-Q filed with the SEC on August 7, 2018).
†10.41	Form of Notice of Grant of Restricted Stock Units (Time-Based) for Executives under the 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.9 to Everi Holdings' Quarterly Report on Form 10-Q filed with the SEC on August 7, 2018).
†10.42	Form of Indemnification Agreement between Everi Holdings and each of its executive officers and directors (incorporated by reference to Exhibit 10.2 of Everi Holdings' Quarterly Report on Form 10-Q filed with the SEC on May 7, 2019).
†10.43	Form of Notice of Grant of Restricted Stock Units (Performance-Based) for Executives under the Amended and Restated 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to Everi Holdings' Quarterly Report on Form 10-Q filed with the SEC on August 6, 2019).

Exhibit Number	Exhibit Description
10.44	Third Amendment to Credit Agreement, dated December 12, 2019, among Everi FinTech, Everi Holdings, the subsidiary guarantors party thereto, the lenders party thereto and Jefferies Finance LLC, as administrative agent (incorporated by reference to Exhibit 1.1 of Everi Holdings' Current Report on Form 8-K filed with the SEC on December 17, 2019).
†10.45	Fourth Amendment to Credit Agreement, dated April 21, 2020, among Everi Payments Inc., as borrower, Everi Holdings Inc., as parent, the subsidiary guarantors party thereto, the lenders party thereto, and Jefferies Finance LLC, as administrative agent (incorporated by reference to Exhibit 10.1 of Everi Holdings' Current Report on Form 8-K filed with the SEC on April 21, 2020).
†10.46	Term Loan Credit Agreement, dated April 21, 2020, among Everi Payments Inc., as borrower, Everi Holdings Inc., as parent, the lenders party thereto, and Jefferies Finance LLC, as administrative agent and collateral agent (incorporated by reference to Exhibit 10.2 of Everi Holdings' Current Report on Form 8-K filed with the SEC on April 21, 2020).
†10.47	Form of Notice of Grant of Restricted Stock Units (Time-Based) for Cliff Vesting under the Amended and Restated 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.3 of Everi Holdings' Quarterly Report on Form 10-Q filed with the SEC on June 2, 2020).
†10.48	Form of Notice of Grant of Restricted Stock Units (Time-Based) for Cliff Vesting for Executives under the Amended and Restated 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.4 of Everi Holdings' Quarterly Report on Form 10-Q filed with the SEC on June 2, 2020).
†10.49	Form of Notice of Grant of Restricted Stock Units (Time-Based) for Executives under the Amended and Restated 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.5 of Everi Holdings' Quarterly Report on Form 10-Q filed with the SEC on June 2, 2020).
†10.50	Second Amendment to the Amended and Restated Employment Agreement with Michael D. Rumbolz (effective April 1, 2020) (incorporated by reference to Exhibit 10.6 of Everi Holdings' Quarterly Report on Form 10-Q filed with the SEC on June 2, 2020).
†10.51	Notice of Grant of Restricted Stock Units (Time-Based) under the Amended and Restated 2014 Equity Incentive Plan for Michael D. Rumbolz (effective April 1, 2020) (incorporated by reference to Exhibit 10.7 of Everi Holdings' Quarterly Report on Form 10-Q filed with the SEC on June 2, 2020).
†10.52	Amended and Restated Employment Agreement with Randy L. Taylor (effective April 1, 2020) (incorporated by reference to Exhibit 10.8 of Everi Holdings' Quarterly Report on Form 10-Q filed with the SEC on June 2, 2020).
†10.53	Notice of Grant of Restricted Stock Units (Time-Based) under the Amended and Restated 2014 Equity Incentive Plan for Randy L. Taylor (effective April 1, 2020) (incorporated by reference to Exhibit 10.9 of Everi Holdings' Quarterly Report on Form 10-Q filed with the SEC on June 2, 2020).
†10.54	Amended and Restated Employment Agreement with David J. Lucchese (effective April 1, 2020) (incorporated by reference to Exhibit 10.12 of Everi Holdings' Quarterly Report on Form 10-Q filed with the SEC on June 2, 2020).
†10.55	First Amendment to Employment Agreement with Dean A. Ehrlich (effective April 1, 2020) (incorporated by reference to Exhibit 10.13 of Everi Holdings' Quarterly Report on Form 10-Q filed with the SEC on June 2, 2020).
†10.56	Employment Agreement with Mark F. Labay (effective April 1, 2020) (incorporated by reference to Exhibit 10.14 of Everi Holdings' Quarterly Report on Form 10-Q filed with the SEC on June 2, 2020).
†10.57	Employment Agreement with Darren D.A. Simmons (effective January 1, 2019) (incorporated by reference to Exhibit 10.15 of Everi Holdings' Quarterly Report on Form 10-Q filed with the SEC on June 2, 2020).
†10.58	First Amendment to Employment Agreement with Darren D.A. Simmons (effective April 1, 2020) (incorporated by reference to Exhibit 10.16 of Everi Holdings' Quarterly Report on Form 10-Q filed with the SEC on June 2, 2020).
**+10.60	First Amendment to Sponsorship Agreement (effective March 11, 2013) between Prosperity Bank, successor by merger to American State Bank, and Everi FinTech.
**+10.61	Second Amendment to Sponsorship Agreement (effective September 10, 2013) between Prosperity Bank, successor by merger to American State Bank, and Everi Fin Tech.

