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, 2018
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 001-38357

PLAYAGS, INC.

(Exact name of registrant as specified in its charter)

Nevada	**46-3698600**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**

5475 S. Decatur Blvd., Ste #100
Las Vegas, NV 89118
(Address of principal executive offices) (Zip Code)

(702) 722-6700
(Registrant's telephone number, including area code)

Securities to be registered pursuant to Section 12(b) of the Act: None
Securities to be registered pursuant to Section 12(g) of the Act:
Common Stock, par value $0.01 per share
(Title of Class)

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

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

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

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

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

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

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

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

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

As of March 01, 2019, there were 35,358,424 shares of the Registrant's common stock, $.01 par value per share, outstanding.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains "forward-looking statements." Forward-looking statements include any statements that address future results or occurrences. In some cases you can identify forward-looking statements by terminology such as "may," "might," "will," "would," "should," "could" or the negatives thereof. Generally, the words "anticipate," "believe," "continue," "expect," "intend," "estimate," "project," "plan" and similar expressions identify forward-looking statements. In particular, statements about our expectations, beliefs, plans, objectives, assumptions or future events or performance contained in this Annual Report on Form 10-K in Item 1. "Business," Item 1A. "Risk Factors" and Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" are forward-looking statements. These forward-looking statements include statements that are not historical facts, including statements concerning our possible or assumed future actions and business strategies.

We have based these forward-looking statements on our current expectations, assumptions, estimates and projections. While we believe these expectations, assumptions, estimates and projections are reasonable, such forward-looking statements are only predictions and involve known and unknown risks, uncertainties and other factors, many of which are outside of our control, which could cause our actual results, performance or achievements to differ materially from any results, performance or achievements expressed or implied by such forward-looking statements. These risks, uncertainties and other factors include, but are not limited to:

- our ability to effectively compete with numerous domestic and foreign businesses;
- our ability to provide financing on favorable terms compared with our competitors;
- our ability to adapt to and offer products that keep pace with evolving technology related to our businesses;
- our ability to develop, enhance and/or introduce successful gaming concepts and game content, and changes in player and operator preferences in participation games, which may adversely affect demand for our products;
- changing economic conditions and other factors that adversely affect the casino and gaming industry, the play levels of our participation games, product sales and our ability to collect outstanding receivables from our customers;
- the effect of our substantial indebtedness on our ability to raise additional capital to fund our operations, and our ability to react to changes in the economy or our industry and make debt service payments;
- changing regulations, new interpretations of existing laws, or delays in obtaining or maintaining required licenses or approvals, which may affect our ability to operate in existing markets or expand into new jurisdictions;
- our history of operating losses and a significant accumulated deficit;
- changes in the legal and regulatory scheme governing Native American gaming markets, including the ability to enforce contractual rights on Native American land, which could adversely affect revenues;
- our ability to realize satisfactory returns on money lent to new and existing customers to develop or expand gaming facilities or to acquire gaming routes;
- failures in our systems or information technology, which could disrupt our business and adversely impact our results;
- slow growth in the development of new gaming jurisdictions or the number of new casinos, declines in the rate of replacement of existing gaming machines, and ownership changes and consolidation in the casino industry;
- legislation in states and other jurisdictions which may amend or repeal existing gaming legislation;
- intellectual property rights of others, which may prevent us from developing new products and services, entering new markets, or may expose use to liability or costly litigation;
- our ability to complete future acquisitions and integrate those businesses successfully;
- our dependence on the security and integrity of our systems and products;
- the effect of natural events in the locations in which we or our customers, suppliers or regulators operate;
- failure of our suppliers and contract manufacturers to meet our performance and quality standards or requirements could result in additional costs or loss of customers;
- risks related to operations in foreign countries and outside of traditional U.S. jurisdictions;
- foreign currency exchange rate fluctuations;
- quarterly fluctuation of our business;
- risks associated with, or arising out of, environmental, health and safety laws and regulations;
- product defects which could damage our reputation and our results of operations;
- changes to the Class II regulatory scheme;
- state compacts with our existing Native American tribal customers, which may reduce demand for our Class II game and make it difficult to compete against larger companies in the tribal Class III market;
- decreases in our revenue share percentage in our participation agreements with Native American tribal customers;
- adverse local economic, regulatory or licensing changes in Oklahoma or Alabama, the states in which the majority of our revenue has been derived, or material decreases in our revenue with our two largest customers;
- dependence on the protection of our intellectual property and proprietary information and our ability to license intellectual

property from third parties;
- failure to attract, retain and motivate key employees;
- certain restrictive open source licenses requiring us to make the source code of some of our products available to third parties and potentially granting third parties certain rights to the software;
- reliance on hardware, software and games licensed from third parties, and on technology provided by third-party vendors;
- dependence on our relationships with service providers;
- maintaining internal controls over financial reporting;
- our ability to maintain current customers on favorable terms;
- our ability to enter new markets and potential new markets;
- our ability to capitalize on the expansion of Internet or other forms of interactive gaming or other trends and changes in the gaming industries;
- our social gaming business is largely dependent upon our relationships with key channels;
- changes in tax regulation and results of tax audits, which could affect results of operations;
- our ability to generate sufficient cash to serve all of our indebtedness in the future; and
- the other factors discussed under Item 1A. “Risk Factors.”

Given these risks and uncertainties, you are cautioned not to place undue reliance on such forward-looking statements. These forward-looking statements are made only as of the date of this Annual Report. We do not undertake and specifically decline any obligation to update any such statements or to publicly announce the results of any revisions to any such statements to reflect future events or developments unless required by federal securities law. New factors emerge from time to time, and it is not possible for us to predict all such factors.

PART I

ITEM 1. BUSINESS.

Unless the context indicates otherwise, or unless specifically stated otherwise, references to the "Company", "PlayAGS", "AGS", "we", "our" and "us" refer to PlayAGS, Inc. and its consolidated subsidiaries.

Overview

We are a Nevada corporation formed and incorporated originally in Delaware in August 2013 and then reincorporated in Nevada in December 2017. We were formed to acquire, through one of our indirect wholly owned subsidiaries, 100% of the equity in AGS Capital, LLC ("AGS Capital") from AGS Holdings, LLC ("AGS Holdings"). AGS Capital was a supplier of Electronic Gaming Machines ("EGMs") primarily to Class II Native American gaming jurisdictions.

We are a leading designer and supplier of EGMs and other products and services for the gaming industry. Founded in 2005, we historically focused on supplying EGMs, including slot machines, video bingo machines, and other electronic gaming devices, to the Native American gaming market, where we maintain an approximately 19% market share of all Class II EGMs. Since 2014, we have expanded our product line-up to include: (i) Class III EGMs for commercial and Native American casinos permitted to operate Class III EGMs, (ii) table game products and (iii) interactive products, all of which we believe provide us with growth opportunities as we expand in markets where we currently have limited or no presence. Our expansion into Class III and ancillary product offerings has driven our strong growth and momentum in revenue, EGM adjusted EBITDA and our installed base. For the year ended December 31, 2018 , 71% of our total revenue was generated through recurring contracted lease agreements whereby we place EGMs and table game products at our customers' gaming facilities under either a revenue sharing agreement (we receive a percentage of the revenues that these products generate) or fee-per-day agreement (we receive a daily or monthly fixed fee per EGM or table game product), or recurring revenue from our Interactive gaming operations. We operate our business in three distinct segments: EGMs, Table Products and Interactive. Each segment's activities include the design, development, acquisition, manufacturing, marketing, distribution, installation and servicing of a distinct product line.

	Percentage of Total Revenue		
	2018	**2017**	**2016**
Electronic Gaming Machines	95%	94%	94%
Table Products	3%	2%	2%
Interactive	2%	4%	5%
	100%	100%	100%

Our Operations

We provide customers with EGMs, table products, ancillary table product equipment, systems software, computer hardware, signage and other equipment for operation within their gaming facilities. In return we receive either cash for sold items, or a share of the revenue generated by these products and systems, either as a flat monthly fee or a daily fee. The determination of whether our agreement results in a revenue share, monthly fee, or daily fee arrangement is generally governed by local gaming jurisdictions. For our revenue share arrangements on EGM products, we have historically shared between 15% and 20% of the revenues generated by the EGMs. Under our agreements for EGMs, we participate in selecting the mix of titles, maintain and service the equipment and oversee certain promotional efforts. When sold, we offer the majority of our products with an optional parts and service contract. For Table Products we typically license table games and lease related equipment for which we receive monthly royalty and lease payments. We also lease and sell roulette and baccarat signs and plan to lease and sell our new shuffler, *Dex S* . Our Interactive segment generates revenues from (1) B2C social products where consumers purchase virtual coins used to play social casino games, (2) B2B social products where we obtain a percentage of monthly revenue generated by the white label casino apps that we build and operate for our customers, and (3) real-money gaming ("RMG") revenues, which are earned primarily based on a percentage of the revenue produced by the games on our platform as well as monthly platform fees and initial integration fees. In support of our business and operations, we employ a professional staff including field service technicians, production, sales, account management, marketing, technology and game development, licensing and compliance and finance.

Our corporate headquarters are located in Las Vegas, Nevada, which serves as the primary location for the executive management and administrative functions such as finance, legal, licensing and compliance. Our licensing and compliance division oversees the application and renewal of our corporate gaming licenses, findings of suitability for key officers and directors and certification of our gaming equipment and systems for specific jurisdictions, human resources, as well as coordinating gaming equipment and software shipping and on-site and remote service of our equipment with gaming authorities.

Our field service technicians are responsible for installing, maintaining and servicing our gaming products and systems. Our EGM field service operation including our call center, which operates 24 hours a day, seven days a week, is managed out of our Oklahoma facility. We can also access most of our EGMs and systems remotely from approved remote locations to provide software updates and routine maintenance. In addition, our EGM and system production facilities are located in and managed out of Oklahoma City, Oklahoma, Atlanta, Georgia, and Mexico City, Mexico. Our Table Product service and production facilities are primarily managed from Las Vegas, Nevada with certain products produced in our Oklahoma facility.

Sales, product management and account management are managed through our various locations and are located throughout the jurisdictions in which we do business. Sales and account management oversee the customer relationship at the individual location as well as at the corporate level and are responsible for developing new customer relationships. Account management is in charge of running on-site promotions and corporate sponsorship programs. In addition, our marketing team is in charge of general corporate marketing, including advertisements and participation at industry trade shows.

We employ game developers, software and system programmers, project managers and other development and administrative staff that oversee our internal game development efforts and manage third party relationships. Our EGM technology and game development operates primarily out of our Atlanta, Georgia and Sydney, Australia locations and to a lesser extent out of our locations in Las Vegas, Nevada, and Austin, Texas. Our Table Products technology and development operates primarily out of our Las Vegas, Nevada location. We have Interactive development teams in San Francisco, California and Tel Aviv, Israel and through the recent acquisition of Gameiom Technologies Limited ("Gameiom" currently known as "AGS iGaming"), in Hinckley, United Kingdom. Additionally, we hire independent contractors in Ukraine to support the on-line operations of AGS iGaming.

Products

We provide our casino customers with high-performing Class II and Class III EGMs for the tribal and commercial gaming markets, more than 40 unique table products offerings, ancillary table products equipment, systems software, computer hardware, signage, and other equipment for operation within gaming facilities. In our AGS Interactive segment, we offer a vast library of casino-themed social and mobile games, business-to-business social casino solutions available to land-based casino customers, and a real-money gaming platform and library of games for on-line operators.

EGM Segment

EGMs constitute our largest segment, representing 95% of our revenue for the year ended December 31, 2018 . We have a library of over 380 proprietary game titles that we deliver on several state-of-the-art EGM cabinets, including *ICON* and *Orion Upright* (our core cabinets), *Orion Portrait* (our premium cabinet) and *Orion Slant* (our core plus cabinet) and *Big Red/Colossal Diamonds* (our specialty large-format jumbo cabinet). Our cabinets and game titles are consistently named among the top-performing premium leased games in the industry. We also have developed a new Latin style bingo cabinet called *Alora* , which we plan to use in select international markets, including Mexico, the Philippines, and potentially Brazil.

We design all of our cabinets with the intention of capturing the attention of players on casino floors while aiming to maximize operator profits. The fourth quarter 2018 *Eilers - Fantini Quarterly Slot Survey* stated our premium leased games outperform most of the EGMs manufactured by our competitors, generating win per day that is up to 1.7 times higher than house average.

Below are a few of our more significant cabinets:

Orion - Our *Orion* line of game cabinets delivers performance, flexibility, and style. We currently offer three *Orion* slot cabinets - Portrait, Slant, and the newly introduced Upright, which we will launch into the market in 2019. Engineered for multiple configurations, this cabinet family is powered by a common platform, available for Class II and Class III markets, and benefits from easy servicing. Powered by our Atlas operating platform, the *Orion family's* self-contained logic and use of a common platform eliminate the need for multiple servers. Full-color LED lights surround Orion's HD LCD touchscreen monitor, capable of changing colors and patterns on each machine or across entire banks in a manner that corresponds to each feature within the game. We unveiled our *Orion Portrait* cabinet at the Global Gaming Expo in late 2016 to positive customer feedback, and the platform has exceeded our performance expectations. In 2018, we introduced our second *Orion* cabinet - the *Orion Slant* , featuring the same distinctive starwall design, dual LCD HD monitors, and the latest HD audio for a cinematic surround-sound experience. At the Global Gaming Expo in 2018, we introduced the *Orion Upright* , which we expect to launch into the market in 2019. Our *Orion* platform family is driving momentum in Class III and newly addressable markets, and is a key driver of our equipment sales business.

ICON - Our *ICON* cabinet offers modern design with seamless integration of light and sound, ergonomic features, and stunning visual effects to complement our premium game content and play mechanics. The *ICON* is equipped with two flush- mounted 23" HD LCDs, an integrated sound system, and two subtle light panels surrounding the LCD monitors which react to on-screen events enhancing game features, building anticipation, celebrating big wins, and highlighting bonus events. The *ICON* has served as our "workhorse" since its introduction, serving as the single biggest growth driver for our business due to its reliability and deep portfolio of games.

Big Red - *Big Red* is a premium, specialty cabinet focused on simple, classic spinning-reel gameplay. At 8' tall and 8' wide, its massive size and bright red color commands attention on the casino floor and creates a community-style gaming experience. Currently available with our top-performing game title *Colossal Diamonds* , *Big Red* is engineered for both Class II and Class III formats.

Alora - *Alora* is a specialty cabinet designed specifically for the Latin-style bingo player. Designed by a team of Brazilians for the potential Brazil market opening, the cabinet will be deployed in the Philippines and Mexico, both of which currently have mature and stable Latin-style bingo markets. The *Alora* platform supports dual screen 23.8" monitors and features a unique illuminated foot pedal that gives players the option to play without using the button panel. Each game theme offered on this platform supports instant bonuses, stand-alone progressives, and a community progressive. We believe that Latin-style bingo game titles have a longer life span as compared to traditional EGMs due to the nature of the markets in which these titles are deployed and the local player base. Currently, we have 12 game titles for the *Alora* platform, including the popular *Lotto Diamond* , *Bingolandia* , *Show de Balla* and *Go Bananas* , available in multiple languages, including Portuguese, Spanish, and English.

We categorize our EGM titles into two main groups: "Core" and "Premium and Specialty". Our Core titles have a proven track record of success and are targeted at maintaining and growing our current installed base. Our Premium titles include unique and niche titles that provide a distinctive player experience and are targeted at increasing floor space in both existing and new jurisdictions. Specialty titles describe our jumbo games, such as *Colossal Diamonds* , and games made specifically for high-limit winnings. In total, our development teams have the capabilities to produce approximately 50 games per year. We believe this strategy of producing diversified content will enable us to maintain and grow our market leadership within our current Class II base, as well as continue our expansion into Class III commercial and tribal casinos.

Our Core titles, offered on our *ICON* cabinet, includes Jade Wins, Golden Wins, Fu Pig, Golden Skulls, Golden Dragon, Red Dragon, Longhorn Jackpots, and the So Hot family of games, which are some of the top-performing Class II games in the market today. We design our Core titles to provide a universal appeal.

Our Premium and Specialty titles, offered on *ICON* , our *Orion* family and *Big Red* , include an assortment of compelling features that maximize the capabilities of their hardware. Top-performing titles include Colossal Diamonds, Fu Nan Fu Nu, Olympus Strikes, and Eastern Dragon. These titles are premium in nature because they include dynamic play mechanics such as Pick 'em Progressives, Must-Hit-By Progressives, Streaming Stacks, Reel Surges, Free Spin Bonuses, and much more. Their main game features are wrapped inside crisp graphics and sounds that maximize the hardware's capabilities to provide universal player appeal that helps optimize our customer's operations.

Table Products

In addition to our existing portfolio of EGMs, we also offer our customers more than 40 unique table product offerings, including live felt table games, side bet offerings, progressives, signage, and other ancillary table game equipment. Our table products are designed to enhance the table games section of the casino floor (commonly known as "the pit"). Over the past 10 years, there has been a trend of introducing side bets on blackjack tables to increase the game's overall hold. Our table products segment offers a full suite of side bets and specialty table games that capitalize on this trend, and we believe that this segment will serve as an important growth engine for our company by generating further cross-selling opportunities with our EGM offerings. As of December 31, 2018, we had placed 3,162 table products domestically and internationally and based on the number of products placed, we believe we are presently a leading supplier of table products to the gaming industry.

Our premium game titles include *Criss Cross Poker* , *Chase The Flush* , *Dai Bacc* , *and Double Draw Poker,* to name a few. This segment of the table product business provides an area for growth and expansion in the marketplace, as the industry's revenues are currently primarily dominated by a single competitor, and we have recently expanded our sales efforts to cover greater territory. The game mechanics of our proprietary, premium titles take classic public domain games and offer a twist on game play that increases volatility while simultaneously increasing hold for operators. This means players experience larger wins, which keeps them engaged in the games for longer periods of time, and operators have the potential to earn incremental revenue. We also recently acquired five dynamic new games: *Super 4 Progressive Blackjack* , *Blackjack Match Progressive* , *Jackpot Blackjack* , *Royal 9* , and *Jackpot Baccarat* . These games have more than 700 installs worldwide and feature a simple, rewarding side bet that extends the winning experience in interactive ways and further engages players.

As one of the fastest-growing bonus bets in the world, *Buster Blackjack* headlines our side-bets product category, quadrupling its installed base since we acquired the title in 2015. Most recently, *Buster Blackjack* has been installed at Harrah's New Orleans Casino and Horseshoe Baltimore Maryland Casino. In addition to *Buster Blackjack* , we have other top-performing side-bet games such as *War Blackjack* , *In-Bet* , *Push Your Luck* , and *Trifecta Blackjack* .

Bonus Spin Blackjack is a first-of-its kind wheel-based table products progressive side-bet solution that uses built-in, light-up bet sensors, a tablet-style dealer interface, and a progressive engine that's fully customizable. Operators can offer anything from a progressive top prize, a fixed top prize, or an experience-based top prize. Sophisticated 3D graphics and a double-sided display draw players into the game and show prizes, results, and bet limits. By adding *Bonus Spin* to any of their table products, operators can instantly be more effective at marketing their games by offering customizable prizes that target specific player segments, resulting in more player excitement, interaction, and a potential increase in revenues and visits. In addition, Bonus Spin can be easily added to any of our table products, providing substantial growth opportunities. *Bonus Spin* was recognized among the Top 20 Most Innovative Gaming & Technology Products Awards of 2017. As of December 31, 2018, and in less than one year since its launch, we have placed more than 250 Bonus Spin units.

In 2018, due to our success with *Bonus Spin Blackjack* , we formally introduced *Bonus Spin Xtreme* at the Global Gaming Expo 2018 which we expect will be launched in 2019. This next-generation of *Bonus Spin* is a progressive side-bet that attracts players with three eye-catching wheels, and offers a community bonus feature that awards secondary prizes to every player who has wagered a side-bet.

Another AGS progressive innovation is *STAX* , which offers multi-level and must-hit-by progressive jackpots that can be added to basic table games like blackjack, as well as AGS proprietary table games like *Criss Cross Poker* and *Chase the Flush* . This game, with it's eye-catching, colorful display advertising the progressive levels, and the opportunity for players to win more, won the top award for table innovation in the 2019 Gaming & Technology Awards and the Top 20 Most Innovative Gaming & Technology Products Awards of 2017.

One of the newer areas of our Table Products segment are ancillary equipment offerings to table games, such as card shufflers and table signage, which provide casino operators a greater variety of choice in the marketplace. This product segment includes baccarat signage, animated roulette readerboards, and our highly anticipated single-card shuffler, *Dex S* , which was approved by our industry's primary independent testing lab Gaming Laboratories International ("GLI") in 2018 and we expect to launch full-scale in early 2019. The *Dex S* shuffler features a streamlined design with fewer moving parts, making it exceptionally functional, economical, and reliable, and it easily fits into existing table cutouts so casino operators can seamlessly install without changing their current layouts or replacing any tables. We believe that the table equipment area of our business holds many opportunities for growth, as the technology currently installed in the signage and readerboard areas are in a replacement cycle.

Interactive

Our Business-to-Consumer ("B2C") social casino games include online versions of our popular EGM titles and are accessible to players worldwide on multiple mobile platforms, which we believe establishes brand recognition and cross-selling opportunities. Our B2C social casino games operate on a free-to-play model, whereby game players may collect virtual currency or other virtual consumable goods (collectively referred to as "virtual goods" or "virtual currency") free of charge, through the passage of time or through targeted marketing promotions. Additionally, players have the ability to send free "gifts" of virtual goods to their friends through interactions with certain social platforms. If a game player wishes to obtain virtual goods above and beyond the level of free virtual goods available to that player, the player may purchase additional virtual goods. Once obtained, virtual currency (either free or purchased) cannot be redeemed for cash nor exchanged for anything other than game play. We design our portfolio of B2C games to appeal to the interests of the broad group of people who like to play casino-themed social and mobile games.

Currently, our B2C social casino games consist of our mobile app, *Lucky Play Casino* . The app contains numerous AGS game titles available for consumers to play for fun or with chips they purchase in the app. Some of our most popular social games include content that is also popular in land-based casinos, such as *Fire Wolf* , *Gold Dragon Red Dragon* , *Legend of the White Buffalo* , *Royal Reels* , *Colossal Diamonds* , *So Hot* , *Monkey in the Bank* , and many more. Our B2C games leverage the global connectivity and distribution of Facebook, as well as mobile platforms such as the Apple App Store for Apple devices and the Google Play Store for Android devices, which provides a platform to offer our games as well payment processing.

We have recently expanded into the Business-to-Business ("B2B") space, whereby we enable our land-based casino customers to brand the social gaming product with their own casino name and brand identity through our Social White-Label Casino ("WLC") solution. This turn-key, free-to-play mobile casino app solution blends the casino's brand with AGS' player-

favorite games to strengthen a casino's relationship with players, provide monetization opportunities while players are off property, reach new players, and incentivize players to return to the casino. To date, five customers are using our Social WLC solution.

With the acquisition of Gameiom Technologies Limited (formerly known as "Gameiom", and currently known as "AGS iGaming") in the current year, we now offer a B2B platform for content aggregation used by RMG and sports-betting partners. Our acquired B2B platform aggregates content from game suppliers and offers on-line casino operators the convenience to reduce the number of integrations that are needed to supply the on-line casino. By integrating with us, on-line casino operators have access to a significant amount of content from several game suppliers. AGS iGaming operates in regulated, legal on-line gaming jurisdictions such as the UK and parts of Europe.

Other Segment Information

Customers and marketing. We market our products to casinos and other legal gaming establishments around the world with our domestic and international sales force and several domestic and international distributors and/or representatives. We believe the quality and breadth of our customer base is a strong testament to the effectiveness and performance of our product offerings, technological innovation, and customer service. Our customer base includes leading casino operators in leading established gaming markets such as the United States, Canada, and Latin America. Our customers include, among others, Caesars Entertainment, MGM Resorts International, Poarch Band of Creek Indians, and the Chickasaw Nation.

Our products and the locations in which we may sell them are subject to the licensing and product approval requirements of various national, state, provincial, and tribal jurisdictional agencies that regulate gaming around the world. See "Regulation and Licensing" section below. We lease and sell our products, with an emphasis on leasing versus selling. We service the products we lease and offer service packages to customers who purchase products from us.

Product supply. We obtain most of the parts for our products from outside suppliers, including both off-the-shelf items as well as components manufactured to our specifications. We also manufacture parts in-house that are used for product assembly and for servicing existing products. We generally perform warehousing, quality control, final assembly and shipping from our facilities in Las Vegas, Atlanta, Mexico City and Oklahoma City, although small inventories are maintained and repairs are performed by our field service employees. We believe that our sources of supply for components and raw materials are adequate and that alternative sources of materials are available.

Manufacturing

We have manufacturing agreements to build our gaming cabinets with multiple manufacturing vendors. We believe we have limited concentration risk with any one of these vendors, because we own the rights to our cabinet designs and thus have the ability to change manufacturers in the event of a dispute. We believe any of these vendors would be able to build our gaming cabinets for titles on any platform. As the supplier base is large, we are able to gain competitive pricing and delivery on any of our cabinets and have limited risk in supply disruptions. Manufacturing commitments are generally based on projected quarterly demand from customers.

Our primary EGM production facility is located in Oklahoma City, Oklahoma. Production at this facility includes assembling and refurbishing gaming machines (excluding gaming cabinets), parts support and purchasing. We also assemble EGMs at our Las Vegas, Nevada and Mexico City, Mexico facilities at lower volumes to support the Nevada, California and Mexican markets, respectively. System production is based at our Atlanta, Georgia office, where our system design team and our U.S. research and development team are based. Table games products are primarily manufactured in our Las Vegas, Nevada facility, with the exception of the *Dex S* shuffler, which is produced in Oklahoma City, Oklahoma.

Field service technicians are located in various jurisdictions throughout the United States and Mexico and are dispatched from centralized call centers. They are responsible for installing, maintaining and servicing the electronic gaming machines, table games and systems.

Customers

We believe the quality and breadth of our customer base is a strong testament to the effectiveness and quality of our product offerings, technological innovation and customer service. At the core of our relationship with our customers is our participation model, which aligns our financial incentives with those of our customers through a shared dependence on the games' performance. The combination of our customer-aligned participation model, quality customer service and strong game performance has allowed us to develop long-term relationships with our tribal and commercial casino customers. Our top

participation customers have been with us for more than a decade, and we believe that we maintain long-term relationships with key customer decision-makers.

We have historically offered select existing and prospective customers an upfront payment, or placement fee, in exchange for exclusive rights to a percentage of their floor space. To a lesser extent, we have offered financing for casino development and expansion projects. In addition to our long-term relationships and contractual arrangements, the consistent demand for our games from the loyal, repeat players of our games further ensures our strong presence on our customers' casino floors.

Within the Native American tribal market, we provide both Class II and Class III games. We also serve customers in commercial, video lottery terminal, charity bingo and route-based markets.

Oklahoma is our largest market and our EGMs in the state accounted for approximately 22% of our total revenue for the year ended December 31, 2018 . Our largest customer is the Chickasaw Nation, a Native American gaming operator in Oklahoma, which accounted for approximately 11% of our total revenue for the year ended December 31, 2018 . The revenues we earn from the Chickasaw Nation are derived from numerous agreements, which are scheduled for renewal in 2019, but which we would expect to renew.

Alabama is our second largest domestic market and our EGMs in the state accounted for approximately 9% of our total revenue for the year ended December 31, 2018 . The Poarch Band of Creek Indians, a Native American gaming operator in Alabama, is our second largest customer and accounted for approximately 9% of our total revenue for the year ended December 31, 2018 .

For the year ended December 31, 2018 , we did not receive more than 10% of our total revenue from any of our other customers.

Customer Contracts

We derive the majority of our gaming revenues from participation agreements, whereby we place EGMs and systems, along with our proprietary and other licensed game content, at a customer's facility in return for either a share of the revenues that these EGMs and systems generate or a daily fee. For licensed table products and related equipment, we typically receive monthly royalty payments. We measure the performance of our domestic installed base of participation EGMs on the net win per day per machine, often referred to as the win per day, or "WPD". Under our participation agreements, we earn a percentage of the win per day of our domestic installed base of participation EGMs.

Our standard contracts are one to three years in duration and may contain auto-renewal provisions for an additional term. Our contracts generally specify the number of EGMs and other equipment to be provided, revenue share, daily fee or other pricing, provisions regarding installation, training, service and removal of the machines, and other terms and conditions standard in the industry. In some circumstances, we enter into trial agreements with customers that provide a free or fee-based trial period, during which such customers may use our EGMs or table products. Each trial agreement lays out the terms of payment should the customer decide to continue using our machines.

The Company enters into development agreements and placement fee agreements with certain customers to secure floor space under lease agreements for its gaming machines. Amounts paid in connection with the development agreements are repaid to the Company in accordance with the terms of the agreement, whereas placements fees are not reimbursed. For development agreements in the form of a loan, interest income is recognized on the repayment of the loan based on the stated rate or, if not stated explicitly in the development agreement, on an imputed interest rate. If the stated interest rate is deemed to be other than a market rate or zero, a discount is recorded on the loan receivable as a result of the difference between the stated and market rate and a corresponding intangible asset is recorded. These agreements have typically been longer-term contracts, ranging from four to seven years depending on the amount of financing provided, market, and other factors.

We generally make efforts to obtain waivers of sovereign immunity in our contracts with Native American customers. However, we do not always obtain these provisions and when we do, they can be limited in scope. There is no guarantee that we will continue or improve our ability to get this term in future contracts. While we have not had any experience with contract enforceability vis-à-vis our Native American customers, we are cognizant of recent cases involving other parties dealing with waivers of sovereign immunity. Those cases put into question how sovereign immunity may be viewed by courts in the future. In the event that we enter into contracts with Native American customers in the future that do not contain a waiver of sovereign immunity, such contracts may be practically unenforceable.

Our game sale contracts are typical of those in the industry. They specify the general terms and conditions of the sale, equipment and services to be provided, as well as pricing and payment terms. In some cases, we provide the central server that is

used to operate the purchased equipment on a lease and charge a fee-per-day based on the number of gaming machines connected to the server.

For our interactive segment, we enter into agreements whereby revenues are generated from (1) B2C social products where customers purchase virtual coins to play social casino games, (2) B2B social products where we obtain a percentage of monthly revenue generated by the white label casino apps that we build and operate for our customers, and (3) B2B RMG revenues which are earned primarily based on a percentage of the revenue produced by the games on our game aggregation platform that we provide to certain on-line RMG operators as well as monthly platform fees and initial integration fees.

Research and Development

We conduct research and development through an internal team to develop new gaming systems and gaming content. Research and development costs consist primarily of salaries and benefits, travel and expenses and other professional services. For the years ended December 31, 2018 , 2017 and 2016 , we incurred research and development costs of $31.7 million , $25.7 million and $21.3 million , respectively. We employ 246 game developers, software and system programmers, project managers and other development and administrative staff that oversee internal game development efforts and manage third party relationships. The technology and game development division for the EGM segment operates primarily out of our Atlanta, Georgia, Austin, Texas and Sydney, Australia locations as well as a studio in Las Vegas, Nevada that primarily supports our Table Products segment. We also have development and support teams for our Interactive segment in Tel Aviv, Israel. Additionally, we hire independent contractors in the Ukraine to support the on-line operations of AGS iGaming. The Company does not have customer-sponsored research and development costs.

Intellectual Property

We use a combination of internally developed and third-party intellectual property, all of which we believe maintain and enhance our competitive position and protect our products. Such intellectual property includes owned or licensed patents, patent applications, trademarks, and trademark applications in the United States. In addition, we have rights in intellectual property in certain foreign jurisdictions. Some of these rights, however, are shared with other third parties, including in an industry wide manufacturers' patent pool. Additionally, pursuant to our license agreements with third-party game developers, we license and distribute gaming software. We also have pooling arrangements with third parties, whereby all parties to such arrangement are permitted to use certain intellectual property contributed to the pool.

Competition

We encounter competition from other designers, manufacturers and operators of electronic gaming machines, table products, social casino and real-money gaming games. Our competitors range from small, localized companies to large, multi-national corporations, several of which have substantial resources and market share.

Our competitors for the live casino floor gaming machines include, but are not limited to, International Game Technology PLC ("IGT"), Scientific Games Corporation ("Scientific Games"), Aristocrat Technologies Inc. ("Aristocrat"), Everi Holdings Inc. ("Everi"), Konami Co. Ltd. ("Konami"), Ainsworth Game Technology Ltd., and Galaxy Gaming, Inc. Additionally, there are hundreds of non-gaming companies that design and develop social casino games and apps and real-money gaming products and services. Many of our competitors are large, well-established companies with substantially larger operating staffs and greater capital resources and have been engaged in the design, manufacture and operation of gaming products for many years. Some of these companies contain significant intellectual property including patents in gaming technology and hardware design, systems and game play and trademarks. In addition, the larger competitors contain significantly larger content portfolios and content development capability and resources, are licensed in markets throughout the United States, and have international distribution. IGT, Scientific Games, Aristocrat, and Konami all have a presence in the back-office accounting and player tracking business which expands their relationship with casino customers. Aristocrat and Everi are our primary competitors in the Class II market.

To compete effectively, we must, among other things, continue to develop high-performing, innovative games for the Class II and Class III markets, provide excellent service and support to our existing customers, effectively manage our installed base of participation gaming machines, expand our library of proprietary content, develop niche products with strong appeal to both local and next-generation players, be first to market in new non-traditional markets, implement effective marketing and sales functions, and offer competitive pricing and terms on our participation and sale agreements.

Seasonality

We experience fluctuations in revenues and cash flows from quarter to quarter, as our operating results have been highest during the first and second quarters and lowest in our third and fourth quarters, primarily due to the seasonality of player demand. These fluctuations, however, do not have a material impact on our revenues and cash flows.

Inflation

Our operations have not been, nor are they expected to be in the future, materially affected by inflation. However, our operational expansion is affected by the cost of hardware components, which are not considered to be inflation sensitive, but rather, sensitive to changes in technology and competition in the hardware markets. In addition, we expect to continue to incur increased legal and other similar costs associated with regulatory compliance requirements and the uncertainties present in the operating environment in which we conduct our business.

Employees

As of December 31, 2018 , we had over 678 full-time equivalent employees, with approximately 169 employed internationally and approximately 509 employed domestically.

We are not a party to any collective bargaining agreements in the United States and have not experienced any strikes or work stoppages in the past.

Regulation and Licensing

Licensing and Suitability Determinations

We operate in numerous gaming jurisdictions, and our business operations, which include the manufacture, sale, and distribution, of gaming devices, gaming related equipment, related software and/or the provision of gaming related services, are subject to extensive federal, state, local, tribal and foreign government regulation as applicable in each of the gaming jurisdictions in which we operate. A significant portion of our operations take place at facilities conducting gaming activities on the tribal lands of Native American tribes resulting in our operations being subject to tribal and/or federal and sometimes state regulation depending on the classification of gaming being conducted in each such case as defined in the Indian Gaming Regulatory Act of 1988 ("IGRA"). In states where commercial gaming has been legalized, our operations are conducted subject to the applicable federal, state, and local government regulation.

While the specific regulatory requirements of the various jurisdictions vary, the gaming laws in most jurisdictions require us, each of our subsidiaries engaged in manufacturing, selling and distributing gaming products and services, our directors, officers and employees and, in some cases, certain entities or individuals who hold some level of beneficial ownership, typically 5% or more, in the Company or its affiliates as well as our lenders and other individuals or entities affiliated with us (contractually or otherwise) to obtain a license, permit, finding of suitability or other approval from gaming authorities. Gaming authorities have broad discretion in determining whether an applicant qualifies for licensing or should be deemed suitable and the burden of demonstrating suitability and the cost of the investigation is the responsibility of the applicant. While the criteria vary between jurisdictions, generally, in determining whether to grant or renew a license, the gaming authorities will consider the good character, honesty and integrity of the applicant and the financial ability, integrity and responsibility of the applicant. For individual applicants, gaming authorities consider the individual's business experience and reputation for good character, the individual's criminal history and the character of those with whom the individual associates. Qualification and suitability determinations for individuals requires the individual to submit detailed personal and financial information to the gaming authority, followed by a thorough background investigation. Gaming authorities may deny an application for licensing or a determination of suitability for any cause which they deem reasonable. If one or more gaming authorities were to find that an officer, director or key employee fails to qualify or is unsuitable to participate in the gaming industry in such jurisdiction, we would be required to sever all relationships with such person. Additionally, gaming authorities may require us to terminate the employment of any person who refuses to file appropriate applications. The gaming regulators having jurisdiction over us have broad power over our business operations and may deny, revoke, suspend, condition, limit, or not renew our gaming or other licenses, permits or approvals, impose substantial fines and take other action, any one of which could adversely impact our business, financial condition and results of operation. We believe we and our officers, directors, managers, key employees and affiliates have obtained or are in the process of obtaining all required gaming related licenses, permits, findings of suitability and other forms of approvals necessary to carry on our business.

It is common for gaming regulators to monitor, or to require us to disclose, our activities and any disciplinary actions against us in other gaming jurisdictions. Consequently, the business activities or disciplinary actions taken against us in one jurisdiction could result in disciplinary actions in other jurisdictions.

Licensing Requirements of Security Holders

In some jurisdictions in which we operate, certain of our stockholders or holders of our debt securities may be required to undergo a suitability determination or background investigation. Many jurisdictions require any person who acquires, directly or indirectly, beneficial ownership of more than a certain percentage of our voting securities, generally 5% or more, to report the acquisition of the ownership interest and the gaming authorities may require such holder to apply for qualification or a finding of suitability. Most jurisdictions allow an "institutional investor" to apply for a waiver from such requirements provided that the institutional investor holds the ownership interest in the ordinary course of its business and for passive investment purposes only. Generally, an "institutional investor" includes an investor who is a bank, insurance company, investment company, investment advisor, or pension fund. In some jurisdictions, an application for a waiver as an institutional investor requires the submission of detailed information concerning the institutional investor and its business including, among other things, the name of each person that beneficially owns more than 5% of the voting securities of such institutional investor. If such a waiver is granted, then the institutional investor may acquire, in most cases, up to 10% of our voting securities without applying for a finding of suitability or qualification and, in some cases, a higher percentage of beneficial ownership. Even if a waiver is granted, an institutional investor may not take any action inconsistent with its status when the waiver is granted without becoming subject to a suitability determination or background investigation. A change in the investment intent of the institutional investor requires immediate reporting to the respective gaming authorities.

Notwithstanding the 5% ownership threshold, gaming authorities have broad discretion and each person who acquires, directly or indirectly, beneficial ownership of any voting security or beneficial or record ownership of any nonvoting security of any debt security of ours may be required to be found suitable if a gaming authority has reason to believe that such person's acquisition of that ownership would otherwise be inconsistent with the declared policy of the jurisdiction.

Generally, any person who fails or refuses to apply for a finding of suitability or a license within the prescribed period of time after being advised that such a finding or license is required by a gaming authority may be denied a license or be found unsuitable. The same restrictions may also apply to a record owner if the record owner, after being requested, fails to identify the beneficial owner. Any person denied a license or found unsuitable and who holds, directly or indirectly, any beneficial ownership interest in us beyond such period of time as may be prescribed by the applicable gaming authorities may be guilty of a criminal offense. Additionally, we may be subject to disciplinary action if, after we receive notice that a person is unsuitable to be a stockholder or to have a relationship with us or any of our subsidiaries, we:

- pay that person any dividend or interest upon our voting securities;
- allow that person to exercise, directly or indirectly, any voting right conferred through securities held by that person;
- pay remuneration in any form to that person for services rendered or otherwise; or
- fail to pursue all lawful efforts to terminate our relationship with that person including, if necessary, the immediate purchase of said voting securities for cash at fair market value.

In light of these regulations and their potential impact on our business, our amended and restated articles of incorporation contain provisions establishing our right to redeem the securities of disqualified holders if necessary to avoid any regulatory sanctions, to prevent the loss or to secure the reinstatement of any license, permit or approval, or if such holder is determined by any gaming authority to be unsuitable, has an application for a license or permit denied or rejected or has a previously issued license or permit rescinded, suspended, revoked or not renewed. The amended and restated articles of incorporation also include provisions defining the redemption price of such securities and the rights of a disqualified security holder.

Testing and Approvals of our Gaming Products

Many jurisdictions require our gaming devices, related gaming equipment, software, and platform to be tested for compliance with the jurisdiction's technical standards and regulations prior to our being permitted to distribute such devices, equipment, software and platform. The gaming authorities will conduct rigorous testing of our devices, equipment, software and platform through a testing laboratory which may be operated by the gaming authority or by an independent third party and may require a field trial of the device, equipment, software or platform before determining that it meets the gaming authority's technical standards. As part of the approval process, a gaming authority may require us to modify, update, or revise our device, equipment, software or platform and the approval process may require several rounds before approval is ultimately granted. The time required for product testing can be extensive.

Continued Reporting and Monitoring

In most jurisdictions, even though we are licensed or approved, we remain under the on-going obligation to provide financial information and reports as well as to keep the applicable gaming authorities informed of any material changes in the information provided to them as part of our licensing and approval process. All licenses and approvals must be periodically renewed, in some cases as often as annually. In connection with any initial application or renewal of a gaming license or approval, we (and individuals or entities required to submit to background investigations or suitability determinations in connection with our application or renewal) are typically required to make broad and comprehensive disclosures concerning our history, finances, ownership and corporate structure, operations, compliance controls and business relationships. We must regularly report changes in our officers, key employees and other licensed positions to applicable gaming authorities.

Most gaming jurisdictions impose fees and taxes that are payable by us in connection with our application, maintenance and renewal of our licensure or our approval to conduct business. Laws, regulations, and ordinances governing our gaming related activities and the obligations of gaming companies in any jurisdiction in which we have or in the future may have gaming operations are subject to change that could impose additional operating, financial, or other burdens on our business.

Federal Registration

The Gambling Devices Act of 1962 makes it unlawful for a person to manufacture, transport, or receive gaming devices (including our products), or components across interstate lines unless that person has first registered with the Attorney General of the United States Department of Justice. This act also imposes gambling device identification and record keeping requirements. Violation of this act may result in seizure and forfeiture of the equipment, as well as other penalties. As an entity involved in the manufacture and transportation of gaming devices, we are required to register annually.

Native American Gaming Regulation

Gaming on Native American lands is governed by federal law, tribal-state compacts, and tribal gaming regulations. Federally, gaming on Native American lands is subject to "the IGRA", which is administered by the National Indian Gaming Commission ("NIGC"). Under the IGRA, gaming activities conducted by federally recognized Native American tribes are segmented into three classes:

- Class I, Class II and Class III.

Class I . Class I gaming represents traditional forms of Native American gaming as part of, or in connection with, tribal ceremonies or celebrations (e.g., contests and games of skill) and social gaming for minimal prizes. Class I gaming is regulated only by each individual Native American tribe. We do not participate in any Class I gaming activities.

Class II . Class II gaming involves the game of chance commonly known as bingo (whether or not electronic, computer, or other technological aids are used in connection therewith to facilitate play) and if played in the same location as bingo, also includes pull tabs, punch board, tip jars, instant bingo, and other games similar to bingo. Class II gaming also includes non-banked card games, that is, games that are played exclusively against other players rather than against the house or a player acting as a bank such as poker. However, the definition of Class II gaming specifically excludes slot machines or electronic facsimiles of Class III games. Class II gaming is regulated by the NIGC and the ordinances and regulations of the Native American tribe conducting such gaming. Subject to the detailed requirements of the IGRA, including NIGC approval of such Native American tribe's gaming ordinance, federally recognized Native American tribes are typically permitted to conduct Class II gaming on Indian lands pursuant to tribal ordinances approved by the NIGC.

Class III . Class III gaming includes all other forms of gaming that are neither Class I nor Class II and includes a broad range of traditional casino games such as slot machines, blackjack, craps and roulette, as well as wagering games and electronic facsimiles of any game of chance. The IGRA generally permits a Native American tribe to conduct Class III gaming activities on reservation lands subject to the detailed requirements of the IGRA and provided that the Native American tribe has entered into a written agreement or compact with the state that specifically authorizes the types of Class III gaming the tribe may offer. The tribal-state compacts vary from state to state. Many such tribal-state compacts address the manner and extent to which the state or tribe will license manufacturers and suppliers of gaming devices and conduct background investigations and certify the suitability of persons such as officers, directors, key persons and, in some cases, shareholders of gaming device manufacturers and suppliers.

The IGRA is administered by the NIGC and the Secretary of the U.S. Department of the Interior. The NIGC has authority to issue regulations related to tribal gaming activities, approve tribal ordinances for regulating gaming, approve management agreements for gaming facilities, conduct investigations and monitor tribal gaming generally. The IGRA is subject to interpretation by the NIGC and may be subject to judicial and legislative clarification or amendment. The gaming ordinance of each Native American tribe conducting gaming under the IGRA and the terms of any applicable tribal-state compact establish the regulatory requirements under which we must conduct business on Native American tribal lands.

Under the IGRA, the NIGC's authority to approve gaming-related contracts is limited to management contracts and collateral agreements related to management contracts. A "management contract" includes any agreement between a Native American tribe and a contractor if such contract or agreement provides for the management of all or part of a gaming operation. To the extent that any of our agreements with Native American tribes are deemed to be management contracts, such agreements would require the approval of the NIGC in order to be valid. To our knowledge, none of our current agreements with Native American tribes qualify as management contracts under the IGRA

In addition, to the extent that any of our agreements with Native American tribes are deemed by the NIGC to create an impermissible proprietary interest, such agreements are void and unenforceable. To our knowledge, none of our current agreements with Native American tribes create an impermissible proprietary interest in Indian gaming.

International Regulation

Certain foreign countries permit the importation, sale, and operation of gaming equipment, software and related equipment in casino and non-casino environments. Some countries prohibit or restrict the payout feature of the traditional slot machine or limit the operation and the number of slot machines to a controlled number of casinos or casino-like locations. Gaming equipment must comply with the individual country's regulations. Certain jurisdictions do not require the licensing of gaming equipment operators and manufacturers. In Mexico, for example, gaming regulations have not been formalized and although we believe that we are compliant with the current informal regulations, if there are changes or new interpretations of the regulations in that jurisdiction we may be prevented or hindered from operating our business in Mexico.

Social Gaming Regulation

With respect to our social interactive gaming business, it is largely unregulated at this time. There are, however, movements in some jurisdictions to review social interactive gaming and possibly implement social interactive gaming regulations. We cannot predict the likelihood, timing, scope or terms of any such regulation or the extent to which any such regulation would affect our social interactive gaming business.

We are subject to various federal, state and international laws that affect our interactive business including those relating to the privacy and security of our customer and employee personal information and those relating to the Internet, behavioral tracking, mobile applications, advertising and marketing activities, sweepstakes and contests. Additional laws in all of these areas are likely to be passed in the future, which would result in significant limitations on or changes to the ways in which we collect, use, host, store or transmit the personal information and data of our customers or employees, communicate with our customers or deliver our products and services or may significantly increase our costs of compliance.

Available Information

The Company's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to reports filed or furnished pursuant to Section 13(a) of the Exchange Act will be made available free of charge on or through our website at www.playags.com as soon as reasonably practicable after such reports are filed with, or furnished to, the SEC. The information on our website is not, and shall not be deemed to be, part of this report or incorporated into any other filings we make with the SEC. You may also read and obtain copies of any document we file at the SEC's website. The address of this website is www.sec.gov.

From time to time, we may use our website as a channel of distribution of material information. Financial and other material information regarding the Company is routinely posted on and accessible at www.playags.com.

ITEM 1A. RISK FACTORS.

The following risk factors should be considered carefully in addition to the other information contained in this Annual Report on Form 10-K. This Annual Report on Form 10-K contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those contained in the forward-looking statements. Factors that may cause such differences include, but are not limited to, those discussed below as well as those discussed elsewhere in this Annual Report on Form 10-K. If any of the following risks actually occur, our business, financial condition and results of operations could be materially and adversely affected.

Risks Related to Our Business and Industry

We operate in highly competitive industries and our success depends on our ability to effectively compete with numerous domestic and foreign businesses.

We face significant competition in our businesses and in the evolving interactive gaming industry, not only from our traditional competitors but also from a number of other domestic and foreign providers (or, in some cases, the operators themselves), some of which have substantially greater financial resources and/or experience than we do. Many of our competitors are large, well-established companies with substantially larger operating staffs and greater capital resources and have been engaged in the design, manufacture and operation of electronic gaming equipment business for many years. In addition, we cannot assure you that our products and services will be successful or that we will be able to attract and retain players as our products and services compete with the products and services of others, which may impact the results of our operations.

Our business faces significant competition, including from illegal operators. There are a limited number of gaming operators and many established companies offer competing products. We compete on the basis of the content, features, quality, functionality, responsiveness and price of our products and services.

We also face high levels of competition in the supply of products and services for newly legalized gaming jurisdictions and for openings of new or expanded casinos. Our success is dependent on our ability to successfully enter new markets and compete successfully for new business especially in the face of declining demand for electronic gaming machine replacements.

We also compete to obtain space and favorable placement on casino gaming floors. Casino operators focus on performance, longevity, player appeal and price when making their purchasing and leasing decisions. Competitors with a larger installed base

of electronic gaming machines and more game themes than ours may have an advantage in obtaining and retaining placements in casinos.

We have offered customers discounts, free trials and free gaming equipment, including conversion kits (and, in some cases, free electronic gaming machines) in connection with the sale or placement of our products and services. In addition, we have, in some cases, agreed to modify pricing and other contractual terms in connection with the sale or placement of our products. In select instances, we may pay for the right to place electronic gaming machines on a casino's floor and increased fee requirements from such casino operators may greatly reduce our profitability. There can be no assurance that competitive pressure will not cause us to increase the incentives that we offer to our customers or agree to modify contractual terms in ways that are unfavorable to us, which could adversely impact the results of our operations.

Our competitors may provide a greater amount of financing or better terms than we do and this may impact demand for our products and services.

Competition for table game content is focused on player appeal, brand recognition and price. We compete on this basis, as well as on the extent of our sales, service, marketing and distribution channels. We also compete with several companies that primarily develop and license table games, as well as with non-proprietary table games such as blackjack and baccarat.

Our interactive social gaming business is subject to significant competition. We have expanded into interactive social gaming as have several of our competitors and our customers. This expansion causes us to compete with social gaming companies that have no connection to traditional regulated gaming markets and many of those companies have a base of existing users that is larger than ours. In order to stay competitive in our interactive social gaming businesses, we will need to continue to create and market game content that attracts players and invest in new and emerging technologies.

Our success is dependent upon our ability to adapt to and offer products that keep pace with evolving technology related to our businesses.

The success of our products and services is affected by changing technology and evolving industry standards. Our ability to anticipate or respond to such changes and to develop and introduce new and enhanced products and services, including, but not limited to, gaming content, electronic gaming machines, table products and interactive gaming products and services, on a timely basis or at all is a significant factor affecting our ability to remain competitive, retain existing contracts or business and expand and attract new customers and players. There can be no assurance that we will achieve the necessary technological advances or have the financial resources needed to introduce new products or services on a timely basis or at all.

Our success depends upon our ability to respond to dynamic customer and player demand by producing new and innovative products and services. The process of developing new products and systems is inherently complex and uncertain. It requires accurate anticipation of changing customer needs and player preferences as well as emerging technological trends. If our competitors develop new game content and technologically innovative products and we fail to keep pace, our business could be adversely affected. If we fail to accurately anticipate customer needs and player preferences through the development of new products and technologies, we could lose business to our competitors, which would adversely affect our results of operations.

We may experience manufacturing, operational or design problems that could delay or prevent the launch of new products or services. Introducing new and innovative products and services requires us to adapt and refine our manufacturing, operations and delivery capabilities to meet the needs of our product innovation. If we cannot efficiently adapt our manufacturing infrastructure to meet the needs associated with our product innovations, or if we are unable to upgrade our production capacity in a timely manner, our business could be negatively impacted. In the past, we have experienced delays in launching new products and services due to the complex or innovative technologies embedded in our products and services. Such delays can adversely impact our results of operations.

In addition, the social gaming landscape is rapidly evolving and is characterized by major fluctuations in the popularity of social products and platforms, such as mobile. We may be unable to develop products at a rate necessary to respond to these changes, or at all, or that anticipate the interests of social players. Likewise, our social gaming offerings operate largely through Facebook, Google Play for Android devices and Apple's iOS platform. If alternative platforms increase in popularity, we could be adversely impacted if we fail to timely create compatible versions of our products.

Our success also depends on creating products and services with strong and sustained player appeal. We are under continuous pressure to anticipate player reactions to, and acceptance of, our new products while continuing to provide successful products that generate a high level of play. In some cases, a new game or electronic gaming machine will only be accepted by our casino or interactive gaming customers if we can demonstrate that it is likely to produce more revenue and/or has more player

appeal than our existing products and services or our competitors' products and services.

We have invested, and may continue to invest, significant resources in research and development efforts. We invest in a number of areas, including product development for game and system-based hardware, software and game content. In addition, because of the sophistication of our newer products and the resources committed to their development, they are generally more expensive to produce. If our new products do not gain market acceptance or the increase in the average selling or leasing price of these new products is not proportionate to the increase in production cost, in each case as compared to our prior products, or if the average cost of production does not go down over time, whether by reason of long-term customer acceptance, our ability to find greater efficiencies in the manufacturing process as we refine our production capabilities or a general decrease in the cost of the technology, our margins will suffer and could negatively impact our business and results of operations. There can be no assurance that our investment in research and development will lead to successful new technologies or products. If a new product is not successful, we may not recover our development, regulatory approval or promotion costs.

Our success depends in part on our ability to develop, enhance and/or introduce successful gaming concepts and game content. Demand for our products and the level of play of our products could be adversely affected by changes in player and operator preferences.

We believe that creative and appealing game content produces more revenue for our electronic gaming machine customers and provides them with a competitive advantage, which in turn enhances our revenue and our ability to attract new business and to retain existing business. There can be no assurance that we will be able to sustain the success of our existing game content or effectively develop or obtain from third parties game content or licensed brands that will be widely accepted both by our customers and players. As a supplier of gaming equipment, we must offer themes and products that appeal to gaming operators and players. Our revenues are dependent on the earning power and life span of our games. We therefore face continuous pressure to design and deploy new and successful game themes and technologically innovative products to maintain our revenue and remain competitive. If we are unable to anticipate or react timely to any significant changes in player preferences, the demand for our gaming products and the level of play of our gaming products could decline. Further, we could fail to meet certain minimum performance levels, or operators may reduce revenue sharing arrangements with us, each of which could negatively impact our sales and financial results. In addition, general changes in consumer behavior, such as reduced travel activity or redirection of entertainment dollars to other venues, could result in reduced demand and reduced play levels for our gaming products.

Our business is vulnerable to changing economic conditions and to other factors that adversely affect the casino industry, which have negatively impacted and could continue to negatively impact the play levels of our participation games, our product sales and our ability to collect outstanding receivables from our customers.

Demand for our products and services depends largely upon favorable conditions in the casino industry, which is highly sensitive to casino patrons' disposable incomes and gaming activities. Discretionary spending on entertainment activities could further decline for reasons beyond our control, such as natural disasters, acts of war, terrorism, transportation disruptions or the results of adverse weather conditions. Additionally, disposable income available for discretionary spending may be reduced by higher housing, energy, interest, or other costs, or where the actual or perceived wealth of customers has decreased because of circumstances such as lower residential real estate values, increased foreclosure rates, inflation, increased tax rates, or other economic disruptions. Any prolonged or significant decrease in consumer spending on entertainment activities could result in reduced play levels on our participation games, causing our cash flows and revenues from a large share of our recurring revenue products to decline.

We have incurred, and may continue to incur, additional provisions for bad debt related to credit concerns on certain receivables.

Our ability to operate in our existing markets or expand into new jurisdictions could be adversely affected by changing regulations, new interpretations of existing laws, and difficulties or delays in obtaining or maintaining required licenses or approvals.

We operate only in jurisdictions where gaming is legal. The gaming industry is subject to extensive governmental regulation by U.S. federal, state and local governments, as well as Native American tribal governments, and foreign governments. While the regulatory requirements vary by jurisdiction, most require:

- licenses and/or permits;
- documentation of qualifications, including evidence of financial stability;
- other required approvals for companies who design, assemble, supply or distribute gaming equipment and services; and
- individual suitability of officers, directors, major equity holders, lenders, key employees and business partners.

Any license, permit, approval or finding of suitability may be revoked, suspended or conditioned at any time. We may not be able to obtain or maintain all necessary registrations, licenses, permits or approvals, or could experience delays related to the licensing process which could adversely affect our operations and our ability to retain key employees.

To expand into new jurisdictions, in most cases, we will need to be licensed, obtain approvals of our products and/or seek licensure of our officers, directors, major equity holders, key employees or business partners and potentially lenders. If we fail to obtain a license required in a particular jurisdiction for our games and electronic gaming machines, hardware or software or have such license revoked, we will not be able to expand into, or continue doing business in, such jurisdiction. Any delays in obtaining or difficulty in maintaining regulatory approvals needed for expansion within existing markets or into new jurisdictions can negatively affect our opportunities for growth. In addition, the failure of our officers, directors, key employees or business partners, equity holders, or lenders to obtain or receive licenses in one or more jurisdictions may require us to modify or terminate our relationship with such officers, directors, key employees or business partners, equity holders, or lenders, or forego doing business in such jurisdiction.

Although we plan to maintain our compliance with applicable laws as they evolve, there can be no assurance that we will do so and that law enforcement or gaming regulatory authorities will not seek to restrict our business in their jurisdictions or institute enforcement proceedings if we are not compliant. 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. A negative regulatory finding or ruling in one jurisdiction could have adverse consequences in other jurisdictions, including with gaming regulators. Furthermore, the failure to become licensed, or the loss or conditioning of a license, in one market may have the adverse effect of preventing licensing in other markets or the revocation of licenses we already maintain.

Further, changes in existing gaming 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 would 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, would likely have a negative impact on our operations. Gaming regulations in Mexico have not been formalized and although we believe that we are compliant with the current informal regulations, if there are changes or new interpretations of the regulations in that jurisdiction we may be prevented or hindered from operating our business in Mexico.

Many jurisdictions also require extensive personal and financial disclosure and background checks from persons and entities beneficially owning a specified percentage (typically 5% or more) of our equity securities and may require the same from our lenders. The failure of these beneficial owners or lenders to submit to such background checks and provide required disclosure could jeopardize our ability to obtain or maintain licensure in such jurisdictions.

Smoking bans in casinos may reduce player traffic and affect our revenues.

Some U.S. jurisdictions have introduced or proposed smoking bans in public venues, including casinos, which may reduce player traffic in the facilities of our current and prospective customers, which may reduce revenues on our participation electronic gaming machines or impair our future growth prospects and therefore may adversely impact our revenues in those jurisdictions. Other participants in the gaming industry have reported declines in gaming revenues following the introduction of a smoking ban in jurisdictions in which they operate and we cannot predict the magnitude or timing of any decrease in revenues resulting from the introduction of a smoking ban in any jurisdiction in which we operate.

We have a history of operating losses and a significant accumulated deficit, and we may not achieve or maintain profitability in the future.

We have not been profitable and cannot predict when we will achieve profitability, if ever. As of December 31, 2018 , we had an accumulated deficit of approximately $222.4 million , as a result of historical operating losses. These losses have resulted principally from depreciation and amortization, interest, research and development, sales and marketing and administrative expenses. We also expect our costs to increase in future periods. For example, we intend to expend significant funds to expand our sales and marketing operations, develop new products, meet the increased compliance requirements associated with our transition to and operation as a public company, and expand into new markets, and we may not be able to increase our revenue enough to offset our higher operating expenses. We may incur significant losses in the future for a number of other reasons, including the other risks described in this Form 10-K, and unforeseen expenses, difficulties, complications and delays, and other unknown events. While we believe our growth strategy will help us achieve profitability, there can be no guarantee. If we are unable to achieve and sustain profitability, our stock price may significantly decrease.

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

Certain of our agreements with Native American tribes are subject to review by regulatory authorities. For example, our development agreements may be subject to review by the NIGC, and any such review could require substantial modifications to our agreements or result in the determination that we have a proprietary interest in a Native American tribe's gaming activity (which is prohibited), which could materially and adversely affect the terms on which we conduct our business. The NIGC may also reinterpret applicable laws and regulations, which could affect our agreements with Native American tribes. We could also be affected by alternative interpretations of the Johnson Act as the Native American tribes, who are the customers for our Class II games, could be subject to significant fines and penalties if it is ultimately determined they are offering an illegal game, and an adverse regulatory or judicial determination regarding the legal status of our products could have material adverse consequences for our results of operations.

Government enforcement, regulatory action, judicial decisions and proposed legislative action have in the past, and will likely continue to affect our business 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 results of operations. 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 satisfactory returns on money lent to new and existing customers to develop or expand gaming facilities or to acquire gaming routes.

We enter into agreements to provide financing for construction, expansion, or remodeling of gaming facilities, primarily in the state of Oklahoma, and also have agreements in other jurisdictions where we provide loans and advances to route operators to acquire location contracts and fund working capital. Under these agreements, we secure long-term contracts for game placements under either a revenue share or daily fee basis in exchange for the loans and advances. We may not, however, realize the anticipated benefits of any of these strategic relationships or financings as our success in these ventures is dependent upon the timely completion of the gaming facility, the placement of our electronic gaming machines, and a favorable regulatory environment.

These activities may result in unforeseen operating difficulties, financial risks, or required expenditures that could adversely affect our liquidity. In connection with one or more of these transactions, and to obtain the necessary funds to enter these agreements, we may need to extend secured and unsecured credit to potential or existing customers that may not be repaid, incur debt on terms unfavorable to us or that we are unable to repay, or incur other contingent liabilities.

The failure to maintain controls and processes related to billing and collecting accounts receivable or the deterioration of the financial condition of our customers could negatively impact our business. As a result of these agreements, the collection of notes receivable has become a matter of greater significance. While we believe the increased level of these specific receivables

has allowed us to grow our business, it has also required direct, additional focus of and involvement by management. Further, and especially due to the current downturn in the economy, some of our customers may not pay the notes receivable when due.

We rely on information technology and other systems and any failures in our systems could disrupt our business and adversely impact our results.

We rely on information technology systems that are important to the operation of our business, some of which are managed by third parties. These systems are used to process, transmit and store electronic information, to manage and support our business operations and to maintain internal controls over our financial reporting. We could encounter difficulties in developing new systems, maintaining and upgrading current systems and preventing security breaches. Among other things, our systems are susceptible to outages due to fire, floods, power loss, break-ins, cyber-attacks, network penetration, denial of service attacks and similar events. While we have and will continue to implement network security measures and data protection safeguards, our servers and other computer systems are vulnerable to viruses, malicious software, hacking, break-ins or theft, data privacy or security breaches, third-party security breaches, employee error or malfeasance and similar events. Failures in our systems or services or unauthorized access to or tampering with our systems and databases could have a material adverse effect on our business, reputation and results of operations. Any failures in our computer systems or telecommunications services could affect our ability to operate our linked games or otherwise conduct business.

Portions of our information technology infrastructure also may experience interruptions, delays or cessations of service or produce errors in connection with systems integration or migration work that takes place from time to time. We may not be successful in implementing new systems and transitioning data, which could cause business disruptions and be more expensive, time consuming, disruptive and resource-intensive. Such disruptions could materially and adversely impact our ability to deliver products to customers and interrupt other processes. If our information systems do not allow us to transmit accurate information, even for a short period of time, to key decision makers, the ability to manage our business could be disrupted and our results of operations could be materially and adversely affected. Failure to properly or adequately address these issues could impact our ability to perform necessary business operations, which could materially and adversely affect our reputation, competitive position and results of operations.

Due to the ever-changing threat landscape, our operations and services may be subject to certain risks, including hacking or other unauthorized access to control or view systems.

Companies are under increasing attack by cybercriminals around the world. While we implement security measures within our operations and systems, those measures may not prevent cybersecurity breaches; the access, capture, or alteration of information by criminals; the exposure or exploitation of potential security vulnerabilities; distributed denial of service attacks; the installation of malware or ransomware; acts of vandalism; computer viruses; or misplaced data or data loss that could be detrimental to our reputation, business, financial condition, and results of operations. Third parties, including our vendors, could also be a source of security risk to us in the event of a failure of their own products, components, networks, security systems, and infrastructure. In addition, we cannot be certain that advances in criminal capabilities, new discoveries in the field of cryptography, or other developments will not compromise or breach the technology protecting the networks that access our products and services.

Our Interactive segment's products are accessed through the Internet, and leverage the connectivity of Facebook and other mobile platforms. As such, security breaches in connection with the delivery of our services via the Internet may affect us and could be detrimental to our reputation, business, operating results, and financial condition. In addition, we depend on our information technology infrastructure for the business-to-business and business-to-consumer portions of our Interactive Segment. Security breaches of, or sustained attacks against, this infrastructure could create system disruptions and shutdowns that could negatively impact our operations. We continue to invest in new and emerging technology and other solutions to protect our network and information systems, but there can be no assured that these investments and solutions will prevent any of the risks described above.

Slow growth in the development of new gaming jurisdictions or the number of new casinos, declines in the rate of replacement of existing electronic gaming machines and ownership changes and consolidation in the casino industry could limit or reduce our future prospects.

Demand for our new participation electronic gaming machine placements and game sales is partially driven by the development of new gaming jurisdictions, the addition of new casinos or expansion of existing casinos within existing gaming jurisdictions and the replacement of existing electronic gaming machines. The establishment or expansion of gaming in any jurisdiction typically requires a public referendum or other legislative action. As a result, gaming continues to be the subject of public debate, and there are numerous active organizations that oppose gaming. There can be no assurances that new gaming

jurisdictions will be established in the future or that existing jurisdictions will expand gaming, and, thus, our growth strategy could be negatively impacted.

To the extent new gaming jurisdictions are established or expanded, we cannot guarantee we will be successful penetrating such new jurisdictions or expanding our business in line with the growth of existing jurisdictions. As we enter into new markets, we may encounter legal and regulatory challenges that are difficult or impossible to foresee and which could result in an unforeseen adverse impact on planned revenues or costs associated with the new market opportunity. If we are unable to effectively develop and operate within these new markets, then our business, operating results and financial condition would be impaired. Furthermore, as we attempt to generate new streams of revenue by placing our participation electronic gaming machines with new customers we may have difficulty implementing an effective placement strategy for jurisdictional specific games. Our failure to successfully implement an effective placement strategy could cause our future operating results to vary materially from what management has forecasted.

In addition, the construction of new casinos or expansion of existing casinos fluctuates with demand, general economic conditions and the availability of financing. We believe the rate of gaming growth in North America has decelerated and machine replacements are at historically low levels. Slow growth in the establishment of new gaming jurisdictions or delays in the opening of new or expanded casinos and continued declines in, or low levels of demand for, electronic gaming machine replacements could reduce the demand for our products and our future profits. Our business could be negatively affected if one or more of our customers is sold to or merges with another entity that utilizes more of the products and services of one of our competitors or that reduces spending on our products or causes downward pricing pressures. Such consolidations could lead to order cancellations, a slowing in the rate of electronic gaming machine replacements, or require our current customers to switch to our competitors' products, any of which could negatively impact our results of operations.

States and other jurisdictions may amend or repeal gaming enabling legislation which could materially impact our business.

States and other jurisdictions may amend or repeal gaming enabling legislation which could materially impact our business. Changes to gaming enabling legislation could increase our operating expenses and compliance costs or decrease the profitability of our operations. Repeal of gaming enabling legislation could result in losses of capital investments and revenue, limit future growth opportunities and have a material adverse impact in our financial condition and results of operations. If any jurisdiction in which we operate were to repeal gaming enabling legislation, there could be no assurance that we could sufficiently increase our revenue in other markets to maintain operations or service our existing indebtedness.

The intellectual property rights of others may prevent us from developing new products and services, entering new markets or may expose us to liability or costly litigation and litigation regarding our intellectual property could have a material adverse effect on the results of our business or intellectual property.

Our success depends in part on our ability to continually adapt our products to incorporate new technologies and to expand into markets that may be created by new technologies. If technologies are protected by the intellectual property rights of others, including our competitors, we may be prevented from introducing products based on these technologies or expanding into markets created by these technologies. If the intellectual property rights of others prevent us from taking advantage of innovative technologies, our prospects and results of operations may be adversely affected.

There can be no assurance that our business activities, games, products, services and systems will not infringe upon the proprietary rights of others, or that other parties will not assert infringement claims against us. In addition to infringement claims, third parties may allege claims of invalidity or unenforceability against us or against our licensees or manufacturers in connection with their use of our technology. A successful challenge to, or invalidation of, one of our intellectual property interests, a successful claim of infringement by a third party against us, our products or services, or one of our licensees in connection with the use of our technologies, or an unsuccessful claim of infringement made by us against a third party or its products or services could adversely affect our business or cause us financial harm. Any such claim and any resulting litigation, should it occur, could:

- be expensive and time consuming to defend or require us to pay significant amounts in damages;
- invalidate our proprietary rights;
- cause us to cease making, licensing or using products or services that incorporate the challenged intellectual property;
- require us to redesign, reengineer or rebrand our products or services or limit our ability to bring new products and services to the market in the future;
- require us to enter into costly or burdensome royalty, licensing or settlement agreements in order to obtain the right to use a product, process or component;
- impact the commercial viability of the products and services that are the subject of the claim during the pendency of such claim; or

- require us by way of injunction to remove products or services on lease or stop selling or leasing new products or services.

A significant portion of our success depends on the protection of our intellectual property. In the future we may make claims of infringement, invalidity or enforceability against third parties. This enforcement could:

- cause us to incur greater costs and expenses in the protection of our intellectual property;
- potentially negatively impact our intellectual property rights;
- cause one or more of our patents, trademarks, copyrights or other intellectual property interests to be ruled or rendered unenforceable or invalid; or
- divert management's attention and our resources.

Our inability to complete future acquisitions and integrate those businesses successfully could limit our future growth.

From time to time, we pursue strategic acquisitions in support of our strategic goals. In connection with any such acquisitions, we could face significant challenges in managing and integrating our expanded or combined operations, including acquired assets, operations and personnel. There can be no assurance that acquisition opportunities will be available on acceptable terms or at all or that we will be able to obtain necessary financing or regulatory approvals to complete potential acquisitions. Our ability to succeed in implementing our strategy will depend to some degree upon the ability of our management to identify, complete and successfully integrate commercially viable acquisitions. Acquisition transactions may disrupt our ongoing business and distract management from other responsibilities.

In addition, there can be no assurance regarding when or the extent to which we will be able to realize any anticipated financial or operational benefits, synergies or cost savings from these acquisitions. We may also incur greater costs than estimated to achieve all of the synergies and other benefits from an acquisition. Integration may also be difficult, unpredictable and subject to delay because of possible company culture conflicts and different opinions on technical decisions and product roadmaps. We may be required to integrate or, in some cases, replace, numerous systems, such as those involving management information, purchasing, accounting and finance, sales, billing, employee benefits, payroll, data privacy and security and regulatory compliance.

Our business is dependent on the security and integrity of the systems and products we offer.

We believe that our success depends, in part, on providing secure products, services and systems to our customers. Attempts to penetrate security measures may come from various combinations of customers, retailers, vendors, employees and others. Our ability to prevent anomalies and monitor and ensure the quality and integrity of our products and services is periodically reviewed and enhanced. Similarly, we regularly assess the adequacy of our security systems to protect against any material loss to any of our customers and the integrity of our products and services to players. Expanded utilization of the internet and other interactive technologies may result in increased security risks for us and our customers. There can be no assurance that our business will not be affected by a security breach or lapse, which could have a material adverse impact on our results of operations.

Our success depends on our ability to avoid, detect, replicate and correct software and hardware anomalies and fraudulent manipulation of our electronic gaming machines. We incorporate security features into the design of our electronic gaming machines and other systems, which are designed to prevent us, our customers and players from being defrauded. We also monitor our software and hardware to avoid, detect and correct any technical errors. However, there can be no guarantee that our security features or technical efforts will continue to be effective in the future. If our security systems fail to prevent fraud or if we experience any significant technical difficulties, our operating results could be adversely affected. Additionally, if third parties breach our security systems and defraud players, or if our hardware or software experiences any technical anomalies, our customers and the public may lose confidence in our electronic gaming machines and operations, or we could become subject to legal claims by our customers or to investigation by gaming authorities.

Our EGMs have experienced anomalies and fraudulent manipulation in the past. Games and EGMs may be replaced by casinos and other electronic gaming machine operators if they do not perform according to expectations or they may be shut down by regulators. The occurrence of anomalies in, or fraudulent manipulation of, our electronic gaming machines or our other gaming products and services (including our interactive products and services), may give rise to claims from players and claims for lost revenue and profits and related litigation by our customers and may subject us to investigation or other action by regulatory authorities, including suspension or revocation of our licenses or other disciplinary action. Additionally, in the event of the occurrence of any such issues with our products and services, substantial engineering and marketing resources may be
diverted from other projects to correct these issues, which may delay other projects and the achievement of our strategic objectives.

Although our network is private, it is susceptible to outages due to fire, floods, power loss, break-ins, cyberattacks and similar events. We have back-up capabilities for our services in the event of any such occurrence. Despite our implementation of

network security measures, our servers are vulnerable to computer viruses and break-ins. Similar disruptions from unauthorized tampering with our computer systems in any such event could have a material adverse effect on our business, operating results and financial condition.

The results of our operations could be affected by natural events in the locations in which we or our customers, suppliers or regulators operate.

We may be impacted by severe weather and other geological events, including hurricanes, earthquakes, floods or tsunamis that could disrupt our operations or the operations of our customers, suppliers, data service providers and regulators. Natural disasters or other disruptions at any of our facilities or our suppliers' facilities may impair or delay delivery of our products and services. Additionally, disruptions experienced by our regulators due to natural disasters or otherwise could delay our introduction of new products or entry into new jurisdictions where regulatory approval is necessary. Adverse weather conditions, particularly flooding, tornadoes, heavy snowfall and other extreme weather conditions often deter our customer's players from traveling, or make it difficult for them to frequent the sites where our games are installed. If any of those sites
experienced prolonged adverse weather conditions, or if the sites in Oklahoma, where a significant number of our games are installed, simultaneously experienced adverse weather conditions, our results of operations and financial condition would be materially and adversely affected. While we insure against certain business interruption risks, we cannot provide any assurance that such insurance will compensate us for any losses incurred as a result of natural or other disasters. Any serious disruption to our operations, or those of our customers, our suppliers or our regulators, could have a material adverse effect on the results of our operations.

We are dependent on our suppliers and contract manufacturers and any failure of these parties to meet our performance and quality standards or requirements could cause us to incur additional costs or lose customers.

The manufacturing, assembling and designing of our electronic gaming machines depends upon a continuous supply of raw materials and components, such as source cabinets, which we currently source primarily from a limited number of suppliers. Our operating results could be adversely affected by an interruption or cessation in the supply of these items or a serious quality assurance lapse, including as a result of the insolvency of any of our key suppliers. We may be unable to find adequate replacements for our suppliers within a reasonable time frame, on favorable commercial terms or at all. Further, manufacturing costs may unexpectedly increase and we may not be able to successfully recover any or all of such cost increases.

The risks related to operations in foreign countries and outside of traditional U.S jurisdictions could negatively affect our results.

We operate in jurisdictions outside of the United States, principally in Mexico and on tribal lands of Native American tribes. The developments noted below, among others, could adversely affect our financial condition and results of operations:

- social, political or economic instability;
- additional costs of compliance with international laws or unexpected changes in regulatory requirements;
- tariffs and other trade barriers;
- fluctuations in foreign exchange rates outside the United States;
- adverse changes in the creditworthiness of parties with whom we have significant receivables or forward currency exchange contracts;
- expropriation, nationalization and restrictions on repatriation of funds or assets;
- difficulty protecting our intellectual property;
- recessions in foreign economies;
- difficulties in maintaining foreign operations;
- changes in consumer tastes and trends;
- risks associated with compliance with anti-corruption laws;
- acts of war or terrorism; and
- U.S. government requirements for export.

In addition, our ability to expand successfully in foreign jurisdictions involves other risks, including difficulties in integrating foreign operations, risks associated with entering jurisdictions in which we may have little experience and the day-to-day management of a growing and increasingly geographically diverse company. Our investment in foreign jurisdictions often entails partnering or other business relationships with locally based entities, which can involve additional risks arising from our lack of sole decision-making authority, our reliance on a partner's financial condition, inconsistency between our business interests or goals and those of our partners and disputes between us and our partners.

Brexit . On June 23, 2016, the United Kingdom held a referendum at which the electorate voted to leave the Council of the European Union (the "E.U."). On March 29, 2017, the government of the United Kingdom invoked article 50 of the Treaty of Lisbon (the "Treaty") and formally initiated the withdrawal of the United Kingdom from the E.U. The Treaty provides for a period of up to two years for negotiation of withdrawal arrangements, at the end of which (whether or not agreement has been reached) the treaties cease to apply to the withdrawing member state unless the European Council, in agreement with the member state concerned, unanimously decides to extend this period. While the government of the United Kingdom and the E.U. continue the withdrawal negotiations, and possibly after these negotiations have been completed, there is considerable uncertainty as to the position of the United Kingdom and the arrangements which will apply to its relationships with the E.U. and other countries following its withdrawal. This uncertainty may affect other countries in the E.U., or elsewhere, if they are considered to be impacted by these events. Additionally, political parties in several other E.U. member states have proposed that a similar referendum be held to determine their country's membership in the E.U. It is unclear whether any other E.U. member states will hold such referendums, but such referendums could result in one or more other countries leaving the E.U. or in major reforms being made to the E.U. or to the Eurozone. It is also unclear what status Gibraltar will have after the withdrawal of the United Kingdom from the E.U. This outcome may further have a material adverse effect on our operations as AGS iGaming operates in Gibraltar.

Foreign currency exchange rate fluctuations and other risks could impact our business.

For the year ended December 31, 2018 , we derived approximately 11% of our revenue from customers outside of the United States. Our consolidated financial results are affected by foreign currency exchange rate fluctuations. Foreign currency exchange rate exposures arise from current transactions and anticipated transactions denominated in currencies other than U.S. dollars and from the translation of foreign currency denominated balance sheet accounts into U.S. dollar-denominated balance sheet accounts. We are exposed to currency exchange rate fluctuations because portions of our revenue and expenses are denominated in currencies other than the U.S. dollar, particularly the Mexican Peso. If a foreign currency is devalued in a
jurisdiction in which we are paid in such currency, we may require our customers to pay higher amounts for our products, which they may be unable or unwilling to pay.

Our business is subject to quarterly fluctuation.

Historically, our operating results have been highest during the first and second quarters and lowest in our third and fourth quarters, primarily due to the seasonality of player demand. Our quarterly operating results may vary based on the timing of the opening of new gaming jurisdictions, the opening or closing of casinos, the expansion or contraction of existing casinos, approval or denial of our products and corporate licenses under gaming regulations, the introduction of new products, the seasonality of customer capital budgets, the mix of domestic versus international sales and the mix of lease and royalty revenue versus sales and service revenue. As a result, our operating results could be volatile, particularly on a quarterly basis.

In light of the foregoing, results for any quarter are not necessarily indicative of the results that may be achieved in another quarter or for the full fiscal year. There can be no assurance that the seasonal trends and other factors that have impacted our historical results will repeat in future periods as we cannot influence or forecast many of these factors.

We could face risks associated with, or arising out of, environmental, health and safety laws and regulations.

We are subject to various U.S. federal, state and local laws and regulations that (i) regulate certain activities and operations that may have environmental or health and safety effects, such as the use of regulated materials in the manufacture of our products by third parties or our disposal of materials, substances or wastes, (ii) impose liability for costs of cleaning up, and damages to natural resources from, past spills, waste disposals on and off-site, or other releases of hazardous materials or regulated substances, and (iii) regulate workplace safety. Compliance with these laws and regulations could increase our and our third-party manufacturers' costs and impact the availability of components required to manufacture our products. Violation of these laws may subject us to significant fines, penalties or disposal costs, which could negatively impact our results of operations. We could be responsible for the investigation and remediation of environmental conditions at currently or formerly operated or leased sites, as well as for associated liabilities, including liabilities for natural resource damages, third party property damage or personal injury resulting from lawsuits that could be brought by the government or private litigants, relating to our operations, the operations of facilities or the land on which our facilities are located. We may be subject to these liabilities regardless of whether we lease or own the facility, and regardless of whether such environmental conditions were created by us or by a prior owner or tenant, or by a third party or a neighboring facility whose operations may have affected such facility or land. That is because liability for contamination under certain environmental laws can be imposed on current or past owners or operators of a site without regard to fault. We cannot assure you that environmental conditions relating to our prior, existing or future sites or those of predecessor companies whose liabilities we may have assumed or acquired will not have a material adverse effect on our business.

If our products contain defects, we may be liable for product defects or other claims, our reputation could be harmed and our results of operations adversely affected.

Our products could be defective, fail to perform as designed or otherwise cause harm to our customers, their equipment or their products. If any of our products are defective, we may be required to recall the products and/or repair or replace them, which could result in substantial expenses and affect our profitability. Any problem with the performance of our products, such as a false jackpot or other prize, could harm our reputation, which could result in a loss of sales to customers and/or potential customers and in turn termination of leases, cancellation of orders, product returns and diversion of our resources. In addition, the occurrence of errors in, or fraudulent manipulation of, our products or software may give rise to claims by our customers or by our customers' players, including claims by our customers for lost revenues and related litigation that could result in significant liability. Any claims brought against us by customers may result in diversion of management's time and attention, expenditure of large amounts of cash on legal fees and payment of damages, lower demand for our products or services, or injury to our reputation. Our insurance may not sufficiently cover a judgment against us or a settlement payment and is subject to customary deductibles, limits and exclusions. In addition, a judgment against us or a settlement could make it
difficult for us to obtain insurance in the coverage amounts necessary to adequately insure our businesses, or at all, and could materially increase our insurance premiums and deductibles in the future. In addition, software bugs or malfunctions, errors in distribution or installation of our software, failure of our products to perform as approved by the appropriate regulatory bodies or other errors or malfunctions, may subject us to investigation or other action by gaming regulatory authorities, including fines. Any of these occurrences could also result in the loss of or delay in market acceptance of our products and loss of revenue.

Our revenues are vulnerable to the impact of changes to the Class II regulatory scheme.

Our Native American tribal customers that operate Class II games under the IGRA are subject to regulation by the National Indian Gaming Commission (NIGC). The NIGC has conducted and is expected to again conduct consultations with industry participants regarding Native American gaming activities, including the clarification of regulations regarding Class II electronic gaming machines. It is possible that any such changes in regulations, when finally enacted, could cause us to modify our Class II games to comply with the new regulations, which may result in our products becoming less competitive. Any required conversion of games pursuant to changing regulatory schemes could cause a disruption to our business. In addition, we could lose market share to competitors who offer games that do not appear to comply with published regulatory restrictions on Class II games and therefore offer features not available in our products.

State compacts with our existing Native American tribal customers to allow Class III gaming could reduce demand for our Class II games and our entry into the Class III market may be difficult as we compete against larger companies in the tribal Class III market.

Most of our Class II Native American tribal customers have entered into compacts with the states in which they operate to permit the operation of Class III games. While we seek to also provide Class III alternatives in these markets, we believe the number of our Class II game machine placements in those customers' facilities could decline, and our operating results could be materially and adversely affected. As our Native American tribal customers continue to transition to gaming under compacts with the state, we continue to face significant uncertainty in the market that makes our business in these states difficult to manage and predict and we may be forced to compete with larger companies that specialize in Class III gaming. We believe the establishment of state compacts depends on a number of political, social, and economic factors that are inherently difficult to ascertain. Accordingly, although we attempt to closely monitor state legislative developments that could affect our business, we may not be able to timely predict if or when a compact could be entered into by one or more of our Native American tribal customers. For example, in Oklahoma, the continued introduction of Class III games since the passage of the tribal gaming compact in 2004 may put pressure on our revenue and unit market share and our revenue share percentages and may result in a shift in the market from revenue share arrangements to a "for sale" model.

The participation share rates for gaming revenue we receive pursuant to our participation agreements with our Native American tribal customers has, on average, decreased in recent years and may continue to decrease in the future.

The percentage of gaming revenue we receive pursuant to our participation agreements, or our participation share rates, with our Native American tribal customers has, on average, decreased in recent years, negatively affecting our profit margins. There can be no assurance that participation rates will not decrease further in the future. In addition, our Native American tribal customers may adopt policies or insist upon additional business terms during the renewal of our existing participation agreements that negatively affect the profitability of those relationships. In addition, any participation agreements we may enter into in the future with new customers or in new jurisdictions may not have terms as favorable as our existing participation agreements.

We generate a substantial amount of our total revenue from two customers and in two states.

For the year ended December 31, 2018 , approximately 22% of our total revenue was derived from gaming operations in Oklahoma, and approximately 11% of our total revenue was from one Native American gaming tribe in that state. Additionally, for the year ended December 31, 2018 , approximately 9% of our total revenue was derived from gaming operations in Alabama, and approximately 9% of our total revenue was from one Native American gaming tribe in that state. The significant concentration of our revenue in Oklahoma and Alabama means that local economic, regulatory and licensing changes in Oklahoma or Alabama may adversely affect our business disproportionately to changes in national economic conditions, including adverse economic declines or slower economic recovery from prior declines. While we continue to seek to diversify the markets in which we operate, changes to our business, operations, game performance and customer relationships in Oklahoma or Alabama, due to changing gaming regulations or licensing requirements, higher taxes, increased competition, declines in market revenue share percentages or otherwise, could have a material and adverse effect on or financial condition and results of operations. In addition, changes in our relationship with our two largest customers, including any disagreements or disputes, a decrease in revenue share, removal of electronic gaming machines or non-renewal of contracts, could have a material and adverse effect on our financial condition and results of operations.

Our business depends on the protection of our intellectual property and proprietary information and on our ability to license intellectual property from third parties.

We believe that our success depends, in part, on protecting our intellectual property in the U.S. and in foreign countries and our ability to license intellectual property from third parties on commercially reasonable terms. The patent, trademark and trade secret laws of some countries may not protect our intellectual property rights to the same extent as the laws of the United States. Our intellectual property includes certain patents, trademarks and copyrights relating to our products and services (including electronic gaming machines, interactive gaming products, table games, card shufflers and accessories), as well as proprietary or confidential information that is not subject to patent or similar protection. Our success may depend, in part, on our ability to obtain protection for the trademarks, names, logos or symbols under which we market our products and to obtain copyright and patent protection for our proprietary technologies, intellectual property and innovations. There can be no assurance that we will be able to build and maintain consumer value in our trademarks, obtain patent, trademark or copyright protection or that any trademark, copyright or patent will provide us with competitive advantages. In particular, the Alice Corp. v. CLS Bank International (2014) U.S. Supreme Court decision tightened the standard for patent eligibility of software patents and other court decisions in recent years have trended towards a narrowing of patentable subject matter. A change in view at the United States Patent and Trademark Office (the "USPTO") has resulted in Patents for table games having been put into serious doubt by the USPTO. Thus, our ability to protect table games with patents can impact our ability to sustain a competitive advantage. Furthermore, at least one federal court has held that United States patent, trademark and trade secret laws of general application are not binding on Native American tribes absent a binding waiver of sovereign immunity. These and similar decisions in the future may negatively impact the validity or enforceability of certain of our patents, our ability to protect our inventions, innovations and new technology and the value of our substantial patent portfolio.

Our intellectual property protects the integrity of our games and services. Competitors may independently develop similar or superior products or software, which could negatively impact the results of our operations. We have a limited ability to prevent others from creating materially similar products. Despite our efforts to protect these proprietary rights, unauthorized parties may try to copy our gaming products, business models or systems, use certain of our confidential information to develop competing products, or develop independently or otherwise obtain and use our gaming products or technology. In cases where our technology or product is not protected by enforceable intellectual property rights, such independent development may result in a significant diminution in the value of such technology or product.

We rely on products, technologies and intellectual property that we license from third parties for our businesses. The future success of our business may depend, in part, on our ability to obtain, retain and/or expand licenses for popular technologies and games in a competitive market. There can be no assurance that these third-party licenses, or support for such licensed products and technologies, will continue to be available to us on commercially reasonable terms, if at all. In the event that we cannot renew and/or expand existing licenses, we may be required to discontinue or limit our use of the products that include or incorporate the licensed intellectual property. Certain of our license agreements grant the licensor rights to audit our use of their intellectual property. Disputes with licensors over uses or terms could result in the payment of additional royalties or penalties by us, cancellation or non-renewal of the underlying license or litigation.

We also rely on trade secrets and proprietary know-how. We enter into confidentiality agreements with our employees and independent contractors regarding our trade secrets and proprietary information, but we cannot assure you that the obligation to maintain the confidentiality of our trade secrets and proprietary information will be honored. If these agreements are breached, it is unlikely that the remedies available to us will be sufficient to compensate us for the damages suffered. Additionally, despite

various confidentiality agreements and other trade secret protections, our trade secrets and proprietary know-how could become known to, or independently developed by, competitors. Moreover, if our competitors independently develop equivalent knowledge, methods or know-how, it will be more difficult for us to enforce our rights and our business could be harmed.

Failure to attract, retain and motivate key employees may adversely affect our ability to compete.

Our success depends largely on recruiting and retaining talented employees. The market for qualified, licensable executives and highly skilled, technical workers, such as content developers, is intensely competitive. The loss of key employees or an inability to hire a sufficient number of technical workers could limit our ability to develop successful products, cause delays in getting new products to market, cause disruptions to our customer relationships or otherwise adversely affect our business.

Some of our products contain open source software which may be subject to restrictive open source licenses, requiring us to make our source code available to third parties and potentially granting third parties certain rights to the software.

Some of our products contain open source software which may be subject to restrictive open source licenses.
Some of these licenses may require that we make our source code governed by the open source software licenses available to third parties and/or license such software under the terms of a particular open source license, potentially granting third parties certain rights to our software. We may incur legal expenses in defending against claims that we did not abide by such licenses. If our defenses are unsuccessful, we may be enjoined from distributing products containing such open source software, be required to make the relevant source code available to third parties, be required to grant third parties certain rights to the software, be subject to potential damages or be required to remove the open source software from our products. Any of these outcomes could disrupt our distribution and sale of related products and adversely affect our business.

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

We have entered into license agreements with third parties for the exclusive use of their technology and intellectual property rights in the gaming industry and we also rely on third-party manufacturers to manufacture certain gaming equipment. We rely on these other parties to maintain and protect this technology and the related intellectual property rights. If our licensors fail to protect their intellectual property rights in material that we license and we are unable to protect such intellectual property rights, the value of our licenses may diminish significantly and our business could be significantly harmed.

In addition, if these agreements expire and we are unable to renew them, or if the manufacturers of this software or hardware, or functional equivalents of this software or hardware, were either no longer available to us or no longer offered to us on commercially reasonable terms, we may lose a valuable competitive advantage and our business could be harmed.

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

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

Continued operation and our ability to service several of our installed electronic gaming machines depends upon our relationships with service providers, and changes in those relationships could negatively impact our business.

We operate many electronic gaming machines that utilize third party software for which we do not own or control the underlying software code. Further, we enter into arrangements with third party vendors, from time to time, for the provision of services related to development and operation of our products. Consequently, our operations, growth prospects and future revenues could be dependent on our continued relationships with third party vendors. While we have historically maintained good relationships with third party vendors, our business would suffer if we are unable to continue these relationships in the future. Our third party vendors may have economic or business interests or goals that are inconsistent with our interests and goals, take actions

contrary to our objectives or policies, undergo a change of control, experience financial and other difficulties or be unable or unwilling to fulfill their obligations under our arrangements. The failure to avoid or mitigate the risks described above or other risks associated with such arrangements could have a material adverse effect on our results of operations.

We are continuing to maintain our internal controls over financial reporting.

Our independent registered public accounting firm is not required to audit the effectiveness of our internal control over financial reporting until after we are no longer an "emerging growth company," as defined in the JOBS Act, which at the latest would be the end of the fiscal year following the fifth anniversary of the initial public offering. At such time, our internal controls over financial reporting may be insufficiently documented, designed or operating, which may cause our independent registered public accounting firm to issue a report that is adverse.

Certain contracts with our customers are on a month-to-month basis, and if we are unable to maintain our current customers on terms that are favorable to us, our business, financial condition, or results of operations may suffer a detrimental effect.

Certain contracts with our customers are generally on a month-to-month basis, except for customers with whom we have entered into development and placement fee agreements. We do not rely upon the stated term of our gaming device contracts to retain the business of our customers. We rely instead upon providing competitive electronic gaming machines, games and systems to give our customers the incentive to continue doing business with us. At any point in time, a significant portion of our gaming device business is subject to nonrenewal, which may have a detrimental effect on 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 or results of operations may suffer a detrimental effect.

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

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

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

We may not be able to capitalize on the expansion of internet or other forms of interactive gaming or other trends and changes in the gaming industries, including due to laws and regulations governing these industries.

We participate in the new and evolving interactive gaming industry through our social and interactive gaming products. Part of our strategy is to take advantage of the liberalization of interactive gaming, both within the U.S. and internationally. These industries involve significant risks and uncertainties, including legal, business and financial risks. The success of these industries and of our interactive gaming products and services may be affected by future developments in social networks, including Apple, Google or Facebook developments, mobile platforms, regulatory developments, data privacy laws and other factors that we are unable to predict and are beyond our control. This fast-changing environment can make it difficult to plan strategically and can provide opportunities for competitors to grow their businesses at our expense. Consequently, the future results of our operations relating to our interactive gaming products and services are difficult to predict and may not grow at the rates we expect, and we cannot provide assurance that these products and services will be successful in the long term.

In general, our ability to successfully pursue our interactive gaming strategy depends on the laws and regulations relating to our gaming activities through interactive channels.

With respect to our interactive gaming business, although largely unregulated at this time, there are movements in some jurisdictions to review social gaming and possibly implement social gaming regulations. We cannot predict the likelihood, timing, scope or terms of any such regulation or the extent to which they may affect our social gaming business. The social business is subject to evolving regulations and the status of any particular jurisdiction may change at any time. The regulatory structure surrounding certain aspects of these businesses is currently in flux in certain jurisdictions.

In jurisdictions that authorize internet gaming, there can be no assurance that we will be successful in offering our technology, content and services to internet gaming operators as we expect to face intense competition from our traditional competitors in the gaming industry as well as a number of other domestic and foreign providers (or, in some cases, the operators themselves), some of which have substantially greater financial resources and/or experience in this area than we do. In addition, there is a risk that the authorization of the sale of gaming offerings via interactive channels in a particular jurisdiction could, under certain circumstances, adversely impact our gaming offerings through traditional channels in such jurisdiction. Any such adverse impact would be magnified to the extent we are not involved in, and generating revenue from, the provision of interactive gaming products or services in such jurisdiction. Know-your-customer and geo-location programs and technologies supplied by third parties are an important aspect of certain internet and mobile gaming products and services because they confirm certain information with respect to players and prospective players, such as age, identity and location. Payment processing programs and technologies, typically provided by third parties, are also a necessary feature of interactive wagering products and services. These programs and technologies are costly and may have an adverse impact on the results of our operations. Additionally, there can be no assurance that products containing these programs and technologies will be available to us on commercially reasonable terms, if at all, or that they will perform accurately or otherwise in accordance with our required specifications.

Our social gaming business is largely dependent upon our relationships with key channels and changes in those relationships could negatively impact our social gaming business.

In our social gaming business, our services operate largely through Facebook, Google Play for Android devices and Apple's iOS platforms. Consequently, our expansion and prospects of our social gaming offerings are dependent on our continued relationships with these channels (and any emerging app store channels). Our relationships with Facebook, Google and Apple are not governed by contracts but rather by the channel's standard terms and conditions for app developers. Our social gaming business will be adversely impacted if we are unable to continue these relationships in the future or if the terms and conditions offered by these channels are altered to our disadvantage. For instance, if any of these channels were to increase their fees, the results of our operations would suffer. Likewise, if Facebook, Google or Apple were to alter their operating platforms, we could be adversely impacted as our offerings may not be compatible with the altered platforms or may require significant and costly modifications in order to become compatible. If Facebook, Google or Apple were to develop competitive offerings, either on their own or in cooperation with one or more competitors, our growth prospects would be negatively impacted.

Changes in tax regulation and results of tax audits could affect results of operations of our business.

We are subject to taxation in the United States, Canada, Mexico, United Kingdom, Brazil, Australia, Philippines and Israel. Significant judgment is required to determine and estimate tax liabilities and there are many transactions and calculations where the ultimate tax determination is uncertain. Our future annual and quarterly effective tax rates could be affected by numerous factors, including changes in the applicable tax laws; the composition of pre-tax income in jurisdictions with differing tax rates; the valuation of or valuation allowances against our deferred tax assets and liabilities and substantive changes to tax rules and the application thereof by United States federal, state, local and foreign governments, all of which could result in materially higher corporate taxes than would be incurred under existing tax law or interpretation and could adversely affect our profitability. It is possible that future tax audits or changes in tax regulation may require us to change our prior period tax returns and also to incur additional costs. This may negatively affect future period results.

Further, our determination of our tax liability is always subject to audit and review by applicable domestic and foreign tax authorities. Any adverse outcome of any such audit or review could have an adverse effect on our business and reduce our profits to the extent potential tax liabilities exceed our reserves, and the ultimate tax outcome may differ from the amounts recorded in our financial statements and may materially affect our financial results in the period or periods for which such determination is made, as well as future periods. We assess the likelihood of favorable or unfavorable outcomes resulting from examinations by the Internal Revenue Service and state, local and foreign tax authorities to determine the adequacy of our provision for income taxes. Although we believe our tax estimates are reasonable, there can be no assurance that any final determination will not be materially different from the treatment reflected in our historical income tax provisions and accruals, which could materially and adversely affect our financial condition and results of operations.

Risks Related to Our Capital Structure

Our substantial indebtedness could adversely affect our ability to raise additional capital or to fund our operations, expose us to interest rate risk to the extent of our variable rate debt, limit our ability to react to changes in the economy, and prevent us from making debt service payments.

We are a highly leveraged company. As of December 31, 2018 , we had $538.8 million aggregate principal amount of outstanding indebtedness, in addition to $30.0 million available for borrowing under the revolving credit facility at that date. For the year ended December 31, 2018 , we had debt service costs of $42.3 million.

Our substantial indebtedness could have important consequences for us, including, but not limited to, the following:

- limit our ability to borrow money for our working capital, capital expenditures, debt service requirements, strategic initiatives or other purposes;
- make it more difficult for us to satisfy our obligations, and any failure to comply with the obligations of any of our debt instruments, including restrictive covenants and borrowing conditions, could result in an event of default under the agreements governing our indebtedness;
- require us to dedicate a substantial portion of our cash flow from operations to the repayment of our indebtedness, thereby reducing funds available to us for other purposes;
- limit our flexibility in planning for, or reacting to, changes in our operations or business and the industry in which we operate;
- place us at a competitive disadvantage compared to our competitors that are less leveraged and that, therefore, may be able to take advantage of opportunities that our leverage prevents us from exploring;
- impact our rent expense on leased space, which could be significant;
- increase our vulnerability to general adverse economic industry and competitive conditions;
- restrict us from making strategic acquisitions, engaging in development activities, introducing new technologies, or exploiting business opportunities;
- cause us to make non-strategic divestitures;
- limit, along with the financial and other restrictive covenants in the agreements governing our indebtedness, among other things, our ability to borrow additional funds or dispose of assets;
- limit our ability to repurchase shares and pay cash dividends; and
- expose us to the risk of increased interest rates, as certain of our borrowings are at variable rates of interest.

In addition, our senior secured credit agreement contain restrictive covenants that will limit our ability to engage in activities that may be in our long-term best interest. Our failure to comply with those covenants could result in an event of default which, if not cured or waived, could result in the acceleration of substantially all of our indebtedness.

We may be able to incur substantial additional indebtedness in the future, subject to the restrictions contained in the credit facility. If new indebtedness is added to our current debt levels, the related risks described above could intensify.

We may not be able to generate sufficient cash to service all of our indebtedness, and we may be forced to take other actions to satisfy our obligations under our indebtedness that may not be successful.

Our ability to pay principal and interest on our debt obligations will depend upon, among other things, (a) our future financial and operating performance (including the realization of any cost savings described herein), which will be affected by prevailing economic, industry and competitive conditions and financial, business, legislative, regulatory and other factors, many of which are beyond our control; and (b) our future ability to borrow under the revolving credit facility, the availability of which depends on, among other things, our complying with the covenants in the credit agreement governing such facility.

We cannot assure you that our business will generate cash flow from operations, or that we will be able to draw under the revolving credit facility or otherwise, in an amount sufficient to fund our liquidity needs, including the payment of principal and interest on our debt. If our cash flows and capital resources are insufficient to service our indebtedness, we may be forced to reduce or delay capital expenditures, sell assets, seek additional capital, or restructure or refinance our indebtedness. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations. Our ability to restructure or refinance our debt will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. In addition, the terms of existing or future debt agreements may restrict us from adopting some of these alternatives. In the absence of such operating results and resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. We may not be able to consummate those dispositions for fair market value or at all. Furthermore, any proceeds that we could realize from any such dispositions may not be adequate to meet our debt service obligations then due. Apollo and its affiliates have no continuing obligation to provide us with debt or equity financing. Our inability to generate sufficient cash flow to satisfy our debt obligations, or to refinance our indebtedness on commercially reasonable terms or at all, could have a material adverse effect on our business, results of operations, and financial condition, and could negatively impact our ability to satisfy our debt obligations.

Changes to the method of determining LIBOR or a the selection of a replacement for LIBOR may affect our financial instruments.

In July 2017, the U.K. Financial Conduct Authority announced that it intends to stop collecting LIBOR rates from banks after 2021. The announcement indicates that LIBOR will not continue to exist on the current basis. We are unable to predict the effect of any changes to LIBOR, the establishment and success of any alternative reference rates, or any other reforms to LIBOR or any replacement of LIBOR that may be enacted in the United Kingdom or elsewhere. Such changes, reforms or replacements relating to LIBOR could have an adverse impact on the market for or value of any LIBOR-linked securities, loans, derivatives or other financial instruments or extensions of credit held by or due to us.

Risks Related to Ownership of Our Common Stock

Our stock price may fluctuate significantly.

The market price of our common stock could vary significantly as a result of a number of factors, some of which are beyond our control. In the event of a drop in the market price of our common stock, you could lose a substantial part or all of your investment in our common stock. The following factors could affect our stock price:

- our operating and financial performance;
- quarterly variations in the rate of growth (if any) of our financial indicators, such as net income per
- share, net income and revenues;
- the public reaction to our press releases, our other public announcements and our filings with the SEC;
- strategic actions by our competitors;
- changes in operating performance and the stock market valuations of other companies;
- announcements related to litigation;
- our failure to meet revenue or earnings estimates made by research analysts or other investors;
- changes in revenue or earnings estimates, or changes in recommendations or withdrawal of research
- coverage, by equity research analysts;
- speculation in the press or investment community;
- sales of our common stock by us or our stockholders, or the perception that such sales may occur;
- changes in accounting principles, policies, guidance, interpretations or standards;
- additions or departures of key management personnel;
- actions by our stockholders;
- general market conditions;
- domestic and international economic, legal and regulatory factors unrelated to our performance; and
- the realization of any risks described under this “Risk Factors” section, or other risks that may materialize in the future.

The stock markets in general have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the trading price of our common stock. Securities class action litigation has often been instituted against companies following periods of volatility in the overall market and in the market price of a company’s securities. Such litigation, if instituted against us, could result in very substantial costs, divert our management’s attention and resources and harm our business, financial condition and results of operations.

We are an "emerging growth company," and are able take advantage of reduced disclosure requirements applicable to "emerging growth companies," which could make our common stock less attractive to investors.

We are an "emerging growth company," as defined in the Jumpstart Our Business Startups Act of 2012, or JOBS Act, and, for as long as we continue to be an "emerging growth company," we intend to take advantage of certain exemptions from various reporting requirements applicable to other public companies but not to "emerging growth companies." These exemptions include not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We could be an "emerging growth company" until the earliest of(i) the last day of the first fiscal year in which our annual gross revenues exceed $1 billion, (ii) the date that we become a "large accelerated filer" as defined in Rule 12b-2 under the Exchange Act, which would occur if the market value of our common stock that is held by non-affiliates exceeds $700 million as of the last business day of our most recently completed second fiscal quarter, (iii) the last day of our fiscal year following the fifth anniversary of the consummation of our initial public offering, and (iv) the date on which we have issued more than $1 billion in non-convertible debt during the preceding three-year period. We cannot predict if investors will find our common stock less attractive if we choose to rely on these exemptions. If some investors find our common stock less attractive as a result of any choices to reduce future disclosure, there may be a less active trading market for our common stock and our stock price may be more volatile.

We will continue to incur significant costs and devote substantial management time as a result of operating as a public company, particularly after we are no longer an "emerging growth company."

As a public company, we will continue to incur significant legal, accounting and other expenses. For example, we will be required to comply with certain requirements of the Sarbanes-Oxley Act and the Dodd-Frank Wall Street Reform and Consumer Protection Act, as well as rules and regulations subsequently implemented by the Securities and Exchange Commission, and the New York Stock Exchange, our stock exchange, including the establishment and maintenance of effective disclosure and financial controls and changes in corporate governance practices. We expect that compliance with these requirements continue to result in increased legal and financial compliance costs and will continue to make some activities more time consuming and costly. In addition, we expect that our management and other personnel will continue to divert attention from operational and other business matters to devote substantial time to these public company requirements. In particular, we expect to continue incurring significant expenses and devote substantial management effort toward ensuring compliance with the requirements of the Sarbanes-Oxley Act. In that regard, we may need to hire additional accounting and financial staff with appropriate public company experience and technical accounting knowledge.

However, for as long as we remain an "emerging growth company" as defined in the JOBS Act, we intend to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not "emerging growth companies" including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved.

Under the JOBS Act, "emerging growth companies" can delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have irrevocably elected not to avail ourselves of this exemption from new or revised accounting standards and, therefore, we will be subject to the same new or revised accounting standards as other public companies that are not "emerging growth companies."

After we are no longer an "emerging growth company," we expect to incur additional management time and cost to comply with the more stringent reporting requirements applicable to companies that are deemed accelerated filers or large accelerated filers, including complying with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act.

We cannot predict or estimate the amount of additional costs we may incur as a result of becoming a public company or the timing of such costs.

Even though we are no longer effectively controlled by Apollo, Apollo's interests may conflict with our interests and the interests of other stockholders.

As of December 31, 2018, VoteCo, an entity owned and controlled by individuals affiliated with Apollo, beneficially owns 33.5% of our common equity pursuant to an irrevocable proxy, which provides VoteCo with sole voting and sole dispositive

power over all shares beneficially owned by the the Apollo Group, which includes any of (a) Apollo Gaming Holdings, L.P. ("Holdings"), (b) Apollo Investment Fund VIII, L.P., (c) each of their respective affiliates (including, for avoidance of doubt, any syndication vehicles and excluding, for the avoidance of doubt, any portfolio companies of Apollo Management VIII, L.P. or its affiliates other than Holdings, VoteCo, the Company and their respective subsidiaries) to which any transfers of our common stock are made and (d) VoteCo to the extent that it has beneficial ownership of shares of our common stock pursuant to an irrevocable proxy (collectively, the "Apollo Group"). The Apollo Group beneficially owns 33.5% of our common equity. As a result, the Apollo Group beneficially owns less than 50% of our equity, and VoteCo and individuals affiliated with Apollo no longer have effective control and do not have significant influence over the outcome of votes on all matters requiring approval by our stockholders, including entering into significant corporate transactions such as mergers, tender offers and the sale of all or substantially all of our assets and issuance of additional debt or equity. Nevertheless, the interests of Apollo and its affiliates, including the Apollo Group, could conflict with or differ from our interests or the interests of our other stockholders. For example, the concentration of ownership held by the Apollo Group could delay, defer or prevent a change of control of our company or impede a merger, takeover or other business combination which may otherwise be favorable for us. Additionally, Apollo and its affiliates are in the business of making investments in companies and may, from time to time, acquire and hold interests in businesses that compete, directly or indirectly with us. Apollo and its affiliates may also pursue acquisition opportunities that may be complementary to our business, and as a result, those acquisition opportunities may not be available to us. So long as the Apollo Group continues to directly or indirectly own a significant amount of our equity, even though such amount is less than 50%, Apollo and its affiliates will continue to be able to substantially influence or effectively control our ability to enter into corporate transactions.

Our amended and restated articles of incorporation contain a provision renouncing our interest and expectancy in certain corporate opportunities.

Under our amended and restated articles of incorporation, neither Apollo, its portfolio companies, funds or other affiliates, nor any of their officers, directors, agents, stockholders, members or partners have any duty to refrain from engaging, directly or indirectly, in the same business activities, similar business activities or lines of business in which we operate. In addition, our amended and restated articles of incorporation provide that, to the fullest extent permitted by law, we waive and must indemnify any officer or director of ours who is also an officer, director, employee, managing director or other affiliate of Apollo against any claim that any such individual is liable to us or our stockholders for breach of any fiduciary duty solely by reason of the fact that such individual directs a corporate opportunity to Apollo instead of us, or does not communicate information regarding a corporate opportunity to us that the officer, director, employee, managing director or other affiliate has directed to Apollo. For instance, a director of our company who also serves as a director, officer or employee of Apollo or any of its portfolio companies, funds or other affiliates may pursue certain acquisitions or other opportunities that may be complementary to our business and, as a result, such acquisition or other opportunities may not be available to us. These potential conflicts of interest could have a material adverse effect on our business, financial condition, results of operations or prospects if attractive corporate opportunities are allocated by Apollo to itself or its portfolio companies, funds or other affiliates instead of to us. The terms of our amended and restated articles of incorporation are more fully described in "Description of Capital Stock."

Our amended and restated articles of incorporation provide that the Eighth Judicial District Court of Clark County, Nevada is the sole and exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.

Our amended and restated articles of incorporation provide that, unless we consent in writing to the selection of an alternative forum, to the fullest extent permitted by applicable law the Eighth Judicial District Court of Clark County, Nevada is the sole and exclusive forum for any or all actions, suits or proceedings, whether civil, administrative or investigative or that asserts any claim or counterclaim: (a) brought in our name or right or on our behalf; (b) asserting a claim for breach of any fiduciary duty owed by any of our directors, officers, employees or agents to us or our stockholders; (c) arising or asserting a claim arising pursuant to any provision of the Nevada Revised Statutes (the "NRS") Chapters 78 or 92A or any provision of our amended and restated articles of incorporation or our amended and restated bylaws; (d) to interpret, apply, enforce or determine the validity of our amended and restated articles of incorporation or our amended and restated bylaws; or (e) asserting a claim governed by the internal affairs doctrine. The choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, or other employees, which may discourage such lawsuits against us and our directors, officers and other employees. Alternatively, if a court were to find the choice of forum provision contained in our amended and restated articles of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could adversely affect our business, financial condition and results of operations.

Our organizational documents may impede or discourage a takeover, which could deprive our investors of the opportunity to receive a premium for their shares.

Provisions of our amended and restated articles of incorporation, our amended and restated bylaws and our Stockholders Agreement (see "Certain Relationships and Related Party Transactions—Stockholders Agreements") may make it more difficult for, or prevent a third party from, acquiring control of us without the approval of our board of directors. These provisions include:

- having a classified board of directors;
- prohibiting cumulative voting in the election of directors;
- empowering only the board to fill any vacancy on our board of directors, whether such vacancy occurs as a result of an increase in the number of directors or otherwise, and requiring that, until the first time the Apollo Group ceases to beneficially own at least 5% of our common stock, any vacancy resulting from the death, removal or resignation of a director nominated by Holdings pursuant to the Stockholders Agreement (see "Item 10. Directors, Executive Officers and Corporate Governance—Apollo Group Approval of Certain Matters and Rights to Nominate Certain Directors") be filled by a nominee of Holdings;
- authorizing "blank check" preferred stock, the terms and issuance of which can be determined by our board of directors without any need for action by stockholders;
- restricting stockholders from acting by written consent or calling special meetings;
- requiring the approval of Holdings to approve certain business combinations and certain other significant matters until the first time the Apollo Group ceases to beneficially own at least 33 1/3% of our common stock; and
- establishing advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted on by stockholders at stockholder meetings.

An issuance of shares of preferred stock could delay or prevent a change in control of us. Our board of directors has the authority to cause us to issue, without any further vote or action by the stockholders, shares of preferred stock, par value $0.01 per share, in one or more series, to designate the number of shares constituting any series, and to fix the rights, preferences, privileges and restrictions thereof, including dividend rights, voting rights, rights and terms of redemption, redemption price or prices and liquidation preferences of such series. The issuance of shares of our preferred stock may have the effect of delaying, deferring or preventing a change in control without further action by the stockholders, even where stockholders are offered a premium for their shares.

Our Stockholders Agreement also requires the approval of Holdings for certain important matters, including mergers and acquisitions, issuances of equity and the incurrence of debt, until the first time Apollo Group ceases to beneficially own at least 33 1/3% of our common stock. Together, these articles of incorporation, bylaws, and contractual provisions could make the removal of management more difficult and may discourage transactions that otherwise could involve payment of a premium over prevailing market prices for our common stock. Furthermore, the existence of the foregoing provisions, as well as the significant common stock beneficially owned by the Apollo Group and Holdings' rights to nominate a specified number of directors in certain circumstances, could limit the price that investors might be willing to pay in the future for shares of our common stock. They could also deter potential acquirers of us, thereby reducing the likelihood that you could receive a premium for your common stock in an acquisition.

We are a holding company and rely on dividends, distributions and other payments, advances and transfers of funds from our subsidiaries to meet our obligations.

We are a holding company that does not conduct any business operations of our own. As a result, we are largely dependent upon cash dividends and distributions and other transfers from our subsidiaries to meet our obligations. The agreements governing the indebtedness of our subsidiaries, and limitations on payment of dividends and distributions under applicable law, impose restrictions on our subsidiaries' ability to pay dividends or other distributions to us. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Indebtedness." The deterioration of the earnings from, or other available assets of, our subsidiaries for any reason could also limit or impair their ability to pay dividends or other distributions to us.

You may be diluted by the future issuance of additional common stock or convertible securities in connection with our incentive plans, acquisitions or otherwise, which could adversely affect our stock price.

As of December 31, 2018, we had 414,646,704 shares of common stock authorized but unissued. Our amended and restated articles of incorporation authorize us to issue these shares of common stock and options, rights, warrants and appreciation rights relating to common stock for the consideration and on the terms and conditions established by our board of directors in its sole discretion, whether in connection with acquisitions or otherwise. We have reserved 1,651,244 shares for issuance upon exercise

of outstanding stock options and restricted shares and 1,607,389 for issuances under our new equity incentive plan. Any common stock that we issue, including under our new equity incentive plan or other equity incentive plans that we may adopt in the future, as well as under outstanding options would dilute the percentage ownership held by the investors who purchase common stock in this offering.

From time to time in the future, we may also issue additional shares of our common stock or securities convertible into common stock pursuant to a variety of transactions, including acquisitions. Our issuance of additional shares of our common stock or securities convertible into our common stock would dilute your ownership of us and the sale of a significant amount of such shares in the public market could adversely affect prevailing market prices of our common stock.

Future sales of our common stock in the public market, or the perception in the public market that such sales may occur, could reduce our stock price.

A substantial amount of our outstanding shares of common stock, including those held by Apollo and members of management, are "restricted securities" within the meaning of Rule 144 under the Securities Act of 1933, as amended (the "Securities Act"). As restricted shares, these shares may be resold only pursuant to an effective registration statement or under the requirements of Rule 144 or other applicable exemptions from registration under the Securities Act and as required under applicable state securities laws. All of the issued and outstanding shares of our common stock are eligible for future sale, subject to the applicable volume, manner of sale, holding periods and other limitations of Rule 144. Sales of significant amounts of stock in the public market could adversely affect prevailing market prices of our common stock.

We do not anticipate paying dividends on our common stock in the foreseeable future.

We do not anticipate paying any dividends in the foreseeable future on our common stock. We intend to retain all future earnings for the operation and expansion of our business and the repayment of outstanding debt. Our senior secured credit facilities contain, and any future indebtedness likely will contain, restrictive covenants that impose significant operating and financial restrictions on us, including restrictions on our ability to pay dividends and make other restricted payments. As a result, capital appreciation, if any, of our common stock may be your major source of gain for the foreseeable future. While we may change this policy at some point in the future, we cannot assure you that we will make such a change. See "Dividend Policy."

If securities or industry analysts do not publish research or reports about our business or publish negative reports, our stock price could decline.

The trading market for our common stock is influenced by the research and reports that industry or securities analysts publish about us or our business. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline. Moreover, if one or more of the analysts who cover our company downgrades our common stock or if our operating results do not meet their expectations, our stock price could decline.

We may issue preferred stock, the terms of which could adversely affect the voting power or value of our common stock.

Our amended and restated articles of incorporation authorize us to issue, without the approval of our stockholders, one or more classes or series of preferred stock having such designations, preferences, limitations and relative rights, including preferences over our common stock respecting dividends and distributions, as our board of directors may determine. The terms of one or more classes or series of preferred stock could adversely impact the voting power or value of our common stock. For example, we might grant holders of preferred stock the right to elect some number of our directors in all events or on the happening of specified events or the right to veto specified transactions. Similarly, the repurchase or redemption rights or liquidation preferences we might assign to holders of preferred stock could affect the residual value of the common stock. No shares of preferred stock have been issued to date.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

We currently lease the following properties:

Location	Purpose	Square footage	Segment
308 Anthony Ave., Oklahoma City, OK. 73128	Administrative offices, manufacturing and warehousing	91,961	EGM, Table Products
2400 Commerce Ave, Duluth, GA 30096	Research and development	55,264	EGM
5475 S. Decatur Blvd. #100, Las Vegas, NV. 89118	Corporate headquarters, manufacturing and warehousing	42,964	EGM, Table Products
165 Ottley Drive, Atlanta, GA 30324	Research and development	19,533	EGM
Lago Tana No. 43, Warehouse 8 and 10, Colonia Huichapan, Mexico City, Mexico	Warehousing	18,191	EGM
39 Delhi Road, Suite 1, Level 5, Triniti II, Sydney, Australia	Research and development	8,450	EGM
Jaime Balmes No. 8, office no. 204, Colonia Los Morales Polanco, Mexico City, Mexico	Administrative offices	8,154	EGM
11401 Century Oaks Terrace, Austin, TX. 78758	Administrative offices	2,951	EGM
24 Raoul Wallenberg St. Building C, Floors 5 and 10, Tel Aviv, Israel	Research and development	1,850	Interactive
Elizabeth House, St. Mary's Road, Hinckley, Leicestershire. LE10 1EO	Administrative offices	1,452	Interactive

None of the properties listed above are held in fee or subject to any major encumbrance. In addition to those listed above, we lease a number of additional properties in the United States and internationally that support our operations.

ITEM 3. LEGAL PROCEEDINGS.

We are party to various claims and legal actions that arise in the ordinary course of business. We do not believe the outcome of such disputes or legal actions will have a material adverse effect on our financial condition, results of operations, liquidity or capital resources.

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.

Market Information

The Company's common stock began trading on the NYSE under the symbol "AGS" on January 26, 2018. On March 01, 2019, we had approximately 2 holders of record.

Dividends

We do not intend to pay dividends for the foreseeable future. We are not required to pay dividends, and our stockholders are not guaranteed, or have contractual or other rights to receive, dividends. The declaration and payment of any future dividends is at the sole discretion of our board of directors and depends upon, among other things, our earnings, financial condition, capital requirements, level of indebtedness, contractual restrictions with respect to the payment of dividends, and other considerations

that our board of directors deems relevant. Our board of directors may decide, in its discretion, at any time, to modify or repeal the dividend policy or discontinue entirely the payment of dividends.

The ability of our board of directors to declare a dividend is also subject to limits imposed by Nevada corporate law. Under Nevada law, our board of directors and the boards of directors of our corporate subsidiaries incorporated in Delaware may declare dividends only to the extent of our "surplus," which is defined as total assets at fair market value minus total liabilities, minus statutory capital, or if there is no surplus, out of net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. Additionally our debt agreements contain limitations on our ability to declare and pay dividends.