Exhibit Number	Exhibit Description
**10.62	Third Amendment to the Sponsorship Agreement (effective October 31, 2014) between Prosperity Bank, successor by merger to American State Bank, and Everi FinTech.
**+10.63	Amended and Restated Agreement for Processing Services (effective July 1, 2020) by and between Cardtronics USA, as successor in interest to Columbus Data Services, LLC, and Everi FinTech.
10.64	Fifth Amendment to Credit Agreement, dated February 2, 2021, among Everi Payments Inc., as borrower, Everi Holdings Inc., as parent, the subsidiary guarantors party thereto, and Jefferies Finance LLC, as administrative agent (incorporated by reference to Exhibit 10.1 of Everi Holdings' Current Report on Form 8-K filed with the SEC on February 2, 2021)
*21.1	Subsidiaries of Everi Holdings.
*23.1	Consent of BDO USA, LLP.
*24.1	Power of Attorney (included on signature page).
*31.1	Certification of Michael D. Rumbolz, Chief Executive Officer of Everi 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 Mark F. Labay, Chief Financial Officer of Everi 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 and Chief Financial Officer of Everi 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 - this instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
*101.SCH	Inline XBRL Taxonomy Extension Schema Document.
*101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
*101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
*101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
*101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
*104	The cover page from the Company's Annual Report on Form 10-K for the year ended December 31, 2020, formatted in Inline XBRL (included as Exhibit 101).

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\* Filed herewith.

\*\* Furnished herewith.

† Management contracts or compensatory plans or arrangements.

+ Portions of the exhibit have been omitted pursuant to the rules and regulations of the SEC.

#### Item 16. Form 10-K Summary.

None.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: March 12, 2021

**EVERI HOLDINGS INC.**

By: /s/ TODD A. VALLI

Todd A. Valli  
*Chief Accounting Officer (Principal  
Accounting Officer)*

## POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Michael D. Rumbolz, Mark F. Labay, and Todd A. Valli and each of them, his attorneys-in-fact, each with the power of substitution, for him in any and all capacities, to sign any amendments to this Annual Report on Form 10-K and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ MICHAEL D. RUMBOLZ</u> Michael D. Rumbolz	Chief Executive Officer (Principal Executive Officer) and Director	March 12, 2021
<u>/s/ RANDY L. TAYLOR</u> Randy L. Taylor	President and Chief Operating Officer (Principal Operating Officer)	March 12, 2021
<u>/s/ MARK F. LABAY</u> Mark F. Labay	Executive Vice President, Chief Financial Officer (Principal Financial Officer) and Treasurer	March 12, 2021
<u>/s/ TODD A. VALLI</u> Todd A. Valli	Chief Accounting Officer (Principal Accounting Officer)	March 12, 2021
<u>/s/ E. MILES KILBURN</u> E. Miles Kilburn	Chairman of the Board and Director	March 12, 2021
<u>/s/ GEOFFREY P. JUDGE</u> Geoffrey P. Judge	Director	March 12, 2021
<u>/s/ RONALD V. CONGEMI</u> Ronald V. Congemi	Director	March 12, 2021
<u>/s/ EILEEN F. RANEY</u> Eileen F. Raney	Director	March 12, 2021
<u>/s/ LINSTER W. FOX</u> Linster W. Fox	Director	March 12, 2021
<u>/s/ MAUREEN T. MULLARKEY</u> Maureen T. Mullarkey	Director	March 12, 2021
<u>/s/ ATUL BALI</u> Atul Bali	Director	March 12, 2021



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### Corporate Headquarters

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

### Company Website

<https://www.everi.com/>

### Investor Contact

William Pfund  
Senior Vice President, Investor Relations  
+1 (702) 676-9513

### Independent Public Accounting Firm

BDO USA, LLC

### Stock Exchange Listing

New York Stock Exchange  
Trading Symbol: EVRI

### Stock Transfer Agent

Broadridge Corporate Issuer Solutions  
1155 Long Island Ave  
Edgewood, NY 11717  
<https://shareholder.broadridge.com/bcis/>



## OUR MISSION STATEMENT

“Everi’s mission is to lead the Industry by **reimagining** the gaming experience.”

## OUR VALUES