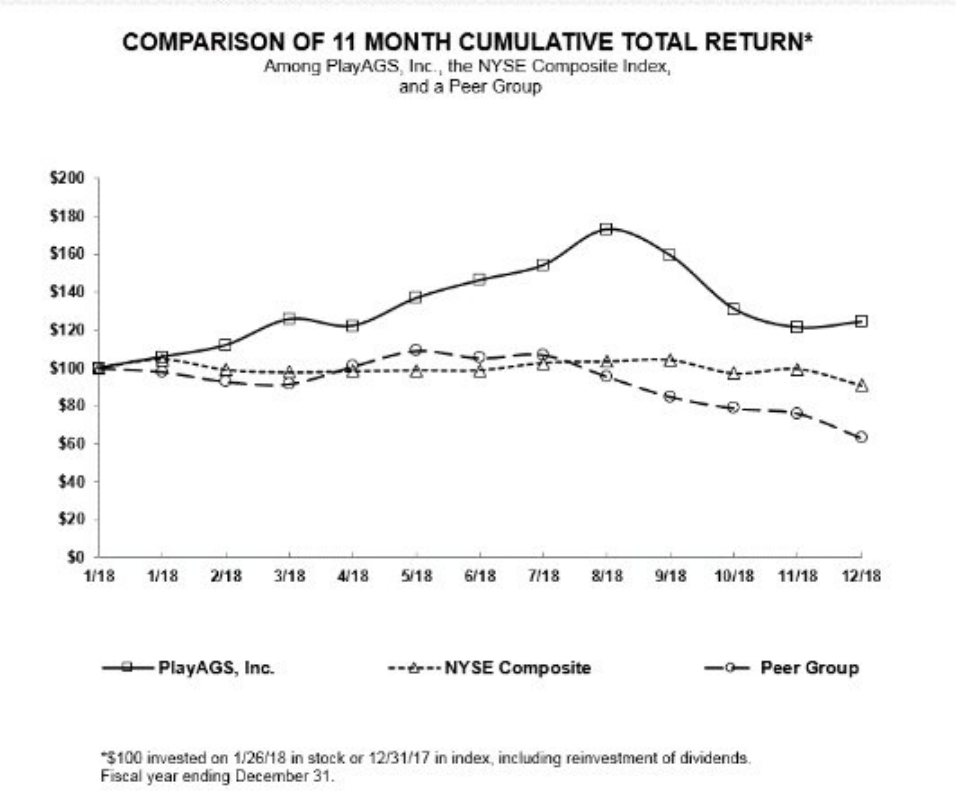
Equity Compensation

Refer to Item 11 for a description of the Company's Management Incentive Plan.

Stockholder Return Performance Graph

The following graph compares the cumulative total return to stockholders on our then outstanding shares of common stock, the New York Stock Exchange ("NYSE") Composite Index and indices of our peer group companies that operate in industries or lines of business similar to ours from January 2018, the month in which we completed our initial public offering, through December 31, 2018. Our peer group companies consist of Aristocrat (Australian Securities Exchange: ALL), IGT (New York Stock Exchange: IGT), Everi Holdings Inc. (New York Stock Exchange: EVRI) and Scientific Games Corporation (Nasdaq Composit Index: SGMS).

The companies in each peer group have been weighted based on their relative market capitalization each year. The graph assumes that $100 was invested in our then outstanding common stock, the New York Stock Exchange and the peer group indices at the beginning of the one-year period and that any dividends were reinvested. The comparisons are not intended to be indicative of future performance of our shares of common stock.



	1/18	1/18	2/18	3/18	4/18	5/18	6/18	7/18	8/18	9/18	10/18	11/18	12/18
PlayAGS	100.00	105.78	111.95	125.73	122.22	136.86	146.32	154.32	173.19	159.30	131.08	121.35	124.32
NYSE Composite	100.00	104.47	99.13	97.78	98.44	98.87	98.89	102.66	103.38	104.09	97.27	99.53	91.05
Peer Group	100.00	98.12	92.91	91.66	100.90	109.18	105.35	107.04	95.56	84.92	78.89	76.13	63.21

Recent Sales of Unregistered Securities

None.

ITEM 6. SELECTED FINANCIAL DATA.

The selected financial data set forth below is qualified in its entirety by, and should be read in conjunction with, "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and the audited financial statements, the notes thereto and other financial and statistical information included elsewhere in this Annual Report on Form 10-K. The selected financial data presented below has been derived from the audited financial statements, including the consolidated balance sheets as of December 31, 2018, 2017, 2016, 2015, and 2014, and the related consolidated statements of operations and comprehensive loss and of cash flows for the years ended December 31, 2018, 2017, 2016, 2015 and 2014. The historical results set forth below do not indicate results expected for any future periods. Our future results of operations will be subject to significant business, economic, regulatory and competitive uncertainties and contingencies, some of which are beyond our control (amounts in thousands, except per share data):

	For the Year Ended December 31,				
	2018	2017	2016	2015	2014
Consolidated Statement of Operations Data:					
Revenues	$ 285,299	$ 211,955	$ 166,806	$ 123,292	$ 72,140
Income / (loss) from operations	25,290	14,502	(17,064)	(29,439)	(8,421)
Net loss	(20,846)	(45,106)	(81,374)	(38,545)	(28,376)
Total comprehensive loss	(20,817)	(44,363)	(84,109)	(40,644)	(28,087)
Basic and diluted loss per common share:					
Basic	$ (0.61)	$ (1.94)	$ (3.51)	$ (1.92)	$ (1.83)
Diluted	$ (0.61)	$ (1.94)	$ (3.51)	$ (1.92)	$ (1.83)

	As of December 31,				
	2018	2017	2016	2015	2014
Consolidated Balance Sheet Data:					
Total assets	$ 731,342	$ 697,242	$ 634,092	$ 711,147	$ 256,152
Total liabilities	595,538	725,177	617,664	610,610	192,396
Total long-term obligations [1]	548,099	681,457	584,635	580,661	166,057
Total stockholders' equity/(deficit)	135,804	(27,935)	16,428	100,537	63,756

(1) Includes long-term debt, deferred tax liability - noncurrent, and other long-term liabilities.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Overview

We are a leading designer and supplier of EGMs and other products and services for the gaming industry. Founded in 2005, we historically focused on supplying EGMs, including slot machines, video bingo machines, and other electronic gaming devices, to the Native American gaming market, where we maintain an approximately 19% market share of all Class II EGMs. Since 2014, we have expanded our product line-up to include: (i) Class III EGMs for commercial and Native American casinos permitted to operate Class III EGMs, (ii) table game products and (iii) interactive products, all of which we believe provide us with growth opportunities as we expand in markets where we currently have limited or no presence. Our expansion into Class III and ancillary product offerings has driven our strong growth and momentum in revenue, EGM adjusted EBITDA and our installed base. For the year ended December 31, 2018 , 71% of our total revenue was generated through recurring contracted lease agreements whereby we place EGMs and table game products at our customers' gaming facilities under either a revenue sharing agreement (we receive a percentage of the revenues that these products generate) or fee-per-day agreement (we receive a daily or monthly fixed fee per EGM or table game product), or recurring revenue from our Interactive gaming operations. We operate our business in three distinct segments: EGMs, Table Products and Interactive. Each segment's activities include the design, development, acquisition, manufacturing, marketing, distribution, installation and servicing of a distinct product line.

EGM Segment

EGMs constitute our largest segment, representing 95% of our revenue for the year ended December 31, 2018 . We have a library over 350 proprietary game titles that we deliver on several state-of-the-art EGM cabinets, including *ICON* and *Orion Upright* (our core cabinets), *Orion Portrait* (our core plus cabinet) and *Orion Slant* (our premium cabinets) and *Big Red/Colossal Diamonds* (our specialty large-format jumbo cabinet). Our cabinets and game titles are consistently named among the top-performing premium leased games in the industry. We also have developed a new Latin-style bingo cabinet called *Alora* , which we plan to use in select international markets, including Mexico, the Philippines, and potentially Brazil.

We design all of our cabinets with the intention of capturing the attention of players on casino floors while aiming to maximize operator profits. The fourth quarter 2018 *Eilers-Fantini Quarterly Slot Survey* stated our premium leased games outperform most of the EGMs manufactured by our competitors, generating win per day that is up to 1.7 times higher than house average.

We have increased our installed base of EGMs every year from 2005 through the year ended December 31, 2018 , and as of December 31, 2018 , our total EGM footprint comprised 24,647 units (16,296 domestic and 8,351 international). We remain highly focused on continuing to expand our installed base of leased EGMs in markets that we currently serve as well as new jurisdictions where we do not presently have any EGMs installed. Since our founding, we have made significant progress in expanding the number of markets where we are licensed to sell or lease our EGMs. In 2005, we were licensed in three states (5 total licenses) and currently we are licensed in 38 U.S. states and eight foreign countries (approximately 270 total licenses). As of December 31, 2018 , our installed base represented only approximately 2.4% of the total domestic market of approximately 990,000 EGMs installed throughout the United States and Canada. According to Eilers & Krejcik, U.S. casino operators expect to allocate approximately 4% of their 2018 EGM purchases to AGS products. We believe we are positioned to gain significant market share over the next several years.

We offer our customers the option of either leasing or purchasing our EGMs and associated gaming systems. Currently, we derive a substantial portion all of our revenues from EGMs installed under revenue sharing or fee-per-day lease agreements, also known as "participation" agreements, and we refer to such revenue generation as our "participation model". As we expand into new gaming markets and roll out our new and proprietary cabinets and titles, we expect the sales of gaming machines and systems will play an increasingly important role in our business and will complement our core participation model.

We are focused on creating new internal content and leveraging our Atlas operating platform, as a conduit for our current and future products. Currently, our *ICON, Orion Portrait* , *Orion Slant* and *Orion Upright* cabinets run on the Atlas operating platform. We will continue porting our legacy games onto the Atlas platform, enhancing both our Class II and III offerings. We expect internally-generated content to be a larger source of our installed base going forward.

We categorize our EGM titles into two main groups: "Core" and "Premium and Specialty". Our Core titles have a proven track record of success and are targeted at maintaining and growing our current installed base. Our Premium titles include unique and niche titles that provide a distinctive player experience and are targeted at increasing floor space in both existing and new

jurisdictions. Specialty titles describe our jumbo games, such as *Colossal Diamonds* , and games made specifically for high-limit winnings. In total, our development teams have the capabilities to produce approximately 50 games per year. We believe this strategy of producing diversified content will enable us to maintain and grow our market leadership within our current Class II base, as well as continue our expansion into Class III commercial and tribal casinos.

Table Products

In addition to our existing portfolio of EGMs, we also offer our customers more than 40 unique table product offerings, including live felt table games, side bet offerings, progressives, signage, and other ancillary table game equipment. Our table products are designed to enhance the table games section of the casino floor (commonly known as "the pit"). Over the past 10 years, there has been a trend of introducing side bets on blackjack tables to increase the game's overall hold. Our table products segment offers a full suite of side bets and specialty table games that capitalize on this trend, and we believe that this segment will serve as an important growth engine for our company, including by generating further cross-selling opportunities with our EGM offerings. As of December 31, 2018 , we had placed 3,162 table products domestically and internationally and based on the number of products placed, we believe we are presently a leading supplier of table products to the gaming industry .

Our Table Products segment focuses on high margin recurring revenue generated by leases. Nearly all of the revenue we generate in this segment is recurring. We have acquired several proprietary table games and side-bets and developed others in-house.

As one of the newer areas of our Table Products business, our equipment offerings are ancillary to table games, such as card shufflers and table signage, and provide casino operators a greater variety of choice in the marketplace. This product segment includes our highly-anticipated single-card shuffler, *Dex S* , as well as our baccarat signage solution and roulette readerboard. We believe this area of the business holds many opportunities for growth, as the technology currently installed in the signage and readerboard areas are in a replacement cycle.

After acquiring intellectual property around progressive bonusing systems, our Table Products segment has taken the base systems and heavily expanded on it to now offer customers a bonusing solution for casino operators. We believe progressive bonusing on table products is a growing trend with substantial growth opportunities. We continue to develop and expand our core system to offer new and exciting bonusing and progressive products for the marketplace.

Interactive

Our Business-to-Consumer ("B2C") social casino games include online versions of our popular EGM titles and are accessible to players worldwide on multiple mobile platforms, which we believe establishes brand recognition and cross-selling opportunities. Our B2C social casino games operate on a free-to-play model, whereby game players may collect virtual currency or other virtual consumable goods (collectively referred to as "virtual goods" or "virtual currency") free of charge, through the passage of time or through targeted marketing promotions. Additionally, players have the ability to send free "gifts" of virtual goods to their friends through interactions with certain social platforms. If a game player wishes to obtain virtual goods above and beyond the level of free virtual goods available to that player, the player may purchase additional virtual goods. Once obtained, virtual currency (either free or purchased) cannot be redeemed for cash nor exchanged for anything other than game play. We design our portfolio of B2C games to appeal to the interests of the broad group of people who like to play casino-themed social and mobile games.

Currently, our B2C social casino games consist of our mobile app, *Lucky Play Casino* . The app contains numerous AGS game titles available for consumers to play for fun or with chips they purchase in the app. Some of our most popular social casino games include content that is also popular in land-based casinos such as *Fire Wolf* , *Gold Dragon Red Dragon* , *Legend of the White Buffalo* , *Royal Reels* , *Colossal Diamonds* , *So Hot* , *Monkey in the Bank* , and many more. Our B2C games leverage the global connectivity and distribution of Facebook, as well as mobile platforms such as the Apple App Store for Apple devices and the Google Play Store for Android devices, which provides a platform to offer our games as well payment processing.

We have recently expanded into the Business-to-Business ("B2B") space, whereby we enable our land-based casino customers to brand the social gaming product with their own casino name and brand identity through our Social White-Label Casino ("WLC") solution. This turnkey, free-to-play mobile casino app solution blends the casino's brand with AGS' player-favorite games to strengthen a casino's relationship with players, provide monetization opportunities while players are off property, reach new players, and incentivize players return to the casino. To date, five customers are using our Social WLC solution.

With the acquisition of Gameiom Technologies Limited (formerly known as "Gameiom", and currently known as "AGS iGaming") in the current year, we now offer a B2B platform for content aggregation used by RMG and sports-betting partners. Our acquired B2B platform aggregates content from game suppliers and offers on-line casino operators the convenience to reduce

the number of integrations that are needed to supply the on-line casino. By integrating with us, on-line casino operators have access to a significant amount of content from several game suppliers. AGS iGaming operates in regulated, legal on-line gaming jurisdictions such as the UK and parts of Europe.

Other Segment Information

Customers and marketing. We market our products to casinos and other legal gaming establishments around the world with our domestic and international sales force and several domestic and international distributors and/or representatives. We believe the quality and breadth of our customer base is a strong testament to the effectiveness and performance of our product offerings, technological innovation, and customer service. Our customer base includes leading casino operators in leading established gaming markets such as the United States, Canada, and Latin America. Our customers include, among others, Caesars Entertainment, MGM Resorts International, Poarch Band of Creek Indians, and the Chickasaw Nation.

Our products and the locations in which we may sell them are subject to the licensing and product approval requirements of various national, state, provincial, and tribal jurisdictional agencies that regulate gaming around the world. See "Regulation and Licensing" section below. We lease and sell our products, with an emphasis on leasing versus selling. We service the products we lease and offer service packages to customers who purchase products from us.

Product supply. We obtain most of the parts for our products from outside suppliers, including both off-the-shelf items as well as components manufactured to our specifications. We also manufacture parts in-house that are used for product assembly and for servicing existing products. We generally perform warehousing, quality control, final assembly and shipping from our facilities in Las Vegas, Atlanta, Mexico City and Oklahoma City, although small inventories are maintained and repairs are performed by our field service employees. We believe that our sources of supply for components and raw materials are adequate and that alternative sources of materials are available.

Key Drivers of Our Business

Our revenues are impacted by the following key factors:

- the amount of money spent by consumers on our domestic revenue share installed base;
- the amount of the daily fee and selling price of our participation electronic gaming machines;
- our revenue share percentage with customers;
- the capital budgets of our customers;
- the level of replacement of existing electronic gaming machines in existing casinos;
- expansion of existing casinos;
- development of new casinos;
- opening of new gaming jurisdictions both in the United States and internationally;
- our ability to obtain and maintain gaming licenses in various jurisdictions;
- the relative competitiveness and popularity of our electronic gaming machines compared to competitive products offered in the same facilities; and
- general macro-economic factors, including levels of and changes to consumer disposable income and personal consumption spending.

Our expenses are impacted by the following key factors:

- fluctuations in the cost of labor relating to productivity;
- overtime and training;
- fluctuations in the price of components for gaming equipment;
- fluctuations in energy prices;
- changes in the cost of obtaining and maintaining gaming licenses; and
- fluctuations in the level of maintenance expense required on gaming equipment.

Variations in our selling, general and administrative expenses, or SG&A, and research and development, or R&D are primarily due to changes in employment and salaries and related fringe benefits.

Acquisitions and Divestitures

We have made several strategic acquisitions over the past three years.

AGS iGaming

During the quarter ended June 30, 2018, the Company acquired all of the equity of Gameiom, a licensed gaming aggregator and content provider for real-money gaming ("RMG") and sports betting partners.

The total consideration for this acquisition was $5.0 million, which included cash paid of $4.5 million and $0.5 million of deferred consideration that is payable within 18 months of the acquisition date. The consideration was preliminarily allocated primarily to goodwill that is not tax deductible for $3.7 million and intangible assets of $2.1 million.

Rocket Gaming Systems

On December 6, 2017, we acquired an installed base of approximately 1,500 networked Class II slot machines, together with related intellectual property, which were operated by Rocket Gaming Systems ("Rocket") for $56.9 million. The acquired Class II slot machines are located across the United States, with significant presence in key markets such as California, Oklahoma, Montana, Washington and Texas. The Class II portfolio from Rocket includes wide-area progressive and standalone video and spinning-reel games and platforms, including Galaxy, Northstar and the player-favorite Gold Series, a suite of games that feature a $1 million-plus progressive prize and is the longest-standing million dollar wide-area progressive on tribal casino floors.

In Bet Gaming

In August 2017, we acquired five dynamic, new games from New Jersey-based In Bet Gaming ("In Bet"), including Super 4, Blackjack Match Progressive, Jackpot Blackjack, Royal 9, and Jackpot Baccarat. At the acquisition date, these games had approximately 500 installs worldwide and the acquisition represents our largest table game investment to date. Each of these games features a simple, rewarding side bet that extends the winning experience in interactive ways and further engages players. The acquisition of In Bet strategically combined In Bet's innovative table game side bet technology with our expertise in table game progressive technology to deliver players and operators unmatched gaming play.

The acquisition was accounted for as an acquisition of a business and the assets acquired and liabilities assumed were measured based on our estimates of their fair values at the acquisition date. We attribute the goodwill acquired to our ability to commercialize the products over our distribution and sales network, opportunities for synergies, and other strategic benefits. The total consideration for this acquisition was $9.6 million, which included an estimated $2.6 million of contingent consideration that is payable upon the achievement of certain targets and periodically based on a percentage of product revenue earned on the purchased table games. The consideration was allocated primarily to tax deductible goodwill for $3.2 million and intangible assets of $5.5 million, which will be amortized over a weighted average period of approximately 9 years.

Results of Operations

Year Ended December 31, 2018 compared to the Year Ended December 31, 2017

The following tables set forth certain selected audited consolidated financial data for the periods indicated (in thousands, except key performance indicators):

	Year ended December 31,		$	%
	2018	2017	Change	Change
Consolidated Statements of Operations:				
Revenues				
Gaming operations	$ 201,809	$ 170,252	31,557	18.5 %
Equipment sales	83,490	41,703	41,787	100.2 %
Total revenues	285,299	211,955	73,344	34.6 %
Operating expenses				
Cost of gaming operations	39,268	31,742	7,526	23.7 %
Cost of equipment sales	39,670	19,847	19,823	99.9 %
Selling, general and administrative	63,038	44,015	19,023	43.2 %
Research and development	31,745	25,715	6,030	23.4 %
Write-downs and other charges	8,753	4,485	4,268	95.2 %
Depreciation and amortization	77,535	71,649	5,886	8.2 %
Total operating expenses	260,009	197,453	62,556	31.7 %
Income from operations	25,290	14,502	10,788	74.4 %
Other expense (income)				
Interest expense	37,607	55,511	(17,904)	(32.3)%
Interest income	(207)	(108)	(99)	(91.7)%
Loss on extinguishment and modification of debt	6,625	9,032	(2,407)	(26.6)%
Other expense (income)	10,488	(2,938)	13,426	457.0 %
Loss before income taxes	(29,223)	(46,995)	17,772	(37.8)%
Income tax benefit	8,377	1,889	6,488	343.5 %
Net loss	$ (20,846)	$ (45,106)	24,260	53.8 %

Revenues

Gaming Operations. The increase in gaming operations revenue was primarily due to the increase in our EGM installed base. During the year ended December 31, 2018, revenues increased due to the contribution of 1,500 EGMs acquired from Rocket in December 2017 as described in Item 15. "Exhibits and Financial Statement Schedules." Note 2 to our condensed consolidated financial statements. The increase is also attributable to the continued success of our *ICON* cabinet and the popularity of our *Orion Portrait* cabinet and the placement of over 500 domestic Class II units in casino expansions and newly opened casinos offset by the strategic removal of approximately 500 EGMs in the third quarter at one casino as well as the sale of previously leased EGMs. Additionally, we had an increase of $1.25 , or 4.9% in our domestic EGM revenue per day driven by our new product offerings, recently entered jurisdictions and through the optimization of our installed base by installing our newer and more competitive game content on our EGMs. In addition, the increase is due to the increase of 624 international EGM units, which is attributable to our gaining market share in under serviced markets within Mexico. Furthermore, we had a $3.4 million increase in Table Products gaming operations revenue which is attributable to the increase in the Table Products installed base to 3,162 units compared to 2,400 units in the prior year period most notably due to the increased installed base of our side bets and progressive games as well as revenue from the In Bet games for the entire current year period, as those games were acquired in August of 2017.

Equipment Sales. The increase in equipment sales is due to the sale of 4,387 EGM units in the year ended December 31, 2018, compared to 2,565 EGM units in the prior year period. The increase in the number of units sold is primarily attributable to the success of our premium *Orion Portrait* cabinet and our growth in the Class III market as well as the continued success of our *ICON* and *Orion Slant* cabinet. The increase was also attributable to a $2,031 , or 12.4% increase in the average sales price compared to the prior year period. The increase in the average sales price is due to the higher sales price of our premium *Orion Portrait* and *Orion Slant* cabinets compared to other cabinets.

Operating Expenses

Cost of gaming operations. The increase in costs of gaming operations was the result of our increased installed base of 24,647 EGM units compared to 23,805 units in the prior year period, as well as increased table games installed base that increased 31.8% compared to the prior year period. As a percentage of gaming operations revenue, costs of gaming operations was 19.5% for the year ended December 31, 2018 compared to 18.6% for the prior year primarily due to increased service costs, as well as period costs related to manufacturing.

Cost of Equipment Sales. The increase in cost of equipment sales is attributable to 4,387 EGM units sold for the year ended December 31, 2018 compared to 2,565 in the prior year period. As a percentage of equipment sales revenue, costs of equipment sales was 47.5% for the year ended December 31, 2018 compared to 47.6% for the prior year period primarily due to changes in the mix of products sold in each period and the costs to manufacture the sold products.

Selling, general and administrative. The increase in selling, general and administrative expenses is primarily due to $8.0 million of stock-based compensation expense (which includes an initial charge of $6.2 million recorded in connection with the IPO), increase in salary and benefit costs of $5.8 million due to higher headcount. Additionally, the increase is attributable to professional fees of $5.8 million related to the acquisition and integration of AGS iGaming, the Company's IPO and related offerings as well as legal settlements, increased occupancy and costs related to our increased presence of $2.4 million, and increased insurance costs of $0.7 million. These increases were offset by decreases in property tax of $1.1 million, user acquisition costs of $1.3 million, and bad debts and customer related concessions in the amount of $1.5 million.

Research and development . The increase in research and development expenses is primarily due to $2.7 million of stock-based compensation expense (which includes an initial charge of $1.6 million recorded in connection with the IPO), an increase of $2.0 million of salary and benefit costs due to higher headcount, and the remaining increase is related to professional fees, software testing and external product approval costs. As a percentage of total revenue, research and development expense was 11.1% for the period ended December 31, 2018 compared to 12.1% for the prior year period.

Write-downs and other charges. The Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) include various non-routine transactions or consulting and transaction-related fees that have been classified as write-downs and other charges. During the year ended December 31, 2018, the Company recognized $8.8 million in write-downs and other charges driven by losses from the disposal of assets of $2.0 million , the impairment of goodwill related to Interactive Social Gaming reporting unit of $4.8 million (the Company used level 3 fair value measurements based on projected cash flows), the full impairment of intangible assets related to game titles and assets associated with terminated development agreements of $1.3 million (the Company used level 3 of observable inputs in conducting the impairment tests), and a fair value adjustment to contingent consideration of $0.7 million (the Company used level 3 fair value measurements based on projected cash flows).

During the year ended December 31, 2017, the Company recognized $4.5 million in write-downs and other charges driven by losses from the disposal of assets of $3.2 million , write-offs related to prepaid royalties of $0.7 million , the full impairment of certain intangible assets of $0.6 million (level 3 fair value measurement based on projected cash flows for the specific assets), losses from the disposal of intangible assets of $0.5 million , offset by a fair value adjustment to an acquisition contingent receivable of $0.6 million (level 3 fair value measurements based on projected cash flows). The contingency was resolved in the quarter ending March 31, 2017.

Due to the changing nature of our write-downs and other charges, we describe the composition of the balances as opposed to providing a year over year comparison.

Depreciation and amortization. The increase was predominantly due to a $5.2 million increase in depreciation driven by an increased installed base, and an increase of amortization expense of $0.7 million due to the acquisition of In Bet, AGS iGaming and Rocket Gaming Systems. See Item 15. “Exhibits and Financial Statement Schedules.” Note 2 for a detailed discussion regarding the acquisitions of In Bet, AGS iGaming and Rocket Gaming Systems.

Other Expense (Income)

Interest expense. The decrease in interest expense is predominantly attributed to the redemption of our 11.25% senior secured PIK notes in January 2018. Additionally, several transactions resulted in a decrease of our weighted average interest rate, including the termination of our senior secured credit facilities and seller notes and entering into a first lien credit agreement on June 6, 2017 and further decreases in the interest rate on our first lien credit facilities that we obtained on February 7, 2018 and October 5, 2018. See Item 15. “Exhibits and Financial Statement Schedules.” Note 6 for a detailed discussion regarding long-term debt. These decreases were partially offset by an increase in the principal amounts outstanding under the first lien credit facilities as of December 31, 2018, compared to the amount outstanding at December 31, 2017.

Loss on extinguishment and modification of debt. The decrease is attributed to the refinancing of the Company’s long-term debt, as described in Item 15. “Exhibits and Financial Statement Schedules.” Note 6 to our consolidated financial statements. Approximately $3.9 million of deferred loan costs and discounts, which related to senior secured PIK notes and first lien credit facilities, were written-off and included in the loss on extinguishment and modification of debt and $2.7 million in third-party costs related to the first lien credit facilities were expenses.

During the year ended December 31, 2017, the Company recognized (a) approximately $3.3 million of deferred loan costs and discounts, which related to our old senior secured credit facilities and were written off as a portion of the loss on extinguishment and modification of debt, and (b) expensed $5.7 million in debt issuance costs related to the first lien credit facilities.

Other expense (income). The increase is predominantly attributed to the write-off in the current year of indemnification receivables of $9.3 million as the related liability for uncertain tax positions was also written off due to the applicable lapse in the statute of limitations. See Item 15. “Exhibits and Financial Statement Schedules.” Note 12 for a detailed description of the indemnification receivable. The remaining change was due to the effect of foreign currency fluctuation on trade payables and receivables denominated in foreign currencies.

Income Taxes

The Company’s effective income tax rate for the year ended December 31, 2018, was a benefit of 28.7%. The difference between the federal statutory rate of 21% and the Company’s effective tax rate for the year ended December 31, 2018, was primarily due to changes in our valuation allowance on deferred tax assets, various permanent items and the lapse in applicable statute of limitations for certain uncertain tax positions. The Company’s effective income tax rate for the year ended December 31, 2017, was a benefit of 4.0%. The difference between the federal statutory rate of 35% and the Company’s effective tax rate for the year ended December 31, 2017 was primarily due to changes in our valuation allowance on deferred tax assets.

Year Ended December 31, 2017 compared to the Year Ended December 31, 2016

The following tables set forth certain selected audited consolidated financial data for the periods indicated (in thousands, except key performance indicators):

	Year ended December 31,		$	%
	2017	2016	Change	Change
Consolidated Statements of Operations:				
Revenues				
Gaming operations	$ 170,252	$ 154,857	15,395	9.9 %
Equipment sales	41,703	11,949	29,754	249.0 %
Total revenues	211,955	166,806	45,149	27.1 %
Operating expenses				
Cost of gaming operations	31,742	26,736	5,006	18.7 %
Cost of equipment sales	19,847	6,237	13,610	218.2 %
Selling, general and administrative	44,015	46,108	(2,093)	(4.5)%
Research and development	25,715	21,346	4,369	20.5 %
Write-downs and other charges	4,485	3,262	1,223	37.5 %
Depreciation and amortization	71,649	80,181	(8,532)	(10.6)%
Total operating expenses	197,453	183,870	13,583	7.4 %
Income/(loss) from operations	14,502	(17,064)	31,566	185.0 %
Other expense (income)				
Interest expense	55,511	59,963	(4,452)	(7.4)%
Interest income	(108)	(57)	(51)	(89.5)%
Loss on extinguishment and modification of debt	9,032	—	9,032	100.0 %
Other expense	(2,938)	7,404	(10,342)	(139.7)%
Loss before income taxes	(46,995)	(84,374)	37,379	44.3 %
Income tax benefit	1,889	3,000	(1,111)	(37.0)%
Net loss	$ (45,106)	$ (81,374)	36,268	44.6 %

Revenues

Gaming Operations. The increase in gaming operations revenue was primarily due to the increase in our EGM installed base of approximately 600 domestic units, which is primarily attributable to the continued success of our *ICON* cabinet and the popularity of our new *Orion Portrait* cabinet, as well as the purchase of approximately 1,500 EGMs from Rocket in December 2017 as described in as described in Item 15. “Exhibits and Financial Statement Schedules.” Note 2 to our consolidated financial statements. In addition, the increase is also attributed to the increase of approximately 800 international EGM units, which is attributable to our gaining market share in under serviced markets within Mexico. We also had an increase in our domestic EGM revenue per day driven by our new product offerings, recently entered jurisdictions and through the optimization of our installed base by installing our newer and more competitive game content on our EGMs. Although the Company has experienced a decrease in participation share rates for gaming revenue received pursuant to participation agreements with certain Native American tribal customers, player demand, driven by the Company’s newer and more competitive game content, has offset the effects of decreased participation share rates and domestic EGM revenue per day has increased in total. The fiscal year ended December 31, 2017 results have been negatively impacted by $0.7 million relating to foreign currency fluctuations compared to the prior year period. Additionally, we had a $1.4 million increase in Table Products gaming operations revenue which is attributable to the increase in the Table Products installed base to 2,400 units compared to 1,500 units in the prior year period most notably due to the purchase of In Bet assets with an installed base of 493 table games.

Equipment Sales. The increase in equipment sales is due to the sale of 2,565 units in the year ended December 31, 2017 , compared to 465 units in the prior year period. The increase in the number of units sold is primarily attributable to the success of our new *ICON* and *Orion Portrait* cabinets and our growth in the Class III market in which many customers prefer to buy rather than lease EGMs. The increase was also attributable to a $1,432, or 9.6%, increase the average sales price compared to the prior year period. The increase in equipment sales was offset by a decrease in revenues from the sale of nontransferable and nonexclusive licenses of certain licensed game content to a third party for $4.3 million in the prior year period that was not present in the year ended December 31, 2017 .

Operating Expenses

Cost of gaming operations. The increase in costs of gaming operations was due to increased service and indirect production costs driven by our increased installed base of 23,805 EGM units compared to 20,851 units in the prior year period, as well as increased table games installed base that increased 60.0% compared to the prior year period. As a percentage of gaming operations revenue, costs of gaming operations was 18.6% for the year ended December 31, 2017 compared to 17.3% for the prior year period.

Cost of Equipment Sales. The increase in cost of equipment sales is attributable to the increase of 2,565 EGM units sold for the year ended December 31, 2017 compared to 465 in prior year period. As a percentage of equipment sales revenue, costs of equipment sales was 47.6% for the year ended December 31, 2017 compared to 52.2% for the prior year period. The improved margin is due to higher average selling price of EGMs. Additionally, the prior year was negatively affected by the sale of approximately 850 older generation gaming machines in secondary markets in 2016.

Selling, general and administrative. The decrease in selling, general and administrative expenses is primarily due to decreased user acquisition fees of $3.4 million from our Interactive segment in efforts to optimize marketing spend, and decreased bad debt expense and customer related discounts of $1.1 million, which are offset with increased salary and benefit costs of $1.3 million due to higher headcount and increased marketing and trade show costs of $1.0 million when compared to the prior year period.

Research and development. The increase in research and development expenses is driven by increased salary and benefit costs of $4.3 million due to higher headcount and protype parts and testing of $1.7 million associated with the development of our new *Orion Portrait* and *Orion Slant* cabinets, which are offset by decreased professional fees related to software testing and compliance of $1.9 million. As a percentage of total revenue, research and development expense was 12.1% for the year ended December 31, 2017 compared to 12.8% for the prior year period.

Write-downs and other charges. The Consolidated Statements of Operations and Comprehensive Loss include various non-routine transactions or consulting and transaction-related fees that have been classified as write downs and other charges. During the year ended December 31, 2017, the Company recognized $4.5 million in write-downs and other charges driven by losses from the disposal of assets of $3.2 million , write-offs related to prepaid royalties of $0.7 million , the full impairment of certain intangible assets of $0.6 million (level 3 fair value measurement based on projected cash flows for the specific same titles), losses from the disposal of intangible assets of $0.5 million , offset by a fair value adjustment to an acquisition contingent receivable of $0.6 million (level 3 fair value measurements based on projected cash flows). The contingency was resolved in the quarter ending March 31, 2017.

During the year ended December 31, 2016, the Company recognized $3.3 million in write-downs and other charges, driven by a $3.3 million impairment of an intangible asset related to a customer contract that the Company expects will provide less benefit than originally estimated from the Cadillac Jack acquisition (a level 3 fair value measurement based on a decrease in projected cash flows). The value of the intangible asset was written down to $1.1 million at an interim date and subsequently fully amortized by December 31, 2016. Additionally the Company recorded a write-down of long-lived assets of $2.0 million related to older generation gaming machines (level 3 fair value measurement based on projected cash flow for the specific assets) in which the long-lived assets were written down to $0 , and losses from the disposal of assets of $1.0 million . These charges were offset by a $3.0 million fair value adjustment to a contingent consideration receivable related to the Cadillac Jack acquisition (level 3 fair value measurement based on expected and probable future realization of the receivable).

Due to the changing nature of our write downs and other charges, we describe the composition of the balances as opposed to providing a year over year comparison.

Depreciation and amortization. The decrease was primarily due to a $8.8 million decrease in amortization driven by certain intangible assets that have reached the end of their useful lives, and offset with an increase of $0.2 million in depreciation directly correlated to an increase in depreciable assets.

Other Expense (Income), net

Interest expense. The decrease in interest expense is primarily attributed to the termination of our senior secured credit facilities and seller notes as well as entering into a first lien credit agreement on June 6, 2017. See Item 15. “Exhibits and Financial Statement Schedules.” Note 6 to our consolidated financial statements for a detailed discussion regarding long-term debt. These transactions resulted in a lower weighted average interest rate. These decreases were partially offset by an increase in the average principal amounts outstanding under the senior secured PIK notes of $15.8 million as of December 31, 2017, compared to the amount outstanding at December 31, 2016.

Loss on extinguishment and modification of debt. The increase is attributed to the refinancing of the Company’s long-term debt, as described in Item 15. “Exhibits and Financial Statement Schedules.” Note 6 to our consolidated financial statements. Approximately $3.3 million of deferred loan costs and discounts related to our old senior secured credit facilities were written off as a portion of the loss on extinguishment and modification of debt and $5.7 million in debt issuance costs related to the first lien credit facilities were expensed.

Other expense (income). The increase is primarily attributed to a $5.3 million change in the balance of the tax indemnification receivable recorded in connection with the acquisition of Cadillac Jack. To a lesser extent, the change was due
effect of foreign currency fluctuation on trade payables and receivables denominated in foreign currencies.

Income Taxes

The Company’s effective income tax rate for the year ended December 31, 2017, was a benefit of 4.0%. The difference between the federal statutory rate of 35% and the Company’s effective tax rate for the year ended December 31, 2017, was primarily due to changes in our valuation allowance on deferred tax assets and effects of H.R. 1, originally known as the “Tax Cuts and Jobs Act,” (the “Tax Act”) that was enacted on December 22, 2017. The Company’s effective income tax rate for the year ended December 31, 2016, was a benefit of 3.6%. The difference between the federal statutory rate of 35% and the Company’s effective tax rate for the year ended December 31, 2016, was primarily due to changes in our valuation allowance on deferred tax assets.

Segment Operating Results

We report our business segment results in accordance with the “management approach.” The management approach follows the internal reporting used by our chief operating decision maker, who is our Chief Executive Officer, for making decisions and assessing performance of our reportable segments.

See Item 8. “Financial Statements and Supplementary Data” Note 1 for a detailed discussion of our three segments. Each segment’s activities include the design, development, acquisition, manufacturing, marketing, distribution, installation and servicing of its product lines. We evaluate the performance of our operating segments based on revenues and segment adjusted EBITDA.

Segment revenues include leasing, licensing or selling of products within each reportable segment. We measure segment performance in terms of revenue, segment-specific adjusted EBITDA and unit placements. We believe that unit placements are an important gauge of segment performance for EGMs and Table Products because it measures historical market placements of leased and sold units and provides insight into potential markets for next-generation products and service. We do not present a cumulative installed base as previously sold units may no longer be in use by our customers or may have been replaced by other models or products. For our Interactive segment, we view the number of unique players and revenues provided by players on a daily or monthly basis.

Electronic Gaming Machines

Year Ended December 31, 2018 compared to the Year Ended December 31, 2017

	Year ended December 31,		$	%
	2018	2017	Change	Change
EGM segment revenues:				
Gaming operations	$ 187,809	$ 158,335	$ 29,474	18.6 %
Equipment sales	83,216	41,596	41,620	100.1 %
Total EGM revenues	$ 271,025	$ 199,931	$ 71,094	35.6 %
EGM segment expenses:				
Cost of gaming operations [1]	35,216	28,103	7,113	25.3 %
Cost of equipment sales [1]	39,627	19,839	19,788	99.7 %
Selling, general and administrative	55,933	38,224	17,709	46.3 %
Research and development	26,018	22,446	3,572	15.9 %
EGM segment adjusted expenses:				
Adjusted cost of gaming operations [2]	(33,061)	(24,683)	8,378	33.9 %
Cost of equipment sales	(39,627)	(19,839)	19,788	99.7 %
Adjusted selling, general and administrative [2]	(42,182)	(32,316)	9,866	30.5 %
Adjusted research and development [2]	(23,336)	(19,988)	3,348	16.8 %
Accretion of placement fees	4,552	4,680	(128)	(2.7)%
EGM adjusted EBITDA	$ 137,371	$ 107,785	$ 29,586	27.4 %
EGM unit information:				
VLT	797	1,217	(420)	(34.5)%
Class II	11,790	11,952	(162)	(1.4)%
Class III	3,709	2,909	800	27.5 %
Domestic installed base, end of period	16,296	16,078	218	1.4 %
International installed base, end of period	8,351	7,727	624	8.1 %
Total installed base, end of period	24,647	23,805	842	3.5 %
Domestic revenue per day	$ 27.02	$ 25.77	$ 1.25	4.9 %
International revenue per day	$ 8.41	$ 8.31	$ 0.10	1.2 %
Total revenue per day	$ 20.96	$ 19.88	$ 1.08	5.4 %
EGM units sold	4,387	2,565	1,822	71.0 %
Average sales price	$ 18,360	$ 16,329	$ 2,031	12.4 %

(1) Exclusive of depreciation and amortization.
(2) For a reconciliation of this item to its most closely comparable GAAP number, please see the tables set forth under "-Adjusted Expenses."

Gaming Operations Revenue

The increase in gaming operations revenue was primarily due to the increase in our EGM installed base. During the year ended December 31, 2018, revenues increased due to the contribution of 1,500 EGMs acquired from Rocket in December 2017 as described in Item 15. "Exhibits and Financial Statement Schedules." Note 2 to our condensed consolidated financial statements. The increase is also attributable to the continued success of our *ICON* cabinet and the popularity of our *Orion Portrait* cabinet

and the placement of over 500 domestic Class II units in casino expansions and newly opened casinos offset by the strategic removal of approximately 500 EGMs in the third quarter at one casino as well as the sale of previously leased EGMs. Additionally, we had an increase of $1.25 , or 4.9% in our domestic EGM revenue per day driven by our new product offerings, recently entered jurisdictions and through the optimization of our installed base by installing our newer and more competitive game content on our EGMs. In addition, the increase is due to the increase of 624 international EGM units, which is attributable to our gaining market share in under serviced markets within Mexico.

Equipment Sales

The increase in equipment sales is due to the sale of 4,387 units in the year ended December 31, 2018 , compared to 2,565 units in the prior year period. The increase in the number of units sold is primarily attributable to the success of our premium *Orion Portrait* cabinet and our growth in the Class III market as well as the continued success of our *ICON* cabinet. The increase was also attributable to a $2,031 , or 12.4% increase in the average sales price compared to the prior year period. The increase in the average sales price is due the higher sales price of our premium *Orion Portrait* cabinet compared to other cabinets.

EGM Adjusted EBITDA

EGM adjusted EBITDA includes the revenues and operating expenses from the EGM segment adjusted for depreciation, amortization, write-downs and other charges, accretion of placement fees, as well as other costs. See Item 15 “Exhibits and Financial Statement Schedules.” Note 14 for further explanation of adjustments. The increase in EGM adjusted EBITDA is attributable to the increases in revenue described above, and offset by increased adjusted selling, general and administrative expenses of $9.9 million, and increased research and development expenses of $3.3 million, both driven by the increase in salaries and benefit costs due to increased headcount and other operating expenses. The increase in revenue was further offset by increased adjusted cost of gaming operations and equipment sales of $28.2 million due to higher sales volume. EGM adjusted EBITDA margin was 50.7% and 53.9% for the year ended December 31, 2018 and 2017, respectively. The decrease in adjusted EBITDA margin is attributable to the increased proportion of equipment sales as part of total revenues, increased service costs and period costs related to manufacturing and increased operating costs.

Year Ended December 31, 2017 compared to the Year Ended December 31, 2016

	Year ended December 31,		$	%
	2017	2016	Change	Change
EGM segment revenues:				
Gaming operations	$ 158,335	$ 144,510	$ 13,825	9.6 %
Equipment sales	41,596	11,897	29,699	249.6 %
Total EGM revenues	$ 199,931	$ 156,407	$ 43,524	27.8 %
EGM segment expenses:				
Cost of gaming operations [1]	28,103	23,195	4,908	21.2 %
Cost of equipment sales [1]	19,839	6,237	13,602	218.1 %
Selling, general and administrative	38,224	34,901	3,323	9.5 %
Research and development	22,446	17,951	4,495	25.0 %
EGM segment adjusted expenses				
Adjusted cost of gaming operations [2]	(24,683)	(18,903)	5,780	30.6 %
Cost of equipment sales	(19,839)	(6,237)	13,602	218.1 %
Adjusted selling, general and administrative [2]	(32,316)	(27,310)	5,006	18.3 %
Adjusted research and development [2]	(19,988)	(16,930)	3,058	18.1 %
Accretion of placement fees	4,680	4,702	(22)	(0.5)%
EGM adjusted EBITDA	$ 107,785	$ 91,729	$ 16,056	17.5 %
EGM unit information:				
VLT	1,217	1,223	(6)	(0.5)%
Class II	11,952	10,361	1,591	15.4 %
Class III	2,909	2,369	540	22.8 %
Domestic installed base, end of period	16,078	13,953	2,125	15.2 %
International installed base, end of period	7,727	6,898	829	12.0 %
Total installed base, end of period	23,805	20,851	2,954	14.2 %
Domestic revenue per day	$ 25.77	$ 24.74	$ 1.03	4.2 %
International revenue per day	$ 8.31	$ 9.23	$ (0.92)	(10.0)%
Total revenue per day	$ 19.88	$ 19.78	$ 0.10	0.5 %
EGM units sold [3]	2,565	465	2,100	451.6 %
Average sales price [3]	$ 16,329	$ 14,897	$ 1,432	9.6 %

(1) Exclusive of depreciation and amortization.

(2) For a reconciliation of this item to its most closely comparable GAAP number, please see the tables set forth under "-Adjusted Expenses."

(3) Does not include the sale of approximately 850 older generation gaming machines in secondary markets in 2016.

Gaming Operations Revenue

The increase in gaming operations revenue was primarily due to the increase in our EGM installed base of approximately 600 domestic units, which is primarily attributable to the continued success of our *ICON* cabinet and the popularity of our new *Orion Portrait* cabinet, as well as the purchase of approximately 1,500 EGMs from Rocket in December 2017 as described in as

described in Item 15 “Exhibits and Financial Statement Schedules.” Note 2 to our consolidated financial statements. In addition, the increase is also attributed to the increase of approximately 800 international EGM units, which is attributable to our gaining market share in under serviced markets within Mexico. We also had an increase in our domestic EGM revenue per day driven by our new product offerings, recently entered jurisdictions and through the optimization of our installed base by installing our newer and more competitive game content on our EGMs. Although the Company has experienced a decrease in participation share rates for gaming revenue received pursuant to participation agreements with certain Native American tribal customers, player demand, driven by the Company’s newer and more competitive game content, has offset the effects of decreased participation share rates and domestic EGM revenue per day has increased in total.

Equipment Sales

The increase in equipment sales is due to the sale of 2,565 units in the year ended December 31, 2017, compared to 465 units in the prior year period. The increase in the number of units sold is primarily attributable to the continued success of our *ICON* cabinet and the newly released *Orion Portrait* cabinet and our growth in the Class III market in which many customers prefer to buy rather than lease EGMs. The increase was also attributable to an increase in the average sales price compared to the prior year period driven by the pricing of our premium *Orion Portrait* cabinet. The increase in equipment sales was offset by a decrease in revenues from the sale of nontransferable and nonexclusive licenses of certain licensed game content to a third party for $4.3 million in the prior year period that was not present in the year ended December 31, 2017.

EGM Adjusted EBITDA

EGM adjusted EBITDA includes the revenues and operating expenses from the EGM segment adjusted for depreciation, amortization, write downs and other charges, accretion of placement fees, as well as other costs. See Item 15 “Exhibits and Financial Statement Schedules.” Note 14 for further explanation of adjustments. The increase in EGM adjusted EBITDA is attributable to the increases in revenue described above, and offset by increased adjusted selling, general and administrative expenses of $5.0 million and increased research and development expenses of $3.1 million, both driven by the increase in salaries and benefit costs due to increased headcount. The increase in revenue was further offset by increased total cost of recurring revenue and equipment sales of $19.4 million due to higher sales volume.

Table Products

Year Ended December 31, 2018 compared to the Year Ended December 31, 2017

	Year ended December 31,		$	%
	2018	2017	Change	Change
Table products segment revenue:				
Gaming operations	$ 7,377	$ 3,958	$ 3,419	86.4%
Equipment sales	274	107	167	156.1%
Total table products revenues	$ 7,651	$ 4,065	$ 3,586	88.2%
Table products segment expenses:				
Cost of gaming operations [1]	1,991	1,283	708	55.2%
Cost of equipment sales [1]	43	8	35	437.5%
Selling, general and administrative	2,577	1,434	1,143	79.7%
Research and development	3,113	1,787	1,326	74.2%
Table products adjusted expenses:				
Adjusted cost of gaming operations [2]	(1,907)	(1,160)	747	64.4%
Cost of equipment sales	(43)	(8)	35	437.5%
Adjusted selling, general and administrative [2]	(2,146)	(1,678)	468	27.9%
Adjusted research and development [2]	(2,613)	(1,747)	866	49.6%
Table products adjusted EBITDA	$ 942	$ (528)	1,470	278.4%
Table products unit information:				
Table products installed base, end of period	3,162	2,400	762	31.8%
Average monthly lease price	$ 218	$ 167	$ 51	30.5%

(1) Exclusive of depreciation and amortization.
(2) For a reconciliation of this item to its most closely comparable GAAP number, please see the tables set forth under "-Adjusted Expenses."

Gaming Operations Revenue

The increase in Table Products gaming operations revenue is attributable to the increase in the Table Products installed base to 3,162 units for the current year ended December 31, 2018 compared to 2,400 units in the prior year period. The newly acquired 493 installs from the In Bet acquisition, our side bets, and most notably Buster Blackjack, are the primary driver of the increase in the Table Products revenue and installed base compared to the prior year period. See Item 15. "Exhibits and Financial Statement Schedules." Note 2 for a description of the In Bet acquisition. The increase is also attributable to the higher average monthly lease price of $218 , up $51 compared to last year.

Tables Products Adjusted EBITDA

Table Products adjusted EBITDA includes the revenues and operating expenses from the Table Products segment adjusted for depreciation, amortization, write-downs and other charges, as well as other costs. See Item 15 "Exhibits and Financial Statement Schedules" Note 14 for further explanation of adjustments. The increase in Table Products adjusted EBITDA is attributable to the increases in revenue described above, and offset primarily by higher adjusted research and development expenses of $0.9 million related to our new card shuffler, *Dex S* and an increase in adjusted cost of recurring revenue of $0.7 million related to royalties on new games and progressives.

Year Ended December 31, 2017 compared to the Year Ended December 31, 2016

	Year ended December 31,		$	%
	2017	2016	Change	Change
Table products segment revenue:				
Gaming operations	$ 3,958	$ 2,622	$ 1,336	51.0 %
Equipment sales	107	52	55	105.8 %
Total table products revenues	$ 4,065	$ 2,674	$ 1,391	52.0 %
Table products segment expenses:				
Cost of gaming operations [1]	1,283	1,277	6	0.5 %
Cost of equipment sales [1]	8	—	8	— %
Selling, general and administrative	1,434	2,942	(1,508)	(51.3)%
Research and development	1,787	1,722	65	3.8 %
Table products adjusted expenses:				
Adjusted cost of gaming operations [2]	(1,160)	(1,277)	117	9.2 %
Cost of equipment sales	(8)	—	(8)	— %
Adjusted selling, general and administrative [2]	(1,678)	(1,901)	223	11.7 %
Adjusted research and development [2]	(1,747)	(1,159)	(588)	(50.7)%
Table products adjusted EBITDA	$ (528)	$ (1,663)	$ 1,135	68.3 %
Table products unit information:				
Table products installed base, end of period	2,400	1,500	900	60.0 %
Average monthly lease price	$ 167	$ 194	$ (27)	(13.9)%

(1) Exclusive of depreciation and amortization.
(2) For a reconciliation of this item to its most closely comparable GAAP number, please see the tables set forth under "-Adjusted Expenses."

Gaming Operations Revenue

The increase in Table Products gaming operations revenue is attributable to the increase in the Table Products installed base to 2,400 units compared to 1,500 units in the prior year period. The newly acquired 493 installs from the In Bet acquisition, our side bets, and most notably Buster Blackjack, are the primary driver of the increase in the Table Products revenue and installed base compared to the prior year period. See Item 15. "Exhibits and Financial Statement Schedules." Note 2 for a description of the In Bet acquisition. The increase is offset by a decrease in the average monthly lease price driven by a shift in product mix.

Tables Products Adjusted EBITDA

Table Products adjusted EBITDA includes the revenues and operating expenses from the Table Products segment adjusted for depreciation, amortization, write-downs and other charges, as well as other costs. See Item 15 "Exhibits and Financial Statement Schedules." Note 14 for further explanation of adjustments. The increase in Table Products adjusted EBITDA is attributable to the increases in revenue described above and a decrease in adjusted cost of gaming operations and equipment sales of $0.1 million offset by a net increase in the remaining operating costs related to our investment in new products research and development.

Interactive

Year Ended December 31, 2018 compared to the Year Ended December 31, 2017

	Year ended December 31,		$	%
	2018	2017	Change	Change
Interactive segment revenue:				
Gaming operations	$ 6,623	$ 7,959	$ (1,336)	(16.8)%
Total interactive revenue	$ 6,623	$ 7,959	$ (1,336)	(16.8)%
Interactive segment expenses:				
Cost of gaming operations [1]	2,061	2,356	(295)	(12.5)%
Selling, general and administrative	4,528	4,357	171	3.9 %
Research and development	2,614	1,482	1,132	76.4 %
Interactive segment adjusted expenses:				
Adjusted cost of gaming operations [2]	(2,061)	(2,356)	(295)	(12.5)%
Adjusted selling, general and administrative [2]	(4,110)	(4,321)	(211)	(4.9)%
Adjusted research and development [2]	(2,559)	(1,698)	861	50.7 %
Interactive adjusted EBITDA	$ (2,107)	$ (416)	$ (1,691)	(406.5)%
Interactive unit information:				
Average MAU [3]	168,843	192,835	(192,666)	(99.9)%
Average DAU [4]	35,278	37,542	(37,507)	(99.9)%
ARPDAU [5]	$ 0.45	$ 0.57	$ 0.57	100.0 %

(1) Exclusive of depreciation and amortization.
(2) For a reconciliation of this item to its most closely comparable GAAP number, please see the tables set forth under "-Adjusted Expenses."
(3) MAU = Monthly Active Users and is a count of unique visitors to our sites during a month
(4) DAU = Daily Active Users, a count of unique visitors to our sites during a day
(5) ARPDAU = Average daily revenue per DAU is calculated by dividing revenue for a period by the DAU for the period by the number of days for the period

Gaming Operations Revenue

Because of our optimization strategy, interactive gaming operations revenue decreased slightly compared to the prior year period due to the decrease in Business-to-Consumer ("B2C") revenue. These decreases were offset by an increase in Business-to-Business ("B2B") revenue of $0.3 million as well as an increase of $0.5 million in real money gaming revenue in the current period from our recent acquisition of AGS iGaming.

Interactive Adjusted EBITDA

Interactive adjusted EBITDA includes the revenues and operating expenses from the Interactive segment adjusted for depreciation, amortization, write-downs and other charges, as well as other costs. See Item 15 "Exhibits and Financial Statement Schedules." Note 14 for further explanation of adjustments. The decrease in interactive adjusted EBITDA is attributable to decreased revenues, as described above as well as additional operating costs incurred by AGS iGaming that were not present in the prior period offset by a decrease in user acquisition fees.

Year Ended December 31, 2017 compared to the Year Ended December 31, 2016

	Year ended December 31,		$	%
	2017	2016	Change	Change
Interactive segment revenue:				
Gaming operations	$ 7,959	$ 7,725	$ 234	3.0 %
Total interactive revenue	$ 7,959	$ 7,725	$ 234	3.0 %
Interactive segment expenses:				
Cost of gaming operations [1]	2,356	2,264	92	4.1 %
Selling, general and administrative	4,357	8,265	(3,908)	(47.3)%
Research and development	1,482	1,673	(191)	(11.4)%
Interactive segment adjusted expenses:				
Adjusted cost of gaming operations [2]	(2,356)	(2,264)	92	4.1 %
Adjusted selling, general and administrative [2]	(4,321)	(8,265)	(3,944)	(47.7)%
Adjusted research and development [2]	(1,698)	(1,923)	225	11.7 %
Interactive adjusted EBITDA	$ (416)	$ (4,727)	$ 4,311	91.2 %
Interactive unit information:				
Average MAU [3]	192,835	209,840	(17,005)	(8.1)%
Average DAU [4]	37,542	41,478	(3,936)	(9.5)%
ARPDAU [5]	$ 0.57	$ 0.48	$ 0.09	18.8 %

(1) Exclusive of depreciation and amortization.
(2) For a reconciliation of this item to its most closely comparable GAAP number, please see the tables set forth under "-Adjusted Expenses."
(3) MAU = Monthly Active Users and is a count of unique visitors to our sites during a month
(4) DAU = Daily Active Users, a count of unique visitors to our sites during a day
(5) ARPDAU = Average daily revenue per DAU is calculated by dividing revenue for a period by the DAU for the period by the number of days for the period

Gaming Operations Revenue

The increase in interactive gaming operations revenue is attributable to increases in B2C revenue of $0.1 million, which are driven by a 18.8% increase in ARPDAU for the year ended December 31, 2017 when compared to the prior year period, and to a lesser extent, increases in B2B revenue. These increases were offset by a decrease of 9.5% in average DAU driven by decreased user acquisition costs in efforts to optimize marketing spend.

Interactive Adjusted EBITDA

Interactive adjusted EBITDA includes the revenues and operating expenses from the Interactive segment adjusted for depreciation, amortization, write-downs and other charges, as well as other costs. See Item 15. "Exhibits and Financial Statement Schedules." Note 14 for further explanation of adjustments. The increase in interactive adjusted EBITDA is attributable to a decrease in adjusted operating expenses of $4.2 million, primarily driven by decreased marketing and user acquisition costs. These decreases in adjusted operating expenses were complimented by the increase in gaming operations revenues discussed above.

Total Adjusted EBITDA

The following tables provide reconciliations of segment financial information to our consolidated statement of operations. We have included revenues, operating expenses and other adjustments by segment which we believe are important to understanding the operating results of our segments:

	Year Ended December 31, 2018			
	EGM	Table Products	Interactive	Total
Revenues				
Gaming operations	$ 187,809	$ 7,377	$ 6,623	$ 201,809
Equipment sales	83,216	274	—	83,490
Total revenues	271,025	7,651	6,623	285,299
Cost of gaming operations [1]	35,216	1,991	2,061	39,268
Cost of equipment sales [1]	39,627	43	—	39,670
Selling, general and administrative	55,933	2,577	4,528	63,038
Research and development	26,018	3,113	2,614	31,745
Write-downs and other charges	3,925	—	4,828	8,753
Depreciation and amortization	73,871	2,707	957	77,535
Total operating expenses	234,590	10,431	14,988	260,009
Write-downs and other				
Loss on disposal of long-lived assets	1,963	—	—	1,963
Impairment of long-lived assets	1,261	—	4,828	6,089
Fair value adjustments to contingent consideration and other items	701	—	—	701
Acquisition costs	-			—
Depreciation and amortization	73,871	2,707	957	77,535
Accretion of placement fees [2]	4,552			4,552
Non-cash stock compensation expense [3]	9,810	929	194	10,933
Acquisitions and integration related costs including restructuring and severance [4]	3,500	—	144	3,644
Initial public offering [5]	2,426	2	—	2,428
Legal and litigation expenses including settlement payments [6]	857	—	135	992
New jurisdictions and regulatory licensing costs [7]	—	—	—	—
Non-cash charge on capitalized installation and delivery [8]	1,997	84	—	2,081
Non-cash charges and loss on disposition of assets [9]	—	—	—	—
Other adjustments [10]	(2)	—	—	(2)
Adjusted EBITDA	$ 137,371	$ 942	$ (2,107)	$ 136,206

(1) Exclusive of depreciation and amortization.
(2) Non-cash items related to the accretion of contract rights under development agreements and placement fees.
(3) Non-cash stock-based compensation includes non-cash compensation expense related to grants of options, restricted stock, and other equity awards.
(4) Acquisitions and integration related costs primarily relate to costs incurred after the purchase of businesses, such as the purchase of AGS iGaming, to integrate operations and obtain costs synergies. Restructuring and severance costs primarily relate to costs incurred through the restructuring of the Company's operations from time to time and other employee severance costs recognized in the periods presented.
(5) Costs incurred related to initial public offering, net of costs capitalized to equity and the filing of the related offerings.
(6) Legal and litigation related costs consist of payments to law firms and settlements for matters that are outside the normal course of business. These costs related to litigation and matters that were not significant individually.
(7) New jurisdictions and regulatory licensing costs primarily relate to the costs the Company incurred to obtain licenses and develop products for new jurisdictions.
(8) Non-cash charges on capitalized installation and delivery primarily include the costs to acquire contracts that are expensed over the estimated life of each contract.
(9) Non-cash charges and loss on disposition of assets are primarily composed of non-cash inventory obsolescence charges.

(10) Other adjustments are primarily composed of professional fees incurred by the Company for projects, corporate and public filing compliance, contract cancellation fees, and other costs deemed to be non-operating in nature.

	Year Ended December 31, 2017			
	EGM	Table Products	Interactive	Total
Revenues				
Gaming operations	$ 158,335	$ 3,958	$ 7,959	$ 170,252
Equipment sales	41,596	107	—	41,703
Total revenues	199,931	4,065	7,959	211,955
Cost of gaming operations [1]	28,103	1,283	2,356	31,742
Cost of equipment sales [1]	19,839	8	—	19,847
Selling, general and administrative	38,224	1,434	4,357	44,015
Research and development	22,446	1,787	1,482	25,715
Write-downs and other charges	4,485	—	—	4,485
Depreciation and amortization	69,151	1,663	835	71,649
Total operating expenses	182,248	6,175	9,030	197,453
Write-downs and other				
Loss on disposal of long-lived assets	3,901	—	—	3,901
Impairment of long-lived assets	1,214	—	—	1,214
Fair value adjustments to contingent consideration and other items	(630)	—	—	(630)
Acquisition costs	—	—	—	—
Depreciation and amortization	69,151	1,663	835	71,649
Accretion of placement fees [2]	4,680	—	—	4,680
Non-cash stock-based compensation expense [3]	—	—	—	—
Acquisitions and integration related costs including restructuring and severance [4]	2,989	164	(217)	2,936
Initial public offering [5]	—	—	—	—
Legal and litigation expenses including settlement payments [6]	949	(426)	—	523
New jurisdictions and regulatory licensing costs [7]	2,050	12	—	2,062
Non-cash charge on capitalized installation and delivery [8]	1,912	—	—	1,912
Non-cash charges and loss on disposition of assets [9]	1,202	—	—	1,202
Other adjustments [10]	2,684	169	37	2,890
Adjusted EBITDA	$ 107,785	$ (528)	$ (416)	$ 106,841

(1) Exclusive of depreciation and amortization.
(2) Non-cash items related to the accretion of contract rights under development agreements and placement fees.
(3) Non-cash stock-based compensation includes non-cash compensation expense related to grants of options, restricted stock, and other equity awards.
(4) Acquisitions and integration related costs primarily relate to costs incurred after the purchase of businesses, such as the purchase of AGS iGaming, to integrate operations and obtain costs synergies. Restructuring and severance costs primarily relate to costs incurred through the restructuring of the Company's operations from time to time and other employee severance costs recognized in the periods presented.
(5) Costs incurred related to initial public offering, net of costs capitalized to equity and the filing of the related offerings.
(6) Legal and litigation related costs consist of payments to law firms and settlements for matters that are outside the normal course of business. These costs related to litigation and matters that were not significant individually.
(7) New jurisdictions and regulatory licensing costs primarily relate to the costs the Company incurred to obtain licenses and develop products for new jurisdictions.
(8) Non-cash charge on capitalized installation and delivery primarily include the costs to acquire contracts that are expensed over the estimated life of each contract.
(9) Non-cash charges and loss on disposition of assets are primarily composed of non-cash inventory obsolescence charges.
(10) Other adjustments are primarily composed of professional fees incurred by the Company for projects, corporate and public filing compliance, contract cancellation fees, and other costs deemed to be non-operating in nature.

	Year Ended December 31, 2016			
	EGM	Table Products	Interactive	Total
Revenues				
Gaming operations	$ 144,510	$ 2,622	$ 7,725	$ 154,857
Equipment sales	11,897	52	—	11,949
Total revenues	156,407	2,674	7,725	166,806
Cost of gaming operations [1]	23,195	1,277	2,264	26,736
Cost of equipment sales [1]	6,237	—	—	6,237
Selling, general and administrative	34,901	2,942	8,265	46,108
Research and development	17,951	1,722	1,673	21,346
Write-downs and other charges	3,271	—	(9)	3,262
Depreciation and amortization	77,232	1,657	1,292	80,181
Total operating expenses	162,787	7,598	13,485	183,870
Write-downs and other				
Loss on disposal of long-lived assets	978	—	—	978
Impairment of long-lived assets	5,295	—	—	5,295
Fair value adjustments to contingent consideration and other items	(3,000)	—	—	(3,000)
Acquisition costs	(2)	—	(9)	(11)
Depreciation and amortization	77,232	1,657	1,292	80,181
Accretion of placement fees [2]	4,702	—	—	4,702
Non-cash stock-based compensation expense [3]				—
Acquisitions and integration related costs including restructuring and severance [4]	5,107	554	(250)	5,411
Initial public offering [5]				—
Legal and litigation expenses including settlement payments [6]	545	1,020	—	1,565
New jurisdictions and regulatory licensing costs [7]	1,285	30	—	1,315
Non-cash charge on capitalized installation and delivery [8]	1,680	—	—	1,680
Non-cash charges and loss on disposition of assets [9]	2,478	—	—	2,478
Other adjustments [10]	1,809	—	—	1,809
Adjusted EBITDA	$ 91,729	$ (1,663)	$ (4,727)	$ 85,339

(1) Exclusive of depreciation and amortization.
(2) Non-cash items related to the accretion of contract rights under development agreements and placement fees.
(3) Non-cash stock-based compensation includes non-cash compensation expense related to grants of options, restricted stock, and other equity awards.
(4) Acquisitions and integration related costs primarily relate to costs incurred after the purchase of businesses, such as the purchase of AGS iGaming, to integrate operations and obtain costs synergies. Restructuring and severance costs primarily relate to costs incurred through the restructuring of the Company's operations from time to time and other employee severance costs recognized in the periods presented.
(5) Costs incurred related to initial public offering, net of costs capitalized to equity and the filing of the related offerings.
(6) Legal and litigation related costs consist of payments to law firms and settlements for matters that are outside the normal course of business. These costs related to litigation and matters that were not significant individually.
(7) New jurisdictions and regulatory licensing costs primarily relate to the costs the Company incurred to obtain licenses and develop products for new jurisdictions.
(8) Non-cash charge on capitalized installation and delivery primarily include the costs to acquire contracts that are expensed over the estimated life of each contract.
(9) Non-cash charges and loss on disposition of assets are primarily composed of non-cash inventory obsolescence charges.
(10) Other adjustments are primarily composed of professional fees incurred by the Company for projects, corporate and public filing compliance, contract cancellation fees, and other costs deemed to be non-operating in nature.

We have provided total adjusted EBITDA in this Form 10-K because we believe such measure provides investors with additional information to measure our performance.

We believe that the presentation of total adjusted EBITDA is appropriate to provide additional information to investors about certain material non-cash items that we do not expect to continue at the same level in the future, as well as other items we do not consider indicative of our ongoing operating performance. Further, we believe total adjusted EBITDA provides a meaningful measure of operating profitability because we use it for evaluating our business performance, making budgeting decisions, and comparing our performance against that of other peer companies using similar measures. It also provides management and investors with additional information to estimate our value.

Total adjusted EBITDA is not a presentation made in accordance with GAAP. Our use of the term total adjusted EBITDA may vary from others in our industry. Total adjusted EBITDA should not be considered as an alternative to operating income or net income. Total adjusted EBITDA has important limitations as an analytical tool, and you should not consider it in isolation or as a substitute for the analysis of our results as reported under GAAP.

Our definition of total adjusted EBITDA allows us to add back certain non-cash charges that are deducted in calculating net income and to deduct certain gains that are included in calculating net income. However, these expenses and gains vary greatly, and are difficult to predict. They can represent the effect of long-term strategies as opposed to short-term results. In addition, in the case of charges or expenses, these items can represent the reduction of cash that could be used for other corporate purposes.

Due to these limitations, we rely primarily on our GAAP results, such as net loss, (loss) income from operations, EGM Adjusted EBITDA, Table Products Adjusted EBITDA or Interactive Adjusted EBITDA and use Total adjusted EBITDA only supplementally.

The following tables set forth total adjusted EBITDA and a reconciliation to the nearest GAAP measure:

Year Ended December 31, 2018 compared to the Year Ended December 31, 2017

	Year ended December 31,		$	%
	2018	2017	Change	Change
Net (Loss) Income	$ (20,846)	$ (45,106)	$ 24,260	(54)%
Income tax (benefit)	(8,377)	(1,889)	(6,488)	343 %
Depreciation and amortization	77,535	71,649	5,886	8 %
Other expense (income)	10,488	(2,938)	13,426	457 %
Interest income	(207)	(108)	(99)	92 %
Interest expense	37,607	55,511	(17,904)	(32)%
Write-downs and other [1]	8,753	4,485	4,268	95 %
Loss on extinguishment and modification of debt [2]	6,625	9,032	(2,407)	(27)%
Other adjustments [3]	2,426	2,890	(464)	(16)%
Other non-cash charges [4]	6,633	7,794	(1,161)	(15)%
New jurisdiction and reg licensing costs [5]	—	2,062	(2,062)	(100)%
Legal and litigation expenses [6]	992	523	469	90 %
Acquisition and integration related costs [7]	3,644	2,936	708	24 %
Non-cash stock compensation	10,933	—	10,933	100 %
Adjusted EBITDA	$ 136,206	$ 106,841	$ 29,365	27 %

(1) **Write-downs and other** include items related to loss on disposal or impairment of long-lived assets, fair value adjustments to contingent consideration and acquisition costs
(2) **Loss on extinguishment and modification of debt** primarily relates to the refinancing of long-term debt, in which deferred loan costs and discounts related to old senior secured credit facilities were written off
(3) **Other adjustments** are primarily composed of professional fees incurred for projects, corporate and public filing compliance, contract cancellation fees and other transaction costs deemed to be non-operating in nature
(4) **Other non-cash charges** are costs related to non-cash charges and losses on the disposition of assets, non-cash charges on capitalized installation and delivery, which primarily includes the costs to acquire contracts that are expensed over the estimated life of each contract and non-cash charges related to accretion of contract rights under development agreements
(5) **New jurisdiction and regulatory license costs** relates primarily to one-time non-operating costs incurred to obtain new licenses and develop products for new jurisdictions
(6) **Legal and litigation expenses** include payments to law firms and settlements for matters that are outside the normal course of business

(7) **Acquisition and integration costs** include restructuring and severance and are related to costs incurred after the purchase of businesses, such as the acquisitions of Rocket and AGS iGaming, to integrate operations

Year Ended December 31, 2017 compared to the Year Ended December 31, 2016

	Year ended December 31,		$	%
	2017	2016	Change	Change
Net Income	$ (45,106)	$ (81,374)	$ 36,268	44.6 %
Income tax (benefit)	(1,889)	(3,000)	$ 1,111	37.0 %
Depreciation and amortization	71,649	80,181	$ (8,532)	(10.6)%
Other (income) expense	(2,938)	7,404	$ 10,342	139.7 %
Interest income	(108)	(57)	$ (51)	89.5 %
Interest expense	55,511	59,963	$ (4,452)	(7.4)%
Write-downs and other [1]	4,485	3,262	$ 1,223	37.5 %
Loss on extinguishment and modification of debt [2]	9,032	—	$ 9,032	100.0 %
Other adjustments [3]	2,890	1,809	$ 1,081	59.8 %
Other non-cash charges [4]	7,794	8,860	$ (1,066)	(12.0)%
New jurisdiction and reg licensing costs [5]	2,062	1,315	$ 747	56.8 %
Legal and litigation expenses [6]	523	1,565	$ (1,042)	(66.6)%
Acquisition and integration related costs [7]	2,936	5,411	$ (2,475)	(45.7)%
Non-cash stock compensation	—	—	—	—
Adjusted EBITDA	$ 106,841	$ 85,339	$ 21,502	25.2 %

(1) **Write-downs and other** include items related to loss on disposal or impairment of long-lived assets, fair value adjustments to contingent consideration and acquisition costs
(2) **Loss on extinguishment and modification of debt** primarily relates to the refinancing of long-term debt, in which deferred loan costs and discounts related to old senior secured credit facilities were written off
(3) **Other adjustments** are primarily composed of professional fees incurred for projects, corporate and public filing compliance, contract cancellation fees and other transaction costs deemed to be non-operating in nature
(4) **Other non-cash charges** are costs related to non-cash charges and losses on the disposition of assets, non-cash charges on capitalized installation and delivery, which primarily includes the costs to acquire contracts that are expensed over the estimated life of each contract and non-cash charges related to accretion of contract rights under development agreements
(5) **New jurisdiction and regulatory license costs** relates primarily to one-time non-operating costs incurred to obtain new licenses and develop products for new jurisdictions
(6) **Legal and litigation expenses** include payments to law firms and settlements for matters that are outside the normal course of business
(7) **Acquisition and integration costs** include restructuring and severance and are related to costs incurred after the purchase of businesses, such as the acquisitions of Rocket and AGS iGaming, to integrate operations

Adjusted Expenses

The following tables provide reconciliations of segment financial information to our consolidated statement of operations for certain expenses and adjustments thereto which we believe are important to understanding the operating expenses and the operating results of our segments:

	Year Ended December 31, 2018			
	EGM	Table Products	Interactive	Total
Cost of gaming operations	$ 35,216	$ 1,991	$ 2,061	$ 39,268
Adjustments [1]	(2,155)	(84)	—	(2,239)
Adjusted cost of gaming operations	$ 33,061	$ 1,907	$ 2,061	$ 37,029
Selling, general and administrative	55,933	2,577	4,528	63,038
Adjustments [2]	(13,751)	(431)	(418)	(14,600)
Adjusted selling, general and administrative	$ 42,182	$ 2,146	$ 4,110	$ 48,438
Research and development	$ 26,018	$ 3,113	$ 2,614	$ 31,745
Adjustments [3]	(2,682)	(500)	(55)	(3,237)
Adjusted research and development	$ 23,336	$ 2,613	$ 2,559	$ 28,508

(1) Adjustments to cost of gaming operation include non-cash stock compensation expense and non-cash charges on capitalized installation and delivery.
(2) Adjustments to selling, general and administrative expense include non-cash stock compensation expense, acquisitions and integration related costs including restructuring and severance, initial public offering costs, legal and litigation expenses including settlement payments and other adjustments.
(3) Adjustments to research and development costs include non-cash stock compensation expense and acquisitions and integration related costs including restructuring and severance.

	Year Ended December 31, 2017			
	EGM	Table Products	Interactive	Total
Cost of gaming operations	$ 28,103	$ 1,283	$ 2,356	$ 31,742
Adjustments [4]	(3,420)	(123)	—	(3,543)
Adjusted cost of gaming operations	$ 24,683	$ 1,160	$ 2,356	$ 28,199
Selling, general and administrative	$ 38,224	$ 1,434	$ 4,357	$ 44,015
Adjustments [5]	(5,908)	244	(36)	(5,700)
Adjusted selling, general and administrative	$ 32,316	$ 1,678	$ 4,321	$ 38,315
Research and development	$ 22,446	$ 1,787	$ 1,482	$ 25,715
Adjustments [6]	(2,458)	(40)	216	(2,282)
Adjusted research and development	$ 19,988	$ 1,747	$ 1,698	$ 23,433

(4) Adjustments to cost of gaming operation include non-cash charges on capitalized installation and delivery and non-cash charges and loss on disposition of assets.
(5) Adjustments to selling, general and administrative expenses include acquisitions and integration related costs including restructuring and severance, legal and litigation expenses including settlement payments, new jurisdictions and regulatory licensing costs, and other adjustments.
(6) Adjustments to research and development costs represent acquisitions and integration related costs including restructuring and severance.

	Year Ended December 31, 2016			
	EGM	Table Products	Interactive	Total
Cost of gaming operations	$ 23,195	$ 1,277	$ 2,264	$ 26,736
Adjustments [7]	(4,292)	—	—	(4,292)
Adjusted cost of gaming operations	$ 18,903	$ 1,277	$ 2,264	$ 22,444
Selling, general and administrative	$ 34,901	$ 2,942	$ 8,265	$ 46,108
Adjustments [8]	(7,591)	(1,041)	—	(8,632)
Adjusted selling, general and administrative	$ 27,310	$ 1,901	$ 8,265	$ 37,476
Research and development	$ 17,951	$ 1,722	$ 1,673	$ 21,346
Adjustments [9]	(1,021)	(563)	250	(1,334)
Adjusted research and development	$ 16,930	$ 1,159	$ 1,923	$ 20,012

(7) Adjustments to cost of gaming operation include non-cash charges on capitalized installation and delivery and non-cash charges and loss on disposition of assets.
(8) Adjustments to selling, general and administrative expenses include acquisitions and integration related costs including restructuring and severance, legal and litigation expenses including settlement payments, new jurisdictions and regulatory licensing costs, and other adjustments.
(9) Adjustments to research and development costs represent acquisitions and integration related costs including restructuring and severance.

We have provided (i) adjusted cost of gaming operations, (ii) adjusted selling, general and administrative costs and (iii) adjusted research and development cost (collectively, the "Adjusted Expenses") in this Form 10-K because we believe such measure provides investors with additional information to measure our performance.

We believe that the presentation of each of the Adjusted Expenses is appropriate to provide additional information to investors about certain non-cash items that vary greatly and are difficult to predict. These Adjusted Expenses take into account non-cash stock compensation expense, acquisitions and integration related costs including restructuring and severance, initial public offering costs, legal and litigation expenses including settlement payments, new jurisdictions and regulatory licensing costs, non-cash charges on capitalized installation and delivery, non-cash charges and loss on disposition of assets and other adjustments. Further, we believe each of the Adjusted Expenses provides a meaningful measure of our expenses because we use it for evaluating our business performance, making budgeting decisions, and comparing our performance against that of other peer companies using similar measures. It also provides management and investors with additional information to estimate our value.

Each of the Adjusted Expenses is not a presentation made in accordance with GAAP. Our use of the term Adjusted Expenses may vary from others in our industry. Each of the Adjusted Expenses should not be considered as an alternative to our operating expenses under GAAP. Each of the Adjusted Expenses has important limitations as an analytical tool, and you should not consider it in isolation or as a substitute for the analysis of our results as reported under GAAP.

Our definition of total adjusted EBITDA allows us to add back certain non-cash charges that are deducted in calculating net income and to deduct certain gains that are included in calculating net income. However, these expenses and gains vary greatly, and are difficult to predict. They can represent the effect of long-term strategies as opposed to short-term results. In addition, in the case of charges or expenses, these items can represent the reduction of cash that could be used for other corporate purposes.

Due to these limitations, we rely primarily on our GAAP cost of gaming operations, cost of equipment sales, selling, general and administrative costs and research and development costs and use each of the Adjusted Expenses only supplementally.

The above tables set forth each of the Adjusted Expenses and a reconciliation to the nearest GAAP measure.

Liquidity and Capital Resources

We expect that primary ongoing liquidity requirements for the year ending December 31, 2019 will be for operating capital expenditures, working capital, debt servicing, game development and other customer acquisition activities. On February 8, 2019, we completed our acquisition of Integrity Gaming Corp. ("Integrity") for a purchase price of $49 million as described in Item 15. "Exhibits and Financial Statement Schedules." Note 16. We expect to finance these liquidity requirements through a combination of cash on hand and cash flows from operating activities.

Part of our overall strategy includes consideration of expansion opportunities, underserved markets and acquisition and other strategic opportunities that may arise periodically. We may require additional funds in order to execute on such strategic growth, and may incur additional debt or issue additional equity to finance any such transactions. We cannot assure you that we will be able to obtain such debt or issue any such additional equity on acceptable terms or at all.

As of December 31, 2018 , we had $71 million in cash and cash equivalents and $30.0 million available under our revolving credit facility. Based on our current business plan, we believe that our existing cash balances, cash generated from operations and availability under the revolving credit facility will be sufficient to meet our anticipated cash needs for at least the next twelve months. As of December 31, 2018 , we were in compliance with the required covenants of our debt instruments, including the maximum net first lien leverage ratio, which was 3.2 to 1.0 out of a maximum of 6.0 to 1.0. However, our future cash requirements could be higher than we currently expect as a result of various factors. Our ability to meet our liquidity needs could be adversely affected if we suffer adverse results of operations, or if we violate the covenants and restrictions to which we are subject under our debt instruments. Additionally, our ability to generate sufficient cash from our operating activities is subject to general economic, political, regulatory, financial, competitive and other factors beyond our control. Our business may not generate sufficient cash flow from operations, and future borrowings may not be available to us under our existing credit facility in an amount sufficient to enable us to pay our service or repay our indebtedness or to fund our other liquidity needs, and we may be required to seek additional financing through credit facilities with other lenders or institutions or seek additional capital through private placements or public offerings of equity or debt securities.

Indebtedness

First Lien Credit Facilities

On June 6, 2017, AP Gaming I, LLC (the "Borrower"), a wholly owned indirect subsidiary of the Company, entered into a first lien credit agreement, providing for $450.0 million in term loans and a $30.0 million revolving credit facility (the "First Lien Credit Facilities"). The proceeds of the term loans were used primarily to repay the Existing Credit Facilities (as defined below), the AGS Seller Notes (as defined below) and the Amaya Seller Note (as defined below), to pay for the fees and expenses incurred in connection with the foregoing and otherwise for general corporate purposes.

On December 6, 2017 the Borrower entered into incremental facilities for $65.0 million in term loans ("Incremental Term Loans"). The net proceeds of the Incremental Term Loans were used to finance the acquisition of approximately 1,500 Class II electronic gaming machines and related assets operated by Rocket Gaming Systems, LLC, to pay fees and expenses in connection therewith and for general corporate purposes. The Incremental Term Loans have the same terms as the Borrower's existing term loans initially borrowed under the Credit Agreement on June 6, 2017, described above.

An additional $1.0 million in loan costs was incurred related to the issuance of the incremental facilities. Given the composition of the lender group, the transaction was accounted for as a debt modification and, as such, $0.9 million in third party costs were expensed and included in the loss on extinguishment and modification of debt, the remaining amount was capitalized and will be amortized over the term of the agreement.

On February 8, 2018, the Borrower completed the repricing of its existing $513 million term loans under its First Lien Credit Agreement (the "Term Loans"). The Term Loans were repriced from 550 basis points to 425 basis points over LIBOR. The LIBOR floor remains at 100 basis points.

On February 8, 2018, in connection with the repricing of the Term Loans, third-party costs of $1.2 million were expensed and included in the loss and modification of debt. Existing debt issuance costs of $0.4 million were written-off and also included in the loss on extinguishment and modification of debt.

On October 5, 2018, the Borrower entered into an Incremental Assumption and Amendment Agreement No. 2 (the "Incremental Agreement No. 2") with certain of the Borrower's subsidiaries, the lenders party thereto from time to time and the Administrative Agent. The Incremental Agreement No.2 amended and restated that certain First Lien Credit Agreement, dated as of June 6, 2017, as amended on December 6, 2017 and as amended and restated on February 7, 2018 (the "Existing Credit Agreement"), among the Borrower the lenders party thereto, the Administrative Agent and other parties named therein (the "Amended and Restated Credit Agreement"), to (a) reduce the applicable interest rate margin for the Term B Loans (as repriced, the "Repriced Term B Loans") under the Credit Agreement by 0.75% (which shall increase by an additional 0.25% if at any time the Borrower receives a corporate credit rating of at least B1 from Moody's, regardless of any future rating) and (b) provide for the incurrence by the Borrower of incremental term loans in an aggregate principal amount of $30 million (the "Incremental Term Loans" and together with the Repriced Term B Loans, the "Term B Loans").

On October 5, 2018, in connection with the repricing of the Term Loans, third-party costs of $1.5 million were expensed and included in the loss on extinguishment and modification of debt.

The Amended and Restated Credit Agreement also provides that any refinancing of the Term B Loans through the issuance of certain debt or any repricing amendment, in either case, that constitutes a "repricing event" applicable to the Term B Loans resulting in a lower yield occurring at any time during the first six months after the Closing Date (i.e. until April 5, 2019) will be accompanied by a 1.00% prepayment premium or fee, as applicable.

The Term B Loans described above, will mature on February 15, 2024, and the revolving credit facility will mature on June 6, 2022. Starting with the first full quarter after the Closing Date, the Term B Loans require scheduled quarterly payments in amounts equal to 0.25% of the original aggregate principal amount of the Term B Loans, with the balance due at maturity. Borrowings under the Term B Loans bear interest at a rate equal to, at the Borrower's option, either LIBOR or the base rate, subject to an interest rate floor plus an applicable margin rate. Borrowings under the revolving credit facility bear interest at a rate equal to, at the Borrower's option, either LIBOR or the base rate plus an applicable margin rate. In addition, on a quarterly basis, the Borrower is required to pay each lender under the revolving credit facility a commitment fee in respect of any unused commitments thereunder at a rate of 0.50% per annum.

The First Lien Credit Facilities are guaranteed by AP Gaming Holdings, LLC, the Borrower's material, wholly owned domestic subsidiaries (subject to certain exceptions), and are secured by a pledge by AP Gaming Holdings, LLC of the Borrower's equity interest directly held by AP Gaming Holdings, LLC and a pledge of substantially all of the existing and future property and assets of the Borrower and the subsidiary guarantors, subject to certain exceptions. The First Lien Credit Facilities require that the Borrower maintain a maximum net first lien leverage ratio set at a maximum of 6.0 to 1.0.

The First Lien Credit Facilities also contain customary affirmative covenants and negative covenants that limit our ability to, among other things: (i) incur additional debt or issue certain preferred shares; (ii) create liens on certain assets; (iii) make certain loans or investments (including acquisitions); (iv) pay dividends on or make distributions in respect of our capital stock or make other restricted payments; (v) consolidate, merge, sell or otherwise dispose of all or substantially all of our assets; (vi) sell assets; (vii) enter into certain transactions with our affiliates; (viii) enter into sale-leaseback transactions; (ix) change our lines of business; (x) restrict dividends from our subsidiaries or restrict liens; (xi) change our fiscal year; and (xii) modify the terms of certain debt or organizational agreements. The new senior secured credit facilities also contain customary events of default included in similar financing transactions, including, among others, failure to make payments when due, default under other material indebtedness, breach of covenants, breach of representations and warranties, involuntary or voluntary bankruptcy, and material judgments.

Amended and Restated Senior Secured PIK Notes

On January 30, 2018, the Company used the net proceeds of the IPO and cash on hand to redeem in full its 11.25% senior secured PIK notes due 2024 (the "PIK Notes"). On the redemption date, the aggregate principal amount of the PIK Notes outstanding was $152.6 million (comprised of the original principal amount of $115 million and the remaining principal amount comprised of capitalized interest) and the amount of accrued and unpaid interest was $1.4 million. In connection with the redemption, the Company repaid all of the outstanding obligations in respect of principal, interest and fees under the PIK Notes and net deferred loan costs and discounts totaling $3.0 million were written-off and included in the loss on extinguishment and modification of debt.

Concurrently with the redemption of the PIK notes, the Company terminated its amended and restated note purchase agreement (the "A&R Note Purchase Agreement"), dated May 30, 2017, among the Company, AP Gaming Holdings, LLC, as subsidiary guarantor, Deutsche Bank AG, London Branch, as holder, and Deutsche Bank Trust Company Americas, as collateral agent, which governed the PIK Notes.

Senior Secured Credit Facilities

On June 6, 2017, the Borrower terminated its senior secured credit facilities (the "Existing Credit Facilities"), dated as of December 20, 2013 (as amended as of May 29, 2015 and as of June 1, 2015 and as amended, restated, supplemented or otherwise modified prior to June 6, 2017), by and among the Borrower, the lenders party thereto from time to time and Citicorp North America, Inc., as administrative agent. In connection with the termination, the Borrower repaid all of the outstanding obligations in respect of principal, interest and fees under the Existing Credit Facilities.

On June 6, 2017, net deferred loan costs and discounts totaling $13.9 million related to the Existing Credit Facilities were capitalized and were being amortized over the term of the agreement. In conjunction with the refinancing, approximately $3.3 million of these deferred loan costs and discounts was written off as a portion of the loss on extinguishment and modification of debt and the remainder of these cost will be amortized over the term of the First Lien Credit Facilities. An additional $9.2 million

in loan costs and discounts was incurred related to the issuance of the First Lien Credit Facilities. Given the composition of the lender group, certain lenders were accounted for as a debt modification and, as such, $4.8 million in debt issuance costs related to the First Lien Credit Facilities were expensed and included in the loss on extinguishment and modification of debt, the remaining amount was capitalized and will be amortized over the term of the agreement.

Seller Notes

On June 6, 2017, AP Gaming, Inc., a wholly owned subsidiary of the Company terminated two promissory notes issued by AP Gaming, Inc. to AGS Holdings, LLC, in the initial principal amounts of $2.2 million and $3.3 million, respectively (the "AGS Seller Notes"). The AGS Seller Notes had been issued to the previous owners of the Company's primary operating company. In connection with the termination, the Company caused the repayment all of the outstanding obligations in respect of principal and interest under the AGS Seller Notes.

On the June 6, 2017, the Company terminated a promissory note issued by the Company to Amaya Inc. (the "Amaya Seller Note") with an initial principal amount of $12.0 million. The Amaya Seller Note had been issued to satisfy the conditions set forth in the stock purchase agreement for Cadillac Jack. During the quarter ended March 31, 2017, the Amaya Seller Note was reduced by $5.1 million to settle a clause from the Stock Purchase Agreement allowing for a refund if certain deactivated gaming machines in Mexico were not in operation as of a specified date. In connection with the termination, the Company repaid all outstanding obligations in respect of principal and interest under the Amaya Seller Note.

Equipment Long Term Note Payable and Capital Leases

The Company has entered into a financing agreement to purchase certain gaming devices, systems and related equipment and has entered into leases for vehicles that are accounted for as capital leases.

The following table summarizes our historical cash flows (in thousands):

	Year ended December 31,		
	2018	2017	2016
Cash Flow Information:			
Net cash provided by operating activities	$ 45,511	$ 44,008	$ 34,493
Net cash used in investing activities	(70,114)	(120,811)	(40,629)
Net cash provided by (used in) financing activities	76,066	78,054	(11,603)
Effect of exchange rates on cash and cash equivalents	(1)	14	(6)
Increase (decrease) in cash and cash equivalents	$ 51,462	$ 1,265	$ (17,745)

Operating activities

Net cash provided by operating activities for the year ended December 31, 2018, was $45.5 million compared to $44.0 million provided in the prior year period, representing an increase of $1.5 million. This increase is primarily related to the improvement in our net loss adjusted for non-cash expenses of $33.7 million and less cash used related to assets and liabilities that relate to operations. These were offset by an increase in cash used to pay for payment-in-kind interest of $34.9 million.

In 2017, net cash provided by operating activities increased by $9.5 million , from $34.5 million for the year ended December 31, 2016 to $44.0 million for the year ended December 31, 2017. This increase is primarily related to the improvement in our net loss adjusted for non-cash expenses of $28.9 million, offset by increases in cash used related to assets and liabilities for $16.7 million and cash paid for interest related to operations of $2.7 million.

Investing activities

Net cash used in investing activities for the year ended December 31, 2018 was $70.1 million compared to $120.8 million in the prior year period, representing a decrease of $50.7 million. The decrease was primarily due to a $59.4 million decrease in business acquisitions, net of cash related to the acquisition of the Rocket Gaming Systems ("Rocket") for total consideration of $56.9 million that was paid in December of 2017, offset by the $4.5 million paid in the second quarter of 2018 for the AGS iGaming acquisition as described in Item 15. "Exhibits and Financial Statement Schedules." Note 2. Additionally, the decrease was offset by a $2.8 million increase in software development and a $6.0 million increase in the purchases of property and equipment.

Net cash used in investing activities for the year ended December 31, 2017 was $120.8 million compared to $40.6 million in the prior year period, representing an increase of $80.2 million . The increase was primarily due to the increase in business acquisitions, net of cash acquired of $63.9 million as described in Item 15. “Exhibits and Financial Statement Schedules” Note 2. The increase was also due to an increase in the purchase of property and equipment of $15.7 million and software development and other expenditures of $1.1 million .

Financing activities

Net cash provided by financing activities for the year ended December 31, 2018 , was $76.1 million compared to cash used of $78.1 million for the year ended December 31, 2017 , representing an increase of $2.0 million. This increase was primarily due to the initial public offering net proceeds, after deducting underwriting discounts and commissions of $176.3 million, and offset by $4.2 million initial public offering cost. Additionally, we received debt issuance proceeds of $30 million from our Term Loan, offset by the repayment of our 11.25% senior secured PIK notes in the amount of $115 million. See Item 15. “Exhibits and Financial Statement Schedules” Note 6.

Net cash provided by financing activities for the year ended December 31, 2017, was $78.1 million compared to cash used of $11.6 million for the year ended December 31, 2016, representing an increase of $89.7 million . The increase was primarily due to proceeds from the issuance of our term loans of our first lien credit facilities of $448.7 million and incremental term loans for $65.0 million , and offset by the repayment of our senior secured credit facilities of $410.7 million , repayment of our Sellers Notes of $12.4 million , principal payments on our first lien credit facilities of $4.6 million , payments on equipment long term note payable and capital leases of $2.4 million , and deferred offering costs paid of $0.7 million.

Off-Balance Sheet Arrangements

We do not maintain any off-balance sheet transactions, arrangements, obligations or other relationships with unconsolidated entities or others that are reasonably likely to have a material current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Significant Accounting Policies and Critical Estimates

Critical Accounting Estimates

Our consolidated financial statements are prepared in conformity with generally accepted accounting principles (“GAAP”) generally accepted in the United States of America. Accordingly, we are required to make estimates incorporating judgments and assumptions we believe are reasonable based on our historical experience, contract terms, trends in our company and the industry as a whole, as well as information available from other outside sources. Our estimates affect amounts recorded in our consolidated financial statements and there can be no assurance that actual results will not differ from initial estimates. Changes in future economic conditions or other business circumstances may affect the outcomes of our estimates and assumptions. Our accounting policies are more fully described in Note 1 to the consolidated financial statements, Description of Business and Summary of Significant Accounting Policies.

We consider the following accounting policies to be the most important to understanding and evaluating our financial results. These policies require management to make subjective and complex judgments that are inherently uncertain or variable.

Management considers an accounting estimate to be critical if:

- It requires assumptions to be made that were uncertain at the time the estimate was made, and
- Changes in the estimate or different estimates that could have been selected could have a material impact on our consolidated results of operation or financial condition.

Business Combinations

We apply the provisions of ASC 805, Business Combinations, in the accounting for business acquisitions, such as the acquisitions of In Bet, AGS iGaming, and Rocket Gaming Systems. We recognize separately from goodwill the assets acquired and the liabilities assumed, at their acquisition date fair values and goodwill is defined 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. The valuations relating to the acquisitions of In Bet, AGS iGaming, and Rocket Gaming Systems included significant estimates in the valuation of intangible assets that included trade names, brand names, customer relationships, and gaming software and technology platforms. These estimates are inherently uncertain and subject to refinement and typically include the calculation of an appropriate discount rate (Assumption #1) and projection of the cash flows (Assumption #2) associated with each acquired asset. As a result, during the measurement period, which may be up to one year from the acquisition date, we may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. In addition, deferred tax assets, deferred tax liabilities, uncertain tax positions and tax related valuation allowances assumed in connection with a business combination are initially estimated as of the acquisition date. We reevaluate these items quarterly based upon facts and circumstances that existed as of the acquisition date and any adjustments to its preliminary estimates are recorded to goodwill if identified within the measurement period. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to the consolidated statements of operations.

Assumptions/Approach used for Assumption #1: Fair value of identifiable tangible and intangible assets is based upon forecasted revenues and cash flows as well as the selected discount rate. In determining the appropriate discount rate, we incorporate assumptions regarding capital structure and return on equity and debt capital consistent with peer and industry companies.

Effect if Different Assumptions used for Assumption #1: Valuation of identifiable tangible and intangible assets requires judgment, including the selection of an appropriate discount rate. While we believe our estimates used to select an appropriate discount rate are reasonable, different assumptions could materially affect the measurement of fair value. The acquisitions of In Bet, AGS iGaming, and Rocket Gaming Systems as well as historical acquisitions of the Company, have contained significant amounts of intangible assets and goodwill and a change in the discount rates used in the valuations of intangible assets in these acquisitions could have resulted in a change to intangible assets with an offsetting impact to goodwill.

Assumptions/Approach used for Assumption #2: Fair value of identifiable tangible and intangible assets is based upon forecasted revenues and cash flows. In developing estimated cash flows, we incorporate assumptions regarding future performance, including estimations of revenues, costs, and capital expenditures.

Effect if Different Assumptions used for Assumption #2: Valuation of identifiable tangible and intangible assets requires judgment, including estimations of cash flows, and determinations of fair value. In the Company's valuation of intangible assets, we allocated the estimated cash flows of each business acquisition to the several individual intangible assets. While we believe our estimates of future cash flows are reasonable, different assumptions could materially affect the measurement of fair value. A change in the total estimated cash flows as well as the allocation of those cash flows to each intangible asset could have resulted in a change to the value assigned to intangible assets with an offsetting impact to goodwill.

Revenue Recognition

We evaluate the recognition of revenue based on the criteria set forth in the accounting guidance as more fully described in Note 1 to the consolidated financial statements, which contains a description of our revenue recognition policy for our revenue streams.

For the sale of gaming machines recorded in equipment sales revenue, judgment is often required to determine whether an arrangement consists of multiple performance obligations, which are typically multiple distinct products that may be shipped to the customer at different times. For example, gaming equipment arrangements may include the sale of gaming machines to be delivered upon the consummation of the contract and additional game content conversion kits that will be delivered at a later date when requested by the customer to replace the game content on the customer's existing gaming machines. Products are identified as separate performance obligations if they are distinct, which occurs if the customer can benefit from the product on its own and is separately identifiable from other promises in the contract. Revenue is allocated to the separate performance obligations based on relative standalone selling prices determined at contract inception. Standalone selling prices are primarily determined by prices that we charge for the products when they are sold separately. When a product is not sold separately, we determine the standalone selling price with reference to our standard pricing policies and practices.

Judgment is required to determine whether there is sufficient history to prove when it is probable that we will collect substantially all of the contracted amount. Factors that we consider include the nature of our customers, our historical collection experience with the specific customer, the terms of the arrangement and the nature of the product being sold. Our product sales contracts do not include specific performance, cancellation, termination or refund-type provisions.

Equipment Leases

Gaming operations revenue is earned by providing customers with gaming machines, gaming machine content licenses, back-office equipment and linked progressive systems, which are collectively referred to as gaming equipment, under participation arrangements. The participation arrangements convey the right to use the equipment (i.e. gaming machines and related integral software) for a stated period of time, which typically ranges from one to three years and then the contract continues on a month-to-month basis thereafter. In some instances, the Company will enter arrangements for longer periods of time; however, many of these arrangements include the ability of the customer to cancel the contract and return the games to the Company, a provision which renders the contracts effectively month-to-month contracts. Primarily due to these factors, our participation arrangements are accounted for as operating leases.

To a lesser extent, the Company has entered into lease arrangements with customers that contain minimum lease terms of greater than 75% of the economic life of the gaming machines, for which the present value of the minimum lease payments exceeds 90% of the fair value of the gaming machines, or that contain a bargain purchase option. These arrangements are also accounted for as operating leases due to the facts and circumstances surrounding each lease agreement that include the Company's determination that the collectability of the minimum lease payments is not reasonably predictable or that there are important uncertainties surrounding the amount of unreimbursable costs yet to be incurred by the Company in the form of extended maintenance that the Company provides throughout the term of the lease.

The majority of the Company's leases require the Company to provide maintenance throughout the entire term of the lease. In some cases, a performance guarantee exists that, if not met, provides the customer with the right to return the gaming machines to the Company. This performance guarantee is considered a cancellation clause, a provision which renders their contracts effectively month-to-month contracts. Accordingly, the Company accounts for these contracts in a similar manner with its other operating leases as described above. Whether contractually required or not, the Company develops and provides new gaming titles throughout the life of the lease.

Allowance for Doubtful Accounts

We maintain an allowance for doubtful accounts related to our accounts and notes receivable deemed to have a high risk of collectability. We review our receivables on a monthly basis to determine if any receivables will potentially be uncollectible. We analyze historical collection trends and changes in our customers' payment patterns, customer concentration and credit worthiness when evaluating the adequacy of our allowance for doubtful accounts (Assumption #1). A large percentage of receivables are with Native American tribes that have their reservations and gaming operations in Oklahoma and Alabama as well as customers in Mexico, and we have concentrations of credit risk with several tribes. We include any receivable balances that are determined to be uncollectible in our overall allowance for doubtful accounts. Changes in our assumptions or estimates reflecting the collectability of certain accounts could materially affect our allowance for both trade and notes receivable.

Assumptions/Approach used for Assumption #1: We estimate our allowance for doubtful accounts based on historical collection trends, changes in our customers' payment patterns, customer concentration and credit worthiness.

Effect if Different Assumptions used for Assumption #1: Recording an allowance for doubtful accounts requires judgment. While we believe our estimates are reasonable, if actual cash collections fall below our expectations, we may need to record additional bad debt expense, which will increase our selling, general and administrative expense.

Inventories

Inventories consist primarily of parts and supplies that are used to repair and maintain machinery and equipment as well as EGMs in production and finished goods held for sale. Cost of inventories is determined using the first-in, first-out method for all components of inventory. We regularly review inventory quantities and update estimates for the net realizable value of inventories. This process includes examining the carrying values of parts and ancillary equipment in comparison to the current fair market values for such equipment (less costs to sell or dispose). Some of the factors involved in this analysis include the overall levels of the inventories, the current and projected sales levels for such products (Assumption #1), the projected markets for such products and the costs required to sell the products, including refurbishment costs. Changes in the assumptions or estimation could materially affect the inventory carrying value.

Assumptions/Approach used for Assumption #1 : Our estimates of net realizable value of inventory take into account projected usage including lease and sales levels that will utilize the existing inventory to assist in determining the net realizable value of the inventory at a balance sheet date. If inventory has no projected usage, it is written down to current market values (less costs to sell and dispose).

Effect if Different Assumptions used for Assumption #1 : Although we believe our estimate of inventory usage are reasonable, different assumptions could materially affect the inventories net realizable value. If actual inventory usage is lower than our projections, additional inventory write-downs may be required, which will be recorded as a reduction to inventories and additional expense to the cost of gaming operations.

Property and Equipment

The cost of property and equipment, consisting of gaming machines, file servers and other support equipment as well as leasehold improvements, office and other equipment, is depreciated over their estimated useful lives, using the straight-line method. Repairs and maintenance costs are expensed as incurred. We routinely evaluate the estimated lives used to depreciate assets (Assumption #1). Upon the occurrence of a triggering event, we measure recoverability of assets to be held and used by comparing the carrying amount of an asset to future cash flows expected to be generated by the asset (Assumption #2). Our policy is to impair, when necessary, excess or obsolete gaming terminals on hand that we do not expect to be used. Impairment is based upon several factors, including estimated forecast of gaming terminal demand for placement into casinos. There were no events or circumstances noted in the year ended December 31, 2018 that indicated that the carrying amount of property and equipment may not be recoverable other than the write-down of older generation gaming machines described in Note 8 to our audited financial statements contained elsewhere herein.

Assumptions/Approach used for Assumption #1 : The carrying value of the asset is determined based upon management's assumptions as to the useful life of the asset, where the assets are depreciated over the estimated life on a straight-line basis.

Effect if different assumptions used for Assumption #1 : While we believe the useful lives that we use are reasonable, different assumptions could materially affect the carrying value of property and equipment, net, as well as the depreciation and amortization expense.

Assumptions/Approach used for Assumption #2 : When we identify a triggering event, we estimate cash flows directly associated with the use of the gaming equipment to test recoverability and remaining useful lives based upon forecasted product revenues and cash flows. In developing estimated cash flows, we incorporate assumptions regarding future performance, including estimations of win per day and estimated installed units on lease. When the carrying amount exceeds the undiscounted cash flows expected to result from the use and eventual disposition of the asset, we then compare the carrying amount to its current fair value. We recognize an impairment loss if the carrying amount of the asset exceeds its fair value.

Effect if Different Assumptions used for Assumption #2 : Impairment testing requires judgment, including estimates of cash flows, and determinations of fair value. While we believe our estimates of future revenues and cash flows are reasonable, different assumptions such as projected win per day and projected installed units on lease could materially affect the measurement of the recoverability and fair value of property and equipment. If actual cash flows fall below initial forecasts, we may need to record additional amortization and/or impairment charges.

Valuation of Intangible Assets and Goodwill

We group our intangible assets at the lowest level for which there are identifiable cash flows The nature of our intangible assets is primarily described as follows:

- Trade and brand names - intangible assets related to business and corporate trade names that were purchased in business acquisitions as well as the brand names of product franchise titles. This category includes both definite- and indefinite-lived intangible assets.

- Customer relationships – intangible assets that represent primarily the value that has been assigned to customer relationships as a result of business acquisitions.

- Contract rights under development and placement fees - intangible assets that relate to our purchase of the right to secure floor space from our customers under lease agreements for our gaming machines and to a lesser extent we record intangible

assets from the discounts on development notes receivable loans that have been extended to customers at interest rates that are deemed below market in exchange for a fixed number of gaming terminal placements in the customer's facility.

- Gaming software and technology platforms – these intangible assets represent software development costs that are capitalized once technological feasibility has been established and are amortized when the software is placed into service. Any subsequent software maintenance costs, such as bug fixes and subsequent testing, are expensed as incurred. Discontinued software development costs are expensed when the determination to discontinue is made. This category also includes the game content libraries and technology platforms that were purchased as part of business acquisitions.

- Intellectual property – these intangible assets represent the platform and titles acquired through business acquisitions and standalone purchases of patents and related technology.

Definite-lived Intangible Asset Impairment

The Company reviews its definite-lived intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. These indicators can include the loss of a key customer or jurisdiction or cancellation of a specific product line where there is no alternative future use for the intangible asset.

When the estimated undiscounted cash flows are not sufficient to recover the intangible asset's carrying amount, an impairment loss is measured to the extent the fair value of the asset is less than its carrying amount. There were no events or circumstances noted in the year ended December 31, 2018 that indicated that the carrying amount of definite-lived intangible assets may not be recoverable other than those described in Note 8 to our audited financial statements contained elsewhere herein.

Indefinite-lived Intangible Asset Impairment

The "American Gaming Systems" trade name and related derivations such as "AGS" and "PlayAGS" as well as an in-process research and development ("IPR&D") asset acquired in a previous acquisition have an indefinite useful life. We do not amortize the indefinite lived trade name or IPR&D asset, but instead test for possible impairment at least annually or when circumstances warrant. For the trade name and any other indefinite-lived intangible asset we can perform a qualitative assessment to determine if it is more likely than not that the fair value of the asset is less than its carrying amount. If we believe, as a result of our qualitative assessment, that it is more likely than not that the fair value of the asset is less than its carrying amount, a quantitative impairment test is required. The quantitative test compares the fair value of the asset to its carrying amount and any excess carrying amount over the fair value is recorded as an impairment loss.

The Company performed a qualitative assessment to determine if it was more likely than not that the fair value of the trade name and IPR&D asset was less than its carrying amount as of the assessment date ("October 1, 2018"). In the assessment, we relied on several qualitative factors such as industry and macroeconomic conditions, as well as current projected cash flows and the prior year quantitative analysis, that concluded the excess fair value over carrying value for the trade name and IPR&D asset was $86.1 million (equal to an excess of 710%) and $31.5 million (equal to an excess of 105%), respectively.

Costs of Capitalized Computer Software

Internally developed gaming software represents our internal costs to develop gaming titles to utilize on our gaming terminals. Internally developed gaming software is stated at cost, which is amortized over the estimated useful lives of the software, using the straight-line method. Software development costs are capitalized once technological feasibility has been established and are amortized when the software is placed into service. Generally, the computer software we develop reaches technological feasibility when a working model of the computer software is available. After the product is complete and commercialized, any software maintenance costs, such as bug fixes and subsequent testing, are expensed as incurred. Discontinued software development costs are expensed when the determination to discontinue is made. Software developments costs are amortized over the expected life of the title or group of titles, if applicable, to amortization expense.

On a quarterly basis, or more frequently if circumstances warrant, we compare the net book value of our internally developed computer software to the net realizable value on a title or group of titles basis. The net realizable value is determined based upon certain assumptions, including the expected future revenues and net cash flows of the gaming titles or group of gaming titles utilizing that software, if applicable (Assumption #1).

Assumptions/Approach used for Assumption #1: We estimate the revenues and net cash flows from our internally developed software intangible on a product by product basis to compare net book value to net realizable value. In developing estimated

revenues and cash flows, we incorporate assumptions regarding future performance, including estimations of win per day and estimated units. When the carrying amount exceeds the net realizable value, the excess is written off.

Effect if Different Assumptions used for Assumption #1 : Determining net realizable value requires judgment, including estimations of forecasted revenue and cash flows. While we believe our estimates of future revenues and cash flows are reasonable, different assumptions could materially affect the measurement of net realizable value.

Goodwill

The excess of the purchase price of entities that are considered to be purchases of businesses over the estimated fair value of the assets acquired and the liabilities assumed is recorded as goodwill. Goodwill is reviewed for possible impairment annually on October 1 or more frequently if events or changes in circumstances indicate that the carrying value may not be recoverable (Assumption #1). The Company has the option to begin with a qualitative assessment, commonly referred to as Step 0, to determine whether it is more-likely-than-not that the reporting units fair value is less than its carrying value. This qualitative assessment may include, but is not limited to, reviewing factors such as the general economic environment, industry and market conditions, changes in key assumptions used since the most recently performed valuation and overall financial performance of the reporting units. If the Company determines the reporting unit is not at risk of failing the qualitative assessment no impairment testing is required. If the Company determines that it is at risk of failing the qualitative assessment, the Company is required to perform an annual goodwill impairment test, and depending upon the results of that measurement, the recorded goodwill may be written down and charged to results from operations when its carrying amount exceeds its estimated fair value.

Assumptions/Approach used for Assumption #1: In the first step of the goodwill impairment test, we estimate the fair value of our reporting units and compare that to the carrying value. Fair value is based upon forecasted product revenues and cash flows. In developing estimated cash flows, we incorporate assumptions regarding future performance, including estimations of revenues, costs, and capital expenditures. When the carrying amount exceeds fair value, we recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value.

Effect if Different Assumptions used for Assumption #1 : Impairment testing requires judgment, including estimations of cash flows, and determinations of fair value. While we believe our estimates of future cash flows are reasonable, different assumptions could materially affect the measurement of fair value. If actual cash flows fall below initial forecasts, we may need to record additional impairment charges.

The Company performed a qualitative assessment as of October 1, 2018 on the EGM and Interactive Real Money Gaming reporting units. For the EGM reporting unit the assessment relied primarily on the significant cushion between fair value and carrying value determined in the prior year quantitative test, the reporting unit's performance compared to prior forecasts, and our current projections and anticipated growth. For Interactive Real Money Gaming the qualitative assessment relied primarily on the short time between the purchase of this reporting unit and the valuation date as well as the comparison of current results compared to the projections used in the purchase price allocation.

For the Interactive Social reporting unit, which had a goodwill carrying value of $4.8 million, the Company performed a quantitative, or "Step 1" analysis in the current year in which we determined the entire balance of goodwill was impaired. In performing the Step 1 goodwill impairment test for our Interactive Social reporting unit, we estimated the fair value of the Interactive Social reporting unit using an income approach that analyzed projected discounted cash flows. We used projections of revenues and operating costs with estimated growth rates during the forecast period, capital expenditures and cash flows that considered historical and estimated future results and general economic and market conditions, as well as the estimated impact of planned business and operational strategies. In the fourth quarter of the year ended December 31, 2018, during the annual budgeting process the Company decided to change its strategy with regard to marketing and user acquisition activities that drive its B2C Social offerings. The strategic decision to significantly cut spending in this area and to focus completely on the B2B Social business, was the primary reason for a reduction in the projected discounted cash flows that were used in the impairment test. The estimates and assumptions used in the discounted cash flow analysis included a terminal year long-term growth rate of 3.0% and an overall discount rate of 19% based on our weighted average cost of capital for the Company and premiums for the small size of the reporting unit and forecast risk.

Income Taxes

We conduct business globally and are subject to income taxes in U.S. federal, state, local, and foreign jurisdictions. Determination of the appropriate amount and classification of income taxes depends on several factors, including estimates of the timing and probability of realization of deferred income taxes, reserves for uncertain income tax positions and income tax payment timing.

We account for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date. Taxes on income of our foreign subsidiaries are provided at the tax rates applicable to the tax jurisdictions in which they are located. Future tax benefits are recognized to the extent that realization of those benefits is considered more likely than not and a valuation allowance is established for deferred tax assets which do not meet this threshold.

The recoverability of certain deferred tax assets is based in part on estimates of future income and the timing of temporary differences, and the failure to fully realize such deferred tax assets could result in a higher tax provision in future periods.

We apply the accounting guidance to our uncertain tax positions and under the guidance, we may recognize a tax benefit 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 in the financial statements is the largest benefit that we believe has greater than a 50% likelihood of being realized upon settlement.

We are required to make significant judgments when evaluating our uncertain tax positions and the related tax benefits. We believe our assumptions are reasonable; however, there is no guarantee that the final outcome of the related matters will not differ from the amounts reflected in our income tax provisions and accruals. We adjust our liability for uncertain tax positions based on changes in facts and circumstances such as the closing of a tax audit or changes in estimates. Our income tax provision may be impacted to the extent that the final outcome of these tax positions is different than the amounts recorded.

Contingencies

We assess our exposures to loss contingencies, including claims and legal proceedings, and accrue a liability if a potential loss is considered probable and the amount can be estimated. Significant judgment is required in both the determination of probability and the determination as to whether an exposure is reasonably estimable. Because of uncertainties related to these matters, if the actual loss from a contingency differs from our estimate, there could be a material impact on our results of operations or financial position. Operating expenses, including legal fees, associated with contingencies are expensed when incurred.

Recently adopted accounting pronouncements

For a description of recently adopted accounting pronouncements, see Note 1 to the consolidated financial statements, Summary of Significant Accounting Policies.

Recently issued accounting pronouncements not yet adopted

For a description of recently issued accounting pronouncements not yet adopted, see Note 1 to the consolidated financial statements, Summary of Significant Accounting Policies.

Contractual Obligations

The following table contains information on our contractual obligations and commitments as of December 31, 2018 (in thousands):

		Payments Due by Period			
	Total	Less than 1 year	2-3 years	4-5 years	More than 5 years
Long term debt	538,799	5,959	11,477	10,923	510,440
Interest payments	158,206	31,685	62,236	60,506	3,779
Operating leases	15,596	2,817	4,928	2,591	5,260
Other [1]	7,819	2,754	1,632	2,044	1,389
Total	$ 720,420	$ 43,215	$ 80,273	$ 76,064	$ 520,868

(1) "Other" includes placement fees payable, license fee agreement liabilities, contingent consideration to business combinations and other liabilities as described in as described in Item 15. "Exhibits and Financial Statement Schedules." of our consolidated financial statements.

$12.6 million of unrecognized tax benefits as of December 31, 2018 were not included in the table above. Due to the inherent uncertainty of the underlying tax positions, it is not practicable to assign this liability to any particular year.

Estimated interest payments on our debt as of December 31, 2018 are based on principal amounts outstanding, the stated interest rate as of December 31, 2018 and required principal payments through the maturity of the debt.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We are subject to certain market risks and uncertainties inherent in our operations. These market risks generally arise from transactions in the normal course of business. Our primary market risk exposures relate to interest rate risk and foreign currency exchange risks.

Interest Rates

Our primary exposure to market risk is interest rate risk associated with our long-term debt, which accrues interest at variable rates. Certain of our debt instruments accrue interest at LIBOR or the base rate, at our election, subject to an interest rate floor plus an applicable margin rate. In the normal course of business, we are exposed to fluctuations in interest rates as we seek debt and equity capital to sustain our operations. All of our interest rate sensitive financial instruments are held for purposes other than trading purposes. As of December 31, 2018 , approximately less than 1% of our debt were fixed-rate instruments. Assuming a constant outstanding balance for our variable-rate long term debt, a hypothetical 1% decrease in interest rates would decrease interest expense $5.4 million given our LIBOR floor on related debt, while a hypothetical 1% increase in interest rates would increase interest expense approximately $5.4 million.

Foreign Currency Risk

We are exposed to foreign currency exchange rate risk that is inherent to our foreign operations. We currently transact business in Mexico using the local currency. Our settlement of inter-company trade balances requires the exchange of currencies, which results in the recognition of foreign currency fluctuations. We expect that certain operations will continue to be denominated in foreign currencies. As such, we expect our cash flows and earnings to continue to be exposed to the risks that may arise from fluctuations in foreign currency exchange rates.

We derived approximately 8.6% of our revenue from customers in Mexico. To date, we have not engaged in hedging activities intended to protect against foreign currency risk.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The information required by this item is contained in the financial statements listed in Item 15. "Exhibits and Financial Statement Schedules." of this Form 10-K.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

Under the supervision and with the participation of our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), management has evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) of the Exchange Act) as of December 31, 2018 . Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, our disclosure controls and procedures are effective to ensure information is recorded, processed, summarized and reported within the periods specified in the Securities and Exchange Commission's rules and forms and is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Controls

There were no changes in our internal control over financial reporting identified in management's evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the quarter ended December 31, 2018 covered by this Annual Report on Form 10-K that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting and for an assessment of the effectiveness of internal control over financial reporting; as such items are defined in Rule 13a-15(f) under the Exchange Act. Our internal control over financial reporting is designed to provide reasonable assurance that our financial reporting and preparation of financial statements is reliable and in accordance with generally accepted accounting principles.

Our policies and procedures are designed to provide reasonable assurance that transactions are recorded and records maintained in reasonable detail as necessary to accurately and fairly reflect transactions and that all transactions are properly authorized by management in order to prevent or timely detect unauthorized transactions or misappropriation of assets that could have a material effect on our financial statements. Management is required to base its assessment on the effectiveness of our internal control over financial reporting on a suitable, recognized control framework. Management has utilized the criteria established in the 2013 Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") to evaluate the effectiveness of internal control over financial reporting.

Our management has performed an assessment according to the 2013 Internal Control-Integrated Framework established by COSO. Based on the assessment, management has concluded that our system of internal control over financial reporting, as of December 31, 2018 , is effective. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. 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.

An attestation report of the Company's internal control over financial reporting by our independent registered public accounting firm is not included as non-accelerated filers are exempt from the auditor attestation requirement of Section 404(b) of the Sarbanes-Oxley Act of 2002.

ITEM 9B. OTHER INFORMATION.

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

Set forth below are the names, ages, positions, and biographical information of the executive officers of AGS, LLC and the executive officers and directors of the Company at March 1, 2019.

AGS, LLC

Name	Age	Position
David Lopez	45	Chief Executive Officer
Kimo Akiona	45	Chief Financial Officer
Victor Gallo	52	General Counsel, Secretary and Compliance Officer
Sigmund Lee	47	Chief Technology Officer

PlayAGS, Inc.

Name	Age	Position
David Lopez	45	Chief Executive Officer, President and Director
Kimo Akiona	45	Chief Financial Officer, Chief Accounting Officer and Treasurer
Victor Gallo	52	General Counsel, Secretary and Compliance Officer
Sigmund Lee	48	Chief Technology Officer
David Sambur	38	Director and Chairman
Daniel Cohen	31	Director
Eric Press	53	Director
Yvette E. Landau	62	Director
Adam Chibib	52	Director
Geoff Freeman	44	Director

The following are brief biographies describing the backgrounds of the executive officers of AGS, LLC and the executive officers and directors of the Company.

David Lopez. Mr. Lopez has served as the Chief Executive Officer of AGS and Chief Executive Officer and President of the Company since February 3, 2014. Mr. Lopez has also served on the board of the Company since May 2017. Mr. Lopez most recently served as President and Chief Executive Officer of Global Cash Access, Inc., which he joined in May 2012. Prior to his role at Global Cash Access, Inc., Mr. Lopez served as Chief Operating Officer of Shuffle Master Inc. from November 2010 until May 2012. Mr. Lopez joined Shuffle Master Inc. in February 1998 and held various positions within the organization during his 14-year tenure, including Interim CEO, Executive Vice President, President of the Americas, Vice President of Product Management, as well as serving as a member of its board of directors from November 2010 until May 2012. Mr. Lopez is a graduate of the University of Nevada, Las Vegas with a B.S. in Business Administration.

Kimo Akiona. Mr. Akiona serves as Chief Financial Officer of AGS and Treasurer, Chief Financial Officer and Chief Accounting Officer of the Company. Mr. Akiona was appointed to serve as Treasurer of the Company and Chief Financial Officer of AGS on February 23, 2015. Mr. Akiona, most recently served as Senior Vice President and Corporate Controller of SHFL entertainment, Inc. and Bally Technologies, Inc. Mr. Akiona joined SHFL entertainment, Inc. in December 2005 and held various positions within the organization's finance and accounting department during his tenure, including Vice President and Corporate Controller and Director of SEC Reporting. Mr. Akiona is a graduate of University of Nevada, Las Vegas with a B.S. in Business Administration with a concentration in accounting.

Victor Gallo. Mr. Gallo joined AGS in February 2010 as Vice President, Licensing and Compliance and Compliance Officer and currently serves as the Company's General Counsel, Secretary, and Compliance Officer and as General Counsel of AGS. Previously, Mr. Gallo was General Counsel and Vice President of Business Development for Youbet.com, and Vice President of Legal and Compliance and Corporate Counsel for Konami Gaming. Mr. Gallo has also worked as an attorney in private practice, and as an active duty Captain in the Air Force Judge Advocate General Corps. Mr. Gallo received his Bachelor of Science degree in Aerospace Engineering from the University of Southern California and a Juris Doctor from the University of the Pacific.

Sigmund Lee. Mr. Lee was appointed to serve as Chief Technology Officer of AGS, on July 1, 2015. Mr. Lee most recently served as Chief Technology Officer of Cadillac Jack. Mr. Lee joined Cadillac Jack in 2006 and served as their Chief Technology Officer during his tenure. Prior to his role at Cadillac Jack, Mr. Lee served as the Vice President of Engineering for Bally Technologies. Mr. Lee is a graduate of Georgia State University.

David Sambur. Mr. Sambur has served as a member of the Board of AP Gaming since November 2013. David is a Senior Partner at Apollo, having joined in 2004. Mr. Sambur has experience in financing, analyzing, investing in and/or advising public and private companies and their board of directors. Prior to joining Apollo, Mr. Sambur was a member of the Leveraged Finance Group of Salomon Smith Barney Inc. He serves on the board of directors of Caesars Entertainment Corporation, camaro Parent, LLC (parent of CareerBuilder), Aspen Holdco, LLC (parent of Coinstar), Constellation Club Holdings, Inc. (parent of Diamond Resorts), Inception Topco, Inc. (parent of Rackspace), EcoATM, LLC, Mood Media Corporation and Redwood Holdco, LLC (parent of Redbox, LLC). Mr. Sambur previously served on the boards of directors of Hexion Holdings, LLC (f/k/a Momentive Performance Materials, Inc.) and Verso Corporation (f/k/a Verso Paper Corp.). He is also a member of the Mount Sinai Department of Medicine Advisory Board. Mr. Sambur graduated summa cum laude and Phi Beta Kappa from Emory University with a BA in economics.

Daniel Cohen. Mr. Cohen has served as a member of the board of the Company since May 2017. Mr. Cohen is a Principal at Apollo Private Equity, having joined in 2012. Prior to that time, Mr. Cohen was a generalist in investment banking at Moelis & Company. Mr. Cohen currently serves on the board of directors of Constellation Club Holdings, Inc. (parent of ClubCorp), Mr. Cohen graduated magna *cum laude* from the University of Pennsylvania's Wharton School of Business with a B.S. in Economics, concentrating in Finance and Management.

Eric Press. Mr. Press is a designee of Apollo and was appointed to serve as a member of the board of the Company upon completion of the initial public offering. Mr. Press is a Senior Partner at Apollo, having joined in 1998. In his time with Apollo, he has been involved in many of the firm's investments in basic industrials, metals, lodging/gaming/leisure and financial services. Prior to that time, Mr. Press worked at the law firm of Wachtell, Lipton, Rosen & Katz, specializing in mergers, acquisitions, restructurings, and related financing transactions. Prior thereto, Mr. Press was a consultant with The Boston Consulting Group, a management consulting firm focused on corporate strategy. Mr. Press serves on the board of directors of Apollo Commercial Real Estate, Inc., Prime Security Services Borrower, LLC (parent of ADT, Inc.) DSB Parent L.P. (parent of LifePoint Health, Inc. f/k/a Regional Hospital Partners Holdings, Inc) and Eagle LM5 Holdings Inc. (parent of constellis Holdings, LLC). Mr Press also served as a director of Verso Corporation (f/k/a Verso Paper Corp.), Affinion Group Holdings, Inc., Caesars Entertainment Corporation, Athene Holding Ltd., Noranda Aluminum Holding Corporation, Princimar Chemical HoldingsLLC, Rodeph Sholom School and Prestige Cruises International, Inc. Mr. Press received his JD from Yale Law School and graduated magna cum laude from Harvard College with an AB in Economics.

Yvette E. Landau. Ms. Landau was appointed to serve as a member of the board of the Company upon completion of the initial public offering. Ms. Landau was general counsel and corporate secretary of Mandalay Resort Group from 1996 until 2005. Since 2005, Ms. Landau has been co-owner of W.A. Richardson Builders, LLC, a construction services firm specializing in casino resort development. Ms. Landau currently serves as a member of the Board of Directors of Monarch Casino & Resort, Inc. which owns the Atlantis Casino Resort Spa in Reno, Nevada and the Monarch Casino in Black Hawk, Colorado. Ms. Landau is a past president of the International Association of Gaming Advisors, a worldwide organization of legal, financial and regulatory professionals in the gaming industry, and remains active with the organization as a Counselor. Ms. Landau serves on the Gaming Law Advisory Board of the University of Nevada, Las Vegas Boyd School of Law. Ms. Landau holds a bachelor's degree from Arizona State University and a Juris Doctor degree from Northwestern University School of Law.

Adam Chibib. Mr. Chibib was appointed to serve as a member of the board of the Company upon completion of the initial public offering. Mr. Chibib's career has included successful companies ranging from early-stage start-ups to billion-dollar public companies and has spanned numerous industries including telecom software, security hardware, financial services and gaming. Adam Chibib was most recently President and Chief Financial Officer (CFO) of Multimedia Games, where he was part of a turn-around team that helped double revenues, triple profitability and increase the market capitalization from $47 million to over $1 billion. Multimedia Games was acquired in December of 2014 for $1.2 billion by Global Cash Access (now known as Everi Holdings). Mr. Chibib also served as founder and CFO of BroadJump (acquired by Motive), CFO of Waveset (acquired by Sun Miscrosystems), CFO of TippingPoint Technologies (acquired by 3Com), CFO of NetSpend and as the Worldwide Controller of Tivoli Systems. He was named CFO of the year for the public company category by the Austin Business Journal in 2013 and won the Ernst & Young Entrepreneur of the Year award in 2002. Mr. Chibib is a graduate of the University of Texas.

Geoff Freeman. On November 7, 2018, Mr. Freeman was appointed as a member of the board of the Company, Nominating and Governance Committee, Compensation Committee and Audit Committee. Mr. Freeman is currently the CEO of the Grocery Manufacturers Association. Prior to serving in his current role, Mr. Freeman served as CEO of the American Gaming Association ("AGA") from May 2013 through July 2018. During his five-year tenure at the helm of the AGA, Mr. Freeman led the trade organization to monumental successes that have forever changed the face of the gaming industry, including expanding the organization's membership by 200 percent; overturning the Professional and Amateur Sports Protection Act of 1992 (PASPA), which led to legalized sports betting in the U.S.; significantly improved relationships between tribal and commercial gaming operators; spearheading the AGA's *Get to Know Gaming* campaign focused on the economic benefits of gaming; and delivering a successful campaign to prevent the IRS from lowering the reporting threshold on slot winnings. Before AGA, Mr. Freeman was the COO of The U.S. Travel Association from May 2006 to May 2013, and as a director to The U.S. Travel Association from January 2014 through July 2018. Mr. Freeman holds a Bachelor of Arts, Political Science and Public Policy from the University of California, Berkley.

Board Composition

The Company has seven directors. As of August 13, 2018, we are no longer a "controlled company" under the New York Stock Exchange rules, and as such the board of directors is taking all action necessary to comply with such rules, including appointing a majority of independent directors to the board of directors and appointing only independent directors to our

Compensation Committee and Nominating and Corporate Governance Committee, subject to a permitted "phase-in" period. Our Audit Committee is comprised entirely of independent directors in accordance with the New York Stock Exchange rules.

Our board of directors is divided into three classes. The members of each class serve staggered, three-year terms (other than with respect to the initial terms of the Class I and Class II directors, which are one and two years, respectively). Upon the expiration of the term of a class of directors, directors in that class will be elected for three-year terms at the annual meeting of stockholders in the year in which their term expires. Our directors are:

- Daniel Cohen, Geoff, Freeman, Yvette Landau are Class I directors, whose terms expire at the fiscal 2021 annual meeting of stockholders;
- Eric Press and Adam Chibib are Class II directors, whose initial terms expire at the fiscal 2019 annual meeting of stockholders; and
- David Sambur and David Lopez are Class III directors, whose initial terms expire at the fiscal 2020 annual meeting of stockholders.

Any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of our directors. This classification of our board of directors may have the effect of delaying or preventing changes in control.

At each annual meeting, our stockholders will elect the successors to one class of our directors. Our executive officers and key employees serve at the discretion of our board of directors. Directors may be removed by the affirmative vote of two-thirds (2/3) of our common stock.

Corporate Governance Guidelines

We have Corporate Governance Guidelines that address significant issues of corporate governance and set forth procedures by which our board of directors carry out their respective responsibilities. The guidelines are available for viewing on our website at investors.playags.com under the "Corporate Governance" section. We will also provide the guidelines, free of charge, to stockholders who request them. Requests should be directed to our Secretary at 5475 S. Decatur Blvd., Ste #100, Las Vegas, NV 89118.

Apollo Approval of Certain Matters and Rights to Nominate Certain Directors

The approval of a majority of the directors nominated by Holdings pursuant to the Stockholders Agreement or the approval of Holdings is required by our amended and restated articles of incorporation and Stockholders Agreement under certain circumstances. These consist of:

- Under our amended and restated articles of incorporation:
  - To the fullest extent permitted by law, prior to the time when the Apollo Group no longer beneficially owns at least 25% of the total voting power of our outstanding shares entitled to vote generally in the election of directors, the approval by both a majority of the directors then in office and a majority of the directors nominated by Holdings pursuant to the Stockholders Agreement will be required for any amendment, modification or repeal of any provision of our amended and restated articles of incorporation;
  - To the fullest extent permitted by the NRS, prior to the time when the Apollo Group first ceases to beneficially own at least 25% of the voting power of our outstanding shares entitled to vote generally in the election of directors, the approval of both a majority of the directors then in office and a majority of the directors nominated by Apollo pursuant to the Stockholders Agreement will be required for any amendment, modification or repeal of any provision of our amended and restated bylaws adopted by our board of directors;
  - Prior to the first date on which the Apollo Group ceases to beneficially own at least 50% of the voting power of our issued and outstanding shares of stock, any amendment, modification or repeal of any provision of our amended and restated bylaws may be adopted by the affirmative vote of holders of a majority of the voting power of our outstanding shares of stock entitled to vote on the matter. Once the Apollo Group no longer beneficially owns at least 50% of the voting power of our issued and outstanding shares of stock, the affirmative vote of holders of at least two-thirds of the voting power of our outstanding shares of stock entitled to vote on the matter will be necessary for stockholders to adopt any amendment, modification or repeal of any provision of our amended and restated bylaws;

- Under the Stockholders Agreement, the prior approval of Holdings is necessary for us to take any of the following actions:
  - a change in size of the board of directors.
  - the incurrence of indebtedness, in a single transaction or a series of related transactions, by us or any of our subsidiaries aggregating more than $10 million, except for (i) debt that has previously been approved or is in existence on the date of closing the initial public offering or any refinancing thereof up to the same maximum principal amount of such debt outstanding as of the date hereof, (ii) capital leases contemplated by an annual budget approved by the board of directors;
  - the issuance of additional shares of any class of our capital stock (other than any award under any stockholder approved equity compensation plan);
  - a redemption, repurchase or other acquisition by us of our capital stock (other than any redemption, repurchase or acquisition under any stockholder approved equity compensation plan);
  - consummation of any material acquisition of the stock or assets of any other entity (other than any of our subsidiaries), in a single transaction or a series of related transactions;
  - a material disposition, in a single transaction or a series of related transactions, of any of our or our subsidiaries' assets, other than the sale of inventory or products in the ordinary course of business;
  - fundamental changes to the nature of our business, including our entry into new and unrelated lines of business or cessation of a material portion of our business;
  - the adoption, approval or issuance of any poison pill or stockholder rights plan;
  - payment or declaration of any dividend or distribution on any of our capital stock other than dividends or distributions required to be made pursuant to the terms of any of our outstanding preferred stock;
  - a termination of the chief executive officer or designation of a new chief executive officer;
  - a consolidation or merger of us with or into any other entity, or transfer (by lease, assignment, sale or otherwise) of all or substantially all of our and our subsidiaries' assets, taken as a whole, to another entity, or a "Change of Control" as defined in our Stockholders Agreement; and
  - any entry by us or our subsidiaries into voluntary liquidation or bankruptcy.

Unless otherwise specified, these approval rights will terminate the first time the Apollo Group no longer beneficially owns at least 33 1/3% of our issued and outstanding common stock.

Beyond these rights, pursuant to the Stockholders Agreement, Holdings has the right, at any time until the Apollo Group no longer beneficially owns at least 5% of our issued and outstanding common stock, to nominate a number of directors comprising a percentage of the board in accordance with their beneficial ownership of our outstanding common stock (rounded up to the nearest whole number). For example, if the Apollo Group beneficially owns 5.1% of our outstanding common stock and our board has 9 director seats, Holdings shall have the right to nominate one director. See also "Certain Relationships and Related Party Transactions-Stockholders Agreement" for rights of Holdings to nominate a certain number of directors. Pursuant to the Stockholders Agreement, at any time until the Apollo Group no longer beneficially owns at least 5% of our issued and outstanding common stock, we will cause to be appointed to each committee of the board of directors a number of directors nominated by Holdings that is as proportionate (rounding up to the next whole director) to the number of members of such committee as is the number of directors that Holdings is entitled to nominate to the number of members of our board of directors.

Committees of our Board of Directors

Upon consummation of the initial public offering, our board of directors has three standing committees: an audit committee, a compensation committee, and a nominating and corporate governance committee. So long as the Apollo Group beneficially owns at least 5% of our outstanding common stock, a number of directors nominated by Holdings that is as proportionate (rounding up to the next whole director) to the number of members of such committee as is the number of directors that Holdings is entitled to nominate to the number of members of our board of directors will serve on each committee of our board, subject to compliance with applicable law.

Audit Committee

Our Audit Committee consists of Mr. Adam Chibib (Chair), Ms. Yvette Landau and Mr. Geoff Freeman. Our board of directors has determined that Mr. Chibib, Ms. Landau, and Mr. Freeman each qualifies as an "audit committee financial expert" as such term is defined in Item 407(d)(5) of Regulation S-K and that each of Mr. Chibib, Ms. Landau, Mr. Freeman is independent as independence is defined in Rule 10A-3 of the Exchange Act and under the New York Stock Exchange listing standards. A third

independent director meeting these standards will be appointed to the Audit Committee within one year of the completion of the initial public offering. The principal duties and responsibilities of our Audit Committee are as follows:

- to prepare the annual Audit Committee report to be included in our annual proxy statement;
- to oversee and monitor our financial reporting process;
- to oversee and monitor the integrity of our financial statements and internal control system;
- to oversee and monitor the independence, retention, performance and compensation of our independent auditor;
- to oversee and monitor the performance, appointment and retention of our senior internal audit staff person;
- to discuss, oversee and monitor policies with respect to risk assessment and risk management;
- to oversee and monitor our compliance with legal and regulatory matters; and
- to provide regular reports to the board.

The Audit Committee also has the authority to retain counsel and advisors to fulfill its responsibilities and duties and to form and delegate authority to subcommittees.

Compensation Committee

Our Compensation Committee consists of Mr. David Sambur (Chair), Mr. Adam Chibib and Mr. Geoff Freeman. The principal duties and responsibilities of the Compensation Committee are as follows:

- to review, evaluate and make recommendations to the full board of directors regarding our compensation policies and programs;
- to review and approve the compensation of our chief executive officer, other officers and key employees, including all material benefits, option or stock award grants and perquisites and all material employment agreements, confidentiality and non-competition agreements;
- to review and recommend to the board of directors a succession plan for the chief executive officer and development plans for other key corporate positions as shall be deemed necessary from time to time;
- to review and make recommendations to the board of directors with respect to our incentive compensation plans and equity-based compensation plans;
- to administer incentive compensation and equity-related plans;
- to review and make recommendations to the board of directors with respect to the financial and other performance targets that must be met;
- to set and review the compensation of members of the board of directors; and
- to prepare an annual Compensation Committee report and take such other actions as are necessary and consistent with the governing law and our organizational documents.

We are no longer a “controlled company” under the New York Stock Exchange rules and therefore the board of directors is taking action to establish a Compensation Committee composed entirely of independent directors, subject to the New York Stock Exchange’s permitted “phase-in” period.

Nominating and Corporate Governance Committee

Our board of directors established a Nominating and Corporate Governance Committee. Our Nominating and Corporate Governance Committee consists of Mr. Daniel Cohen, Ms. Yvette Landau (Chair), and Mr. Geoff Freeman. The principal duties and responsibilities of the Nominating and Corporate Governance Committee are as follows:

- to identify candidates qualified to become directors of the Company, consistent with criteria approved by our board of directors;
- to recommend to our board of directors nominees for election as directors at the next annual meeting of stockholders or a special meeting of stockholders at which directors are to be elected, as well as to recommend directors to serve on the other committees of the board;
- to recommend to our board of directors candidates to fill vacancies and newly created directorships on the board of directors;

- to identify best practices and recommend corporate governance principles, including giving proper attention and making effective responses to stockholder concerns regarding corporate governance;
- to develop and recommend to our board of directors guidelines setting forth corporate governance principles applicable to the Company; and
- to oversee the evaluation of our board of directors and senior management.

We are no longer a "controlled company" under the New York Stock Exchange rules and therefore the board of directors is taking action to establish a Nominating and Corporate Governance Committee composed entirely of independent directors, subject to the New York Stock Exchange's permitted "phase-in" period.

Code of Business Conduct and Ethics

Our board of directors has adopted a code of business conduct and ethics that applies to all of our directors, officers and employees and is intended to comply with the relevant listing requirements for a code of conduct as well as qualify as a "code of ethics" as defined by the rules of the SEC. The statement contains general guidelines for conducting our business consistent with the highest standards of business ethics. We intend to disclose future amendments to certain provisions of our code of business conduct and ethics, or waivers of such provisions applicable to any principal executive officer, principal financial officer, principal accounting officer and controller, or persons performing similar functions, and our directors, on our website at www.playags.com. The code of business conduct and ethics is available on our website.

Board Leadership Structure and Board's Role in Risk Oversight

The board of directors has an oversight role, as a whole and also at the committee level, in overseeing management of its risks. The board of directors regularly reviews information regarding our credit, liquidity and operations, as well as the risks associated with each. The compensation committee of the board of directors is responsible for overseeing the management of risks relating to employee compensation plans and arrangements and the audit committee of the board of directors oversees the management of financial risks. While each committee is responsible for evaluating certain risks and overseeing the management of such risks, the entire board of directors will be regularly informed through committee reports about such risks.

Communications with the Board of Directors

A stockholder or other interested party who wishes to communicate with our directors, a committee of our board of directors, our independent directors as a group or our board of directors generally may do so in writing. Any such communications may be sent to our board of directors by U.S. mail or overnight delivery and should be directed to our Secretary at 5475 S. Decatur Blvd., Ste #100 Las Vegas, NV 89118, who will forward them to the intended recipient(s). Any such communications may be made anonymously. Unsolicited advertisements, invitations to conferences or promotional materials, in the discretion of our Secretary, are not required, however, to be forwarded to the directors.

ITEM 11. EXECUTIVE COMPENSATION.

Executive Summary

The Company's goal for its executive compensation program is to utilize a pay-for-performance compensation program that is directly related to achievement of the Company's financial and strategic objectives. The primary elements of the program, which are discussed in greater detail below, include base salary, annual cash bonus incentives based on performance and long-term equity incentives in the form of stock-based compensation. These elements are designed to: (i) provide compensation opportunities that will allow the Company to attract and retain talented executive officers who are essential to the Company's success; (ii) provide compensation that rewards both individual and corporate performance and motivates the executive officers to achieve corporate strategic objectives; (iii) reward superior financial and operational performance in a given year, over a sustained period and expectations for the future; (iv) place compensation at risk if performance goals are not achieved; and (v) align the interests of executive officers with the long-term interests of stockholders through stock-based awards.

Summary Compensation Table

The following table discloses compensation for our fiscal years ending December 31, 2018 , and 2017 received by Messrs. Lopez, Lee, and Akiona, each of whom was a "named executive officer" during Fiscal 2018 .

Name and Principal Position	Year	Salary ($)	Bonus ($)		Restricted Stock Awards ($) [2]	Non-Equity Incentive Plan Compensation ($) [3]	All Other Compensation ($) [4]		Total ($)
David Lopez, President, Chief Executive Officer and Secretary	2018	600,000	—		1,234,337	963,018	13,260	$	2,810,615
	2017	500,000	—		—	656,086	11,245	$	1,167,331
Sigmund Lee, Chief Technology Officer	2018	528,846	1,200,000	[1]	991,875	637,857	15,357	$	3,373,935
	2017	500,000	250,000	[1]	—	335,000	22,908	$	1,107,908
Kimo Akiona, Chief Financial Officer and Treasurer	2018	289,115	—		583,298	361,182	11,647	$	1,245,242
	2017	280,290	—		—	186,637	4,329	$	471,256

(1) Represents cash bonuses of $1,200,000 in 2018 comprised of a sign-on bonus of $500,000 in connection with signing a new employment agreement and $700,000 of annual incentive plan bonuses (as defined in the employment agreement), as well as annual bonuses of $250,000 in 2017.

(2) Amounts represent the aggregate grant date fair value of the awards computed in accordance with FASB Accounting Standards Codification ("ASC") Topic 718 (disregarding any risk of forfeiture assumptions). For a discussion of the relevant valuation assumptions, see Item 15 "Exhibits and Financial Statement Schedules." Note 11 for further explanation.

(3) Amounts represent annual incentive cash bonuses paid to employees. Employees are eligible to earn annual cash bonuses based on attainment of applicable adjusted EBITDA performance targets. Each bonus plan participant is assigned a bonus payment range expressed as a percentage of base salary. The amount of the cash bonus is then increased or decreased within the applicable range based on over- or under-performance with respect to the performance targets, subject to a minimum achievement level of 85% necessary to earn 50% of the target bonus, a maximum achievement level of 120% to earn a bonus of 200% of the target, and a target achievement level of 100% that corresponds to a payout level of 100% of target (with interpolation of bonus payments between such levels).

The applicable adjusted EBITDA target for 2018 was $131,460,000, and attainment for such year was 110% of target ($144,402,000), which corresponded to a payout level of 140%. The applicable adjusted EBITDA target for 2017 was $101,542,000, and attainment for such year was 109% of target ($110,928,000), which corresponded to a payout level of 134%. Adjusted EBITDA for purposes of bonus performance targets is defined as earnings before interest, taxes, depreciation and amortization including adjustments for nonrecurring items, foreign exchange rates, synergies and excluding bonus expenses.

Effective December 12, 2018, the named executive officers elected to receive a portion of their fiscal year 2018 annual incentive bonus in shares of immediately vested common stock in lieu of cash. The amounts in the table above for the named executives include $107,857 for 2018 that was actually received as 4,764 shares of common stock in lieu of cash.

(4) Amounts represent the Company's matching contributions under our 401(k) Plan and various fringe benefits.

Employment Agreements with Named Executive Officers

David Lopez

On April 28, 2014, the Company entered into an employment agreement with David Lopez to serve as President and Chief Executive Officer of AGS LLC, a subsidiary of the Company ("AGS"), effective as of February 3, 2014. The agreement extends for an initial term of three years, until the third anniversary of February 3, 2014, and shall thereafter be automatically extended for successive one-year periods, unless either party provides written notice of non-renewal at least 90 days prior to the expiration of the initial term or any extended term. Currently, Mr. Lopez's annual base salary as set by the Board is $700,000 and Mr. Lopez is eligible to receive an annual performance-based bonus, with an annual target bonus opportunity of 100% of his base salary.

Sigmund Lee

AGS entered into a new employment agreement with Sigmund Lee, as executed on November 5, 2018 and effective September 1, 2018, to continue to serve as Chief Technology Officer, a position he has served in since July 01, 2015. The agreement is "at-will," meaning that either party may terminate the employment relationship at any time and for any reason, either with or without cause. Pursuant to his employment agreement, Mr. Lee's annual base salary shall be $600,000. Mr. Lee's base salary may from time to time be increased, but may be decreased only in connection with an AGS-wide decrease for all senior leadership positions. Mr. Lee is also eligible to receive an annual performance-based bonus, with an annual target bonus opportunity no less than 75% of his base salary if 100% of target is achieved. Mr. Lee will be eligible for this performance-based bonus if he is actively employed by AGS on the time of the bonus payment.

Further, pursuant to Mr. Lee's employment agreement, in exchange for his commitment to remain employed for a three-year period commencing September 1, 2018, Mr. Lee will also be eligible to receive three annual bonus payments, each in the gross amount of $450,000, payable in the first quarter of each such fiscal year. Upon Mr. Lee's resignation without good reason or upon termination of his employment by AGS with cause prior to the expiration of the three-year period, Mr. Lee will be obligated to repay the net after-tax amount of any such retention bonus paid to him in the year of termination.

In addition, Mr. Lee is eligible to receive a one-time sign-on bonus in the gross amount of $500,000. Upon Mr. Lee's resignation without good reason prior to September 1, 2021, Mr. Lee will be obligated to repay the net after-tax amount of the sign-on bonus

Kimo Akiona

AGS entered into a new employment agreement with Kimo Akiona, as executed on December 13, 2018 and effective October 21, 2018, to continue to serve as Chief Financial Officer of AGS, a position he has served in since February 23, 2015. The agreement is "at-will," meaning that either party may terminate the employment relationship at any time and for any reason, either with or without cause. Pursuant to his employment agreement, Mr. Akiona's annual base salary shall be $336,500. Mr. Akiona's base salary may from time to time be increased, but may be decreased only in connection with an AGS-wide decrease for all senior leadership positions. Mr. Akioma shall be eligible to receive an annual performance based bonus, with an annual target bonus opportunity no less than 75% of his base salary if 100% of target is achieved. Mr. Akiona will be eligible for this performance-based bonus if he is actively employed by AGS on the time of the bonus payment.

Outstanding equity awards as of the year ended December 31, 2018 :

	Options					Stock Awards		
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise or Base Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)		Market Value of Shares or Units of Stock That Have Not Vested ($)(8)
David Lopez [1]	373,035	23,315	—	$ 6.43	4/28/2024	54,432	[5]	1,251,936
Sigmund Lee [2][3]	87,429	29,143	—	$ 10.10	7/17/2025	31,250	[6]	718,750
	38,858	38,858	—	$ 10.92	1/182026	—		—
Kimo Akiona [4]	65,667	10,102	—	$ 9.42	3/11/2025	20,671	[7]	475,433

(1) Represents 349,721 options granted on April 28, 2014 to purchase common shares. One third of the option grant was eligible to vest in equal installments of 20% on each of the first five anniversaries of the date of the grant, subject to continued employment with the Company or its subsidiaries. In the event of a termination of employment without cause or as a result of death or disability, any such time based options which would have vested on the next applicable vesting date shall become vested, and the remaining unvested time based options shall be forfeited. In addition, upon a Change in Control (as defined in the Company's 2014 Long-Term Incentive Plan), subject to continued employment through the date of the Change in Control, all outstanding unvested time based options shall immediately vest. The remaining two-thirds of the option grant was subject to performance-based vesting criteria and vested on October 18, 2018 upon the achievement of the applicable performance targets. Also represents 46,629 options granted on April 28, 2014 to purchase common shares, provided, that this grant of options vested in full upon the date of grant.

(2) Represents 116,572 options granted on July 17, 2015 to purchase common shares. This grant of options is time-based only, and is eligible to vest in equal installments of 25% on each of the first four anniversaries of the date of the grant, subject to continued employment with the Company or its subsidiaries. In the event of a termination of employment without cause or as a result of death or disability, any time based options which would have vested on the next applicable vesting date shall become vested, and the remaining unvested time based options shall be forfeited. In addition, upon a Change in Control (as defined in the Company's 2014 Long-Term Incentive Plan), subject to continued employment through the date of the Change in Control, all outstanding unvested time based options shall immediately vest.

(3) Represents 77,716 options granted on January 18, 2016 to purchase common shares. This grant of options is time-based only, and is eligible to vest in equal installments of 25% on each of the first four anniversaries of the date of the grant, subject to continued employment with the Company or its subsidiaries. In the event of a termination of employment without cause or as a result of death or disability, any time based options which would have vested on the next applicable vesting date shall become vested, and the remaining unvested time based options shall be forfeited. In addition, upon a Change in Control (as defined in the Company's 2014 Long-Term Incentive Plan), subject to continued employment through the date of the Change in Control, all outstanding unvested time based options shall immediately vest.

(4) Represents 75,769 options granted on March 11, 2015 to purchase common shares. One third of the options are eligible to vest in equal installments of 20% on each of the first five anniversaries of the date of the grant, subject to continued employment with the Company or its subsidiaries. In the event of a termination of employment without cause or as a result of death or disability, any such time based options which would have vested on the next applicable vesting date shall become vested, and the remaining unvested time based options shall be forfeited. In addition, upon a Change in Control (as defined in the Company's 2014 Long-Term Incentive Plan), subject to continued employment through the date of the Change in Control, all outstanding unvested time based options shall immediately vest. The remaining two-thirds of the option grant was subject to performance-based vesting criteria and vested on October 18, 2018 upon achievement of the applicable performance targets.

(5) Represents 15,543 restricted common shares granted on April 28, 2014, which are eligible to vest in equal installments of 20% on each of the first five anniversaries of the date of the grant, subject to continued employment with the Company or its subsidiaries. In the event of a termination of employment without cause or for good reason, any shares which would have vested on the next applicable vesting date shall become vested, and the remaining unvested shares shall be forfeited.

Also includes 38,889 restricted shares granted on August 23, 2018, which are eligible to vest in equal installments of 25% on each of the first four anniversaries of the date of grant. In the event of a termination of employment upon a change of control or as a result of death, any unvested portion shall immediately vest. In the event of a termination as a result of disability, the portion of the restricted shares which would have vested on the next applicable vesting date shall become vested, and the remaining unvested portion shall be forfeited. Except as otherwise provided above, upon a termination for any reason, the unvested restricted shares shall be forfeited.

(6) Represents restricted common shares granted on August 23, 2018, which are eligible to vest in equal installments of 25% on each of the first four anniversaries of the date of grant. In the event of a termination of employment upon a change of control or as a result of death, any unvested portion shall immediately vest. In the event of a termination as a result of disability, the portion of the restricted shares which would have vested on the next applicable vesting date shall become vested, and the remaining unvested portion shall be forfeited. Except as otherwise provided above, upon a termination for any reason, the unvested restricted shares shall be forfeited.

(7) Represents 10,000 restricted common shares granted on May 30, 2018, and 10,671 restricted common shares granted on August 23, 2018, which are eligible to vest in equal installments of 25% on each of the first four anniversaries of the date of grant. In the event of a termination of employment upon a change of control or as a result of death, any unvested portion shall immediately vest. In the event of a termination as a result of disability, the portion of the restricted shares which would have vested on the next applicable vesting date shall become vested, and the remaining unvested portion shall be forfeited. Except as otherwise provided above, upon a termination for any reason, the unvested restricted shares shall be forfeited.

(8) For purposes of this table, the shares of common stock of the Company were valued using the closing stock price on December 31, 2018 of $23.00.

Pension Benefits

We do not maintain any defined benefit pension plan for the benefit of our named executive officers.

Management Incentive Plan

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

Nonqualified Deferred Compensation

We do not maintain any nonqualified deferred compensation plan for the benefit of our named executive officers.

Payments Upon Termination and Change of Control

Pursuant to Mr. Lopez’s employment agreement, if during the term of the agreement AGS terminates Mr. Lopez’s employment without cause or he resigns for good reason, subject to receiving a signed release of claims from Mr. Lopez, Mr. Lopez will receive severance pay equal to 24 months base salary (paid over a 24-month period) along with the pro-rated managerial bonus for the year in which Mr. Lopez is terminated. Mr. Lopez would also be eligible to receive continued health benefits at active employee for 18 months post termination, or if earlier, until he commences employment with a subsequent employer. Pursuant to his employment agreement, Mr. Lopez will also be subject to perpetual confidentiality, intellectual property and non-disparagement, as well as certain non-solicitation and certain non-competition restrictions for 24 months following the date of his employment.

Pursuant to Mr. Lee’s employment agreement, if during the term of the agreement AGS terminates Mr. Lee’s employment without cause, subject to receiving a signed release of claims from Mr. Lee, Mr. Lee will receive severance pay equal to 18 months base salary (paid over an 18-month period) (or, if a change of control (as defined in the employment agreement) occurs and such termination occurs on or within 24 months of such change of control, 24 months base salary (paid over a 24-month period)), along with the pro-rated managerial bonus for the year in which Mr. Lee is terminated. Pursuant to his employment agreement, Mr. Lee will also be subject to perpetual confidentiality, intellectual property and non-disparagement, as well as certain non-solicitation restrictions for 18 months following the date of his employment, and certain non-competition restrictions for either (a) twenty-four (24) months post-termination of employment if his employment is terminated prior to September 21, 2021, or (b) six months if his employment is terminated after September 21, 2021.

Pursuant to Mr. Akiona's employment agreement, if during the term of the agreement AGS terminates Mr. Akiona's employment without cause or he resigns for good reason, subject to receiving a signed release of claims from Mr. Akiona, Mr. Akiona will receive severance pay equal to 18 months base salary (paid over an 18-month period) along with the pro-rated managerial bonus for the year in which Mr. Akiona is terminated. Pursuant to his employment agreement, Mr. Akiona will also be subject to perpetual confidentiality, intellectual property and non-disparagement, as well as certain non-solicitation and certain non-competition restrictions for 18 months following the date of his employment.

"Cause" for Messrs. Lopez and Akiona generally includes: (i) illegal fraudulent conduct, (ii) conviction of or plea of "guilty" or "no contest" to any crime constituting a felony or other crime involving dishonesty, breach of trust, moral turpitude or physical harm to any person, (iii) a determination by the Board that the named executive officer's involvement with AGS would have a negative impact on AGS's ability to receive or retain any licenses, (iv) being found unsuitable for, or having been denied, a gaming license, or having such license revoked by a gaming regulatory authority in any jurisdiction in which AGS or any of its subsidiaries or affiliates conducts operations, (v) willful or material misrepresentation to AGS or to members of the Board relating to the business, assets or operation of AGS, (vi) refusal to take any action that is consistent with the named executive's obligations and responsibilities under his employment agreement as reasonably directed by the Board or (vii) material breach of any agreement with AGS and its affiliates, which material breach has not been cured within 30 days of written notice from the Board.

"Cause" for Mr. Lee generally includes: (i) failure or inability to perform the essential functions of his position after written notice and 30 days to cure, (ii) failure to cure a material breach of any of the terms of his employment agreement after written notice and 30 days to cure, (iii) being charged with or convicted of a crime involving fraud, theft, embezzlement, assault, battery or other violent act or another crime involving dishonesty, violence or moral turpitude, (iv) declining to follow any significant and legal instruction from AGS after written notice and 30 days to cure, (v) failure to maintain or having suspended, revoked or denied any applicable or necessary license, permit or professional designation, or where AGS has reasonably determined that the named executive's involvement with AGS may have a negative impact on AGS's ability to receive or retain any of its licenses, (vi) intentionally declining or failing to follow any known rule or policy of AGS, including as examples only, policies prohibiting discrimination or harassment in the workplace and safety or health rules, (vii) violation or participation in a violation of a statute or regulation of a federal, state or local government regarding gaming, safety, health, labor or employment or (viii) committing any act that constitutes a breach of a fiduciary duty or a duty of loyalty.

For Mr. Lopez, "Good Reason" means his voluntary resignation after any of the following actions are taken by AGS or any of its subsidiaries without his consent: (i) removal from the office of President and Chief Executive Officer of AGS or a change in reporting lines such that Mr. Lopez no longer reports to the board, (ii) a requirement that Mr. Lopez be based anywhere other than within 35 miles of Las Vegas, Nevada, or (iii) a notice from AGS to Mr. Lopez of non-extension of the employment term; provided, however, that a termination will not be for "Good Reason" unless Mr. Lopez shall have provided written notice to AGS of the existence of one of the above conditions within 30 days following the initial existence of such condition, specifying in reasonable detail such condition, AGS shall have had 30 days following receipt of such written notice to remedy the condition, AGS shall have failed to remedy the condition during the applicable cure period, Mr. Lopez shall have thereafter and prior to the date of termination provided a notice of termination to AGS, and Mr. Lopez's date of termination shall have occurred within 30 days following expiration of the cure period.

For Mr. Akiona, "Good Reason" means a material diminution of duties, title, reporting structure, or base salary; provided that, Mr. Akiona may not terminate employment for "Good Reason" unless Mr. Akiona provides written notice to AGS within 90 days after Mr. Akiona first having knowledge of the "Good Reason" event, and AGS has not cured such event within 30 days of receiving such notice.

For the treatment of equity upon termination of employment, please see the section "-Outstanding equity awards as of the year ended December 31, 2018."

Director Compensation

The following table sets forth the total compensation paid to each of our non-employee directors for the year ended December 31, 2018.

Name [1]	Fees Earned or Paid in Cash [2]	Stock Awards [3]	Total
Adam Chibib	75,000	80,718	155,718
Yvette Landau	56,250	80,718	136,968
Geoff Freeman	—	75,001	75,001

(1) For 2018, David Sambur, Daniel Cohen, Eric Press and David Lopez were members of our board of directors and did not receive any compensation from the Company for their services on the board.

(2) Amounts set forth in Fees Earned or Paid in Cash column represent the aggregate dollar amount of all fees earned or paid in cash for services as a director, including committee and/or chairmanship fees, pro-rated as applicable for the first year of service. Director fees are earned and paid quarterly.

(3) Amounts set forth in the Stock Awards column represent the aggregate grant date fair value computed in accordance with FASB ASC Topic 718. In 2018, both Mr. Chibib and Ms. Landau, each received a grant of 3,300 Restricted Stock Awards on May 30, 2018, which vested immediately; and Mr. Freeman received 3,870 Restricted Stock Units on November 20, 2018, which vest over a period of one year from the grant date.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

PRINCIPAL STOCKHOLDERS

The following table sets forth the beneficial ownership of our common stock by:

- each person, or group of affiliated persons, who we know to beneficially own more than 5% of our common stock;
- each of our named executive officers;
- each of our directors; and
- all of our executive officers and directors as a group.

Beneficial ownership is determined in accordance with the rules of the SEC. These rules generally attribute beneficial ownership of securities to persons who possess sole or shared voting power or investment power with respect to such securities. Except as otherwise indicated, all persons listed below have sole voting and investment power with respect to the shares beneficially owned by them, subject to applicable community property laws. Unless otherwise indicated, the address of each person or entity named in the table below is c/o 5475 S. Decatur Blvd., Ste #100, Las Vegas, NV 89118.

	Shares Beneficially Owned	
	Number	**Percent**
5% Stockholders		
Apollo Gaming Holdings, L.P [(1)]	12,208,076	33.45%
AP Gaming VoteCo, LLC [(1)(2)]	12,208,076	33.45%
Named Executive Officers and Directors		
David Lopez [(3)]	471,057	1.29%
Kimo Akiona [(4)]	87,174	0.24%
David Sambur [(1)(2)]	—	—%
Victor Gallo [(5)]	89,377	0.24%
Sigmund Lee [(6)]	150,480	0.41%
Daniel Cohen [(2)]	—	—%
Eric Press [(2)]	—	—%
Adam Chibib	3,300	0.01%
Yvette Landau	13,300	0.04%
Geoff Freeman	—	—%
All current directors and executive officers as a group (10 persons)	814,688	2.23%

(1) Represents shares of our common stock held of record by Holdings, which are subject to the irrevocable proxy granted by Holdings to VoteCo pursuant to the Irrevocable Proxy and Power of Attorney, irrevocably constituting and appointing VoteCo,

with full power of substitution, its true and lawful proxy and attorney-in-fact to: (i) vote all of the shares of our common stock held by Holdings at any meeting (and any adjournment or postponement thereof) of our stockholders, and in connection with any written consent of our stockholders, and (ii) direct and effect the sale, transfer or other disposition of all or any part of the shares of our common stock held by Holdings, if, as and when so determined in the sole discretion of VoteCo. The irrevocable proxy terminates with respect to any shares of our common stock that are sold, transferred or otherwise disposed of by VoteCo upon such sale, transfer or other disposition. VoteCo is member-managed by its sole member, David Sambur. Mr. Sambur holds the membership interests of VoteCo and as such may be deemed to share voting and dispositive control, and beneficial ownership, with VoteCo with respect to the shares of our common stock subject to the irrevocable proxy granted to VoteCo. Apollo Gaming Holdings GP, LLC ("Holdings GP") is the general partner of Holdings. Apollo Management VIII, L.P. ("Management VIII") is the manager of Holdings GP and of Apollo Investment Fund VIII, L.P. ("AIF VIII"). AIF VIII is a member of Holdings GP, and as such has the right to direct Management VIII in its management of Holdings GP, and is also a limited partner of Holdings. AIF VIII Management, LLC ("AIF VIII LLC") is the general partner of Management VIII. Apollo Management, L.P. ("Apollo Management") is the sole member-manager of AIF VIII LLC, and Apollo Management GP, LLC ("Management GP") is the general partner of Apollo Management. Apollo Management Holdings, L.P. ("Management Holdings") is the sole member and manager of Management GP. Apollo Management Holdings GP, LLC ("Management Holdings GP") is the general partner of Management Holdings. Leon Black, Joshua Harris and Mr. Rowan are the managers, as well as executive officers, of Management Holdings GP. Due to the irrevocable proxy granted to VoteCo, none of Holdings, Holdings GP, Management VIII, AFI VIII, AIF VIII LLC, Apollo Management, Management GP, Management Holdings or Management Holdings GP will be deemed to beneficially own the shares of our common stock held by Holdings. The address of VoteCo is 5475 X. Decatur Blvd., Las Vegas, Nevada 89118. The address of each of Holdings, Holdings GP, Management VIII, AIF VIII LLC, Apollo Management, Management GP, Management Holdings and Management Holdings GP, and Messrs. Black, Harris, Rowan and Sambur, is 9 West 57th Street, 43rd Floor, New York, New York 10019

(2) David Sambur, Eric Press and Daniel Cohen are each affiliated with Apollo Management and its affiliated investment managers and advisors. Messrs. Black, Cohen, Harris, Press, Rowan and Sambur each disclaim beneficial ownership of the shares of our common stock that are beneficially owned by VoteCo, or directly held of record by Holdings. The address of each of Mr. Cohen, Mr. Sambur and Mr. Press is 9 West 57th Street, 43rd Floor, New York, New York 10019.

(3) Number of shares beneficially owned includes 373,035 shares of common stock issuable upon the exercise of options within 60 days.

(4) Number of shares beneficially owned includes 65,667 shares of common stock issuable upon the exercise of options within 60 days.

(5) Number of shares beneficially owned includes 54,402 shares of common stock issuable upon the exercise of options within 60 days.

(6) Number of shares beneficially owned includes 145,716 shares of common stock issuable upon the exercise of options within 60 days.

2014 Long-Term Incentive Plan

On April 28, 2014, the board of directors of the Company approved the 2014 Long-Term Incentive Plan ("LTIP"). Under the LTIP, the Company is authorized to grant nonqualified stock options, rights to purchase common stock, restricted stock, restricted stock units and other awards to be settled in, or based upon, common stock to persons who are directors and employees of and consultants to the Company or any of its subsidiaries on the date of the grant. The LTIP will terminate ten years after approval by the board. Subject to adjustments in connection with certain changes in capitalization, the maximum number of shares that may be delivered pursuant to awards under the LTIP is 2,253,735 after giving effect to the 1.5543 - for - 1 stock split consummated on January 30, 2018 in connection with our initial public offering.

2018 Omnibus Incentive Plan

On January 16, 2018, our board adopted and our stockholders approved the 2018 Omnibus Incentive Plan (the "Omnibus Incentive Plan") pursuant to which equity-based and cash incentives may be granted to participating employees, directors and consultants. The Omnibus Incentive Plan provides for an aggregate of 1,607,389 post-split shares of our common stock. No more than 1,607,389 shares of our common stock may be issued with respect to incentive stock options under the Omnibus Incentive Plan. The compensation committee may grant awards of non-qualified stock options, incentive (qualified) stock options, stock appreciation rights, restricted stock awards, restricted stock units, other stock-based awards, performance compensation awards (including cash bonus awards), other cash-based awards or any combination of the foregoing.

	As of December 31, 2018		
	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	1,802,946	7.66	1,651,244
Equity compensation plans not approved by shareholders	—	—	—
Total remaining shares to be issued.	1,802,946	7.66	1,651,244

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

Related Transactions

Other than compensation arrangements for our named executive officers and directors, there were no transactions, to which we were a party or will be a party, in which:

- the amounts involved exceeded or will exceed $120,000; and
- any of our directors, executive officers or holders of more than 5% of our capital stock, or any member of the immediate family of the foregoing persons, had or will have a direct or indirect material interest.

Policies and Procedures for Related Person Transactions

We have adopted a written Related Person Transaction Policy (the "policy"), which sets forth our policy with respect to the review, approval, ratification and disclosure of all related person transactions by our Audit Committee. In accordance with the policy, our Audit Committee has overall responsibility for implementation of and compliance with the policy.

For purposes of the policy, a "related person transaction" is a transaction, arrangement or relationship (or any series of similar transactions, arrangements or relationships) in which we were, are or will be a participant and the amount involved exceeded, exceeds or will exceed $120,000 and in which any related person (as defined in the policy) had, has or will have a direct or indirect material interest. A "related person transaction" does not include any employment relationship or transaction involving an executive officer and any related compensation resulting solely from that employment relationship that has been reviewed and approved by our board of directors or Audit Committee.

The policy requires that notice of a proposed related person transaction be provided to our legal department prior to entry into such transaction. If our legal department determines that such transaction is a related person transaction, the proposed transaction will be submitted to our Audit Committee for consideration. Under the policy, our Audit Committee may approve only those related person transactions that are in, or not inconsistent with, our best interests and the best interests of our stockholders. In the event that we become aware of a related person transaction that has not been previously reviewed, approved or ratified under the policy and that is ongoing or is completed, the transaction will be submitted to the Audit Committee so that it may determine whether to ratify, rescind or terminate the related person transaction.

The policy also provide that the Audit Committee review certain previously approved or ratified related person transactions that are ongoing to determine whether the related person transaction remains in our best interests and the best interests of our stockholders. Additionally, we will make periodic inquiries of directors and executive officers with respect to any potential related person transaction of which they may be a party or of which they may be aware.

Securityholders Agreement

Concurrently with the closing of our initial public offering, we amended and restated the Securityholders Agreement (as amended and restated, the "Securityholders Agreement"), by and among AP Gaming Holdings, L.P. (the "Partnership"), VoteCo, the Company and each holder of Class B Shares from time to time party thereto, including David Lopez, our Chief Executive Officer (each a "Holder"). The Securityholders Agreement provides the Partnership and Apollo Investment Fund VIII, L.P., and each of their respective affiliates, with certain demand registration rights. It also provides each Holder with piggy-back registration

rights and imposes certain transfer restrictions on each Holder's ownership of the Company's common shares and sets forth the Company's right to repurchase any common shares held by Holders who are employed by, or serve as consultants to or directors of, the Company or any of its subsidiaries upon their termination from such employment or consultancy. The Securityholders Agreement also imposes certain restrictions on each Holder who serves in management, including non-solicitation, non-compete and non-disclosure requirements.

Stockholders Agreement

With the consummation of the initial public offering, we entered into a Stockholders Agreement with VoteCo and Holdings, which is an entity controlled by Apollo. Pursuant to the Stockholders Agreement, Holdings has the right, at any time until the Apollo Group no longer beneficially owns at least 5% of our issued and outstanding common stock, to nominate a number of directors comprising a percentage of the board in accordance with its beneficial ownership of our outstanding common stock (rounded up to the nearest whole number), see "Item 10. Directors, Executive officers and Corporate Governance—Apollo Group Approval of Certain Matters and Rights to Nominate Certain Directors." The Stockholders Agreement sets forth certain information rights granted to the Apollo Group. It also specifies that we will provide indemnification and advance of expenses of VoteCo and each stockholder party to the Stockholders Agreement for any claim arising from their actions as the Company's stockholders or controlling persons. The Stockholders Agreement also specifies that we will not take certain significant actions specified therein without the prior consent of Holdings. Such specified actions include, but are not limited to:

- a change in size of the board of directors.
- the incurrence of indebtedness, in a single transaction or a series of related transactions, by us or any of our subsidiaries aggregating more than $10 million, except for (i) debt that has previously been approved or is in existence on the date of closing this offering or any refinancing thereof up to the same maximum principal amount of such debt outstanding as of the date hereof, (ii) capital leases contemplated by an annual budget approved by the board of directors;
- the issuance of additional shares of any class of our capital stock (other than any award under any stockholder approved equity compensation plan);
- a redemption, repurchase or other acquisition by us of our capital stock (other than any redemption, repurchase or acquisition under any stockholder approved equity compensation plan);
- consummation of any material acquisition of the stock or assets of any other entity (other than any of our subsidiaries), in a single transaction or a series of related transactions;
- a material disposition, in a single transaction or a series of related transactions, of any of our or our subsidiaries' assets, other than the sale of inventory or products in the ordinary course of business;
- fundamental changes to the nature of our business, including our entry into new and unrelated lines of business or cessation of a material portion of our business;
- the adoption, approval or issuance of any poison pill or stockholder rights plan;
- payment or declaration of any dividend or distribution on any of our capital stock other than dividends or distributions required to be made pursuant to the terms of any of our outstanding preferred stock;
- a termination of the chief executive officer or designation of a new chief executive officer;
- a consolidation or merger of us with or into any other entity, or transfer (by lease, assignment, sale or otherwise) of all or substantially all of our and our subsidiaries' assets, taken as a whole, to another entity, or a "Change of Control" as defined in our or our Stockholders Agreement; and
- entry by us or our subsidiaries into voluntary liquidation or bankruptcy.

Director Independence

As allowed under the applicable rules and regulations of the SEC and the New York Stock Exchange, we intend to phase in compliance applicable independence requirements prior to the end of the one-year transition period. Our independent directors, as such term is defined by the applicable rules and regulations of the New York Stock Exchange and our board's determination of their independence, are Adam Chibib, Yvette Landau and Geoff Freeman.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

PricewaterhouseCoopers LLP ("PwC") served as the Company's independent registered public accounting firm for the fiscal year ended December 31, 2018 and 2017. The following table presents fees for professional services rendered by PwC related to the audit of the Company's annual financial statements for the fiscal years ended December 31, 2018 and 2017 and fees billed for other services rendered by PwC during those years.

Category	2018	2017
Audit fees	$ 1,293,231	$ 665,644
Audit related	466,232	535,652
Tax fees	482,985	604,784
All other fees	841,974	265,900
Total	$ 3,084,422	$ 2,071,980

Audit Fees consisted of the aggregate fees paid or accrued for professional services rendered for the annual audit of the Company's financial statements, the reviews of our interim consolidated financial statements included in our quarterly reports on Form 10-Q, and statutory audits of foreign subsidiary financial statements. The Audit-Related fees listed above were billed in connection with the professional services performed in 2018 and 2017 including services related to SEC registration statement filings and SEC comment letters. Tax fees include the aggregate fees paid during the respective years for tax compliance and tax advisory services. All Other Fees listed above were billed for services provided in connection with acquisition due diligence and other services.

The Board of Directors of the Company has adopted a policy that requires advance approval of all audit, audit-related, tax and other services performed by the independent auditors. The policy provides for pre-approval by the Audit Committee of specifically defined audit and non-audit services. Unless the specific service has been previously pre-approved with respect to that year, the Audit Committee must approve the permitted service before the independent auditor is engaged to perform it. All of the fees described in the table above were pre-approved by the Audit Committee.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a)(1). Financial Statements.

Included in Part II of this Amendment:

(a)(2). Financial Statement Schedules.

We have omitted certain other financial statement schedules because they are not required or are not applicable, or the required information is shown in the financial statements or notes to the financial statements. We have included Schedule I - Condensed Financial Information of the Registrant for the years ended December 31, 2018, 2017, and 2016 on page F-34 and Schedule II - Valuation and Qualifying Accounts for the years ended December 31, 2018, 2017, and 2016 on page F-39.

(a)(3). Exhibits.

Exhibit Number	Exhibit Description
3.1	Certificate of Amended and Restated Articles of Incorporation of PlayAGS, Inc., effective January 29, 2018.
3.2	Bylaws, Adopted January 29, 2018
10.1	2014 Managerial Incentive Plan.
10.2	AP Gaming Holdco, Inc. 2014 Long-Term Incentive Plan.
10.3	Form of Option Agreement.
10.4	Form of Subscription Agreement.
10.5	PlayAGS, Inc. Omnibus Incentive Plan

10.6	PlayAGS, INC. Omnibus Incentive Plan, Director Stock Award Agreement
10.7	PlayAGS, INC. Omnibus Incentive Plan, Non-Qualified Option Award Agreement
10.8	PlayAGS, INC. Omnibus Incentive Plan, Restricted Stock Unit Award Agreement
10.9	Employment Agreement, dated April 28, 2014, by and between David Lopez and AP Gaming Holdco, Inc.
10.10	Nonqualified Stock Option Agreement, dated April 28, 2014, by and between AP Gaming Holdco, Inc. and David Lopez.
10.11	Restricted Stock Agreement, dated April 28, 2014, by and between AP Gaming Holdco, Inc. and David Lopez.
10.12	Employment Agreement, dated as September 1, 2018, by and between AGS, LLC and Sigmund Lee.
10.13	Nonqualified Time-Based Stock Option Agreement, dated July 17, 2015, by and between AP Gaming Holdco, Inc. and Sigmund Lee.
10.14	Nonqualified Performance-Based Stock Option Agreement, dated July 17, 2015, by and between AP Gaming Holdco, Inc. and Sigmund Lee.
10.15	Nonqualified Stock Option Agreement, dated January 18, 2016, by and between AP Gaming Holdco, Inc. and Sigmund Lee.
10.16	Employment Agreement, dated October 21, 2018, by and between Kimo Akiona and AGS, LLC.
10.17	Nonqualified Stock Option Agreement, dated March 11, 2015, by and between AP Gaming Holdco, Inc. and Kimo Akiona.
10.18	First Lien Credit Agreement, dated as of June 6, 2017, among AP Gaming Holdings, LLC, as Holdings, AP Gaming I, LLC, as Borrower, the lenders party thereto, Jefferies Finance LLC, as Administrative Agent, Jefferies Finance LLC and Macquarie Capital (USA) Inc., as Joint Lead Arrangers and Joint Bookrunners, and Apollo Global Securities, LLC, as Co-Manager.
10.19	Incremental Assumption and Amendment Agreement, dated as of February 7, 2018, by and among AP Holdings, LLC, AP Gaming I, LLC, each subsidiary loan party listed on the signature pages thereof, Finance LLC and the lenders from time to time party thereto.
10.20	Incremental Assumption and Amendment Agreement No. 2, dated as of October 5, 2018, by and among AP Gaming Holdings, LLC, AP Gaming I, LLC, each subsidiary loan party listed on the signature pages thereof, Jefferies Finance LLC and the lenders from time to time party thereto.
10.21	Collateral Agreement among AP Gaming, LLC, each Subsidiary Party and Jefferies Finance, LLC, dated as of June 6, 2017.
10.22	Holdings Guarantee and Pledge Agreement, by and among AP Gaming Holdings, LLC and Jefferies Finance LLC, dated as of June 6, 2017.
10.23	Subsidiary Guarantee between AP Gaming II, Inc., AP Gaming Acquisition, LLC, AGS Capital, LLC, AGS LLC, AGS Partners, LLC, AGS Illinois, LLP, AP Gaming NV, LLC and Jefferies Finance, LLC dated as of June 6, 2017.
10.24	Amended and Restated Securityholders Agreement, by and among Apollo Gaming Holdings, L.P., AP Gaming VoteCo, LLC, PlayAGS, Inc. (f/k/a AP Gaming Holdco, Inc.) and the other Holders party thereto, dated January 29, 2018.
10.25	Stockholders Agreement, by and among PlayAGS, Inc., Apollo Gaming Holdings, L.P. and AP Gaming VoteCo, LLC, dated January 29, 2018.
10.26	Irrevocable Proxy of AP Gaming VoteCo, LLC, dated January 29, 2018.
21.1	Subsidiaries of PlayAGS, Inc.
23.1	Consent of PricewaterhouseCoopers LLP, independent registered public accounting firm.
31.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.IN	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

ITEM 16. FORM 10–K SUMMARY.

None.

SIGNATURES

Pursuant to the requirements of Section 12 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.

PLAYAGS, INC.

Date:	March 5, 2019	By:	/s/ KIMO AKIONA
		Name:	Kimo Akiona
		Title:	Chief Financial Officer, Chief Accounting Officer and Treasurer, *(Principal Financial and Accounting Officer)*

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 dates indicated.

Signature	Title	Date
/s/ DAVID LOPEZ David Lopez	*Chief Executive Officer, President and Director (Principal Executive Officer)*	March 5, 2019
/s/ KIMO AKIONA Kimo Akiona	*Chief Financial Officer, Chief Accounting Officer and Treasurer (Principal Financial and Accounting Officer)*	March 5, 2019
/s/ DAVID SAMBUR David Sambur	*Director*	March 5, 2019
/s/ DANIEL COHEN Daniel Cohen	*Director*	March 5, 2019
/s/ ERIC PRESS Eric Press	*Director*	March 5, 2019
/s/ YVETTE E. LANDAU Yvette E. Landau	*Director*	March 5, 2019
/s/ ADAM CHIBIB Adam Chibib	*Director*	March 5, 2019
/s/ GEOFF FREEMAN Geoff Freeman	*Director*	March 5, 2019

ITEM 1. FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of PlayAGS, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of PlayAGS, Inc. and its subsidiaries (the "Company") as of December 31, 2018 and 2017, and the related consolidated statements of operations and comprehensive loss, of changes in stockholders' equity, and of cash flows for each of the three years in the period ended December 31, 2018, including the related notes and financial statement schedules listed in the index appearing under Item 15(a)(2) (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 as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018 in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, the Company changed the manner in which it accounts for revenues from contracts with customers in 2018.

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 Public Company Accounting Oversight Board (United States) (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 of these consolidated financial statements 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. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

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

/s/ PricewaterhouseCoopers LLP

Las Vegas, Nevada
March 5, 2019

We have served as the Company's auditor since 2016.

PLAYAGS, INC.
CONSOLIDATED BALANCE SHEETS
(amounts in thousands, except share and per share data)

	December 31,	
	2018	2017
Assets		
Current assets		
Cash and cash equivalents	$ 70,726	$ 19,242
Restricted cash	78	100
Accounts receivable, net of allowance of $885 and $1,462 respectively	44,704	32,776
Inventories	27,438	24,455
Prepaid expenses	3,566	2,675
Deposits and other	4,231	3,460
Total current assets	150,743	82,708
Property and equipment, net	91,547	77,982
Goodwill	277,263	278,337
Intangible assets	196,898	232,287
Deferred tax asset	2,544	1,115
Other assets	12,347	24,813
Total assets	$ 731,342	$ 697,242
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	$ 14,821	$ 11,407
Accrued liabilities	26,659	24,954
Current maturities of long-term debt	5,959	7,359
Total current liabilities	47,439	43,720
Long-term debt	521,924	644,158
Deferred tax liability - noncurrent	1,443	1,016
Other long-term liabilities	24,732	36,283
Total liabilities	595,538	725,177
Commitments and contingencies (Note 13)		
Stockholders' equity		
Preferred stock at $0.01 par value; 50,000,000 shares authorized, no shares issued and outstanding	—	—
Common stock at $0.01 par value; 450,000,000 at December 31, 2018 and 46,629,155 shares authorized at December 31, 2017; 35,353,296 and 23,208,076 shares issued and outstanding at December 31, 2018 and 2017.	353	149
Additional paid-in capital	361,628	177,276
Accumulated deficit	(222,403)	(201,557)
Accumulated other comprehensive (loss) income	(3,774)	(3,803)
Total stockholders' equity (deficit)	135,804	(27,935)
Total liabilities and stockholders' equity	$ 731,342	$ 697,242

The accompanying notes are an integral part of these consolidated financial statements.

PLAYAGS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(amounts in thousands, except per share data)

	Year ended December 31,		
	2018	**2017**	**2016**
Revenues			
Gaming operations	$ 201,809	$ 170,252	$ 154,857
Equipment sales	83,490	41,703	11,949
Total revenues	285,299	211,955	166,806
Operating expenses			
Cost of gaming operations [(1)]	39,268	31,742	26,736
Cost of equipment sales [(1)]	39,670	19,847	6,237
Selling, general and administrative	63,038	44,015	46,108
Research and development	31,745	25,715	21,346
Write-downs and other charges	8,753	4,485	3,262
Depreciation and amortization	77,535	71,649	80,181
Total operating expenses	260,009	197,453	183,870
Income (loss) from operations	25,290	14,502	(17,064)
Other expense (income)			
Interest expense	37,607	55,511	59,963
Interest income	(207)	(108)	(57)
Loss on extinguishment and modification of debt	6,625	9,032	—
Other expense (income)	10,488	(2,938)	7,404
Loss before income taxes	(29,223)	(46,995)	(84,374)
Income tax benefit	8,377	1,889	3,000
Net loss	(20,846)	(45,106)	(81,374)
Foreign currency translation adjustment	29	743	(2,735)
Total comprehensive loss	$ (20,817)	$ (44,363)	$ (84,109)
Basic and diluted loss per common share:			
Basic	$ (0.61)	$ (1.94)	$ (3.51)
Diluted	$ (0.61)	$ (1.94)	$ (3.51)
Weighted average common shares outstanding:			
Basic	34,404	23,208	23,208
Diluted	34,404	23,208	23,208

(1) exclusive of depreciation and amortization

The accompanying notes are an integral part of these consolidated financial statements.

PLAYAGS, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(in thousands, except share data)

	PlayAGS, Inc.					
	Shares	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance at January 1, 2016	10,000,000	149	177,276	(75,077)	(1,811)	100,537
Net loss	—	—	—	(81,374)	—	(81,374)
Foreign currency translation adjustment	—	—	—	—	(2,735)	(2,735)
Issuance of common stock	4,931,529	—	—	—	—	—
Balance at December 31, 2016	14,931,529	149	177,276	(156,451)	(4,546)	16,428
Net loss	—	—	—	(45,106)	—	(45,106)
Foreign currency translation adjustment	—	—	—	—	743	743
Balance at December 31, 2017	14,931,529	149	177,276	(201,557)	(3,803)	(27,935)
Net loss	—	—	—	(20,846)	—	(20,846)
Foreign currency translation adjustment	—	—	—	—	29	29
Stock-based compensation expense	—	—	10,933	—	—	10,933
Stock split (1.5543-for-one)	8,276,547	83	(83)	—	—	—
Reclassification of management shares	170,712	2	1,319	—	—	1,321
Vesting of restricted stock	112,286	—	—	—	—	—
Stock option exercise	74,722	1	773	—	—	774
Issuance of common stock	11,787,500	118	171,410	—	—	171,528
Balance at December 31, 2018	35,353,296	353	$ 361,628	$ (222,403)	$ (3,774)	$ 135,804

The accompanying notes are an integral part of these consolidated financial statements.

PLAYAGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (in thousands)

	Year ended December 31,		
	2018	**2017**	**2016**
Cash flows from operating activities			
Net loss	$ (20,846)	$ (45,106)	$ (81,374)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	77,535	71,649	80,181
Accretion of contract rights under development agreements and placement fees	4,552	4,680	4,702
Amortization of deferred loan costs and discount	1,826	2,976	3,542
Payment-in-kind interest capitalized	—	15,935	15,396
Payment-in-kind interest payments	(37,624)	(2,698)	—
Write-off of deferred loan cost and discount	3,876	3,294	—
Stock-based compensation expense	10,933	—	—
Provision (benefit) for bad debts	(441)	651	2,290
Loss on disposition of assets	1,963	3,901	1,149
Impairment of assets	6,089	584	4,749
Fair value adjustment of contingent consideration	701	—	—
Benefit of deferred income tax	(970)	(7,062)	(7,998)
Changes in assets and liabilities related to operations:			
Accounts receivable	(11,488)	(8,348)	(3,191)
Inventories	4,907	(1,636)	307
Prepaid expenses	(895)	(599)	2,021
Deposits and other	(748)	(374)	(315)
Other assets, non-current	12,204	(2,290)	467
Accounts payable and accrued liabilities	(6,063)	8,451	12,567
Net cash provided by operating activities	45,511	44,008	34,493
Cash flows from investing activities			
Business acquisitions, net of cash acquired	(4,452)	(63,850)	—
Purchase of intangible assets	(1,119)	(1,226)	(1,311)
Software development and other expenditures	(10,460)	(7,664)	(6,526)
Proceeds from disposition of assets	519	514	87
Purchases of property and equipment	(54,602)	(48,585)	(32,879)
Net cash used in investing activities	(70,114)	(120,811)	(40,629)
Cash flows from financing activities			
Proceeds from issuance of first lien credit facilities	—	448,725	—
Proceeds from incremental term loans	29,874	65,000	—
Payments on first lien credit facilities	(5,211)	(2,413)	(6,987)
Payments on equipment long term note payable and capital leases	(2,883)	(2,372)	—
Payment of deferred loan costs	(41)	(3,267)	—
Payment of financed placement fee obligations	(3,628)	(3,807)	(3,516)
Payment of previous acquisition obligation	—	(128)	(1,125)
Repayment of senior secured credit facilities	(115,000)	(410,655)	—
Repayment of seller notes	—	(12,401)	—
Proceeds from stock option exercise	774	—	—
Proceeds from issuance of common stock	176,341	—	—
Proceeds from employees in advance of common stock issuance	—	25	75
Initial public offering costs	(4,160)	(653)	—
Repurchase of shares issued to management	—	—	(50)
Net cash provided by (used in) financing activities	76,066	78,054	(11,603)
Effect of exchange rates on cash, cash equivalents and restricted cash	(1)	14	(6)
Increase (decrease) in cash, cash equivalents and restricted cash	51,462	1,265	(17,745)
Cash, cash equivalents and restricted cash, beginning of period	19,342	18,077	35,822

Cash, cash equivalents and restricted cash, end of period	$ 70,804	$ 19,342	$ 18,077
Supplemental cash flow information:			
Cash paid during the period for interest	$ 35,392	$ 35,890	$ 40,060
Cash paid during the period for taxes	$ 1,742	$ 1,157	$ 1,247
Non-cash investing and financing activities:			
Non-cash consideration given in business acquisitions	$ 500	$ 2,600	$ —
Financed purchase property and equipment	$ 1,454	$ 368	$ 2,662
Financed purchase of intangible asset	$ 2,000	$ 4,866	$ —

The accompanying notes are an integral part of these consolidated financial statements.

PLAYAGS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. DESCRIPTION OF THE BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PlayAGS, Inc. (formerly AP Gaming Holdco, Inc.) (the "Company," "PlayAGS," "we," "us," or "our") is a leading designer and supplier of gaming products and services for the gaming industry. We operate in legalized gaming markets across the globe and provide state-of-the-art, value-add products in three distinct segments: Electronic Gaming Machines ("EGM"), which includes server-based systems and back-office systems that are used by Class II Native American and Mexican gaming jurisdictions and Class III Native American, commercial and charitable jurisdictions; Table Products ("Table Products"), which includes live felt table games, side-bets and progressives as well as our newly introduced card shuffler, " *Dex S* "; and Interactive Social Casino Games ("Interactive"), which provides social casino games on desktop and mobile devices as well as a platform for content aggregation used by real-money gaming ("RMG") and sports-betting partners. Each segment's activities include the design, development, acquisition, manufacturing, marketing, distribution, installation and servicing of a distinct product line.

The Company filed a Registration Statement on Form 10 on December 19, 2013, which went effective under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), on December 19, 2013. On January 30, 2018, we completed the initial public offering of 10,250,000 shares of our common stock, at a public offering price of $16.00 per share (the "IPO").

On February 27, 2018, we sold an additional 1,537,500 shares of common stock, pursuant to the underwriters' exercise in full of the over-allotment option.

Electronic Gaming Machines

Our EGM segment offers a selection of video slot titles developed for the global marketplace, and EGM cabinets which include the *Alora* , *Orion Portrait, Orion Upright, ICON, Halo, Big Red ("Colossal Diamonds")* and our newly introduced *Orion Slant* . In addition to providing complete EGM units, we offer conversion kits that allow existing game titles to be converted to other game titles offered within that operating platform.

Table Products

Our table products include live proprietary table products and side-bets, as well as ancillary table products. Products include both internally developed and acquired proprietary table products, side-bets, progressives, and table technology related to blackjack, poker, baccarat, craps and roulette. We have acquired a number of popular brands, including In Bet Gaming ("In Bet"), Buster Blackjack, Double Draw Poker and Criss Cross Poker that are based on traditional well-known public domain games such as blackjack and poker; however, these proprietary games provide intriguing betting options that offer more excitement and greater volatility to the player, ultimately enhancing our casino customers' profitability. In addition, we offer a single deck card shuffler for poker tables, *Dex S* .

Interactive

Our business-to-consumer ("B2C") social casino games are primarily delivered through our mobile app, Lucky Play Casino. The app contains several game titles available for consumers to play for fun and with coins that they purchase through the app. Some of our most popular social casino games include content that is also popular in land-based settings such as Golden Wins, Royal Wheels and So Hot. We have recently expanded into the business-to-business ("B2B") space through our core app, Lucky Play Casino, whereby we white label our social casino game product and enable our land-based casino customers to brand the social casino gaming product with their own casino name. With the recent acquisition of Gameiom Technologies Limited (defined below) as described in Note 2, we now offer a platform for B2B content aggregation used by RMG and sports-betting partners.

Principles of Consolidation

The accompanying consolidated financial statements include the Company and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires the Company to make decisions based upon estimates, assumptions, and factors considered relevant to the circumstances. Such decisions include the selection of applicable accounting principles and the use of judgment in their application, the results of which impact reported amounts and disclosures. Changes in future economic conditions or other business circumstances may affect the outcomes of the estimates and assumptions. Accordingly, actual results could differ materially from those anticipated.

Revenue Recognition

In May 2014, the FASB issued an accounting standards update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* , which clarifies the principles for recognizing revenue from contracts with customers. The amendment outlines a single comprehensive model for entities to depict the transfer of goods or services to customers in amounts that reflect the payment to which a company expects to be entitled in exchange for those goods or services. The amendment also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date* , which deferred the effective date of ASU 2014-09 to annual periods, and interim reporting periods within those annual periods, beginning after December 15, 2017. The ASU may be adopted using either a full retrospective transition method or a modified retrospective transition method and was adopted by the Company on January 1, 2018. The Company used the modified retrospective application approach and the adoption of the new revenue standards did not have a material impact on its consolidated financial statements. Therefore, we did not include our accounting policies below related to the previous accounting standards, which were applicable to 2017 and 2016. Related disclosures of the Company's revenue recognition policy have been updated above under *Revenue Recognition* to reflect the adoption of the new standards.

Leasing of equipment in both our EGM and Table Products segments is accounted for under lease accounting guidance in ASC 840 and is recorded in gaming operations revenue. Our remaining revenue streams are accounted for under ASC 606 and the ASUs described above and include equipment sales in our EGM and to a lesser extent in our Table Products segments is recorded in equipment sales and revenue earned in our Interactive segment that is recorded in gaming operations revenue.

The following table disaggregates our revenues by type within each of our segments (amounts in thousands):

	Year ended December 31,		
	2018	**2017**	**2016**
EGM			
Gaming operations	$ 187,809	$ 158,335	$ 144,510
Equipment sales	83,216	41,596	11,897
Total	$ 271,025	$ 199,931	$ 156,407
Table Products			
Gaming operations	$ 7,377	$ 3,958	$ 2,622
Equipment sales	274	107	52
Total	$ 7,651	$ 4,065	$ 2,674
Interactive (gaming operations)			
Social	$ 6,147	$ 7,959	$ 7,725
RMG	476	—	—
Total	$ 6,623	$ 7,959	$ 7,725

Gaming Operations

Gaming operations revenue is earned by providing customers with gaming machines, gaming machine content licenses, table products, back-office equipment and linked progressive systems, which are collectively referred to as gaming equipment,

under participation arrangements. The participation arrangements convey the right to use the equipment (i.e. gaming machines and related integral software) for a stated period of time, which typically ranges from one to three years upon which the contract continues on a month-to-month basis thereafter. In some instances, the Company will enter arrangements for longer periods of time; however, many of these arrangements include the ability of the customer to cancel the contract and return the games to the Company, a provision which renders their contracts effectively month-to-month contracts. Primarily due to these factors, our participation arrangements are accounted for as operating leases. In some instances, we will offer a free trial period during which no revenue is recognized. If during or at the conclusion of the trial period the customer chooses to enter into a lease for the gaming equipment, we commence revenue recognition according to the terms of the agreement.

Under participation arrangements, the Company retains ownership of the gaming equipment installed at the customer facilities and receives either revenue based on a percentage of the win per day generated by the gaming equipment or a fixed daily fee. Thus, in our consolidated financial statements the Company records revenue monthly related to these arrangements and the gaming equipment is recorded in property and equipment, net on our balance sheet and depreciated over the expected life of the gaming equipment.

The majority of the Company's leases require the Company to provide maintenance throughout the entire term of the lease. In some cases, a performance guarantee exists that, if not met, provides the customer with the right to return the gaming machines to the Company. This performance guarantee is considered a cancellation clause, a provision which renders their contracts effectively month-to-month contracts. Accordingly, the Company accounts for these contracts in a similar manner with its other operating leases as described above.

Gaming operations revenue is also earned from the licensing of table product content and is earned and recognized primarily on a fixed monthly rate. Our B2C social casino products earn revenue from the sale of virtual coins or chips, which is recorded when the purchased coins or chips are used by the customer. B2C social casino revenue is presented gross of the platform fees. B2B social casino products earn revenue primarily based on a percentage of the monthly revenue generated by the white label casino apps that we build and operate for our customers. RMG revenue is earned primarily based on a percentage of the revenue produced by the games on our platform as well as monthly platform fees and initial integration fees. RMG revenue is presented net of payments to game and content suppliers.

Equipment Sales

Revenues from contracts with customers are recognized and recorded when the following criteria are met:

- We have a contract that has been approved by both the customer and the Company. Our contracts specify the products being sold and payment terms and are recognized when it is probable that we will collect substantially all of the contracted amount; and
- Delivery has occurred and services have been rendered in accordance with the contract terms.

Equipment sales are generated from the sale of gaming machines and table products and licensing rights to the integral game content software that is installed in the related equipment, parts, and other ancillary equipment. Also included within the deliverables are delivery, installation and training, all of which occur within a few days of arriving at the customer location. Gaming sales do not include maintenance beyond a standard warranty period. The recognition of revenue from the sale of gaming devices occurs as the customer obtains control of the product and all other revenue recognition criteria have been satisfied. Our contracts include a fixed transaction price. Amounts are due from customers within 30 to 90 days of the invoice date and to a lesser extent we offer extended payment terms of 12 to 24 months with payments due monthly during the extended payment period.

The Company enters into revenue arrangements that may consist of multiple performance obligations, which are typically multiple distinct products that may be shipped to the customer at different times. For example, sales arrangements may include the sale of gaming machines and table products to be delivered upon the consummation of the contract and additional game content conversion kits that will be delivered at a later date when requested by the customer to replace the game content on the customer's existing gaming machines. Products are identified as separate performance obligations if they are distinct, which occurs if the customer can benefit from the product on its own and is separately identifiable from other promises in the contract.

Revenue is allocated to the separate performance obligations based on relative standalone selling prices determined at contract inception. Standalone selling prices are primarily determined by prices that we charge for the products when they are sold separately. When a product is not sold separately, we determine the standalone selling price with reference to our standard pricing policies and practices. We made an accounting policy election to exclude from the measurement of the transaction price, sales taxes and

all other items of a similar nature, and also elected to account for shipping and handling activities as a fulfillment of our promise to transfer the goods. Accordingly, shipping and handling costs are included in cost of sales.

Revenue allocated to undelivered performance obligations is recorded as a contract liability and the balance of our contract liability was not material as of December 31, 2018 and 2017.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of deposits held at major banks and other marketable securities with original maturities of 90 days or less.

Restricted Cash

Restricted cash amounts represent funds held in escrow as collateral for the Company's surety bonds for various gaming authorities.

Receivables, Allowance for Doubtful Accounts

Accounts receivable are stated at face value less an allowance for doubtful accounts. The Company maintains an allowance for doubtful accounts related to accounts receivable and notes receivable, which are non-interest bearing, deemed to have a high risk of collectability. The Company reviews the accounts receivable and notes receivable on a monthly basis to determine if any receivables will potentially be uncollectible. The Company analyzes historical collection trends and changes in the customers' payment patterns, customer concentration, and credit worthiness when evaluating the adequacy of the allowance for doubtful accounts. The Company includes any receivable balances that are determined to be uncollectible in the overall allowance for doubtful accounts. Changes in the assumptions or estimates reflecting the collectability of certain accounts could materially affect the allowance for both accounts and notes receivable.

The following provides financial information concerning the change in our allowance for doubtful accounts (in thousands):

	Allowance for Accounts Receivable Year ended December 31, 2018			
	Beginning Balance	Charge-offs	Provision (Benefit)	Ending Balance
Allowance for doubtful accounts	$ 1,462	$ (136)	$ (441)	$ 885

	Allowance for Accounts Receivable Year ended December 31, 2017			
	Beginning Balance	Charge-offs	Provision	Ending Balance
Allowance for doubtful accounts	$ 1,972	$ (1,161)	$ 651	$ 1,462

	Allowance for Accounts Receivable Year ended December 31, 2016			
	Beginning Balance	Charge-offs	Provision	Ending Balance
Allowance for doubtful accounts	$ 113	$ (431)	$ 2,290	$ 1,972

Inventories

Inventories consist primarily of parts and supplies that are used to repair and maintain machinery and equipment as well as EGMs in production and finished goods held for sale. Inventories are stated at net realizable value. Cost of inventories is determined using the first-in, first-out ("FIFO") method for all components of inventory. The Company regularly reviews inventory quantities and updates estimates for the net realizable value of inventories. This process includes examining the carrying values of parts and ancillary equipment in comparison to the current fair market values for such equipment (less costs to sell or dispose). Some of the factors involved in this analysis include the overall levels of the inventories, the current and projected sales levels for such products, the projected markets for such products and the costs required to sell the products, including refurbishment costs. Changes in the assumptions or estimates could materially affect the inventory carrying value. As of December 31, 2018 and December 31, 2017, the value of raw material inventory was $22.3 million and $19.9 million , respectively. As of December 31, 2018 and December 31, 2017, the value of finished goods inventory was $5.1 million and $4.6 million , respectively. There was no work in process material as of December 31, 2018 and December 31, 2017.

Property and Equipment

The cost of gaming equipment, consisting of fixed-base player terminals, file servers and other support equipment as well as other property and equipment, is depreciated over their estimated useful lives, using the straight-line method for financial reporting. The Company capitalizes costs incurred for the refurbishment of used gaming equipment that is typically incurred to refurbish a machine in order to return it to its customer location. The refurbishments extend the life of the gaming equipment beyond the original useful life. Repairs and maintenance costs are expensed as incurred. The Company routinely evaluates the estimated lives used to depreciate assets. The estimated useful lives are as follows:

Gaming equipment	2 to 6 years
Other property and equipment	3 to 6 years

The Company reviews its property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. The Company groups long-lived 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, which is typically at the individual gaming machine level or at the cabinet product line level. Impairment testing is performed and losses are estimated when indicators of impairment are present and the estimated undiscounted cash flows are not sufficient to recover the assets' carrying amount.

When the estimated undiscounted cash flows are not sufficient to recover the asset's carrying amount, an impairment loss is measured to the extent the fair value of the asset is less than its carrying amount.

The Company measures recoverability of assets to be held and used by comparing the carrying amount of an asset to future cash flows expected to be generated by the asset. The Company's policy is to impair, when necessary, excess or obsolete gaming machines on hand that it does not expect to be used. Impairment is based upon several factors, including estimated forecast of gaming machine demand for placement into casinos. While the Company believes that the estimates and assumptions used in evaluating the carrying amount of these assets are reasonable, different assumptions could affect either the carrying amount or the estimated useful lives of the assets, which could have a significant impact on the results of operations and financial condition.

Intangible Assets

The Company reviews its identifiable intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment losses are recognized for identifiable intangibles, other than goodwill, when indicators of impairment are present and the estimated undiscounted cash flows are not sufficient to recover the assets' carrying amount.

When the estimated undiscounted cash flows are not sufficient to recover the intangible asset's carrying amount, an impairment loss is measured to the extent the fair value of the asset is less than its carrying amount.

Certain trade names have an indefinite useful life and the Company tests these trade names for possible impairment at least annually, on October 1, or whenever events or changes in circumstances indicate that the carrying value may be impaired. We perform a qualitative assessment to determine if it is more likely than not that the fair value of the asset is less than its carrying

amount. If we believe, as a result of our qualitative assessment, that it is more likely than not that the fair value of the asset is less than its carrying amount, the quantitative impairment test is required.

Costs of Capitalized Computer Software

Internally developed gaming software represents the Company's internal costs to develop gaming titles to utilize on the Company's gaming machines. Internally developed gaming software is stated at cost and amortized over the estimated useful lives of the software, using the straight-line method. Software development costs are capitalized once technological feasibility has been established and are amortized when the software is placed into service. The gaming software we develop reaches technological feasibility when a working model of the gaming software is available. Any subsequent software maintenance costs, such as bug fixes and subsequent testing, are expensed as incurred. Discontinued software development costs are expensed when the determination to discontinue is made. Software development costs are amortized over the expected life of the title or group of titles, if applicable, to amortization expense.

On a quarterly basis, or more frequently if circumstances warrant, the Company compares the net book value of its internally developed gaming software to the net realizable value on a title or group of title basis. The net realizable value is determined based upon certain assumptions, including the expected future revenues and net cash flows of the gaming titles or group of gaming titles utilizing that software, if applicable.

Goodwill

The excess of the purchase price of an acquired business over the estimated fair value of the assets acquired and the liabilities assumed is recorded as goodwill. The Company tests for possible impairment of goodwill at least annually, on October 1, or when circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. The Company has the option to begin with a qualitative assessment, commonly referred to as "Step 0", to determine whether it is more likely than not that the reporting unit's fair value of goodwill is less than its carrying value. This qualitative assessment may include, but is not limited to, reviewing factors such as the general economic environment, industry and market conditions, changes in key assumptions used since the most recently performed valuation and overall financial performance of the reporting units. If the Company determines that it is more likely than not that a reporting unit's fair value is less than its carrying value, the Company performs a quantitative goodwill impairment analysis, and depending upon the results of that measurement, the recorded goodwill may be written down and charged to income from operations when the carrying amount of the reporting unit exceeds the fair value of the reporting unit. In the fourth quarter of 2018, we recorded an impairment of goodwill related to the Social Interactive reporting unit in the amount of $4.8 million as described in Note 4.

Acquisition Accounting

The Company applies the provisions of ASC 805, " *Business Combinations"* (ASC 805), in accounting for business acquisitions. It requires us to recognize separately from goodwill the fair value of assets acquired and liabilities assumed on the acquisition date. Goodwill as of the acquisition date is measured as the excess of consideration transferred over the net of the acquisition date fair values of the assets acquired and the liabilities assumed. Significant estimates and assumptions are required to value assets acquired and liabilities assumed at the acquisition date as well as contingent consideration, where applicable. These estimates are inherently uncertain and subject to refinement and typically include the calculation of an appropriate discount rate and projection of the cash flows associated with each acquired asset. As a result, during the measurement period, which may be up to one year from the acquisition date, we may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the fair value of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to the consolidated statements of operations.

Fair Value of Financial Instruments

The Company applies the provisions of ASC 820, " *Fair Value Measurements* " (ASC 820) to its financial assets and liabilities. Fair value is defined as a market-based measurement intended to estimate the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. ASC 820 also established a fair value hierarchy, which requires an entity to maximize the use of observable inputs when measuring fair value. These inputs are categorized as follows:

- Level 1 - quoted prices in an active market for identical assets or liabilities;

- Level 2 - quoted prices in an active market for similar assets or liabilities, inputs other than quoted prices that are observable for similar assets or liabilities, inputs derived principally from or corroborated by observable market data by correlation or other means; and
- Level 3 - valuation methodology with unobservable inputs that are significant to the fair value measurement.

The carrying values of the Company's cash and cash equivalents, restricted cash, receivables and accounts payable approximate fair value because of the short term maturities of these instruments. The fair value of our long-term debt is based on the quoted market prices for similar instruments (Level 2 inputs). The estimated fair value of our long-term debt was $528.1 million and $675.7 million as of December 31, 2018 and 2017 , respectively.

Accounting for Income Taxes

We conduct business globally and are subject to income taxes in U.S. federal, state, local, and foreign jurisdictions. Determination of the appropriate amount and classification of income taxes depends on several factors, including estimates of the timing and probability of realization of deferred income taxes, reserves for uncertain income tax positions and income tax payment timing.

We account for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date. Taxes on income of our foreign subsidiaries are provided at the tax rates applicable to the tax jurisdictions in which they are located. Future tax benefits are recognized to the extent that realization of those benefits is considered more likely than not and a valuation allowance is established for deferred tax assets which do not meet this threshold.

The recoverability of certain deferred tax assets is based in part on estimates of future income and the timing of temporary differences, and the failure to fully realize such deferred tax assets could result in a higher tax provision in future periods.

We apply the accounting guidance to our uncertain tax positions and under the guidance, we may recognize a tax benefit 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 in the financial statements is the largest benefit that we believe has greater than a 50% likelihood of being realized upon settlement.

We are required to make significant judgments when evaluating our uncertain tax positions and the related tax benefits. We believe our assumptions are reasonable; however, there is no guarantee that the final outcome of the related matters will not differ from the amounts reflected in our income tax provisions and accruals. We adjust our liability for uncertain tax positions based on changes in facts and circumstances such as the closing of a tax audit or changes in estimates. Our income tax provision may be impacted to the extent that the final outcome of these tax positions is different than the amounts recorded.

Contingencies

The Company assesses its exposures to loss contingencies including claims and legal proceedings and accrues a liability if a potential loss is considered probable and the amount can be estimated. Significant judgment is required in both the determination of probability and the determination as to whether an exposure is reasonably estimable. Because of uncertainties related to these matters, if the actual loss from a contingency differs from management's estimate, there could be a material impact on the results of operations or financial position. Operating expenses, including legal fees, associated with contingencies are expensed when incurred.

Concentrations of Credit Risk

Financial instruments, which potentially subject the Company to concentration of credit risk, consist primarily of cash and cash equivalents and accounts receivable, net. Cash equivalents are investment-grade, short-term debt instruments consisting of treasury bills which are maintained with high credit quality financial institutions under repurchase agreements. Cash and cash equivalents are in excess of Federal Deposit Insurance Corporation ("FDIC") insurance limits. As of December 31, 2018 and 2017 , the Company did not have cash equivalents.

Revenue from gaming operations is concentrated in the Class II gaming and casino industry, primarily located in Oklahoma and Alabama. For the years ended December 31, 2018 , 2017 and 2016 , approximately 11% , 11% , and 15% of our total revenues were derived from one customer, respectively. Another customer accounted for approximately 9% of our total revenues for the year ended December 31, 2018 and 11% for the year ended December 31, 2017 , with no concentrations noted for the year ended December 31, 2016. For the years ended December 31, 2018 , 2017 and 2016 approximately 9% , 11% and 10% of our total revenues were derived in Mexico, respectively. The Company had one customer with accounts receivable, net equaling approximately 10% of total outstanding accounts receivable, net at December 31, 2016 and none at December 31, 2018 and 2017.

Foreign Currency Translation

The financial statements of the Company's foreign subsidiaries are translated into U.S. dollars at the period end rate of exchange for asset and liability accounts and the weighted average rate of exchange for income statement accounts. The effects of these translations are recorded as a component of accumulated other comprehensive (loss) income in stockholders' equity.

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs for the year ended December 31, 2018 , 2017 and 2016 were $0.6 million , $0.7 million and $0.7 million , respectively.

Research and Development

Research and development costs related primarily to software product development costs and is expensed as incurred until technological feasibility has been established. Employee related costs associated with product development are included in research and development.

Recently Issued Accounting Pronouncements

Adopted in the Current Year

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230)* . ASU 2016-15 intends to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. ASU 2016-15 is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years and was adopted on January 1, 2018. Early adoption is permitted. The provisions of ASU 2016-15 did not have a material effect on our financial condition, results of operations or cash flows.

In January 2017, the FASB issued ASU No. 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business* . The new guidance clarifies the definition of a business in order to allow for the evaluation of whether transactions should be accounted for as acquisitions or disposals of assets or businesses. The new guidance is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years, with early adoption permitted. We adopted this ASU in the current year and is effective for acquisitions that are consummated in the current and future periods.

The FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash in 2016.* ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. As a result, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. We adopted the guidance retrospectively at the beginning of the first quarter of 2018. The adoption of this guidance resulted in immaterial increases to the cash, cash equivalents and restricted cash beginning-of-period and end-of period line items in the statement of cash flows to include the balance of restricted cash.

To be Adopted in Future Periods

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* . ASU 2016-02 intends to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The adoption of this guidance is expected to result in a significant portion of our operating leases, where we are the lessee, to be recognized on our Consolidated Balance Sheets. The guidance requires lessees and lessors to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years with earlier

adoption permitted. In July of 2018, the FASB issued ASU 2018-11, Leases (Topic 842): Targeted Improvements, which is intended to reduce costs and ease implementation of the leases standard in the preparation of financial statements. ASU 2018-11 provides a new transition method and a practical expedient for separating components of a contract. The ASU 2018-11 allows entities to change their date of initial application to the beginning of the period of adoption. Therefore, a public business entity with a calendar year-end could elect to have a date of initial application of January 1, 2019. In doing so, the Company will (i) apply ASC 840 in the comparative periods, (ii) provide the disclosures required by ASC 840 for all periods that continue to be presented in accordance with ASC 840, (iii) recognize the effects of applying Topic 842 as a cumulative-effect adjustment to retained earnings as of January 1, 2019. The Company will use the practical expedient to use hindsight when determining lease term and a package of practical expedients to not reassess whether a contract is or contains a lease, lease classification, and initial direct costs. The Company is currently evaluating the provisions of the amendment and the impact on its future consolidated financial statements. We estimate our liability to be approximately $12 million . We estimate our right-of-use asset to be approximately $10 million .

We do not expect that any other recently issued accounting guidance will have a significant effect on our financial statements.

NOTE 2. ACQUISITIONS

AGS iGaming

During the quarter ended June 30, 2018, the Company acquired all of the equity of Gameiom Technologies Limited (formerly known as “Gameiom”, currently known as “AGS iGaming”). AGS iGaming is a licensed gaming aggregator and content provider for real-money gaming (“RMG”) and sports betting partners. The acquisition was accounted for as an acquisition of a business and the assets acquired and liabilities assumed were measured based on our preliminary estimates of their fair values at the acquisition date. The estimated fair values of assets acquired and liabilities assumed and resulting goodwill are subject to adjustment as we finalize our fair value analysis. The significant items for which a final fair value has not been determined as of the filing of this report include the fair value of intangible assets. We expect to complete our fair value determinations no later than one year from the acquisition date.

We attribute the goodwill acquired to our ability to utilize AGS iGaming’s existing RMG platform to distribute our existing EGM game content into many markets, diversification of our Interactive segment’s product portfolio that now includes a real-money gaming solution and other strategic benefits. The total consideration for this acquisition was $5.0 million , which included cash paid of $4.5 million and $0.5 million of deferred consideration that is payable within 18 months of the acquisition date. The consideration was preliminarily allocated primarily to goodwill that is not tax deductible for $3.7 million and intangible assets of $2.1 million , which will be amortized over a weighted average period of approximately 6.7 years years.

The intangible assets consist primarily of customer relationships and a technology platform. The customer relationships were valued using the cost approaches (level 3 fair value measurement), in which we determined an estimated reproduction or replacement cost, as applicable. The technology platform was valued using the royalty savings method (level 3 fair value measurement), which is a risk-adjusted discounted cash flow approach. The royalty savings method values an intangible asset by estimating the royalties saved through ownership of the asset. The royalty savings method requires identifying the future revenue that would be impacted by the technology platform (or royalty-free rights to the assets), multiplying it by a royalty rate deemed to be avoided through ownership of the asset and discounting the projected royalty savings amounts back to the acquisition date. The royalty rate used in such valuation was based on a consideration of market rates for similar categories of assets.

It is not practicable to provide pro forma statements of operations giving effect to the AGS iGaming acquisition as if it had been completed at an earlier date. This is due to the lack of historical financial information sufficient to produce such pro forma statements given the start up nature of AGS iGaming.

Rocket Gaming Systems

On December 6, 2017, the Company acquired an installed base of approximately 1,500 Class II EGMs across the United States that were operated by Rocket Gaming Systems (“Rocket”) for total consideration of $56.9 million that was paid at the acquisition date. This asset acquisition was accounted for as an acquisition of a business. The acquisition expanded the Company’s Class II footprint in primary markets such as California, Oklahoma, Montana, Washington and Texas and is expected to provide incremental revenue as the Company upgrades the EGMs with its game content and platforms over the next several years. In addition, the acquisition expanded the Company’s product library and included a wide-area progressive and standalone video and

spinning-reel games and platforms, including *Gold Series* ®, a suite of games that feature a $1 million + progressive prize that is the longest-standing million dollar wide-area progressive on tribal casino floors.

We have recorded the Rocket assets acquired and liabilities assumed based on our estimates of their fair values at the acquisition date. The determination of the fair values of the assets acquired and liabilities assumed (and the related determination of estimated lives of depreciable and amortizable tangible and identifiable intangible assets) requires significant judgment and estimates. The estimates and assumptions used include the projected timing and amount of future cash flows and discount rates that reflect risk inherent in the future cash flows.

The allocation of the purchase price to the fair values of the assets acquired and the liabilities assumed was as follows (in thousands):

Inventories	$	354
Property and equipment		3,307
Goodwill		23,217
Intangible assets		30,290
Total Assets		57,168
Other long-term liabilities		318
Total purchase price	$	56,850

The total consideration exceeded the aggregate fair value of the acquired assets and assumed liabilities at the acquisition date and has been recorded as goodwill. We attribute this goodwill to our opportunities for synergies through our ability to leverage our existing service network to service the acquired assets, the opportunity to derive incremental revenue through upgrading the EGMs with the Company's existing game content and platforms and other strategic benefits. The goodwill associated with the acquisition is deductible for income tax purposes.

The fair values of identifiable intangible assets include $22.5 million customer relationships, $6.9 million gaming software and technology platforms, and $0.9 million trade names. The intangible assets have a weighted average useful life of 6.4 years .

The fair value of property and equipment assets as well as the fair value of gaming content software was primarily determined using cost approaches in which we determined an estimated reproduction or replacement cost, as applicable.

The fair value of customer relationships was determined using the excess earnings method, which is a risk-adjusted discounted cash flow approach that determines the value of an intangible asset as the present value of the cash flows attributable to such asset after excluding the proportion of the cash flows that are attributable to other assets. The contribution to the cash flows that are made by other assets - such as fixed assets, working capital, workforce and other intangible assets - was through contributory asset capital charges. The value of the acquired customer relationship asset is the present value of the attributed post-tax cash flows, net of the post-tax return on fair value attributed to the other assets.

The fair values of acquired trade names and gaming technology platforms were primarily determined using the royalty savings method, which is a risk-adjusted discounted cash flow approach. The royalty savings method values an intangible asset by estimating the royalties saved through ownership of the asset. The royalty savings method requires identifying the future revenue that would be impacted by the trade name or intellectual property (or royalty-free rights to the assets), multiplying it by a royalty rate deemed to be avoided through ownership of the asset and discounting the projected royalty savings amounts back to the acquisition date. The royalty rate used in such valuation was based on a consideration of market rates for similar categories of assets.

The revenue and net loss of Rocket from the acquisition date through December 31, 2017, are presented below and are included in our consolidated statements of operations and comprehensive loss. These amounts are not necessarily indicative of the results of operations that Rocket would have realized if it had continued to operate as a stand-alone company during the period presented, primarily due to the inclusion of amortization on purchased intangible assets and short term transition services

expenses that the Company incurred in December 2017.

	From December 6, 2017 through December 31, 2017 (in thousands)
Revenue	$ 1,139
Net income	$ 203

It is not practicable to provide pro forma statements of operations giving effect to the Rocket acquisition as if it had been completed at an earlier date. This is due to the lack of historical financial information sufficient to produce such pro forma statements given that the Company purchased specific assets from the sellers that were not segregated in the seller's financial records and for which separate carve-out financial statements were not produced.

In Bet Gaming

During the quarter ended September 30, 2017, the Company acquired certain intangible assets related to the purchase of table games and table game related intellectual property from In Bet. The acquisition was accounted for as an acquisition of a business and the assets acquired and liabilities assumed were measured based on our final estimates of their fair values at the acquisition date. We attribute the goodwill acquired to our ability to commercialize the products over our distribution and sales network, opportunities for synergies, and other strategic benefits. The total consideration for this acquisition was $9.6 million , which included $2.6 million of contingent consideration that is payable upon the achievement of certain targets and periodically based on a percentage of product revenue earned on the purchased table games.

The consideration was allocated primarily to tax deductible goodwill for $3.2 million and intangible assets of $5.5 million , which will be amortized over a weighted average period of approximately 9 years.

The contingent consideration was valued using scenario-based methods (the Company used level 3 of observable inputs in this valuation) that account for the expected timing of payments to be made and discounted using an estimated borrowing rate. The borrowing rate utilized for this purpose was developed with reference to the Company's existing borrowing rates, adjusted for the facts and circumstances related to the contingent consideration.

The intangible assets consist of a primary asset that includes the intellectual property acquired, which asset represents the majority of the intangible asset value. This intellectual property was valued using the excess earnings method (the Company used level 3 of observable inputs in this valuation), which is a risk-adjusted discounted cash flow approach that determines the value of an intangible asset as the present value of the cash flows attributable to such asset after excluding the proportion of the cash flows that are attributable to other assets. The contribution to the cash flows that are made by other assets - such as working capital, workforce and other intangible assets - was estimated through contributory asset capital charges. The value of the acquired intellectual property is the present value of the attributed post-tax cash flows, net of the post-tax return on fair value attributed to the other assets.

NOTE 3. PROPERTY AND EQUIPMENT

Property and equipment, net consist of the following (in thousands):

	December 31, 2018	December 31, 2017
Gaming equipment	$ 141,530	$ 125,064
Other property and equipment	23,304	17,229
Less: Accumulated depreciation	(73,287)	(64,311)
Total property and equipment, net	$ 91,547	$ 77,982

Gaming equipment and other property and equipment are depreciated over the respective useful lives of the assets ranging from two to six years. Depreciation expense was 32.4 million , $27.2 million and $27.0 million for the years ended December 31, 2018 , 2017 and 2016 , respectively.

NOTE 4. GOODWILL AND INTANGIBLES

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

	Gross Carrying Amount			
	EGM	Table Products	Interactive	Total
Balance at December 31, 2016	$ 242,796	$ 3,400	$ 4,828	$ 251,024
Foreign currency adjustments	855	—	—	855
Acquisition	23,217	3,241	—	26,458
Balance at December 31, 2017	266,868	6,641	4,828	278,337
Foreign currency adjustments	11	—	(182)	(171)
Purchase accounting adjustment	200	—	—	200
Acquisition	—	—	3,725	3,725
Impairment	$ —	$ —	$ (4,828)	$ (4,828)
Balance at December 31, 2018	$ 267,079	$ 6,641	$ 3,543	$ 277,263

During the year ended December 31, 2018, we recorded a measurement period adjustment to the purchase price allocation of Rocket for $0.2 million that increased goodwill and decreased intangible assets. The adjustment was recorded based on our final valuation of the intangible assets acquired from Rocket.

The Company performed a qualitative assessment as of October 1, 2018 on the EGM and Interactive Real-Money Gaming reporting units which concluded it was not more-likely-than-not the reporting units were impaired. The Table Product reporting unit quantitative test resulted in a significant amount of cushion between the fair value and carrying value of this reporting unit.

For the Social Interactive reporting unit, which had a goodwill carrying value of $4.8 million as of the assessment date, the Company performed a quantitative, or “Step 1” analysis in the current year in which we determined the entire balance of goodwill was impaired. In performing the Step 1 goodwill impairment test for our Interactive Social reporting unit, we estimated the fair value of the Interactive Social reporting unit using an income approach that analyzed projected discounted cash flows. We used projections of revenues and operating costs with estimated growth rates during the forecast period, capital expenditures and cash flows that considered historical and estimated future results and general economic and market conditions, as well as the estimated impact of planned business and operational strategies. In the fourth quarter of the year ended December 31, 2018, during the annual budgeting process the Company decided to change its strategy with regard to marketing and user acquisition activities that drive its B2C Social offerings. The strategic decision to significantly cut spending in this area and to focus completely on the B2B Social business, was the primary reason for a reduction in the projected discounted cash flows that were used in the impairment test. The estimates and assumptions used in the discounted cash flow analysis included a terminal year long-term growth rate of 3.0% and an overall discount rate of 19% based on our weighted average cost of capital for the Company and premiums for the small size of the reporting unit and forecast risk.

Intangible assets consist of the following (in thousands):

	Useful Life (years)	December 31, 2018			December 31, 2017		
		Gross Value	Accumulated Amortization	Net Carrying Value	Gross Value	Accumulated Amortization	Net Carrying Value
Indefinite lived trade names	Indefinite	$ 12,126	$ —	$ 12,126	$ 12,126	$ —	$ 12,126
Trade and brand names	7	14,730	(10,681)	4,049	14,730	(7,642)	7,088
Customer relationships	7	188,772	(93,358)	95,413	188,419	(69,564)	118,855
Contract rights under development and placement fees	1 - 7	19,620	(14,367)	5,253	16,834	(9,860)	6,974
Gaming software and technology platforms	1 - 7	151,055	(82,371)	68,682	141,231	(67,189)	74,042
Intellectual property	10 - 12	17,205	(5,830)	11,375	17,180	(3,978)	13,202
		$ 403,508	$ (206,607)	$ 196,898	$ 390,520	$ (158,233)	$ 232,287

Intangible assets are amortized over their respective estimated useful lives ranging from one to twelve years. Amortization expense related to intangible assets was $45.1 million , $44.4 million and $53.2 million for the years ended December 31, 2018 , 2017 and 2016 , respectively.

Management reviews intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. We recorded impairments related to internally developed gaming titles and assets associated with terminated development agreements of $1.3 million for the year ended December 31, 2018 . For the year ended December 31, 2017, the Company recognized impairment charges related to internally developed gaming titles of $0.6 million .

The Company enters into development agreements and placement fee agreements with certain customers to secure floor space under lease agreements for its gaming machines. Amounts paid in connection with the development agreements are repaid to the Company in accordance with the terms of the agreement, whereas placements fees are not reimbursed. For development agreements in the form of a loan, interest income is recognized on the repayment of the notes based on the stated rate or, if not stated explicitly in the development agreement, on an imputed interest rate. If the stated interest rate is deemed to be other than a market rate or zero, a discount is recorded on the note receivable as a result of the difference between the stated and market rate and a corresponding intangible asset is recorded. The intangible asset is recognized in the financial statements as a contract right under development agreement and amortized as a reduction in revenue over the term of the agreement. Placement fees can be in the form of cash paid upfront or free lease periods and are accreted over the life of the contract and the expense is recorded as a reduction of revenue. We recorded a reduction of gaming operations revenue from the accretion of contract rights under development agreements and placement fees of $4.6 million , $4.7 million and $4.7 million for the years ended December 31, 2018 , 2017 and 2016 , respectively.

The estimated amortization expense of definite-lived intangible assets as well as the accretion of contract rights under development and placement fees, for each of the next five years and thereafter is as follows (in thousands):

For the year ended December 31,	Amortization Expense	Placement Fee Accretion
2019	$ 39,742	$ 3,380
2020	33,521	371
2021	18,824	371
2022	17,801	310
2023	17,510	289
Thereafter	52,121	531
Total	$ 179,519	$ 5,253

NOTE 5. ACCRUED LIABILITIES

Accrued liabilities consist of the following (in thousands):

	December 31,	
	2018	2017
Salary and payroll tax accrual	$ 13,393	$ 9,449
Taxes payable	3,437	2,655
License fee obligation	1,000	1,000
Placement fees payable	2,490	4,000
Accrued other	6,339	7,850
Total accrued liabilities	$ 26,659	$ 24,954

NOTE 6. LONG-TERM DEBT

Long-term debt consists of the following (in thousands):

	December 31,	
	2018	2017
First Lien Credit Facilities:		
Term loans, interest at LIBOR or base rate plus 3.50% (5.84% at December 31, 2018), net of unamortized discount and deferred loan costs of $10.9 million and $13.4 million at December 31, 2018 and 2017, respectively.	$ 526,461	$ 499,173
Senior secured PIK notes, net of unamortized discount and deferred loan costs of $3.0 million at December 31, 2017.	—	149,588
Equipment long-term note payable and capital leases	1,422	2,756
Total debt	527,883	651,517
Less: Current portion	(5,959)	(7,359)
Long-term debt	$ 521,924	$ 644,158

First Lien Credit Facilities

On June 6, 2017 (the "Closing Date"), AP Gaming I, LLC (the "Borrower"), a wholly owned indirect subsidiary of the Company, entered into a first lien credit agreement, providing for $450.0 million in term loans and a $30.0 million revolving credit facility (the "First Lien Credit Facilities"). The proceeds of the term loans were used primarily to repay the Existing Credit Facilities (as defined below), the AGS Seller Notes (as defined below) and the Amaya Seller Note (as defined below), to pay for the fees and expenses incurred in connection with the foregoing and otherwise for general corporate purposes.

On December 6, 2017 the Borrower entered into incremental facilities for $65.0 million in term loans ("the Incremental Term Loans"). The net proceeds of the Incremental Term Loans were used to finance the acquisition of electronic gaming machines and related assets operated by Rocket described in Note 2, to pay fees and expenses in connection therewith and for general corporate purposes. The Incremental Term Loans have the same terms as the Borrower's existing term loans initially borrowed under the Credit Agreement on June 6, 2017, described above.

An additional $1.0 million in loan costs was incurred related to the issuance of the incremental facilities. Given the composition of the lender group, the transaction was accounted for as a debt modification and, as such, $0.9 million in third-party costs were expensed and included in the loss on extinguishment and modification of debt, the remaining amount was capitalized and will be amortized over the term of the agreement.

On February 8, 2018, the Borrower completed the repricing of its existing $513 million term loans under its First Lien Credit Agreement (the "Term Loans"). The Term Loans were repriced from 550 basis points to 425 basis points over LIBOR. The LIBOR floor remained at 100 basis points .

On February 8, 2018, in connection with the repricing of the Term Loans , third-party costs of $1.2 million were expensed and included in the loss and modification of debt. Existing debt issuance costs of $0.4 million were written-off and also included in the loss on extinguishment and modification of debt.

On October 5, 2018, the Borrower entered into an Incremental Assumption and Amendment Agreement No. 2 (the "Incremental Agreement No. 2") with certain of the Borrower's subsidiaries, the lenders party thereto from time to time and the Administrative Agent. The Incremental Agreement No. 2 amended and restated that certain First Lien Credit Agreement, dated as of June 6, 2017, as amended on December 6, 2017 and as amended and restated on February 8, 2018 (the "Existing Credit Agreement"), among the Borrower, the lenders party thereto, the Administrative Agent and other parties named therein (the "Amended and Restated Credit Agreement"), to (a) reduce the applicable interest rate margin for the Term B Loans (as repriced, the "Repriced Term B Loans") under the Credit Agreement by 0.75% (which shall increase by an additional 0.25% if at any time the Borrower receives a corporate credit rating of at least B1 from Moody's, regardless of any future rating) and (b) provide for the incurrence by the Borrower of incremental term loans in an aggregate principal amount of $30 million (the "Incremental Term Loans" and together with the Repriced Term B Loans, the "Term B Loans").

O n October 5, 2018, in connection with the repricing of the Term Loans, third-party costs of $1.5 million were expensed and included in the loss on extinguishment and modification of debt.

The Amended and Restated Credit Agreement also provides that any refinancing of the Term B Loans through the issuance of certain debt or any repricing amendment, in either case, that constitutes a "repricing event" applicable to the Term B Loans resulting in a lower yield occurring at any time during the first six months after the Closing Date (i.e. until April 5, 2019) will be accompanied by a 1.00% prepayment premium or fee, as applicable.

As of December 31, 2018 , we were in compliance with the required covenants of our debt instruments.

Amended and Restated Senior Secured PIK Notes

On January 30, 2018, the Company used the net proceeds of the IPO and cash on hand to redeem in full its 11.25% senior secured PIK notes due 2024 (the "PIK Notes"). On the redemption date, the aggregate principal amount of the PIK Notes outstanding was $152.6 million (comprised of the original principal amount of $115 million and capitalized interest) and the amount of accrued and unpaid interest was $1.4 million . In connection with the redemption, the Company repaid all of the outstanding obligations in respect of principal, interest and fees under the PIK Notes and net deferred loan costs and discounts totaling $3.0 million were written off and included in the loss on extinguishment and modification of debt.

Concurrently with the redemption of the PIK notes, the Company terminated its amended and restated note purchase agreement (the "A&R Note Purchase Agreement"), dated May 30, 2017, among the Company, AP Gaming Holdings, LLC, as subsidiary guarantor, Deutsche Bank AG, London Branch, as holder, and Deutsche Bank Trust Company Americas, as collateral agent, which governed the PIK Notes.

Senior Secured Credit Facilities

On June 6, 2017, the Borrower terminated its senior secured credit facilities (the "Existing Credit Facilities"), dated as of December 20, 2013 (as amended as of May 29, 2015 and as of June 1, 2015 and as amended, restated, supplemented or otherwise modified prior to June 6, 2017), by and among the Borrower, the lenders party thereto from time to time and Citicorp North America, Inc., as administrative agent. In connection with the termination, the Borrower repaid all of the outstanding obligations in respect of principal, interest and fees under the Existing Credit Facilities.

On June 6, 2017, net deferred loan costs and discounts totaling $13.9 million related to the Existing Credit Facilities were capitalized and were being amortized over the term of the agreement. In conjunction with the refinancing, approximately $3.3 million of these deferred loan costs and discounts was written off as a portion of the loss on extinguishment and modification of debt and the remainder of these cost will be amortized over the term of the First Lien Credit Facilities. An additional $9.2 million in loan costs and discounts was incurred related to the issuance of the First Lien Credit Facilities. Given the composition of the lender group, certain lenders were accounted for as a debt modification and, as such, $4.8 million in debt issuance costs related to the First Lien Credit Facilities were expensed and included in the loss on extinguishment and modification of debt, the remaining amount was capitalized and will be amortized over the term of the agreement.

Seller Notes

On June 6, 2017, AP Gaming, Inc., a wholly owned subsidiary of the Company terminated two promissory notes issued by AP Gaming, Inc. to AGS Holdings, LLC, in the initial principal amounts of $2.2 million and $3.3 million , respectively (the "AGS Seller Notes"). The AGS Seller Notes had been issued to the previous owners of the Company's primary operating company. In connection with the termination, the Company caused the repayment of all the outstanding obligations in respect of principal and interest under the AGS Seller Notes.

On the June 6, 2017, the Company terminated a promissory note issued by the Company to Amaya Inc. (the "Amaya Seller Note") with an initial principal amount of $12.0 million . The Amaya Seller Note had been issued to satisfy the conditions set forth in the stock purchase agreement for Cadillac Jack. During the quarter ended March 31, 2017, the Amaya Seller Note was reduced by $5.1 million to settle a clause from the Stock Purchase Agreement allowing for a refund if certain deactivated gaming machines in Mexico were not in operation as of a specified date. In connection with the termination, the Company repaid all outstanding obligations in respect of principal and interest under the Amaya Seller Note.

Equipment Long Term Note Payable and Capital Leases

The Company has entered into a financing agreement to purchase certain gaming devices, systems and related equipment and has entered into leases for vehicles and equipment that are accounted for as capital leases.

Scheduled Maturities of Long-Term Debt

Aggregate contractual future principal payments (excluding the effects of repayments for excess cash flow) of long-term debt for the years following December 31, 2018 , are as follows (in thousands):

For the year ending December 31,		
2019	$	5,959
2020		5,784
2021		5,693
2022		5,536
2023		5,387
Thereafter		510,440
Total scheduled maturities		538,799
Unamortized debt discount and debt issuance costs		(10,916)
Total debt	$	527,883

NOTE 7. STOCKHOLDERS' EQUITY

Common Stock

Prior to the completion of the IPO, the Company's common stock consisted of two classes: class A voting common stock ("Class A Shares") and class B non-voting common stock ("Class B Shares"). In connection with the IPO, we (i) reclassified Class B Shares into a new class of voting common stock, which is the class of stock investors received in the IPO, and (ii) canceled the Class A Shares. Concurrent with this reclassification, and immediately prior to the consummation of the IPO, we effected a 1.5543 -for-1 stock split of the Company's new voting common stock such that existing stockholders each received 1.5543 shares of the new voting common stock described above in clause (i) for each share of Class B Shares they held at that time. Accordingly, all share and per share amounts for all periods presented in these financial statements and notes thereto have been adjusted retroactively, where applicable, to reflect the stock split.

On January 30, 2018, the Company completed the IPO, in which it issued and sold 10,250,000 shares of common stock at a public offering price of $16.00 per share. On February 27, 2018, the Company sold an additional 1,537,500 shares of its common stock, pursuant to the underwriters' exercise in full of the over-allotment option. The aggregate net proceeds received by the Company from the IPO were $171.5 million , after deducting underwriting discounts and commissions and offering expenses directly related to issuance of the equity.

Prior to the consummation of the IPO, 170,712 shares of common stock were held by management. Pursuant to the Securityholders Agreement dated April 28, 2014 (the "Securityholders Agreement"), these shares were outstanding, but were not considered issued for accounting purposes as they contained a substantive performance condition, a "Qualified Public Offering", as defined in the Securityholders Agreement, which had to be probable for the holders of these shares to benefit from their ownership. The IPO satisfied the substantive performance condition and as a result the shares and related proceeds of $1.3 million were reclassified from other long-term liabilities to additional paid-in capital and considered issued for accounting purposes. During the year ended December 31, 2018, the Company recognized stock-based compensation expense for stock options and restricted stock awards, which is further described in Note 11.

As further clarification of the foregoing, prior to the IPO, shares were held by management that were subject to repurchase rights as outlined in Section 6 of the Securityholders Agreement, that were contingent on the holder's termination. The repurchase rights enabled the Company to recover the shares issued to management without transferring any appreciation of the fair value of the stock to the holder upon certain terminations of the holder's employment prior to a "Qualified Public Offering", as defined in the Securityholders Agreement. If a holder's employment was terminated by the Company prior to the consummation of a Qualified Public Offering for "Cause", as defined in the Securityholders Agreement, or was terminated by such holder without "Good Reason", as defined in the Securityholders Agreement, then the Company had the right to repurchase all or any portion of the

shares held by the holder for the lesser of original cost or fair market value. If a holder's employment was terminated by the Company prior to the consummation of a Qualified Public Offering other than as described above and in the Securityholders Agreement, then the Company had the right to repurchase all or any portion of the shares held by the holder for fair market value.

NOTE 8. WRITE-DOWNS AND OTHER CHARGES

The Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) include various non-routine transactions or consulting and transaction-related fees that have been classified as write-downs and other charges. During the year ended December 31, 2018, the Company recognized $8.8 million in write-downs and other charges driven by losses from the disposal of assets of $2.0 million , the impairment to goodwill for the Social Interactive reporting unit of $4.8 million and intangible assets related to game titles and assets associated with terminated development agreements of $1.3 million (the Company used level 3 of observable inputs in conducting the impairment tests), and a fair value adjustment to contingent consideration of $0.7 million (the Company used level 3 fair value measurements based on projected cash flows)

During the year ended December 31, 2017, the Company recognized $4.5 million in write-downs and other charges driven by losses from the disposal of assets of $3.2 million , write-offs related to prepaid royalties of $0.7 million , the full impairment of certain intangible assets of $0.6 million (level 3 fair value measurement based on projected cash flows for the specific same titles), losses from the disposal of intangible assets of $0.5 million , offset by a fair value adjustment to an acquisition contingent receivable of $0.6 million (level 3 fair value measurements based on projected cash flows). The contingency was resolved in the quarter ending March 31, 2017.

During the year ended December 31, 2016, the Company recognized $3.3 million in write-downs and other charges, driven by a $3.3 million impairment of an intangible asset related to a customer contract that the Company expects will provide less benefit than originally estimated from the Cadillac Jack acquisition (a level 3 fair value measurement based on a decrease in projected cash flows). The value of the intangible asset was written down to $1.1 million at an interim date and subsequently fully amortized by December 31, 2016. Additionally the Company recorded a write-down of long-lived assets of $2.0 million related to older generation gaming machines (level 3 fair value measurement based on projected cash flow for the specific assets) in which the long-lived assets were written down to $0 , and losses from the disposal of assets of $1.0 million . These charges were offset by a $3.0 million fair value adjustment to a contingent consideration receivable related to the Cadillac Jack acquisition (level 3 fair value measurement based on expected and probable future realization of the receivable).

Due to the changing nature of our write-downs and other charges, we describe the composition of the balances as opposed to providing a year over year comparison.

NOTE 9. BASIC AND DILUTED LOSS PER SHARE

The Company computes net income (loss) per share in accordance with accounting guidance that requires presentation of both basic and diluted earnings per share ("EPS") on the face of the consolidated statement of operations and comprehensive income (loss). Basic EPS is computed by dividing net income (loss) for the period by the weighted average number of shares outstanding during the period. Basic EPS would exclude Class B Shares issued to Management Holders until the performance condition was met or a termination event was considered probable (see Note 7). The performance condition was met as of December 31, 2018. Diluted EPS is computed by dividing net income (loss) for the period by the weighted average number of common shares outstanding during the period, increased by potentially dilutive common shares that were outstanding during the period. Diluted EPS excludes all potential dilutive shares if their effect is anti-dilutive. Potentially dilutive common shares include stock options and restricted stock (see Note 11).

There were no potentially dilutive securities for the years ended December 31, 2018 , 2017 and 2016.

Excluded from the calculation of diluted EPS for the years ended December 31, 2018 , 2017 and 2016, were 125,249 , 77,715 and 77,715 restricted shares, respectively. Excluded from the calculation of diluted EPS for the years ended December 31, 2018 , 2017 and 2016 were 849,660 , 405,774 and 470,137 stock options, respectively, as such securities were anti-dilutive.

NOTE 10. BENEFIT PLANS

The Company has established a 401(k) defined contribution plan (the "401(k) Plan") for its employees. The 401(k) Plan allows employees to contribute a portion of their earnings, and the Company may match a percentage of the contributions on a discretionary basis. The expense associated with the 401(k) Plan for the years ended December 31, 2018 , 2017 and 2016 was $1.2 million , $1.0 million and $0.9 million , respectively. The increase in the expense associated with the 401(k) Plan in each year is primarily attributable to increased headcount and participation.

On April 28, 2014, the board of directors of the Company approved the 2014 Long-Term Incentive Plan ("LTIP"). Under the LTIP, the Company is authorized to grant nonqualified stock options, rights to purchase Class B Shares, restricted stock, restricted stock units and other awards to be settled in, or based upon, Class B Shares to persons who are directors and employees of and consultants to the Company or any of its subsidiaries on the date of the grant. The LTIP will terminate ten years after approval by the board. Subject to adjustments in connection with certain changes in capitalization, the maximum number of Class B Shares that may be delivered pursuant to awards under the LTIP is 2,253,735 after giving effect to the 1.5543 - for - 1 stock split consummated on January 30, 2018 in connection with our initial public offering. As of December 31, 2018 , 423,268 shares remain available for issuance.

On January 16, 2018, our board adopted and our stockholders approved the 2018 Omnibus Incentive Plan (the "Omnibus Incentive Plan") pursuant to which equity-based and cash incentives may be granted to participating employees, directors and consultants. The Omnibus Incentive Plan provides for an aggregate of 1,607,389 shares of our common stock. As of December 31, 2018 , 1,227,976 shares remain available for issuance.

NOTE 11. SHARE-BASED COMPENSATION

All share information is presented after giving effect to the 1.5543 - for - 1 stock split consummated on January 30, 2018 in connection with our initial public offering.

Stock Options

The Company has granted stock awards to eligible participants under its incentive plans. The stock awards include options to purchase the Company's common stock. These stock options include a combination of service and market conditions, as further described below. Prior to the Company's IPO, these stock options included a performance vesting condition, a Qualified Public Offering (see Note 7), which was not considered to be probable prior to the consummation of the IPO, and as a result, no share-based compensation expense for stock options was recognized prior to 2018.

For the year ended December 31, 2018 , the Company recognized $8.5 million in stock-based compensation for stock options and $2.4 million for restricted stock awards, the majority of which was recognized upon the consummation of the IPO. We recognize stock-based compensation on a straight-line basis over the vesting period for time based awards and we recognize the expense immediately for awards with market conditions. The amount of unrecognized compensation expense associated with stock options was $1.9 million and for restricted stock was $7.6 million at December 31, 2018 which is expected to be recognized over the a 2.3 and 3.6 yearly weighted average period, respectively.

The Company calculated the grant date fair value of stock options that vest over a service period using the Black Scholes model. For stock options that contain a market condition related to the return on investment that the Company's stockholders achieve, the options were valued using a lattice-based option valuation model. The assumptions used in these calculations are noted in the following table. Expected volatilities are based on implied volatilities from comparable companies. The expected time to liquidity is based on management's estimate. The risk-free rate is based on the U.S. Treasury yield curve for a term equivalent to the estimated time to liquidity.

	Year Ended December 31,		
	2018	2017	2016
Option valuation assumptions:			
Expected dividend yield	—%	—%	—%
Expected volatility	50%	66%	56%
Risk-free interest rate	2.71%	1.80%	1.64%
Expected term (in years)	6.3	6.2	6.3

Stock option awards represent options to purchase common stock and are granted pursuant to the Company's incentive plans, and include options that the Company primarily classifies as Tranche A or time based, Tranche B and Tranche C.

Tranche A or time based options are eligible to vest in equal installments of 25% or 20% on each of the first four or five anniversaries of the date of the grant, subject to continued employment with the Company or its subsidiaries. In the event of a termination of employment without cause or as a result of death or disability, any such time based options which would have vested on the next applicable vesting date shall become vested, and the remaining unvested time based options shall be forfeited. In addition, upon a Change in Control (as defined in the incentive plans), subject to continued employment through the date of the Change in Control, all outstanding unvested time based options shall immediately vest. An IPO does not qualify as a Change in Control as it relates to the vesting of stock options.

All other option awards are eligible to vest upon the satisfaction of certain performance conditions (collectively, "Performance Options"). On January 16, 2018, we amended our option agreements to add additional vesting provisions to our Performance Options. Tranche B options are eligible to vest based on (a) achievement of an Investor IRR equal to or in excess of 20% , subject to a minimum cash-on-cash return of 2.5 times the Investor Investment (as such terms are defined in the Company's 2014 Long-Term Incentive Plan) or (b) on the first day that the volume-weighted average price per share of our common stock for the prior 60 consecutive trading days exceeds $19.11 (provided that such 60 -day period shall not commence earlier than the 181 st day after the completion of our IPO). Tranche C options are eligible to vest based on (a) achievement of an Investor IRR (as defined in the incentive plans) equal to or in excess of 25% , subject to a minimum cash-on-cash return of 3.0 times the Investor Investment or (b) on the first day that the volume-weighted average price per share of our common stock for the prior 60 consecutive trading days exceeds $22.93 (provided that such 60 -day period shall not commence earlier than the 181 st day after the completion of our IPO). In the event of a termination of employment without cause or as a result of death or disability, any Performance Options which are outstanding and unvested will remain eligible to vest subject to achievement of such performance targets (without regard to the continued service requirement) until the first anniversary of the date of such termination. As a result of the modification, the Company measured the incremental fair value of Tranche B and Tranche C options, which resulted in $2.9 million of incremental fair value.

As of December 31, 2018 , the Company had 667,565 Performance Options outstanding, all of which have vested as the vesting provisions were achieved.

A summary of the changes in stock options outstanding during the year ended December 31, 2018 , is as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contract Term (years)	Aggregate Intrinsic Value (in thousands)
Options outstanding as of December 31, 2017	1,644,212	$ 8.81		
Granted	48,400	$ 24.46		
Exercised	(74,722)	$ 10.36		
Canceled or forfeited	(102,429)	$ 10.73		
Options outstanding as of December 31, 2018	1,515,461	9.11	6.57	21,125
Exercisable as of December 31, 2018	1,102,594	$ 8.15	6.17	$ 16,369

The following is provided for stock options granted:

	Year Ended December 31,		
	2018	2017	2016
Weighted average grant date fair value	$ 12.63	$ 5.31	$ 5.77

Restricted awards

A summary of the changes in restricted stock shares outstanding during the year ended December 31, 2018 is as follows:

	Shares Outstanding	Grant Date Fair Value (per share)
Outstanding as of December 31, 2017	77,715	$ 6.43
Granted	331,013	29.43
Vested	(112,286)	13.77
Canceled or forfeited	(8,963)	31.74
Outstanding as of December 31, 2018	287,479	$ 29.26

NOTE 12. INCOME TAXES

The components of loss before provision for income taxes are as follows (in thousands):

	Year ended December 31,		
	2018	2017	2016
Domestic	$ (13,814)	$ (42,185)	$ (69,020)
Foreign	(15,409)	(4,810)	(15,354)
Loss before provision for income taxes	$ (29,223)	$ (46,995)	$ (84,374)

The income tax (benefit) expense is as follows (in thousands):

	Year ended December 31,		
	2018	2017	2016
Current:			
Federal	$ (773)	$ (250)	$ (958)
State	227	47	113
Foreign	(6,830)	5,365	5,865
Total current income tax (benefit) expense	(7,376)	5,162	5,020
Deferred:			
Federal	379	(5,497)	(7,550)
State	48	(372)	(31)
Foreign	(1,428)	(1,182)	(439)
Total deferred income (benefit) expense	(1,001)	(7,051)	(8,020)
Income tax (benefit) expense	$ (8,377)	$ (1,889)	$ (3,000)

The reconciliation of income tax at the federal statutory rate to the actual effective income tax rate (benefit) is as follows:

	Year ended December 31,		
	2018	2017	2016
Federal statutory rate	(21.0)%	(35.0)%	(35.0)%
Foreign rate differential	(3.0)%	1.5 %	2.1 %
Losses of foreign subsidiaries disregarded for US income tax	(1.3)%	(2.5)%	(3.2)%
State income taxes, net of federal benefit	(0.8)%	(3.0)%	— %
Nondeductible loan costs	0.5 %	1.4 %	1.9 %
Nondeductible transaction costs	1.1 %	— %	— %
Impact of tax liquidation	10.4 %	— %	— %
Tax indemnification charges	9.5 %	(1.3)%	1.5 %
Stock Compensation	(1.4)%	— %	— %
Other differences	2.7 %	(2.7)%	2.7 %
Withholding tax	1.7 %	2.5 %	1.5 %
Tax credits	(12.0)%	(2.1)%	(0.7)%
Uncertain tax positions	(38.0)%	7.3 %	1.9 %
Valuation allowance	22.9 %	47.2 %	23.7 %
Rate change - impact of the Tax Act	— %	19.9 %	— %
Repatriation tax - impact of the Tax Act	(1.0)%	4.1 %	— %
Tax credits - impact of the Tax Act	0.6 %	(6.0)%	— %
Valuation allowance - impact of the Tax Act	0.4 %	(35.3)%	— %
Effective tax rate	(28.7)%	(4.0)%	(3.6)%

The components of the net deferred tax assets (liability) consist of the following (in thousands):

	December 31,	
	2018	2017
Deferred tax assets:		
Accrued expenses	$ 3,042	$ 2,356
Stock Compensation	2,164	—
Foreign tax credits	13,571	11,454
Net operating loss carryforwards	43,637	42,205
Research and development credits	4,530	3,320
Other	4,492	4,113
Total deferred tax assets	71,436	63,448
Valuation allowance	(40,857)	(33,774)
Deferred tax assets, net of valuation allowance	$ 30,579	$ 29,674
Deferred tax liabilities:		
Prepaid expenses and other	$ (511)	$ (359)
Intangible assets	19,552	(25,493)
Property and equipment, net	(9,415)	(3,723)
Deferred tax liabilities	(29,478)	(29,575)
Net deferred tax assets (liabilities)	$ 1,101	$ 99

Management assesses the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit use of the existing deferred tax assets. A significant piece of objective negative evidence evaluated was the cumulative loss incurred over the three-year period ended December 31, 2018 in certain tax jurisdictions. Such objective evidence limits the ability to consider other subjective evidence, such as our projections for future growth. On the basis of this evaluation, as of December 31, 2018, a valuation allowance of $40.9 million has been recorded on US and certain foreign deferred tax assets to recognize only the portion of the deferred tax asset that is more likely than not to be realized. The amount of the deferred tax asset considered realizable, however, could be adjusted if estimates of future taxable income during the carryforward period are reduced or increased or if objective negative evidence in the form of cumulative losses is no longer present and additional weight is given to subjective evidence such as our projections for growth.

As of December 31, 2018, the Company has $13.6 million of foreign tax credits which, if unused, will expire in years 2019 through 2028. In addition, the Company has $4.5 million of research and development credits which begin to expire in 2028. The foreign tax credits and research and development credits carryforwards are not expected to be realizable in future periods and have a related valuation allowance.

The Company has net operating loss (“NOL”) carryforwards for U.S. federal purposes of $188.0 million , in foreign jurisdictions of $5.8 million and various U.S. states of $88.7 million . The U.S. federal NOL carryforwards begin to expire in 2031 and the U.S. state NOL carryforwards begin to expire in 2019. The U.S. federal, state, and foreign NOL carryforwards are not expected to be realizable in future periods and have a related valuation allowance.

Utilization of the net operating loss carryforwards and credits may be subject to an annual limitation due to the ownership change limitations provided by the Internal Revenue Code of 1986, as amended (the “Code”), and similar state provisions. Any annual limitation may result in the expiration of net operating losses and credits before utilization.

The Company has uncertain tax positions with respect to prior tax filings. The uncertain tax positions, if asserted by taxing authorities, would result in utilization of the Company’s tax credit and operating loss carryovers. The credit and operating loss carryovers presented as deferred tax assets are reflected net of these unrecognized tax benefits.

The Company had the following activity for unrecognized tax benefits in 2018 and 2017 (amounts in thousands):

	December 31, 2018	December 31, 2017
Balance-beginning of year	$ 28,673	$ 30,164
Acquisitions	—	—
Increases based on tax positions of the current year	393	2,065
Decrease due to tax authority settlements	(10,457)	—
Decreases due to lapse of statute	(5,118)	(392)
Increases based on tax positions of the prior years	156	1,217
Decreases based on tax positions of the prior years	(1,065)	(4,908)
Currency translation adjustments	(2)	527
Balance-end of year	$ 12,580	$ 28,673

The Company applies a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Company recognizes the impact of a tax position in the financial statements when the position is more likely than not of being sustained on audit based on the technical merits of the position.

The total amount of unrecognized tax benefits as of December 31, 2018 was $12.6 million . Of this amount, $8.1 million, if recognized, would be included in our Consolidated Statements of Operations and Comprehensive Loss and have an impact on our effective tax rate. The Company anticipates a reduction of its liability for unrecognized tax benefits of up to $3.2 million before December 31, 2019, primarily related to lapse of statute, all of which would impact our Consolidated Statements of Operations and Comprehensive Loss.

The Company interest and penalties accrued for unrecognized tax benefits in income tax expense. Related to the unrecognized tax benefits noted above, the Company reduced penalties and interest by $4.1 million during 2018. This reduction, primarily related to lapse of statute and tax authority settlements, was recognized as an income tax benefit in our Consolidated Statements of Operations and Comprehensive Loss. As of December 31, 2018, the Company has a liability of $6.8 million for penalties and interest related to unrecognized tax benefits.

The Company is subject to taxation and potential examination in the United States and various state and foreign jurisdictions. In 2018, the Company concluded its Federal income tax examination by the Internal Revenue Service (IRS) for the 2014, 2015, and 2016 tax years, and its examination in Mexico for the 2008 tax year. Adjustments in these examinations were immaterial and the Company considers years proceeding and up to the examination periods effectively settled. We are subject to examinations in the United States for the 2017 and 2018 tax years and, generally, we remain subject to examination for all periods in various state jurisdiction due to the Company's NOLs. We are subject to examination in Mexico for the 2013 to 2018 tax years and remain subject to possible examination in various other jurisdictions that are not expected to result in material tax adjustments.

The Company entered into an indemnification agreement with the prior owners of Cadillac Jack whereby the prior owners have agreed to indemnify the Company for changes in tax positions by taxing authorities for periods prior to the acquisition. An indemnification receivable of $9.3 million and $18.9 million was recorded as an other asset in the financial statements for the years ended December 2018 and 2017, respectively. This amount includes the indemnification of the original pre-acquisition tax positions along with any related accrued interest and penalties and is also recorded as a liability for unrecognized tax benefits in other long-term liabilities. The Company concluded that it is probable the indemnification receivable is realizable based on an evaluation of the ability of Cadillac Jack's prior owner, including a review of its public filings, that demonstrates its financial resources are sufficient to support the amount recorded. If the related unrecognized tax benefits are subsequently recognized, a corresponding charge to relieve the associated indemnification receivables would be recognized in our Consolidated Statements of Operations and Comprehensive Loss and have an impact on operating income.

On December 22, 2017, President Trump signed the Tax Act into law, which significantly reformed Code, as amended. The new legislation, among other things, changed the U.S. federal tax rates (including permanently reducing the U.S. corporate income tax rate from a maximum of 35% to a flat 21% % rate), allowed the expensing of capital expenditures, and put into effect the migration from a "worldwide" system of taxation to a territorial system. As a result, we recorded a provisional net benefit of $8.1 million during the fourth quarter of 2017. This amount, which is included in Income tax benefit (expense) in the consolidated

financial statements is comprised of a $9.4 million charge resulting from the re-measurement of the Company's deferred tax assets and liabilities based on the Tax Act's new corporate tax rate of 21.0% , a $1.9 million charge for the one-time mandatory deemed repatriation of foreign earnings, a $2.8 million benefit for related foreign tax credits and a $16.6 million benefit related to the reduction in the existing valuation allowance recorded against certain U.S. federal deferred tax assets. SAB 118 allowed for a measurement period of up to one year after the enactment date of the Tax Act to finalize the recording of the related tax impacts. In the fourth quarter of 2018, we completed our accounting for the effect of the Tax Act. As a result, we reduced the one-time mandatory deemed repatriation of foreign earnings charge by $0.3 million , reduced the benefit for related foreign tax credits by $0.2 million and adjusted our valuation allowance recorded against certain U.S. federal deferred tax assets by $0.1 million .

NOTE 13. COMMITMENTS AND CONTINGENCIES

Leases

The Company leases administrative and warehouse facilities and certain equipment under non-cancelable operating leases. Rent expense was $2.7 million , $2.3 million , and $2.5 million for the years ended December 31, 2018 , 2017 and 2016 , respectively.

Future minimum lease payments under these leases in excess of one year as of December 31, 2018 are as follows (in thousands):

For the year ended December 31,	
2019	2,817
2020	2,716
2021	2,212
2022	1,470
2023	1,121
Thereafter	5,260
Total	$ 15,596

Other commitments and contingencies

The Company is subject to federal, state and Native American laws and regulations that affect both its general commercial relationships with its Native American tribal customers, as well as the products and services provided to them. Periodically, the Company reviews the status of each significant matter and assesses the potential financial exposure. If the potential loss from any claim or legal proceeding is considered probable and the amount can be estimated, the Company accrues a liability for the estimated loss. If a potential loss from any claim or legal proceeding is considered reasonably possible, the Company discloses an estimate of the possible loss or range of possible loss, or a statement that such an estimate cannot be made. There are no matters that meet the criteria for disclosure outlined above. Significant judgment is required in both the determination of probability and the determination as to whether an exposure is reasonably estimable. Because of uncertainties related to these matters, accruals are based only on the best information available at the time. As additional information becomes available, the Company reassesses the potential liability related to their pending claims and litigation and may revise its estimates. Such revisions in the estimates of the potential liabilities could have a material impact on the results of operations and financial condition.

NOTE 14. OPERATING SEGMENTS

In the fourth quarter of fiscal year 2016, the Company revised its business segment disclosures to report results by segment in accordance with the "management approach." The management approach designates the internal reporting used by our chief operating decision maker, who is our Chief Executive Officer, for making decisions and assessing performance of our reportable segments.

See Note 1 for a detailed discussion of our three segments. Each segment's activities include the design, development, acquisition, manufacturing, marketing, distribution, installation and servicing of its product lines. We evaluate the performance of our operating segments based on revenues and segment adjusted EBITDA.

Segment revenues include leasing, licensing, or selling of products within each reportable segment. Segment adjusted EBITDA includes the revenues and operating expenses from each segment adjusted for depreciation, amortization, write-downs

and other charges, accretion of placement fees, non-cash stock compensation expense, as well as other costs such as certain acquisitions and integration related costs including restructuring and severance charges; legal and litigation expenses including settlement payments; new jurisdictions and regulatory licensing costs; non-cash charges on capitalized installation and delivery; contract cancellation fees; and other adjustments primarily composed of professional fees incurred by the Company for projects, corporate and public filing compliance and other costs deemed to be non-operating in nature. Revenues in each segment are attributable to third parties and segment operating expenses are directly associated with the product lines included in each segment such as research and development, product approval costs, product-related litigation expenses, sales commissions and other directly-allocable sales expenses. Cost of gaming operations and cost of equipment sales primarily include the cost of products sold, service, manufacturing overhead, shipping and installation.

Segment adjusted EBITDA excludes other income and expense, income taxes and certain expenses that are managed outside of the operating segments.

The following provides financial information concerning our reportable segments for the years ended December 31:

	2018	2017	2016
Revenues by segment			
EGM	$ 271,025	$ 199,931	$ 156,407
Table Products	7,651	4,065	2,674
Interactive	6,623	7,959	7,725
Total Revenues	285,299	211,955	166,806
Adjusted EBITDA by segment			
EGM	137,371	107,785	91,729
Table Products	942	(528)	(1,663)
Interactive	(2,107)	(416)	(4,727)
Total Adjusted EBITDA by segment	136,206	106,841	85,339
Write-downs and other:			
Loss on disposal of long lived assets	1,963	3,901	978
Impairment of long lived assets	6,089	1,214	5,295
Fair value adjustments to contingent consideration and other items	701	(630)	(3,000)
Acquisition costs	—	—	(11)
Depreciation and amortization	77,535	71,649	80,181
Accretion of placement fees [1]	4,552	4,680	4,702
Non-cash stock compensation	10,933	—	—
Acquisitions and integration related costs including restructuring and severance	3,644	2,936	5,411
Initial public offering costs	2,428	—	—
Legal and litigation expenses including settlement payments	992	523	1,565
New jurisdictions and regulatory licensing costs	—	2,062	1,315
Non-cash charge on capitalized installation and delivery	2,081	1,912	1,680
Non-cash charges and loss on disposition of assets	—	1,202	2,478
Other adjustments	(2)	2,890	1,809
Interest expense	37,607	55,511	59,963
Interest income	(207)	(108)	(57)
Loss on extinguishment and modification of debt	6,625	9,032	—
Other expense (income)	10,488	(2,938)	7,404
Loss before income taxes	$ (29,223)	$ (46,995)	$ (84,374)

(1) Non-cash expense related to the accretion of contract rights under development agreements and placement fees.

The Company's Chief Operating Decision Maker (the "CODM") does not receive a report with a measure of total assets or capital expenditures for each reportable segment as this information is not used for the evaluation of segment performance. The CODM assesses the performance of each segment based on adjusted EBITDA and not based on assets or capital expenditures due to the fact that two of the Company's reportable segments, Table Products and Interactive, are not capital intensive. Any capital expenditure information is provided to the CODM on a consolidated basis. Therefore, the Company has not provided asset and capital expenditure information by reportable segment.

The following provides financial information concerning our operations by geographic area for the years ended December 31 (in thousands):

	Year ended December 31,		
Revenue:	**2018**	**2017**	**2016**
United States	$ 255,256	$ 181,743	$ 138,510
Other	30,043	30,212	28,296
	$ 285,299	$ 211,955	$ 166,806

	Year ended December 31,		
Long-lived assets, end of year:	**2018**	**2017**	**2016**
United States	$ 80,617	$ 79,301	$ 70,208
Other	14,022	8,608	5,169
	$ 94,639	$ 87,909	$ 75,377

NOTE 15. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

The following tables present selected quarterly financial information for 2018 and 2017 , as previously reported (in thousands).

	Quarter ended March 31, 2018	Quarter ended June 30, 2018	Quarter ended September 30, 2018	Quarter ended December 31, 2018
Consolidated Income Statement Data:				
Revenues	$ 64,856	$ 72,822	$ 75,526	$ 72,095
Gross profit [1]	48,599	53,701	52,923	51,138
Income from operations	2,238	11,024	10,110	1,918
Net (loss) income	(9,538)	(5,310)	4,347	(10,345)
Basic (loss) income per share	(0.30)	(0.15)	0.12	(0.29)
Diluted (loss) income per share	(0.30)	(0.15)	0.12	(0.29)

	Quarter ended March 31, 2017	Quarter ended June 30, 2017	Quarter ended September 30, 2017	Quarter ended December 31, 2017
Consolidated Income Statement Data:				
Revenues	$ 47,774	$ 50,080	$ 56,440	$ 57,661
Gross profit [1]	36,451	38,957	42,766	42,192
Income from operations	2,183	2,322	9,136	861
Net (loss) income	(12,386)	(20,110)	(4,090)	(8,520)
Basic (loss) income per share	(0.53)	(0.87)	(0.18)	(0.37)
Diluted (loss) income per share	(0.53)	(0.87)	(0.18)	(0.37)

[1] Gross profit is total revenues less cost of gaming operations and cost of equipment sales, exclusive of depreciation and amortization.

NOTE 16. SUBSEQUENT EVENTS

On February 8, 2019, PlayAGS, Inc. ("PlayAGS") together with PlayAGS Canada ULC (the "Purchaser"), a British Columbia unlimited liability company and wholly owned subsidiary of PlayAGS, completed their acquisition of Integrity Gaming

Corp. (“Integrity”), a regional slot route operator with over 2,700 gaming machines in operation across over 33 casinos in Oklahoma and Texas, by way of a court ordered Plan of Arrangement (the “Acquisition Arrangement”).

The Acquisition Arrangement was completed pursuant to the previously announced Arrangement Agreement, as amended, dated December 14, 2018, by and among PlayAGS, the Purchaser, and Integrity. The Acquisition Arrangement was completed under the Business Corporations Act of British Columbia, and was approved by the Supreme Court of British Columbia in its final order dated February 7, 2019. Pursuant to the Acquisition Arrangement, AGS acquired all issued and outstanding common shares of Integrity for a cash payment of CAD $0.46 per share, reflecting a total transaction value of USD $49 million , which includes repaying USD $35 million of Integrity’s outstanding debt. Integrity’s brand, operations, and team will be integrated under AGS, with centralized service and support managed from AGS’ Oklahoma City, Oklahoma offices.

ITEM 15(a)(2). FINANCIAL STATEMENT SCHEDULES

SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF THE REGISTRANT

PLAYAGS, INC.
(PARENT COMPANY ONLY)

CONDENSED BALANCE SHEETS
(in thousands, except share data)

	December 31,	
	2018	2017
Assets		
Current assets		
Cash and cash equivalents	$ 13,549	$ 2,201
Prepaid expenses	49	54
Total current assets	13,598	2,255
Deferred tax asset	—	—
Investment in subsidiaries	122,972	121,118
Total assets	$ 136,570	$ 123,373
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	$ —	$ —
Intercompany payables	766	399
Total current liabilities	766	399
Long-term debt	—	149,588
Other long-term liabilities	—	1,321
Total liabilities	766	151,308
Stockholders' equity:		
Common stock	353	149
Additional paid-in capital	361,628	177,276
Retained earnings	(222,403)	(201,557)
Accumulated other comprehensive loss	(3,774)	(3,803)
Total stockholders' equity	135,804	(27,935)
Total liabilities and stockholders' equity	$ 136,570	$ 123,373

PLAYAGS, INC.
(PARENT COMPANY ONLY)

CONDENSED STATEMENTS OF OPERATIONS
(in thousands)

	Year ended December 31,		
	2018	**2017**	**2016**
Operating expenses			
Selling, general and administrative	$ 30	$ 286	$ 231
Total operating expenses	30	286	231
Loss from operations	(30)	(286)	(231)
Other expense (income)			
Equity in net loss of subsidiaries	16,396	28,302	62,450
Interest expense	1,383	16,518	15,165
Loss on extinguishment and modification of debt	3,037	—	—
Loss before income taxes	(20,846)	(45,106)	(77,846)
Income tax (expense) benefit	—	—	(3,528)
Net loss	(20,846)	(45,106)	(81,374)
Foreign currency translation adjustment	29	743	(2,735)
Total comprehensive loss	$ (20,817)	$ (44,363)	$ (84,109)

PLAYAGS, INC.
(PARENT COMPANY ONLY)

CONDENSED STATEMENTS OF CASH FLOWS
(in thousands, except per share data)

	Year ended December 31,		
	2018	**2017**	**2016**
Cash flows from operating activities			
Net loss	$ (20,846)	$ (45,106)	$ (81,374)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:			
Amortization of deferred loan costs and discount	—	479	340
Payment-in-kind interest payments	(37,624)	(1,108)	—
Payment-in-kind interest capitalized	—	15,933	14,819
Write-off of deferred loan costs and discount	3,037	—	—
Equity in net loss of subsidiaries	16,396	28,302	62,450
(Benefit) provision of deferred income tax	—	—	3,528
Changes in assets and liabilities that relate to operations:	—		
Prepaid expenses	5	(14)	23
Intercompany payable/receivable	365	306	148
Accounts payable and accrued liabilities	—	(36)	35
Net cash (used in) provided by operating activities	(38,667)	(1,244)	(31)
Cash flows from investing activities			
Investment in subsidiaries	(12,100)	(7,965)	(15,720)
Distributions received from subsidiaries	—	8,084	—
Net cash (used in) provided by investing activities	(12,100)	119	(15,720)
Cash flows from financing activities			
Repayment of seller notes	—	(6,870)	—
Repayment of senior secured credit facilities	(115,000)	—	—
Proceeds from employees in advance of common stock issuance	—	25	—
Repurchase of shares issued to management	—	—	(50)
Proceeds from issuance of common stock	176,341	—	—
Proceeds from stock option exercise	774	—	—
Net cash provided by (used in) financing activities	62,115	(6,845)	(50)
Increase (decrease) in cash and cash equivalents	11,348	(7,970)	(15,801)
Cash and cash equivalents, beginning of period	2,201	10,171	25,972
Cash and cash equivalents, end of period	$ 13,549	$ 2,201	$ 10,171

PLAYAGS, INC.
(PARENT COMPANY ONLY)

NOTES TO CONDENSED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

The stand-alone parent company financial statements of PlayAGS, Inc., formerly AP Gaming Holdco, Inc. (the " Parent Company") should be read in conjunction with the Company's consolidated financial statements and the accompanying notes thereto. For purposes of these condensed financial statements, the Parent Company's wholly owned and majority owned subsidiaries are recorded based upon its proportionate share of the subsidiaries' net assets (similar to presenting them on the equity method).

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted since this information is included in the Company's consolidated financial statements included elsewhere in this Form 10-K.

NOTE 2 - COMMITMENTS AND CONTINGENCIES

The Parent Company is a holding company and, as a result, its ability to pay dividends is dependent on its subsidiaries' ability to obtain funds and its subsidiaries' ability to provide funds to it. Restrictions are imposed by its subsidiaries' debt instruments, which significantly restrict certain key subsidiaries holding a majority of its assets from making dividends or distributions to the Parent Company. These restrictions are subject to certain exceptions for affiliated overhead expenses as defined in the agreements governing the debt instruments, unless certain financial and non-financial criteria have been satisfied.

Long-term debt of the Parent Company consisted of the senior secured PIK notes and the Amaya Seller Note as described below.

Senior Secured PIK Notes

On January 30, 2018, the Company used the net proceeds of the IPO and cash on hand to redeem in full its 11.25% senior secured PIK notes due 2024 (the "PIK Notes"). On the redemption date, the aggregate principal amount of the PIK Notes outstanding was $152.6 million (comprised of the original principal amount of $115 million and the remaining principal amount comprised of capitalized interest) and the amount of accrued and unpaid interest was $1.4 million . In connection with the redemption, the Company repaid all of the outstanding obligations in respect of principal, interest and fees under the PIK Notes and net deferred loan costs and discounts totaling $3.0 million were written off and included in the loss on extinguishment and modification of debt.

Concurrently with the redemption of the PIK notes, the Company terminated its amended and restated note purchase agreement (the "A&R Note Purchase Agreement"), dated May 30, 2017, among the Company, AP Gaming Holdings, LLC, as subsidiary guarantor, Deutsche Bank AG, London Branch, as holder, and Deutsche Bank Trust Company Americas, as collateral agent, which governed the PIK Notes.

NOTE 3 - CASH FLOW STATEMENT SUPPLEMENTAL DISCLOSURES

The Parent Company charged $10.9 million of stock-based compensation to additional paid-in capital during the year ended December 31, 2018, the expense for which was contributed to the Parent Company's subsidiaries that employ the employee recipients of the share-based awards. The Parent Company's subsidiaries also paid for Parent Company expenses incurred in connection with the initial public offering of approximately $4.8 million that was recorded as a non-cash distribution to the Parent Company.

Prior to the consummation of the initial public offering, 170,712 shares of common stock were held by management. Pursuant to the Securityholders Agreement dated April 28, 2014 (the "Securityholders Agreement"), these shares were outstanding, but were not considered issued for accounting purposes as they contained a substantive performance condition, a "Qualified Public Offering", as defined in the Securityholders Agreement, which had to be probable for the holders of these shares to benefit from their ownership. The initial public offering satisfied the substantive performance condition and as a result the shares and related proceeds of $1.3 million were reclassified from other long-term liabilities to additional paid-in capital and considered issued for accounting purposes, a non-cash investing activity.

PLAYAGS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

During the year ended December 31, 2017, the Parent Company recorded a non-cash financing activity that reduced the seller provided financing on a previous acquisition by $5.1 million . The seller provided financing was in the form of a promissory note to the seller, Amaya Inc., for $ 12.0 million , and the acquisition also included a contingent receivable that was recorded at its estimated fair value on the date of the acquisition. The contingent receivable was related to a clause in the stock purchase agreement allowing for a refund of up to $25.0 million if certain deactivated gaming machines in Mexico are not in operation by November 29, 2016. During the year ended December 31, 2017, the Company reached an agreement with Amaya, Inc. to receive $5.1 million for this contingent receivable in the form of a reduction of the promissory note.

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

Tax-related valuation allowance	Balance at the beginning of period	Charged to tax expense/(benefit)	Purchase accounting adjustments	Impact of foreign currency exchange rate	Balance at the end of period
Year ended December 31, 2018	$ 33,774	$ 6,814	$ 269	$ —	$ 40,857
Year ended December 31, 2017	28,211	5,557	—	6	33,774
Year ended December 31, 2016	8,274	19,962	—	(25)	28,211

Exhibit 3.1

CERTIFICATE OF

AMENDED AND RESTATED ARTICLES OF INCORPORATION OF
PLAYAGS, INC.

Pursuant to the provisions of Nevada Revised Statutes 78.390 and 78.403, the undersigned officer of PlayAGS, Inc., a Nevada corporation, does hereby certify as follows:

A. The board of directors of the corporation has duly adopted resolutions proposing to amend and restate the articles of incorporation of the corporation as set forth below, declaring such amendment and restatement to be advisable and in the best interests of the corporation.

B. The amendment and restatement of the articles of incorporation as set forth below has been approved by at least a majority of the voting power of the stockholders of the corporation, which is sufficient for approval thereof.

C. This certificate sets forth the text of the articles of incorporation of the corporation as amended and restated in their entirety to this date as follows on the following pages attached hereto.

[*Remainder of Page Intentionally Blank*]

IN WITNESS WHEREOF, I have executed this Certificate of Amended and Restated Articles of Incorporation of PlayAGS, Inc. as of January 29 , 2018.

/s/ DAVID LOPEZ

Name: David Lopez
Title: Chief Executive Officer and President

[Signature Page to Articles of Incorporation]

AMENDED AND RESTATED ARTICLES OF INCORPORATION OF
PlayAGS, Inc.

ARTICLE I
NAME OF THE CORPORATION

The name of the corporation (the " Corporation ") is PlayAGS, Inc.

ARTICLE II
REGISTERED OFFICE; REGISTERED AGENT

The Corporation may, from time to time, in the manner provided by law, change the registered agent and registered office of the Corporation within the State of Nevada. The Corporation may also maintain an office or offices for the conduct of its business, either within or without the State of Nevada.

ARTICLE III PURPOSE

The purpose of the Corporation shall be to engage in any lawful act or activity for which corporations may be organized and incorporated under the laws of the State of Nevada, including the Nevada Revised Statutes, as amended from time to time (the " NRS ").

ARTICLE IV CAPITAL STOCK

Section 1. Capital Stock . The total number of shares of capital stock that the Corporation shall have authority to issue is 500,000,000 shares, which shall consist of (a) 450,000,000 shares of common stock, par value $0.01 per share (" Common Stock ") and (b) 50,000,000 shares of Preferred Stock, par value $0.01 per share (" Preferred Stock "). Except as otherwise provided in these these Amended and Restated Articles of Incorporation (as amended from time to time, these " Articles "), including any certificate of designation establishing the terms of a series of Preferred Stock in accordance with these Articles (each, a " Preferred Stock Designation "), these Articles may be amended, in accordance with NRS 78.390, to increase or decrease the number of authorized shares of Preferred Stock or Common Stock (but no such decrease shall reduce the number of authorized shares of any class or series of the Corporation's capital stock below the number of shares of such class or series then outstanding) with the approval of a majority of the voting power of the outstanding capital stock of the Corporation entitled to vote thereon, voting together as a single class, and without any separate vote by the holders of any class or series of the Corporation's capital stock, irrespective of the provisions of NRS 78.1955(2) (or any successor provision thereto)

Section 2. Preferred Stock . The Board of Directors of the Corporation (the " Board ") is hereby vested, to the fullest extent permitted under the NRS, with the authority to designate from time to time one or more series of the Preferred Stock, to fix the number of shares constituting such series and to prescribe the voting powers, designations, preferences, qualifications, limitations, restrictions and relative, participating, optional and other rights of such series. Any resolution prescribing a series of Preferred Stock must include a distinguishing designation for such series. Except as otherwise

required by law, holders of any series of Preferred Stock shall be entitled to only such voting rights, if any, as shall expressly be granted thereto by these Articles, including the Preferred Stock Designation relating to such series of Preferred Stock, or the NRS. To the extent provided in the Preferred Stock Designation relating to a series of Preferred Stock, the board of directors may increase (but not above the total number of then authorized and undesignated shares of preferred stock) or decrease (but not below the number of shares of that series then outstanding) the number of shares of such series. The powers, designations, preferences and relative, participating, optional or other rights of each series of Preferred Stock, and the qualifications,

limitations or restrictions thereof, may differ from those of any and all other series at any time outstanding. Notwithstanding anything to the contrary in these Articles, the rights of each holder of the Preferred Stock shall be at all times subject to, and limited by, all applicable gaming and other statutes, laws, rules and regulations.

Section 3. Common Stock .

(a) Dividends and other Distributions . Except as may otherwise be required by these Articles and subject to the rights of holders of any Preferred Stock, the holders of Common Stock shall be entitled to share equally, share for share, in such dividends and other distributions (as defined in NRS 78.191) as may from time to time be declared by the Board out of funds legally available therefor.

(b) Liquidation or Dissolution . In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, subject to the rights of holders of any Preferred Stock, holders of Common Stock shall be entitled to receive the assets of the Corporation available for distribution to its stockholders ratably in proportion to the number of shares held by each such holder.

(c) Voting Rights . Except as may otherwise be required by applicable law or these Articles, each holder of Common Stock shall be entitled to one vote for each share of Common Stock held of record by such holder on all matters to be voted on by the stockholders of the Corporation.

Section 4. Reclassification of Previously Issued and Outstanding Non-Voting Common Stock of the Corporation . As of immediately prior to the effective time of these Articles (the " Effective Time "), the Corporation had 30,000,000 authorized shares of non-voting common stock, $0.01 par value per share, of which 15,041,361 shares were issued and outstanding (the " Outstanding Non-Voting Common Stock "). At and as of the Effective Time, by virtue of filing these Articles, each share of Outstanding Non-Voting Common Stock issued and outstanding or held in treasury immediately prior to the Effective Time shall be automatically reclassified, without any action by the holder thereof, as one share of Common Stock. Any stock certificate that, immediately prior to the Effective Time, represented shares of Outstanding Non-Voting Common Stock shall, from and after the Effective Time, automatically and without necessity of presenting the same for exchange, represent an equal number of shares of Common Stock.

Section 5. Cancellation of Previously Issued and Outstanding Voting Stock of the Corporation .
Immediately prior to the Effective Time, the Corporation had 100 authorized shares of voting common stock, $0.01 par value per share, of which 100 shares were issued and outstanding (the " Outstanding Voting Common Stock "). At and as of the Effective Time, by virtue of filing of these Articles, each share of Outstanding Voting Common Stock issued and outstanding or held in treasury immediately prior to the Effective Time shall be automatically cancelled for no consideration, without any action by the holder thereof.

ARTICLE V
BYLAW AMENDMENTS

In furtherance and not in limitation of the powers conferred by the laws of the State of Nevada, the Board is expressly authorized to adopt, amend and repeal Bylaws of the Corporation (each, a " Bylaw " and collectively, the " Bylaws "), subject to the power of the stockholders of the Corporation to adopt, amend and repeal any Bylaw whether adopted by them or otherwise; provided , that, to the fullest extent permitted by the NRS, prior to the time when the Apollo Group (as defined below) first ceases to beneficially own at least 25% of the voting power of the Corporation's outstanding shares entitled to vote generally in the election of directors, the Board shall not adopt any resolution providing for any adoption, amendment or repeal of any Bylaw by the Board unless such resolution is approved by a majority of the directors then in office, which majority must include a majority of the Apollo Directors (as defined below) then in office. Notwithstanding any other provisions of these Articles or the Bylaws (and notwithstanding the fact that a lesser percentage otherwise might have been permitted by applicable law, these Articles or the Bylaws), but in addition to any other

affirmative vote of the holders of any particular class or series of stock of the Corporation required by applicable law or these Articles (including any Preferred Stock), the affirmative vote of the holders of at least two-thirds (2/3) of the voting power of the outstanding shares of stock of the Corporation entitled to vote thereon, voting together as a single class, shall be required for the stockholders to adopt, amend or repeal any Bylaw; provided , however , that prior to the Triggering Event (as defined below), Bylaws

may be adopted, amended or repealed upon the affirmative vote of the holders of a majority of the voting power of the outstanding shares of stock of the Corporation entitled to vote thereon, voting together as a single class.

ARTICLE VI
ARTICLES AMENDEMENTS

To the fullest extent permitted by the NRS, prior to the time when the Apollo Group (as defined below) first ceases to beneficially own at least 25% of the voting power of the Corporation's outstanding shares entitled to vote generally in the election of directors, the Board shall not adopt any resolution providing for any amendment to these Articles unless such resolution is approved by a majority of the directors then in office, which majority must include a majority of the Apollo Directors then in office.

ARTICLE VII
MEETINGS OF STOCKHOLDERS

Section 1. Stockholder Written Consent . Subject to applicable law, at any time prior to the Triggering Event, any action required or permitted to be taken at any meeting of stockholders may be taken without a meeting if a consent or consents in writing, setting forth the action so taken, shall be signed (including for avoidance of doubt electronic signatures in accordance with the applicable provisions of the NRS) by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and shall be delivered to the Corporation in accordance with the NRS. Except as otherwise provided for or fixed pursuant to the Preferred Stock Designation relating to any then-outstanding series of Preferred Stock, from and after the Triggering Event, any action required or permitted to be taken by the stockholders of the Corporation may be effected only at a duly called annual or special meeting of stockholders of the Corporation and may not be taken by any consent of stockholders in lieu of a meeting.

Section 2. Special Meetings of Stockholders . In addition to such persons as may be authorized by the Bylaws or any Preferred Stock Designation relating to the rights of holders of any series of Preferred Stock, at any time prior to the Triggering Event, special meetings of stockholders of the Corporation, for any purpose or purposes, may be called from time to time (i) by the affirmative vote of a majority of the Board, (ii) by the chairman of the Board, (iii) by the Chief Executive Officer of the Corporation or (iv) by stockholder(s) individually or collectively holding a majority of the voting power of the outstanding shares of stock of the Corporation.

Section 3. Election of Directors by Written Ballot . Unless and except to the extent that the Bylaws of the Corporation shall so require, the election of directors of the Corporation need not be by written ballot.

ARTICLE VIII
BOARD OF DIRECTORS

Section 1. Powers; Number and Term of Directors .

(a) Except as otherwise provided in these Articles, the business and affairs of the Corporation shall be managed by, or under the direction of, the Board. Except as otherwise provided for or fixed pursuant to the terms of any Preferred Stock Designation and subject to the Stockholders Agreement (as defined below), the number of directors constituting the entire Board shall be fixed from time to time by resolution of the Board, but shall not be less than three (3) nor more than ten (10).

(b) On each matter submitted to the Board, any committee of the Board or any subcommittee of any committee of the Board, each director (including each Apollo Director and each Non-Apollo Director (as defined below)) shall have one vote; provided that (i) at any meeting of the Board at which the number of Apollo Directors present is less than the total number of Apollo Directors then in office, each Apollo Director so present shall have, with respect to any matter submitted to the Board, the number of votes as is equal to the quotient of the total number of Apollo Directors then in office, divided by the number of Apollo Directors present at such

meeting, and (ii) at any meeting of any committee of the Board or subcommittee thereof at which the number of Apollo Directors present is less than the total number of Apollo Directors appointed to such committee or subcommittee, as applicable, each Apollo Director so present shall have, with respect to any matter submitted to the committee or subcommittee, as applicable, the number of votes as is equal to the quotient of the total number of Apollo Directors appointed to such committee or subcommittee, as applicable, divided by the number of Apollo Directors present at such meeting.

(c) At any time that any Apollo Director has more than one vote on any matter, every reference in the NRS, these Articles or the Bylaws to a majority or other proportion of directors shall be deemed a reference to a majority or such other proportion of the voting power of all of the directors.

Section 2. Classification of Directors . The Board (other than those directors elected or otherwise designated by the holders of any Preferred Stock pursuant to the terms of any Preferred Stock Designation (the " Preferred Stock Directors ")) shall be divided into three classes, as nearly equal in number as possible, designated Class I, Class II and Class III. The Class I directors initially shall serve for a term expiring at the annual meeting of stockholders first occurring after the Effective Time; the Class II directors shall initially serve for a term expiring at the second annual meeting of stockholders occurring after the Effective Time; and the Class III directors shall initially serve for a term expiring at the third annual meeting of stockholders occurring after the Effective Time. Commencing with the first annual meeting of stockholders following the Effective Time, at each annual meeting of stockholders, the successor or successors to the class of directors whose term expires at that meeting shall be elected in accordance with the Bylaws, and shall hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election. The directors elected to each class shall hold office until their successors are duly elected and qualify, or until their earlier death, disqualification, resignation or removal. In case of any increase or decrease, from time to time, in the number of directors (other than Preferred Stock Directors), the number of directors in each class shall be apportioned as nearly equal as possible. The Board is authorized to assign members of the Board already in office to such classes at the Effective Time; provided , that if any change in the classification of the directors would otherwise increase the term of a director, and unless such change is effected by way of a duly adopted amendment to these Articles and otherwise provides, the term of each incumbent director on the effective date of such change terminates on the date that such term would have terminated had there been no such change in the classification of directors.

Section 3. Removal of Directors . Except for Preferred Stock Directors, if any, any director or the entire Board may be removed from office at any time, with or without cause, by the affirmative vote of not less than two- thirds (2/3) of the voting power of the outstanding shares of stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class.

Section 4. Newly Created Directorships and Vacancies . Subject to the rights of holders of any series of Preferred Stock to elect or otherwise designate Preferred Stock Directors, any newly created directorships resulting from an increase in the authorized number of Directors and any vacancies occurring in the Board, may be filled solely by the affirmative vote of a majority of the voting power of the remaining members of the Board, although less than a quorum, or a sole remaining Director. A Director so elected shall be elected to hold office until the expiration of the term of office of the Director whom he or she has replaced, and a successor is elected and qualified or the Director's earlier death, resignation, disqualification or removal.

ARTICLE IX
INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 1. Right to Indemnification . The Corporation shall indemnify any person (an " indemnitee ") who was or is involved in or is threatened to be involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (a " Proceeding "), by reason of the fact that such person is or was a director or officer of the Corporation or, while a director or officer of the Corporation, is or was serving at the request of the Corporation as a director, officer, employee or agent (including, without limitation, service as a trustee) of another entity or enterprise, to the fullest extent authorized by the NRS, as the same exists or may hereafter be amended (but, in the case of any such amendment and unless applicable law otherwise requires, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than such law permitted the Corporation to provide prior to such amendment), against all liability and loss suffered and

expenses (including attorneys' fees), judgments, fines and amounts paid in settlement (except for judgments, fines and amounts paid in settlement in any action or suit by or in the right of the Corporation to procure a judgment in its favor) actually and reasonably incurred by such person in connection with such Proceeding. Notwithstanding the preceding

sentence, except as provided below in Article IX , Section 6 of these Articles with respect to Proceedings to enforce rights to indemnification and advancement of expenses, the Corporation shall be required to indemnify an indemnitee in connection with a Proceeding (or part thereof) initiated by the indemnitee if and only if the Board authorized the commencement of such Proceeding (or part thereof).

Section 2. Advance Payment of Expenses . To the extent not prohibited by applicable law, expenses (including attorneys' fees) incurred by an indemnitee in defending any Proceeding shall be paid by the Corporation in advance of the final disposition of such Proceeding; provided , however , that, to the extent required by the NRS, a present director or officer of the Corporation shall be required to submit to the Corporation, prior to the payment of such expenses, an undertaking (an " undertaking ") by or on behalf of such director or officer to repay such amount if it shall ultimately be determined in a final, non-appealable judicial decision that such director or officer is not entitled to be indemnified by the Corporation for such expenses as authorized in this Article IX .

Section 3. Rights Not Exclusive . The rights to indemnification and advancement of expenses provided by, or granted pursuant to, this Article IX shall not be deemed exclusive of any other rights to which an indemnitee may be entitled under any statute, provision of these Articles, Bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office.

Section 4. Insurance . The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent (including, without limitation, as a trustee) of another entity or enterprise against any liability asserted against such person and incurred by such person in any such capacity, or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify him or her against such liability under the NRS or the provisions of this Article IX .

Section 5. Certain Definitions . For the purposes of this Article IX , (a) any director or officer of the Corporation who shall serve or has served as a director, officer, employee or agent of any other entity or enterprise of which the Corporation, directly or indirectly, is or was a stockholder or creditor, or in which the Corporation is or was in any way interested, or (b) any current or former director or officer of any subsidiary entity or enterprise wholly owned by the Corporation, in each case, shall be deemed to be serving at the request of the Corporation. In all other instances where any person shall serve or has served as a director, officer, employee or agent (including, without limitation, as a trustee) of another entity or enterprise of which the Corporation is or was a stockholder or creditor, or in which it is or was otherwise interested, if it is not otherwise established that such person is or was serving in such capacity at the request of the Corporation, the Board may determine whether such service is or was at the request of the Corporation, and it shall not be necessary to show any actual or prior request for such service. For purposes of this Article IX , references to an entity include all predecessor entities and constituent entities absorbed in a consolidation or merger (including any constituent of a constituent) as well as the resulting or surviving entity so that any person who is or was serving at the request of the Corporation as a director, officer, employee or agent (including, without limitation, as a trustee) of such a constituent entity shall stand in the same position under the provisions of this Article IX with respect to the resulting or surviving entity as such person would if such person had served the resulting or surviving entity in the same capacity. For purposes of this Article IX , references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the Corporation" shall include any service as a director or officer of the Corporation which imposes duties on, or involves services by, such director or officer with respect to an employee benefit plan, its participants, or beneficiaries, and a person who acted in good faith and in a manner such person reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Corporation" as referred to in NRS 78.7502.

Section 6. Proceedings to Enforce Rights to Indemnification .

(a) If a claim under Article IX , Section 1 of these Articles is not paid in full by the Corporation within 60 days after a written claim therefor has been received by the Corporation, or a claim under Article IX , Section 2 is not paid in full by the Corporation within 30 days after a written claim therefor has been received by the Corporation, the indemnitee may at any time thereafter bring suit against the Corporation to recover the unpaid amount of such claim. Any such written claim under Article IX , Section 1 shall include such documentation and information as is reasonably available to the indemnitee and reasonably necessary to determine whether and to what extent the indemnitee is entitled to indemnification. Any written claim under Article IX , Sections 1-2 , shall include reasonable documentation of the expenses incurred by the indemnitee.

(b) If successful in whole or in part in any suit brought pursuant to Article IX , Section 6(a) , or in a suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the indemnitee shall also be entitled to be paid and indemnified for the expense of prosecuting or defending such suit.

(c) In (i) any suit brought by the indemnitee to enforce a right to indemnification hereunder (but not in a suit brought by the indemnitee to enforce a right to an advancement of expenses) it shall be a defense that, and (ii) any suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking the Corporation shall be entitled to recover such expenses upon a final adjudication that, the indemnitee has not met any applicable standard for indemnification set forth in the NRS. Neither the failure of the Corporation (including its directors who are not parties to such action, a committee of such directors, independent legal counsel or its stockholders) to have made a determination prior to the commencement of such suit that indemnification of the indemnitee is proper in the circumstances because the indemnitee has met the applicable standard of conduct set forth in the NRS, nor an actual determination by the Corporation (including its directors who are not parties to such action, a committee of such directors, independent legal counsel or its stockholders) that the indemnitee has not met such applicable standard of conduct, shall create a presumption that the indemnitee has not met the applicable standard of conduct or, in the case of such a suit brought by the indemnitee, be a defense to such suit. In any suit brought by the indemnitee to enforce a right to indemnification or to an advancement of expenses hereunder, or by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the indemnitee is not entitled to be indemnified, or to such advancement of expenses, under this Article IX or otherwise shall be on the Corporation.

Section 7. Preservation of Rights . The indemnification and advancement of expenses provided by, or granted pursuant to, this Article IX shall continue as to a person who has ceased to be a director or officer of the Corporation, or has ceased to serve at the request of the Corporation as a director, officer, employee or agent (including, without limitation, a trustee) of another entity or enterprise, and shall inure to the benefit of the heirs, executors and administrators of such a person. Any repeal or modification of this Article IX by the stockholders of the Corporation entitled to vote thereon shall not adversely affect any right or protection of a director or officer of the Corporation existing at the time of such repeal or modification.

ARTICLE X
DIRECTOR AND OFFICER LIABILITY TO THE CORPORATION

Section 1. Limitation on Liability . The liability of directors and officers of the Corporation shall be eliminated or limited to the fullest extent permitted by the NRS. If the NRS are amended to further eliminate or limit or authorize corporate action to further eliminate or limit the liability of directors or officers, the liability of directors and officers of the Corporation shall be eliminated or limited to the fullest extent permitted by the NRS, as so amended from time to time.

Section 2. Repeal or Modification . Any repeal or modification of the foregoing Article X , Section 1 by the stockholders of the Corporation entitled to vote thereon shall not adversely affect any right or protection of a director or officer of the Corporation existing at the time of such repeal or modification.

ARTICLE XI
MANDATORY FORUM FOR ADJUDICATION OF DISPUTES

To the fullest extent permitted by law, and unless the Corporation consents in writing to the selection of an alternative forum, the Eighth Judicial District Court of Clark County, Nevada, shall be the sole and exclusive forum for any or all actions, suits or proceedings, whether civil, administrative or investigative or that asserts any claim or counterclaim (each, an " Action "): (a) brought in the name or right of the Corporation or on its behalf; (b) asserting a claim for breach of any fiduciary duty owed by any director, officer, employee or agent of the Corporation to the Corporation or the Corporation's stockholders; (c) arising or asserting a claim arising pursuant to any provision of NRS Chapters 78 or 92A or any provision of these Articles or the Bylaws; (d) to interpret, apply, enforce or determine the validity of these Articles or the Bylaws; or (e) asserting a claim governed by the internal affairs doctrine. In the event that the Eighth Judicial District Court of Clark County, Nevada, does not have jurisdiction over any such Action, then any other state district court located in the State of Nevada shall be the sole and exclusive forum for such Action. In the event that no state district court in the State of Nevada has jurisdiction over any such Action, then a federal court located within the State of Nevada shall be the sole and exclusive forum for such Action.

ARTICLE XII
COMBINATIONS WITH INTERESTED STOCKHOLDERS

At such time, if any, as the Corporation becomes a "resident domestic corporation" (as defined in NRS 78.427), the Corporation shall not be subject to, or governed by, any of the provisions in NRS 78.411 to 78.444, inclusive, as amended from time to time, or any successor statutes.

ARTICLE XIII
CORPORATE OPPORTUNITIES

Section 1. Corporate Opportunities .

(a) Subject to any express agreement that may from time to time be in effect, a Covered Apollo Person (as defined below) may, and shall have no duty not to, in each case on behalf of Apollo, (i) carry on and conduct, whether directly, or as a partner in any partnership, or as a joint venturer in any joint venture, or as an officer, director or stockholder of any corporation, or as a participant in any syndicate, pool, trust or association, any business of any kind, nature or description, whether or not such business is competitive with or in the same or similar lines of business as the Corporation, (ii) do business with any client, customer, vendor or lessor of any of the Corporation or its Affiliates, and (iii) make investments in any kind of property in which the Corporation may make investments. To the fullest extent permitted by Nevada law, including NRS 78.070(8), the Corporation hereby renounces any interest or expectancy of the Corporation to participate in any business of the Apollo Group, and waives any claim against a Covered Apollo Person and shall indemnify a Covered Apollo Person against any claim that such Covered Apollo Person is liable to the Corporation or its stockholders for breach of any fiduciary duty solely by reason of such Person's participation in any such business. The Corporation shall pay in advance any expenses incurred in defense of such claim as provided in Article IX .

(b) In the event that a Covered Apollo Person acquires knowledge of a potential transaction or matter which may constitute a corporate opportunity for both (x) the Covered Apollo Person, in his or her Apollo-related capacity, or Apollo and (y) the Corporation, the Covered Apollo Person shall not have any duty to offer or communicate information regarding such corporate opportunity to the Corporation. To the fullest extent permitted by Nevada law, including NRS 78.070(8), the Corporation hereby renounces any interest or expectancy of the Corporation in such corporate opportunity and waives any claim against each Covered Apollo Person and shall indemnify a Covered Apollo Person against any claim, that such Covered Apollo Person is liable to the Corporation or its stockholders for breach of any fiduciary duty solely by reason of the fact that such Covered Apollo Person (a) pursues or acquires any corporate opportunity for its own account or the account of any Affiliate, (b) directs, recommends, sells, assigns, or otherwise transfers such corporate opportunity to another Person or (c) does not communicate information regarding such corporate opportunity to the Corporation; provided , however , in each case, that any corporate opportunity which is

expressly offered to a Covered Apollo Person in writing solely in his or her capacity as an officer or director of the Corporation shall belong to the Corporation. The Corporation shall pay in advance any expenses incurred in defense of such claim as provided in Article IX .

Section 2. Amendments . Notwithstanding any other provision of these Articles or the Bylaws and in addition to any other affirmative vote of the holders of any particular class or series of stock of the Corporation required by applicable law, these Articles (including any Preferred Stock Designation) or the Bylaws, the affirmative vote of the holders of at least two-thirds (2/3) of the voting power of the outstanding shares of capital stock of the Corporation, voting together as a single class, shall be required to amend or repeal, or adopt any provision inconsistent with, this Article XIII , provided that the foregoing restriction shall not apply to any amendment or restatement of these Articles (including, without limitation, pursuant to articles of merger, conversion or exchange) to be effected pursuant to, or to be effective upon or after the consummation of, a merger, conversion or exchange to which the Corporation is a constituent entity, in each case which has been otherwise duly authorized and approved by a majority of the directors then in office, which majority must include a majority of the Apollo Directors then in office, and the stockholders of the Corporation in accordance with these Articles (including any Preferred Stock Designation), the Bylaws, the NRS and other applicable law.

Section 3. Conflict . In the event of a conflict between this Article XIII and any other Article or provision of these Articles, this Article XIII shall prevail in all circumstances.

Section 4. Certain Definitions . For purposes of this Article XIII only:

(a) " Corporation " shall be deemed to refer to PlayAGS, Inc. and all Persons in which PlayAGS, Inc. beneficially owns (directly or indirectly) 50% or more of the outstanding voting stock, voting power, partnership interests or similar voting interests or which PlayAGS, Inc. otherwise controls.

(b) " Covered Apollo Person " means (i) any director or officer of the Corporation who is also an officer, director, employee, managing director or other affiliate of a member of the Apollo Group and (ii) Apollo.

ARTICLE XIV
GAMING AND REGULATORY MATTERS

Section 1. Compliance with Gaming Laws . All Securities shall be held subject to the restrictions and requirements of all applicable Gaming Laws. All Persons Owning or Controlling Securities shall comply with all applicable Gaming Laws, including any provisions of such Gaming Laws that require such Person to file applications for Gaming Licenses with, and provide information to, the applicable Gaming Authorities. Any Transfer of Securities may be subject to the prior approval of the Gaming Authorities and/or the Corporation or the applicable Affiliated Company, and any purported Transfer thereof in violation of such requirements shall be void *ab initio* .

Section 2. Ownership Restrictions . Any Person who Owns or Controls five percent (5%) or more of any class or series of the Corporation's Securities shall promptly notify the Corporation of such fact. In addition, any Person who Owns or Controls any shares of any class or series of the Corporation's Securities may be required by Gaming Law to (i) provide to the Gaming Authorities in each Gaming Jurisdiction in which the Corporation or any subsidiary thereof either conducts Gaming or has a pending application for a Gaming License all information regarding such Person as may be requested or required by such Gaming Authorities and (ii) respond to written or oral questions or inquiries from any such Gaming Authorities. Any Person who Owns or Controls any shares of any class or series of the Corporation's Securities, by virtue of such Ownership or Control, consents to the performance of any personal background investigation that may be required by any Gaming Authorities.

Section 3. Finding of Unsuitability .

(a) The Securities Owned or Controlled by an Unsuitable Person or an Affiliate of an Unsuitable Person shall be redeemable by the Corporation or the applicable Affiliated Company, out of funds legally available therefor, as directed by a Gaming Authority and, if not so directed, as and to the extent deemed necessary

or advisable by the Board, in which event the Corporation shall deliver a Redemption Notice to the Unsuitable Person or its Affiliate and shall redeem or purchase or cause one or more Affiliated Companies to purchase the Securities on the Redemption Date and for the Redemption Price set forth in the Redemption Notice. From and after the Redemption Date, such Securities shall no longer be deemed to be outstanding, such Unsuitable Person or Affiliate of such Unsuitable Person shall cease to be a stockholder, member, partner or owner, as applicable, of the Corporation and/or Affiliated Company, and all rights of such Unsuitable Person or Affiliate of such Unsuitable Person in such Securities, other than the right to receive the Redemption Price, shall cease. In accordance with the requirements of the Redemption Notice, such Unsuitable Person or its Affiliate shall surrender the certificate(s), if any, representing the Securities to be so redeemed.

(b) Commencing on the date that a Gaming Authority serves notice of a determination of unsuitability or disqualification of a holder of Securities, or the Board otherwise determines that a Person is an Unsuitable Person, and unless and until the Securities Owned or Controlled by such Person cease to be outstanding or are Owned or Controlled by a Person who is not an Unsuitable Person in accordance with these Articles and applicable law, it shall be unlawful for such Unsuitable Person or any of its Affiliates to and such Unsuitable Person and its Affiliates shall not: (i) receive any dividend, payment, distribution or interest with regard to the Securities, (ii) exercise, directly or indirectly or through any proxy, trustee, or nominee, any voting or other right conferred by such Securities, and such Securities shall not for any purposes be included in the Securities of the Corporation or the applicable Affiliated Company entitled to vote, or (iii) receive any remuneration that may be due to such Person, accruing after the date of such notice of determination of unsuitability or disqualification by a Gaming Authority, in any form from the Corporation or any Affiliated Company for services rendered or otherwise (except in exchange for such Securities as provided in this Article XIV), or (iv) be or continue as a manager, officer,

partner or director of the Corporation or any Affiliated Company.

Section 4. Notices . All notices given by the Corporation or an Affiliated Company pursuant to this Article, including Redemption Notices, shall be in writing and shall be deemed given when delivered by personal service, overnight courier, first-class mail, postage prepaid, addressed to the Person at such Person's address as it appears on the books and records of the Corporation or Affiliated Company.

Section 5. Indemnification . Each Unsuitable Person and any Affiliate of an Unsuitable Person shall indemnify and hold harmless the Corporation and its Affiliated Companies for any and all losses, costs, and expenses, including attorneys' costs, fees and expenses, incurred by the Corporation and its Affiliated Companies as a result of, or arising out of, such Unsuitable Person's continuing Ownership or Control of Securities, failure or refusal to comply with the provisions of this Article, or failure to divest himself, herself or itself of any Securities when and in the specific manner required by the Gaming Authorities or this Article.

Section 6. Injunctive Relief . The Corporation shall be entitled to injunctive or other equitable relief in any court of competent jurisdiction to enforce the provisions of this Article XIV and each Person who Owns or Controls Securities shall be deemed to have consented to injunctive or other equitable relief and acknowledged, by virtue of such Ownership or Control, that the failure to comply with this Article XIV will expose the Corporation and the Affiliated Companies to irreparable injury for which there is no adequate remedy at law and that the Corporation and the Affiliated Companies shall be entitled to injunctive or other equitable relief to enforce the provisions of this Article XIV .

Section 7. Non-Exclusivity of Rights . The rights of the Corporation or any Affiliated Company pursuant to this Article shall not be exclusive of any other rights the Corporation or any Affiliated Company may have or hereafter acquire under any agreement, provision of the Bylaws or organizational documents of such Affiliated Company or otherwise. To the extent not prohibited under applicable Gaming Laws, the Corporation shall have the right, exercisable in the sole discretion of the Board, to propose that the parties, immediately upon the delivery of the Redemption Notice, enter into an agreement or other arrangement, including, without limitation, a divestiture trust or divestiture plan, which will reduce or terminate an Unsuitable Person's Ownership or Control of all or a portion of its Securities.

Section 8. Further Actions . Nothing contained in this Article XIV shall limit the authority of the Board to take such other action, to the extent not prohibited by law, as it deems necessary or advisable to protect the Corporation or the Affiliated Companies from the denial or loss or threatened denial or loss of any Gaming License of the Corporation or any of its Affiliated Companies (or any pending or contemplated application for any such Gaming License). Without limiting the generality of the foregoing, the Board may, to the extent not prohibited by law, interpret or conform any provisions of this Article XIV to the extent necessary to make such provisions consistent with Gaming Laws. In addition, the Board may, to the extent not prohibited by law, from time to time establish, modify, amend or rescind Bylaws, regulations, and procedures of the Corporation not inconsistent with the express provisions of this Article XIV for the purpose of determining whether any Person is an Unsuitable Person and for the orderly application, administration and implementation of the provisions of this Article XIV . Such procedures and regulations shall be kept on file with the Secretary of the Corporation, the secretary of each of the Affiliated Companies and with the transfer agent, if any, of the Corporation and/or any Affiliated Companies, and shall be made available for inspection and, upon reasonable request, mailed to any record holder of Securities.

Section 9. Authority of the Board . The Board shall have exclusive authority and power to administer this Article XIV and to exercise all rights and powers specifically granted to the Board or the Corporation, or as may be necessary or advisable in the administration of this Article XIV . All such actions which are done or made by the Board in good faith shall be final, conclusive and binding on the Corporation and all other Persons; provided , that the Board may delegate all or any portion of its duties and powers under this Article XIV to a committee of the Board as it deems necessary or advisable.

Section 10. Compliance with NRS; Severability . Each provision of this Article XIV shall be deemed to be qualified as being to the fullest extent not prohibited by the NRS. If any provision of this Article XIV or the application of any such provision to any Person or under any circumstance shall be held invalid, illegal, or unenforceable in any respect (whether under the NRS or otherwise) by a court of competent jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision of this Article XIV .

Section 11. Termination and Waivers . Except as may be required by any applicable Gaming Law or Gaming

Authority, the Board may waive any of the rights of the Corporation or any restrictions contained in this Article XIV in any instance in which and to the extent the Board determines that a waiver would be in the interests of the Corporation. Except as required by a Gaming Authority, nothing in this Article XIV shall be deemed or construed to require the Corporation to repurchase any Securities Owned or Controlled by an Unsuitable Person or an Affiliate of an Unsuitable Person.

Section 12. Legend . The restrictions set forth in this Article XIV shall be noted on any certificate evidencing the Securities in accordance with the requirements of the NRS and any applicable Gaming Laws.

Section 13. Required New Jersey Charter Provisions . These Articles shall be deemed to include all provisions required by the New Jersey Casino Control Act, N.J.S.A. 5:12-1 et seq., as amended from time to time, and the attendant regulations promulgated thereunder (collectively, the " New Jersey Act ") and, to the extent that anything contained herein or in the Bylaws is inconsistent with the New Jersey Act, the provisions of the New Jersey Act shall govern. All provisions of the New Jersey Act, to the extent required by law to be stated in these Articles, are incorporated herein by this reference.

Section 14. Certain Definitions . For purposes of this Article XIV the following terms shall have the following meanings:

(a) " Affiliated Company " shall mean any partnership, corporation, limited liability company, trust or other entity directly or indirectly Affiliated or under common Ownership or Control with the Corporation including, without limitation, any subsidiary, holding company or intermediary company (as those or similar terms are defined under the Gaming Laws of any applicable Gaming Jurisdictions), in each case that is registered or licensed under applicable Gaming Laws.

(b) " Control " (and derivatives of such term) (i) with respect to any Person, shall have the meaning ascribed to such term under Rule 12b-2 promulgated by the SEC under the Exchange Act, (ii) with respect to any Interest, shall mean the possession, directly or indirectly, of the power to direct, whether by agreement,

contract, agency or otherwise, the voting rights or disposition of such Interest, and (iii) as applicable, the meaning ascribed to the term "control" (and derivatives of such term) under the Gaming Laws of any applicable Gaming Jurisdictions).

(c) " Gaming " or " Gaming Activities " shall mean the conduct of gaming and gambling activities, race books and sports pools, or the use of gaming devices, equipment and supplies in the operation of a casino, simulcasting facility, card club or other enterprise, including, without limitation, slot machines, gaming tables, cards, dice, gaming chips, player tracking systems, cashless wagering systems, mobile gaming systems, inter-casino linked systems and related and associated equipment, supplies and systems.

(d) " Gaming Authorities " shall mean all international, national, foreign, domestic, federal, state, provincial, regional, local, tribal, municipal and other regulatory and licensing bodies, instrumentalities, departments, commissions, authorities, boards, officials, tribunals and agencies with authority over or responsibility for the regulation of Gaming within any Gaming Jurisdiction.

(e) " Gaming Jurisdictions " shall mean all jurisdictions, domestic and foreign, and their political subdivisions, in which Gaming Activities are or may be lawfully conducted, including, without limitation, all Gaming Jurisdictions in which the Corporation or any of the Affiliated Companies currently conducts or may in the future conduct Gaming Activities.

(f) " Gaming Laws " shall mean all laws, statutes and ordinances pursuant to which any Gaming Authority possesses regulatory, permit and licensing authority over the conduct of Gaming Activities, or the Ownership or Control of an Interest in an entity which conducts Gaming Activities, in any Gaming Jurisdiction, all orders, decrees, rules and regulations promulgated thereunder, all written and unwritten policies of the Gaming Authorities and all written and unwritten interpretations by the Gaming Authorities of such laws, statutes, ordinances, orders, decrees, rules, regulations and policies.

(g) " Gaming Licenses " shall mean all licenses, permits, approvals, orders, authorizations, registrations, findings of suitability, franchises, exemptions, waivers, concessions and entitlements issued by any Gaming Authority necessary for or relating to the conduct of Gaming Activities by any Person or the Ownership or Control

by any Person of an Interest in an entity that conducts or may in the future conduct Gaming Activities.

(h) " Interest " shall mean the stock or other securities of an entity or any other interest or financial or other stake therein, including, without limitation, the Securities.

(i) " Own " or " Ownership " (and derivatives of such terms) shall mean (i) ownership of record,
(ii) "beneficial ownership" as defined in Rule 13d-3 or Rule 16a-1(a)(2) promulgated by the SEC under the Exchange Act, and (iii) as applicable, the meaning ascribed to the terms "own" or "ownership" (and derivatives of such terms) under the Gaming Laws of any applicable Gaming Jurisdictions.

(j) " Redemption Date " shall mean the date set forth in the Redemption Notice by which the Securities Owned or Controlled by an Unsuitable Person or an Affiliate of an Unsuitable Person are to be redeemed by the Corporation or any of its Affiliated Companies, which redemption date shall be determined in the sole and absolute discretion of the Board but which shall in no event be fewer than 45 calendar days following the date of the Redemption Notice, unless (i) otherwise required by a Gaming Authority or pursuant to any applicable Gaming Laws, (ii) prior to the expiration of such 45-day period, the Unsuitable Person shall have sold (or otherwise fully transferred or otherwise disposed of its Ownership of) its Securities to a Person that is not an Unsuitable Person (in which case, such Redemption Notice will only apply to those Securities that have not been sold or otherwise disposed of) by the selling Unsuitable Person and, commencing as of the date of such sale, the purchaser or recipient of such Securities shall have all of the rights of a Person that is not an Unsuitable Person), or (iii) the cash or other Redemption Price necessary to effect the redemption shall have been deposited in trust for the benefit of the Unsuitable Person or its Affiliate and shall be subject to immediate withdrawal by such Unsuitable Person or its Affiliate upon (x) surrender of the certificate(s) evidencing the Securities to be redeemed accompanied by a

duly executed stock power or assignment or (y) if the Securities are uncertificated, upon the delivery of a duly executed assignment or other instrument of transfer.

(k) " Redemption Notice " shall mean that notice of redemption delivered by the Corporation pursuant to this Article to an Unsuitable Person or an Affiliate of an Unsuitable Person if a Gaming Authority so requires the Corporation, or if the Board deems it necessary or advisable, to redeem such Unsuitable Person's or Affiliate's Securities. Each Redemption Notice shall set forth (i) the Redemption Date, (ii) the number and type of Securities to be redeemed, (iii) the Redemption Price and the manner of payment therefor, (iv) the place where any certificates for such Securities shall be surrendered for payment, and (v) any other requirements of surrender of the certificates, including how such certificates are to be endorsed, if at all.

(l) " Redemption Price " shall mean, unless otherwise determined by the Board in its sole and absolute discretion, a price equal to the lesser of (i) the average closing sale price of such Securities as reported for composite transactions in securities listed on the principal trading market on which such Securities are then listed or admitted for trading during the 30 trading days preceding delivery of the Redemption Notice or, if such Securities are not so listed or traded, at the fair value of the Securities determined in good faith by the Board and (ii) the holder's original Purchase Price.

(m) " SEC " shall mean the U.S. Securities and Exchange Commission.

(n) " Securities " shall mean the capital stock of the Corporation and the capital stock, member's interests or membership interests, partnership interests or other equity securities of any Affiliated Company.

(o) " Transfer " shall mean the sale and every other method, direct or indirect, of transferring or otherwise disposing of an Interest, or the Ownership, Control or possession thereof, or fixing a lien thereupon, whether absolutely or conditionally, voluntarily or involuntarily, by or without judicial proceedings, as a conveyance, sale, payment, pledge, mortgage, lien, encumbrance, gift, security, or otherwise (including by merger or consolidation).

(p) " Unsuitable Person " shall mean a Person who (i) fails or refuses to file an application, or has withdrawn or requested the withdrawal of a pending application, to be found suitable by any Gaming Authority or for any Gaming License, (ii) is denied or disqualified from eligibility for any Gaming License by any Gaming Authority, (iii) is determined by a Gaming Authority to be unsuitable or disqualified to Own or Control any Securities, (iv) is determined by a Gaming Authority to be unsuitable or who is disqualified to be Affiliated, associated or involved with a Person engaged in Gaming Activities in any Gaming Jurisdiction,
(v) causes any Gaming License of the Corporation or any Affiliated Company to be lost, rejected, rescinded,

suspended, revoked or not renewed by any Gaming Authority, or causes the Corporation or any Affiliated Company to be threatened by any Gaming Authority with the loss, rejection, rescission, suspension, revocation or non-renewal of any Gaming License (in each of (ii) through (v) above, regardless of whether such denial, disqualification or determination by a Gaming Authority is final and/or non- appealable), or (vi) is deemed by the Board, in its sole and absolute discretion, likely to (A) preclude or materially delay, impede, impair, threaten or jeopardize any Gaming License held by the Corporation or any Affiliated Company or the Corporation's or any Affiliated Company's application for, right to the use of, entitlement to, or ability to obtain or retain, any Gaming License, (B) cause or otherwise result in, the disapproval, cancellation, termination, material adverse modification or non-renewal of any material contract to which the Corporation or any Affiliated Company is a party, or (C) cause or otherwise result in the imposition of any materially burdensome or unacceptable terms or conditions on any Gaming License of the Corporation or any Affiliated Company whose ownership of Securities or whose failure to make application to seek licensure from or otherwise comply with the requirements of a Gaming Authority will result in the Corporation losing a Gaming License, or the Corporation being unable to reinstate prior a Gaming License, or the Corporation being unable to obtain a new Gaming License, as determined by the Board, in its sole and absolute discretion, after consultation with counsel.

ARTICLE XV DEFINITIONS

As used in these Articles, unless the context otherwise requires or as set forth in another Article or Section of these Articles, the term:

(a) " Affiliate " means, with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under common control with such Person; provided , that neither the Corporation nor any of its subsidiaries will be deemed an Affiliate of any stockholder of the Corporation or any of such stockholders' Affiliates.

(b) " Apollo " means Apollo Global Management, LLC, together with its subsidiaries.

(c) " Apollo Director " means any director of the Corporation nominated by the Apollo Group and designated as such pursuant to the Stockholders Agreement.

(d) " Apollo Group " means, collectively, (i) Apollo, (ii) certain investment funds affiliated with or managed by Apollo, including Apollo Investment Fund VIII, L.P., along with their parallel investment funds, (iii) any other investment fund or other collective investment vehicle affiliated with or managed by Apollo or whose general partner or managing member is owned, directly or indirectly, by Apollo, (iv) AP Gaming VoteCo, LLC, to the extent that it has beneficial ownership of shares of Common Stock pursuant to that certain Irrevocable Proxy and Power of Attorney of the Corporation, dated as of the date hereof, and (v) any Affiliate of the foregoing (in each case, other than the Corporation and its subsidiaries).

(e) " Exchange Act " means the Securities Exchange Act of 1934, as amended, and any successor law or statute, in each case together with the rules and regulations promulgated thereunder.

(f) " Non-Apollo Director " means any director of the Corporation other than an Apollo Director.

(g) " Person " means any individual, partnership, firm, corporation, limited liability company, joint venture, association, trust, unincorporated organization or other entity.

(h) " Stockholders Agreement " means the Stockholders Agreement, dated as of the closing of the initial public offering of Common Stock, by and among the Corporation, Apollo Gaming Holdings, L.P. and AP Gaming VoteCo, LLC, as the same may be amended, restated, supplemented and/or otherwise modified, from time to time.

(i) " Triggering Event " means the first date on which the Apollo Group ceases to beneficially own (as such term is defined in Rule 13d-3 and Rule 13d-5 under the Exchange Act) shares representing at least fifty percent (50%) of the voting power of the issued and outstanding shares of stock of the Corporation.

ARTICLE XVI
DEEMED NOTICE AND CONSENT

To the fullest extent permitted by law, each and every natural person, corporation, general or limited partnership, limited liability company, joint venture, trust, association or any other entity purchasing or otherwise acquiring any interest (of any nature whatsoever) in any shares of the capital stock of the Corporation shall be deemed, by reason of and from and after the time of such purchase or other acquisition, to have notice of and to have consented to all of the provisions of (a) these Articles, (b) the Bylaws and (c) any amendment to these Articles or the Bylaws enacted or adopted in accordance with these Articles, the Bylaws and applicable law.

* * * *

Exhibit 3.2

Execution Version

AMENDED AND RESTATED BYLAWS OF
PLAYAGS, INC.

ARTICLE I OFFICES

SECTION 1. REGISTERED OFFICE - The registered office of PlayAGS, Inc., a Nevada corporation (the " Corporation ") shall be the office of the Corporation's registered agent in the State of Nevada or such other office of the Corporation in the State of Nevada as established from time to time by the Board of Directors.

SECTION 2. OTHER OFFICES - The Corporation may have other offices, either within or without the State of Nevada, at such place or places as the Board of Directors may from time to time select or the business of the Corporation may require.

ARTICLE II
MEETINGS OF STOCKHOLDERS

SECTION 1. ANNUAL MEETINGS - Subject to Article II , Section 9 of these Amended and Restated Bylaws (as amended from time to time, these " Bylaws "), annual meetings of stockholders for the election of Directors, and for such other business as may be properly brought before the meeting, shall be held at such place, if any, either within or without the State of Nevada, or by means of remote communication, and at such time and date as the Board of Directors, by resolution, shall designate from time to time.

SECTION 2. SPECIAL MEETINGS - Subject to applicable law, the Corporation's Amended and Restated Articles of Incorporation (as amended from time to time, the " Articles of Incorporation "), and the rights of the holders of any series of Preferred Stock (as defined in the Articles of Incorporation), special meetings of stockholders of the Corporation, for any purpose or purposes, may be called from time to time by such persons authorized to do so by the Articles of Incorporation and not by any other person or persons. Business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice of the meeting sent by or on behalf of the Corporation. For avoidance of doubt, any nomination of Directors for election at a special meeting of stockholders called for the purpose of electing Directors shall be subject to Article II , Section 9 of these Bylaws.

SECTION 3. VOTING - When a quorum is present at any meeting of stockholders, action by the stockholders on a matter will be approved if the number of votes cast in favor of the action exceeds the number of votes cast in opposition to the action, except (i) Directors shall be elected by a plurality of the votes cast, (ii) if the action is one upon which, by provision of applicable law, the Articles of Incorporation or these Bylaws, a different vote is required, then such express provision shall govern and control the decision of such action. Each stockholder entitled to vote at a meeting of stockholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person or persons to act for such stockholder by proxy, but no such proxy shall be voted or acted upon after six months from its date unless the proxy provides for a longer period. A proxy shall be irrevocable if it states that it is irrevocable and if, and only so long as, it is coupled with an interest sufficient in law to support an irrevocable power. A stockholder may revoke any proxy that is not irrevocable by attending the meeting and voting in person or by delivering to the secretary a revocation of the proxy or by delivering a new duly authorized proxy bearing a later date.

SECTION 4. STOCKHOLDER LIST - The Secretary shall prepare and make, at least ten days before every meeting of stockholders, a complete, alphabetical list of the stockholders entitled to vote at the meeting, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list may be examined by any stockholder for any purpose germane to the meeting for a period of at least ten days prior to the meeting, during ordinary business hours at the principal place of business of the Corporation or on a reasonably accessible electronic network as provided by applicable law. If the meeting is to be held at a place, the list shall also be produced and kept at the time and place of the meeting during the whole time thereof and may be inspected by any stockholder who is present. If the meeting is

held solely by means of remote communication, the list shall also be open for inspection as provided by applicable law. Except as provided by applicable law, the stock ledger shall be the only evidence as to who are the stockholders entitled to examine the list of stockholders or to vote in person or by proxy at any meeting of stockholders.

SECTION 5. QUORUM - Except as otherwise required by law, by the Articles of Incorporation or by these Bylaws, the presence, in person or by proxy, of stockholders holding a majority of the voting power of all outstanding shares of the Corporation entitled to vote at the meeting shall constitute a quorum for the transaction of business at such meeting. In case a quorum shall not be present at any meeting, the person presiding over such meeting or a majority of the voting power of the shares so present, in person or by proxy, and entitled to vote at the meeting shall have the power to adjourn the meeting from time to time, without notice other than announcement of the time and place of the adjourned meeting at the meeting at which the adjournment is taken, until the requisite quorum shall be present; provided , however , that if the date of any adjourned meeting is more than thirty (30) days after the date for which the meeting was originally noticed, notice of the time and place of the adjourned meeting shall be given to each stockholder entitled to vote at the meeting. If after the adjournment a new record date for stockholders entitled to vote is fixed for the adjourned meeting, the Board of Directors shall fix a new record date for notice of such adjourned meeting in accordance with these Bylaws, and shall give notice of the adjourned meeting to each stockholder of record entitled to vote at such adjourned meeting as of the record date fixed for notice of such adjourned meeting. At any such adjourned meeting at which the requisite quorum shall be represented, any business may be transacted that might have been transacted at the meeting as originally noticed.

SECTION 6. NOTICE OF MEETINGS - Whenever stockholders are required or permitted to take any action at a meeting, notice of the meeting shall be given which notice shall state the place, if any, date and time of the meeting, the means of remote communication, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such meeting, the record date for determining the stockholders entitled to vote at the meeting (if such date is different from the record date for determining stockholders entitled to notice of the meeting), and in the case of a special meeting, the purpose or purposes for which the meeting is called. Unless otherwise required by applicable law (meaning, here and hereinafter, as required from time to time by the Nevada Revised Statutes, as amended from time to time (the " NRS ") or the Articles of Incorporation), the notice of any meeting shall be given not less than ten nor more than sixty days before the date of the meeting to each stockholder entitled to vote at such meeting as of the record date for determining the stockholders entitled to notice of the meeting. The Board of Directors may postpone or reschedule any previously scheduled meeting. Attendance of a stockholder, in person or by proxy, at any meeting shall constitute a waiver of notice of such meeting, except where the stockholder, in person or by proxy, attends a meeting for the express purpose of objecting at the beginning of such meeting to the transaction of any business because the meeting is not lawfully called or convened. Whenever the giving of any notice to Stockholders is required by applicable law, the Articles of Incorporation or these Bylaws, a written waiver, signed by the stockholder entitled to notice, or a waiver by electronic transmission by such stockholder, whether before or after the event as to which such notice is required, shall be deemed equivalent to notice. Neither the business to be transacted at, nor the purposes of, any regular or special meeting of the stockholders need be specified in any waiver of notice.

SECTION 7. VOTING PROCEDURES AND INSPECTORS - The Board of Directors, in advance of any meeting of stockholders, shall appoint one or more inspectors, who may be employees of the Corporation, to act at the meeting and make a written report thereof. The Board of Directors may designate one or more persons as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at a meeting, the person presiding over the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of his or her duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability. The inspectors shall (a) ascertain the number of shares outstanding and the voting power of each, (b) determine the shares present in person or represented by proxy at the meeting and the validity of proxies and ballots, (c) count all votes and ballots, (d) determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspectors and (e) certify their determination of the number of shares present in person or represented by proxy at the meeting and their count of all votes and ballots. The inspectors may appoint or retain other persons or entities to assist the inspectors in the performance of their duties. Unless otherwise provided by the Board of Directors, the date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting shall be determined by the person presiding over the meeting and shall be announced at the meeting. No ballots, proxies, votes or any revocation thereof or change thereto shall be accepted by the inspectors after the closing of the polls unless an appropriate court (as determined in accordance with the mandatory forum provisions of the Articles of Incorporation) upon application by a stockholder shall determine otherwise. In determining the validity and counting of proxies and ballots cast at any meeting of stockholders, the inspectors may consider such information as is permitted by applicable law. No person who is a candidate for office at an election may serve as an inspector at such election.

SECTION 8. CONDUCT OF MEETINGS - The Board of Directors may adopt such rules and procedures for the conduct of stockholder meetings as it deems appropriate. At each meeting of stockholders, unless the Board of Directors otherwise provides, the Chief Executive Officer or, in the absence of the Chief Executive Officer, the Chairman of the Board or, if the Chairman of the Board is absent, the most senior officer of the Corporation present, shall preside over the meeting. Except to the extent inconsistent with any rules and procedures adopted by the Board of Directors, the person presiding over the meeting of stockholders shall have the right and authority to convene, adjourn and reconvene the meeting from time to time, to prescribe such additional rules and procedures and to do all such acts as, in the judgment of such person, are appropriate for the proper conduct of the meeting. Such rules and procedures, whether adopted by the Board of Directors or prescribed by the person presiding over the meeting, may include, (a) the establishment of an agenda or order of business for the meeting, (b) rules and procedures for maintaining order at the meeting and the safety of those present, (c) limitations on attendance at or participation in the meeting to stockholders of record of the Corporation, their duly authorized and constituted proxies or such other persons as the person presiding over the meeting shall determine, (d) restrictions on entry to the meeting after the time fixed for the commencement thereof and (e) limitations on the time allotted to questions or comments by participants. The order of business at all meetings of stockholders shall be as determined by the person presiding over the meeting. The person presiding over any meeting of stockholders, in addition to making any other determinations that may be appropriate to the conduct of the meeting, may determine and declare to the meeting that a matter or business was not properly brought before the meeting and, if such presiding person should so determine, he or she shall so declare to the meeting and any such matter or business not properly brought before the meeting shall not be transacted or considered. Unless and to the extent determined by the Board of Directors or the person presiding over the meeting, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure. The Secretary or, in his or her absence, one of the Assistant Secretaries, shall act as secretary of the meeting. If none of the officers above designated to act as the person presiding over the meeting or as secretary of the meeting shall be present, a person presiding over the meeting or a secretary of the meeting, as the case may be, shall be designated by the Board of Directors and, if the Board of Directors has not so acted, in the case of the designation of a person to act as secretary of the meeting, designated by the person presiding over the meeting.

SECTION 9. NOTICE OF DIRECTOR NOMINATIONS AND STOCKHOLDER BUSINESS -

(a) At any meeting of stockholders, only persons nominated in accordance with the procedures set forth in this Section 9 shall be eligible and qualified for election as Directors, and only business that has been properly brought before the meeting in accordance with the procedures set forth in this Section 9 shall be conducted. For persons nominated for election as Directors to be eligible and qualified for election and for businesses to be properly brought before a meeting, the nomination must be made or the business must be brought, as applicable, (i) by or at the direction of the Board of Directors or any committee thereof or
(ii) by any stockholder who is a stockholder of record at the time of the giving of the notice provided for in this Section 9 , who is entitled to vote at the meeting and who complies with the notice requirements and other provisions set forth in this Section 9 . Subject to Section 9(f) , Section 9(a)(ii) is the exclusive means by which a stockholder may nominate persons for election as Directors or bring business before a meeting of stockholders. Any nomination made in accordance with Section 9(a)(ii) is referred to as a " Stockholder Nomination " and any business brought in accordance with Section 9(a)(ii) is referred to as " Stockholder Business ". Notwithstanding anything to the contrary in this Section 9(a) , the business transacted at any special meeting of stockholders shall be limited to the purpose(s) stated in the notice of the meeting sent by or on behalf of the Corporation, stockholders shall not be permitted to propose Stockholder Business at and special meeting of stockholders, and Stockholder Nominations shall be permitted in connection with special meetings only if the election of Directors is among the purposes stated in the notice of the meeting sent by or on behalf of the Corporation and the Stockholder Nomination otherwise complies with the provisions of this Section 9 .

(b) Subject to Section 9(f) , all Stockholder Nominations and proposals of Stockholder Business must be made by timely notice thereof in proper written form to the Secretary of the Corporation and, in the case of proposals of Stockholder Business, must constitute a proper matter for stockholder action.

(i) To be timely in the case of an annual meeting of stockholders, a stockholder's notice must be sent and received by the Secretary at the principal executive offices of the Corporation not later than 5:00 p.m., Pacific Time, on the ninetieth (90th) day, nor earlier than 5:00 p.m., Pacific Time, on the one hundred twentieth (120th) day, prior to the first anniversary of the date of the immediately preceding annual meeting; provided , however , that if (1) the date of the annual meeting is more than thirty (30) days earlier or more than sixty (60) days later than such anniversary date, (2) no annual meeting was held in the

immediately preceding year or (3) in the case of the Corporation's first annual meeting of stockholders as a corporation with a class of equity security registered under the Securities Exchange Act of 1934, as amended (the " Exchange Act "), then the notice by the stockholder to be timely must be so sent and received (A) not earlier than 5:00 p.m., Pacific Time, on the one hundred twentieth (120th) day prior to such annual meeting and (B) not later than 5:00 p.m., Pacific Time, on the later of the ninetieth (90th) day prior to such annual meeting and the tenth (10th) day following the day on which public announcement of the date of such meeting is first made by the Corporation. Notwithstanding anything to the contrary in this Section 9(b)(i) , if the number of Directors to be elected to the Board of Directors at a meeting of stockholders is increased and there is no public announcement by the Corporation naming the nominees for the additional directorships at least 100 days before the first anniversary of the preceding year's annual meeting, notice of a Stockholder Nomination shall also be considered timely, but only with respect to nominees for the additional directorships, if it is sent and received by the Secretary at the principal executive offices of the Corporation not later than 5:00 p.m., Pacific Time, on the tenth (10th) day following the day on which such public announcement is first made by the Corporation. To be timely in the case of a special meeting of stockholders called for the purpose of electing Directors, a stockholder's notice of a Stockholder Nomination to be timely must be sent and received by the Secretary at the principal executive offices of the Corporation (A) not later than 5:00 p.m., Pacific Time, on the one hundred twentieth (120th) day prior to such special meeting and (B) not later than 5:00 p.m., Pacific Time, on the later of the ninetieth (90th) day prior to such special meeting and the tenth (10th) day following the day on which public announcement of the date of such meeting is first made by the Corporation. In no event shall the public announcement of an adjournment or postponement of any annual or special meeting commence a new time period (or extend any time period) for the giving of a stockholder notice as described herein.

(ii) To be in proper written form, a stockholder's notice to the Secretary shall set forth in writing
(1) in the case of a Stockholder Nomination, as to each person whom the stockholder proposes to nominate for election as a Director, (A) all information relating to such person that is required to be disclosed in solicitations of proxies for election of Directors, or is otherwise required, in each case pursuant to Regulation 14A under the Exchange Act (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
(B) a completed signed questionnaire, representation and agreement required by Article III , Section 11 ; (2) as to any Stockholder Business, a brief description of the Stockholder Business, the text of the proposal or business (including the complete text of any resolutions proposed for consideration or any amendment to any Corporation document intended to be presented at the meeting), the reasons for conducting such Stockholder Business at the annual meeting and any material interest in the Stockholder Business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and (3) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (A) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner, (B) (I) the class or series and number of shares of the Corporation which are, directly or indirectly, owned beneficially and of record by such stockholder, such beneficial owner, and their respective affiliates, associates and any others acting in concert therewith, (II) any option, warrant, convertible security, stock appreciation right, or similar right with an exercise or conversion privilege or a settlement payment or mechanism at a price related to any class or series of shares of the Corporation or with a value derived in whole or in part from the value of any class or series of shares of the Corporation, any derivative or synthetic arrangement having the characteristics of a long position in any class or series of shares of the Corporation, or any contract, derivative, swap or other transaction or series of transactions designed to produce economic benefits and risks that correspond substantially to the ownership of any class or series of shares of the Corporation, including due to the fact that the value of such contract, derivative, swap or other transaction or series of transactions is determined by reference to the price, value or volatility of any class or series of shares of the Corporation, whether or not such instrument, contract or right shall be subject to settlement in the underlying class or series of capital stock of the Corporation or otherwise, through the delivery of cash or other property, or otherwise, and without regard of whether such stockholder, beneficial owner, or any affiliates, associates or others acting in concert therewith may have entered into transactions that hedge or mitigate the economic effect of such instrument, contract or right (any of the foregoing, a " Derivative Instrument ") directly or indirectly owned beneficially by such stockholder, beneficial owner, or any affiliates, associates or others acting in concert therewith and any other direct or indirect opportunity to profit or share in any profit derived from any increase or decrease in the value of shares of the Corporation, (III) any proxy, contract, arrangement, understanding, or relationship pursuant to which such stockholder or beneficial owner has a right to vote any shares of the

Corporation, (IV) any contract, arrangement, understanding, relationship or otherwise, including any repurchase or similar so-called "stock borrowing" agreement or arrangement, engaged in, directly or indirectly, by such stockholder or beneficial owner, the purpose or effect of which is to mitigate loss to, reduce the economic risk (of ownership or otherwise) of any class or series of the shares of the Corporation by, manage the risk of share price changes for, or increase or decrease the voting power of, such stockholder or beneficial owner with respect to any class or series of the shares of the Corporation, or which provides, directly or indirectly, the opportunity to profit or share in any profit derived from any decrease in the price or value of any security of the Corporation (any of the foregoing, a " Short Interest "), (V) any rights to dividends on the shares of the Corporation owned beneficially by such stockholder or beneficial owner that are separated or separable from the underlying shares of the Corporation, (VI) any proportionate interest in shares of the Corporation or Derivative Instruments held, directly or indirectly, by a general or limited partnership in which such stockholder or beneficial owner is a general partner or, directly or indirectly, beneficially owns an interest in a general partner of such general or limited partnership, (VII) any performance-related fees (other than an asset-based fee) that such stockholder or beneficial owner is entitled to, based on any increase or decrease in the value of shares of the Corporation or Derivative Instruments, if any, as of the date of such notice, including without limitation any such interests held by members of such stockholder's or beneficial owner's immediate family sharing the same household, (VIII) any significant equity interests or any Derivative Instruments or Short Interests in any principal competitor of the Corporation held by such stockholder or beneficial owner and (IX) any direct or indirect interest of such stockholder or beneficial owner in any contract with the Corporation, any affiliate of the Corporation or any principal competitor of the Corporation (including, in any such case, any employment agreement, collective bargaining agreement or consulting agreement),

(X) any other information relating to such stockholder and beneficial owner that would be required to be disclosed in a proxy statement and form of proxy or other filings required to be made in connection with solicitations of proxies for, as applicable, the Stockholder Business and/or Stockholder Nomination in a contested election pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder, (C) a representation that the stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such Stockholder Business and/or Stockholder Nomination, as applicable and (D) a representation whether the stockholder or the beneficial owner intends to solicit proxies in support of such Stockholder Business and/or Stockholder Nomination, as applicable, including whether such stockholder or beneficial owner intends to deliver a proxy statement and form of proxy to holders of at least the percentage of the voting power of the Corporation's shares required under applicable law, the Articles of Incorporation or these Bylaws to adopt and/or carry out the Stockholder Business or elect the persons nominated pursuant to the Stockholder Nomination, as applicable. The Corporation may require any person nominated pursuant to a Stockholder Nomination to furnish such other information as the Corporation may reasonably require in order to determine the eligibility of such person to serve as a Director.

(c) Only such persons who are nominated in accordance with the requirements and procedures set forth in this Section 9 and fully comply with Article III , Section 11 shall be eligible and qualified to be elected at an annual or special meeting of stockholders of the Corporation to serve as Directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the requirements set forth in this Section 9 . Except as otherwise provided by law, the person presiding over the meeting shall have the power and duty to determine whether a Stockholder Nomination or Stockholder Business was made or proposed, as the case may be, in accordance with the requirements and procedures set forth in this Section 9 (including whether the stockholder or beneficial owner, if any, on whose behalf the Stockholder Nomination or Stockholder Business is made solicited (or is part of a group which solicited) or did not so solicit, as the case may be, proxies in support of such stockholder's nominee or proposal in compliance with such stockholder's or beneficial owner's representation as required by Section 9(b)(ii)(3)) and, in the event any proposed Stockholder Nomination or Stockholder Business was not so made or proposed in compliance with this Section 9 , to declare that such nomination shall be disregarded or that such proposed business shall not be transacted. Notwithstanding the foregoing provisions of this Section 9 , unless otherwise required by law, if the stockholder (or a qualified representative (as defined below) of the stockholder) does not appear at the annual or special meeting of stockholders of the Corporation to present a Stockholder Nomination or Stockholder Business, such nomination shall be disregarded and such proposed business shall not be transacted, notwithstanding that proxies in respect of such vote may have been received by the Corporation. For purposes of this Section 9 , to be considered a " qualified representative " of the stockholder, a person must be a duly authorized officer, manager or partner of such stockholder or must be authorized by a writing executed by such stockholder or an electronic transmission delivered by such stockholder to act for such stockholder as proxy at the meeting of stockholders and such person must produce such writing or electronic

transmission, or a reliable reproduction of the writing or electronic transmission, at the meeting of stockholders.

(d) For purposes of this Section 9 , " public announcement " shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press, or any comparable or successor national news service or in a document publicly filed by the Corporation with the Securities Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(e) Notwithstanding the foregoing provisions of this Section 9 , a stockholder or beneficial owner, if any, on whose behalf a Stockholder Nomination or Stockholder Business is made shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 9 .

(f) The notice requirements of this Section 9 shall be deemed satisfied with respect to shareholder proposals that have been properly brought under Rule 14a-8 of the Exchange Act and that are included in a proxy statement that has been prepared by the Corporation to solicit proxies for such annual meeting. Further, nothing in this Section 9 shall be deemed to affect any rights of the holders of any Preferred Stock pursuant to any applicable provision of the Articles of Incorporation.

SECTION 10. MEETINGS THROUGH ELECTRONIC COMMUNICATIONS. Unless otherwise restricted by the NRS, the Articles of Incorporation or these Bylaws, Stockholders may participate in a meeting of the stockholders by any means of electronic communications, videoconferencing, teleconferencing or other available technology permitted under the NRS (including, without limitation, a telephone conference or similar method of communication by which all individuals participating in the meeting can hear each other). If any such means are utilized, the Corporation shall, to the extent required under the NRS, implement reasonable measures to (a) verify the identity of each person participating through such means as a stockholder and (b) provide the stockholders a reasonable opportunity to participate in the meeting and to vote on matters submitted to the stockholders, including an opportunity to communicate, and to read or hear the proceedings of the meeting in a substantially concurrent manner with such proceedings. Participation in a meeting pursuant to this Section 10 constitutes presence in person at the meeting.

ARTICLE III DIRECTORS

SECTION 1. POWERS; NUMBER AND TERM - Except as otherwise provided in the Articles of Incorporation, the business and affairs of the Corporation shall be managed under the direction of a Board of Directors. Each Director shall have such voting power as provided in the Articles of Incorporation. The Board of Directors may adopt such rules and procedures, not inconsistent with the Articles of Incorporation, these Bylaws or applicable law, as it may deem proper for the conduct of its meetings and the management of the Corporation. Subject to the Articles of Incorporation and the Stockholders Agreement (as defined in the Articles of Incorporation), the number of directors constituting the entire Board of Directors shall be fixed from time to time by resolution of the Board of Directors, but shall never be less than three (3) nor more than ten (10). The term of each Director shall be as set forth in the Articles of Incorporation. Directors need not be stockholders.

SECTION 2. RESIGNATIONS - Any Director may resign at any time. Such resignation shall be made in writing or by electronic transmission permitted under the NRS, and shall take effect at the time specified therein or, if no time be specified, at the time of its receipt by the Chairman of the Board, the Chief Executive Officer, the President or the Secretary. The acceptance of a resignation shall not be necessary to make it effective.

SECTION 3. NEWLY CREATED DIRECTORSHIPS AND VACANCIES - Subject to the rights of holders of any Preferred Stock to elect or otherwise designate Directors pursuant to the terms of any Preferred Stock Designation (as defined in the Articles of Incorporation), any newly created directorships resulting from an increase in the authorized number of Directors and any vacancies occurring in the Board or Directors, may be filled solely by the affirmative vote of a majority of the voting power of the remaining members of the Board of Directors, although less than a quorum, or a sole remaining Director. A Director so elected shall be elected to hold office until the expiration of the term of office of the Director whom he or she has replaced, and a successor is elected and qualified or the Director's earlier death, resignation, disqualification or removal.

SECTION 4. COMMITTEES - The provisions of this Section 4 shall be subject in all respects to the terms of the

Stockholders Agreement. The Board of Directors may designate one or more committees in accordance with the NRS. Unless the Board of Directors provides otherwise, at all meetings of such committee, the attendance of members of such committee who are entitled to vote a majority of the aggregate number of votes of the total number of Directors who are members of the committee shall constitute a quorum for the transaction of business, and affirmative vote of a majority of the aggregate number of votes of the members present at a meeting at which a quorum is present shall be the act of the committee. Each committee shall keep regular minutes of its meetings. Unless the Board of Directors provides otherwise, each committee designated by the Board of Directors may make, alter and repeal rules and procedures for the conduct of its business. In the absence of such rules and procedures each committee shall conduct its business in the same manner as the Board of Directors conducts its business.

SECTION 5. MEETINGS - Regular meetings of the Board of Directors may be held without notice at such places, if any, and times as shall be determined from time to time by the Board of Directors. Special meetings of the Board of Directors may be called by the Chairman of the Board, the Chief Executive Officer or the President, or by the Secretary if directed by Directors representing a majority of the voting power of the Board of Directors, on at least one day's notice to each Director, and shall be held at such places, if any, and times as may be determined by the person or persons at whose direction the meeting is called. Unless otherwise restricted by the NRS, the Articles of Incorporation or these Bylaws, Directors, or any committee designated by the Board of Directors, may participate in a meeting of the Board of Directors or any committee thereof by any means of electronic communications, videoconferencing, teleconferencing or other available technology permitted under the NRS (including, without limitation, a telephone conference or similar method of communication by which all individuals participating in the meeting can hear each other). If any such means are utilized, the Corporation shall, to the extent required under the NRS, implement reasonable measures to (a) verify the identity of each person participating through such means as a Director or committee member and (b) provide the Directors or committee members a reasonable opportunity to participate in the meeting and to vote on matters submitted to the Board of Directors or such committee, including an opportunity to communicate, and to read or hear the proceedings of the meeting in a substantially concurrent manner with such proceedings. Participation in a meeting pursuant to this Section 5 constitutes presence in person at the meeting. A majority of the aggregate number of votes of the Directors present at any meeting of the Board of Directors, including an adjourned meeting, whether or not a quorum is present, may adjourn and reconvene such meeting to another time and place. At least 24 hours' notice of any adjourned meeting of the Board of Directors shall be given to each Director whether or not present at the time of the adjournment; provided , however , that notice of the adjourned meeting need not be given if (i) the adjournment is for 24 hours or less and (ii) the time, place, if any, and means of remote communication, if any, are announced at the meeting at which the adjournment is taken. Any business may be transacted at an adjourned meeting that might have been transacted at the meeting as originally called. At each meeting of the Board of Directors, the Chairman of the Board or, in his or her absence, another Director selected by the Board of Directors shall preside. Unless the Board of Directors present at a meeting shall select another person to act as secretary of the meeting, the Secretary shall act as secretary at each meeting of the Board of Directors or, in the absence of the Secretary, an Assistant Secretary shall perform the duties of secretary at such meeting or, in the absence of the Secretary and all Assistant Secretaries, the person presiding at the meeting may appoint any person to act as secretary of the meeting.

SECTION 6. NOTICE OF MEETINGS - Except in the case of an adjourned meeting for 24 hours or less as provided in Section 5 above, whenever notice is required to be given to any Director by applicable law, the Articles of Incorporation or these Bylaws, such notice shall be deemed given effectively if given in person or by telephone, mail or electronic mail addressed to such Director at such Director's address or email address, as applicable, as it appears on the records of the Corporation, telecopy or by other means of electronic transmission. Whenever the giving of any notice to Directors is required by applicable law, the Articles of Incorporation or these Bylaws, a written waiver signed by the Director, or a waiver by electronic transmission by such Director, whether before or after such notice is required, shall be deemed equivalent to notice. Attendance by a Director at a meeting shall constitute a waiver of notice of such meeting except when the Director attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business on the ground that the meeting was not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special Board of Directors or committee meeting need be specified in any waiver of notice.

SECTION 7. QUORUM - Unless otherwise provided in the Articles of Incorporation, the attendance of members of the Board of Directors who then possess a majority of the voting power of all of the Directors then in office shall constitute a quorum for the transaction of business of the Board of Directors.

SECTION 8. VOTING - Subject to the Stockholders Agreement and the Articles of Incorporation, the affirmative vote of a majority of the voting power of all of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

SECTION 9. COMPENSATION - Unless otherwise restricted by the Articles of Incorporation or these Bylaws, the Board of Directors shall have the authority to fix the compensation, including fees and reimbursement of expenses, of Directors for services to the Corporation in any capacity.

SECTION 10. ACTION WITHOUT MEETING - Any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting if a written consent thereto is signed by all members of the Board of Directors or of such committee, as the case may be, and such written consent is filed with the minutes of proceedings of the Board of Directors or such committee.

SECTION 11. NOMINEE QUALIFICATIONS - To be eligible to be a nominee for election or reelection as a Director, a person must deliver (in accordance with the time periods prescribed for delivery of notice of Stockholder Nominations in Article II , Section 9) to the Secretary at the principal executive offices of the Corporation (a) a completed and signed written questionnaire with respect to the background and qualification of such person and the background of any other person or entity on whose behalf the nomination is being made (which questionnaire shall be provided by the Secretary upon written request), (b) information necessary to permit the Board of Directors to determine if the nominee (i) is independent under applicable listing standards, any applicable rules of the Securities and Exchange Commission and any publicly disclosed standards used by the Board of Directors in determining and disclosing the independence of the Directors, (ii) qualifies as an "outside director" for the purposes of Section 162(m) of the Internal Revenue Code (or any successor provision), (iii) is not or has not been, within the past three years, an officer or director of a competitor, as defined in Section 8 of the Clayton Antitrust Act of 1914, as amended, or (iv) is not a named subject of a pending criminal proceeding (excluding traffic violations and other minor offenses) or has been convicted in a criminal proceeding within the past ten years and (c) a written representation and agreement (in the form provided by the Secretary upon written request) that such nominee (i) is not and will not become a party to (A) any agreement, arrangement or understanding with, and has not given any commitment or assurance to, any person or entity as to how such nominee, if elected as a Director, will act or vote on any issue or action (a " Voting Commitment ") that has not been disclosed to the Corporation or (B) any Voting Commitment that could limit or interfere with such nominee's ability to comply, if elected as a Director, with such nominee's fiduciary duties under applicable law, (ii) is not and will not become a party to any agreement, arrangement or understanding with any person or entity other than the Corporation with respect to any direct or indirect compensation, reimbursement or indemnification in connection with service or action as a Director that has not been disclosed therein, (iii) would be in compliance, if elected as a Director, and will comply with all applicable publicly disclosed corporate governance, conflict of interest, confidentiality and stock ownership and trading policies and guidelines of the Corporation and (iv) currently intends to serve as a Director for the full term for which he or she is standing for election.

ARTICLE IV OFFICERS

SECTION 1. OFFICERS - The officers of the Corporation shall be a Chief Executive Officer, a President, a Treasurer and a Secretary, all of whom shall be elected by the Board of Directors and shall hold office until their successors are duly elected and qualified. In addition, the Board of Directors may elect a Chairman of the Board as well as such Executive Vice Presidents, Vice Presidents, Assistant Secretaries and Assistant Treasurers as they may deem proper. Any number of the above offices may be held by the same person. The Board of Directors may appoint such other officers and agents as it may deem advisable, who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors.

SECTION 2. CHAIRMAN OF THE BOARD - The Chairman of the Board, if elected by the Board of Directors, shall have such powers and duties as may be prescribed by the Board of Directors. Such officer shall preside at all meetings of the Board of Directors.

SECTION 3. CHIEF EXECUTIVE OFFICER - The Chief Executive Officer shall have the general powers and duties of supervision and management usually vested in the office of Chief Executive Officer of a corporation and perform such other duties as may be assigned to him or her by the Board of Directors. The Chief Executive Officer shall have the power to execute bonds, mortgages and other contracts on behalf of the Corporation, and to cause the seal of the Corporation to be affixed to any instrument requiring it, and when so affixed the seal shall be attested to by the signature of the Secretary or the Treasurer or an Assistant Secretary or an Assistant Treasurer.

SECTION 4. PRESIDENT - The President shall be the Chief Operating Officer of the Corporation. He or she shall have the general powers and duties of supervision and management usually vested in the office of President of a corporation and

perform such other duties as may be assigned to him or her by the Board of Directors or the Chief

Executive Officer. The President shall have the power to execute bonds, mortgages and other contracts on behalf of the Corporation, and to cause the seal to be affixed to any instrument requiring it, and when so affixed the seal shall be attested to by the signature of the Secretary or the Treasurer or an Assistant Secretary or an Assistant Treasurer.

SECTION 5. EXECUTIVE VICE PRESIDENTS - Each Executive Vice President, if elected by the Board of Directors, shall have such powers and shall perform such duties as shall be assigned to him or her by the Chief Executive Officer, President or Board of Directors.

SECTION 6. VICE PRESIDENTS - Each Vice President, if elected by the Board of Directors, shall have such powers and shall perform such duties as shall be assigned to him or her by the Chief Executive Officer, President, an Executive Vice President or Board of Directors.

SECTION 7. TREASURER - The Treasurer shall be the Chief Financial Officer of the Corporation. He or she shall have the custody of the Corporate funds and securities and shall keep full and accurate account of receipts and disbursements in books belonging to the Corporation. He or she shall deposit all moneys and other valuables in the name and to the credit of the Corporation in such depositaries as may be designated by the Board of Directors. He or she shall disburse the funds of the Corporation as may be ordered by the Board of Directors, the Chief Executive Officer or the President, taking proper vouchers for such disbursements. He or she shall render to the Chief Executive Officer, the President and Board of Directors at the regular meetings of the Board of Directors, or whenever any of them may request it, an account of all his or her transactions as Treasurer and of the financial condition of the Corporation. If required by the Board of Directors, he or she shall give the Corporation a bond for the faithful discharge of his or her duties in such amount and with such surety as the Board of Directors shall prescribe.

SECTION 8. SECRETARY - The Secretary shall give, or cause to be given, notice of all meetings of stockholders and of the Board of Directors and all other notices required by law or by these Bylaws, and in case of his or her absence or refusal or neglect so to do, any such notice may be given by any person thereunto directed by the Chief Executive Officer or the President, or by the Board of Directors, upon whose request the meeting is called as provided in these Bylaws. He or she shall record all the proceedings of the meetings of the Board of Directors, any committees thereof and the stockholders of the Corporation in a book to be kept for that purpose, and shall perform such other duties as may be assigned to him or her by the Board of Directors, the Chief Executive Officer or the President. He or she shall have the custody of the seal of the Corporation and shall affix the same to all instruments requiring it, when authorized by the Board of Directors, the Chief Executive Officer or the President, and attest to the same.

SECTION 9. ASSISTANT TREASURERS AND ASSISTANT SECRETARIES - Assistant Treasurers and
Assistant Secretaries, if any, shall be elected and shall have such powers and shall perform such duties as shall be assigned to them, respectively, by the Board of Directors.

SECTION 10. ACTIONS WITH RESPECT TO SECURITIES OF OTHER ENTITIES - All stock and other
securities of other entities owned or held by the Corporation for itself, or for other parties in any capacity, shall be voted (including by written consent), and all proxies with respect thereto shall be executed, by the person or persons authorized to do so by resolution of the Board of Directors or, in the absence of such authorization, by the Chairman of the Board, the Chief Executive Officer or the President.

ARTICLE V MISCELLANEOUS

SECTION 1. STOCK CERTIFICATES - The shares of stock of the Corporation shall be represented by certificates; provided , that the Board of Directors may provide by resolution or resolutions that some or all of any or all classes or series of its stock shall be uncertificated shares. If any shares are represented by certificates, such certificates shall be in the form approved by the Board of Directors. Every holder of stock represented by certificates shall be entitled to have a certificate signed by, or in the name of, the Corporation by any two authorized officers of the Corporation. Any or all such signatures may be facsimiles. Although any officer, transfer agent or registrar whose manual or facsimile signature is affixed to such a certificate ceases to be such officer, transfer agent or registrar before such certificate has been issued, it may nevertheless be issued by the Corporation with the same effect as if such officer, transfer agent or registrar were still such at the date of its issue. The Corporation may issue a new certificate of stock in the place of any certificate theretofore issued by it, alleged to

have been lost, stolen or destroyed, and the Corporation may require the owner of the lost, stolen or destroyed certificate or his legal representative to give the Corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate.

SECTION 2. STOCKHOLDERS RECORD DATE -

(a) For the purpose of determining the stockholders entitled to notice of any meeting of stockholders or any adjournment thereof, unless otherwise required by the Articles of Incorporation or applicable law, the Board of Directors may fix a record date (the " Notice Record Date "), which record date shall not precede the date on which the resolution fixing the record date was adopted by the Board of Directors and shall not be more than 60 nor less than ten days before the date of such meeting. The Notice Record Date shall also be the record date for determining the stockholders entitled to vote at such meeting unless the Board of Directors determines, at the time it fixes such Notice Record Date, that a later date on or before the date of the meeting shall be the date for making such determination (the " Voting Record Date "). If no such record date is fixed, the record date for determining stockholders entitled to notice of and to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. When a determination of stockholders of record entitled to notice of or to vote at any meeting of stockholders has been made as provided in this Section 2(a) , such determination shall apply to any adjournment thereof, unless the Board of Directors fixes a new Voting Record Date for the adjourned meeting, in which case the Board of Directors shall also fix such Voting Record Date or a date earlier than such date as the new Notice Record Date for the adjourned meeting.

(b) For the purposes of determining the stockholders entitled to express consent to corporate action in writing without a meeting, unless otherwise required by the Articles of Incorporation or applicable law, the Board of Directors may fix a record date, which record date shall not precede the date on which the resolution fixing the record date was adopted by the Board of Directors and shall not be more than ten days after the date on which the record date was fixed by the Board of Directors. If no such record date is fixed, the record date for determining stockholders entitled to express consent to corporate action in writing without a meeting (unless otherwise provided in the Articles of Incorporation), when no prior action by the Board of Directors is required by applicable law, shall be the first day on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation in accordance with applicable law and, when prior action by the Board of Directors is required by applicable law, the record date for determining stockholders entitled to express consent to corporate action in writing without a meeting shall be at the close of business on the date on which the Board of Directors takes such prior action.

(c) For the purposes of determining the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights, exercise any rights in respect of any change, conversion or exchange of stock or take any other lawful action (collectively, " Other Actions "), unless otherwise required by the Articles of Incorporation or applicable law, the Board of Directors may fix a record date, which record date shall not precede the date on which the resolution fixing the record date was adopted by the Board of Directors and shall not be more than 60 days prior to such Other Action. If no such record date is fixed, the record date for determining stockholders for Other Actions shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

SECTION 3. REGISTERED STOCKHOLDERS - The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Nevada.

SECTION 3. DIVIDENDS AND OTHER DISTRIBUTIONS - Subject to the provisions of the Articles of Incorporation, the Board of Directors may, out of funds legally available therefor at any regular or special meeting, declare and cause to be paid dividends or other distributions (as defined in NRS 78.191) on the stock of the Corporation as and when they deem appropriate. Before declaring any dividend or distribution there may be set apart out of any funds of the Corporation available for dividends, such sum or sums as the Board of Directors from time to time in their discretion deem proper for working capital or as a reserve fund to meet contingencies or for such other purposes as the Board of Directors shall deem conducive to the interests of the Corporation.

SECTION 4. SEAL - The corporate seal of the Corporation shall be in such form as shall be determined by resolution of

the Board of Directors. Such seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise imprinted upon the subject document or paper.

SECTION 5. FISCAL YEAR - The fiscal year of the Corporation shall be determined by resolution of the Board of Directors.

SECTION 6. CHECKS - All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Corporation shall be signed by such officer or officers, or agent or agents, of the Corporation, and in such manner as shall be determined from time to time by resolution of the Board of Directors.

SECTION 7. NOTICE AND WAIVER OF NOTICE -Whenever any notice is required to be given under these Bylaws, personal notice is not required unless expressly so stated, and any notice so required shall be deemed to be sufficient if given by depositing the same in the United States mail, postage prepaid, addressed to the person entitled thereto at his or her address as it appears on the records of the Corporation, and such notice shall be deemed to have been given on the day of such mailing. Stockholders not entitled to vote shall not be entitled to receive notice of any meetings except as otherwise provided by law.

SECTION 8. FORM OF RECORDS - Subject to any requirements or limitations under applicable law, any records maintained by or on behalf of the Corporation in the regular course of its business, including its stock ledger, books of account and minute books, may be maintained on any information storage device, method or one or more electronic networks or databases (including one or more distributed electronic networks or databases). The Corporation shall convert any records so kept into clearly legible paper form upon the request of any person entitled to inspect such records pursuant to applicable law.

SECTION 9. CERTAIN DEFINITIONS - As used in these Bylaws, unless the context otherwise requires, the term:

(a) " Articles of Incorporation " means the Articles of Incorporation of the Corporation as amended and otherwise in effect from time to time, including any certificates of designation with respect to any Preferred Stock.

(b) " Board of Directors " means the Board of Directors of the Corporation.

(c) " Corporation " means PlayAGS, Inc.

(c) " Director " means a director of the Corporation.

(a) " law " means any U.S. or non-U.S., federal, state or local law (statutory, common or otherwise), constitution, treaty, convention, ordinance, code, rule, regulation, order, injunction, judgment, decree, ruling or other similar requirement enacted, adopted, promulgated or applied by a governmental authority (including any department, court, agency or official, or non-governmental self-regulatory organization, agency or authority and any political subdivision or instrumentality thereof).

(b) " stockholder " means a stockholder of record of the Corporation.

ARTICLE VI AMENDMENTS

These Bylaws may be altered, amended or repealed in accordance with the Articles of Incorporation and the NRS, subject to the Stockholders Agreement (as long as such agreement is in effect).

ARTICLE VII
ACQUISITION OF CONTROLLING INTEREST STATUTES

In accordance with the provisions of NRS 78.378, the provisions of NRS 78.378 to 78.3793, inclusive, as amended from time to time, or any successor statutes, relating to acquisitions of controlling interests in the Corporation, shall not apply to any acquisition of any shares of the Corporation's capital stock by (a) any member of the Apollo Group (as defined in the Articles of Incorporation) or (b) any direct transferee of shares of the Corporation's capital stock from any member of the Apollo Group and the controlled affiliates of such direct transferee.

* * * *

Exhibit 10.13

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT is made as of this 1st day of September, 2018, by and between AGS, LLC, a Delaware limited liability company ("AGS" or the "Company"), and **SIGMUND LEE** ("Executive"). The Company desires to continue employment with Executive and the Executive accepts employment on the following terms and conditions. This Agreement supersedes and replaces any previous agreements, express or implied, between the parties concerning employment including but not limited to both the Employment Agreement entered July 1, 2015 and the First Amendment to July 1, 2015 Employment Agreement dated January 14, 2016, except with regard to the final AIP Bonus payment referenced in Section 2 of the otherwise superseded First Amendment to July 1, 2015 Employment Agreement and except as to the written agreements executed by the Parties with respect to Executive's equity shares in the Company.

1. EMPLOYMENT AND DUTIES OF EXECUTIVE

1.1 **Employment.** The Company agrees to employ Executive in the position of **Chief Technology Officer** . Executive agrees to perform those responsibilities assigned by the Company and render services necessary to protect and advance the best interests of the Company.

1.2 **Performance of Duties.** Executive agrees to perform Executive's duties and obligations well and faithfully and to the utmost of Executive's ability. Executive agrees to devote full business time, attention, skill and effort to the performance of the duties and responsibilities the Company may assign from time to time. Executive will also comply with all Company rules, regulations and policies.

1.3 **Conflict of Interest.** Executive may not, during the term of employment, engage in any other activity, if it conflicts or interferes with or adversely affects in any material respect the performance or discharge of Executive's duties and responsibilities. Executive agrees that he will not engage in any other gainful employment, business or activity without the written consent of the Company.

2. AT-WILL EMPLOYMENT

Executive is employed at will. That means Executive may leave the employ of the Company, and the Company may terminate Executive's employment at any time, for any reason, with or without cause. Executive understands and agrees that there are no express or implied agreements to the contrary and that this Section cannot be amended or altered by any practice or oral statement made to Executive. This Section may only be altered by a written instrument signed by Executive and the Company specifically referring to this section of the Agreement.

3. COMPENSATION

3.1 **Base Salary.** During employment, the Company agrees to pay Executive, as compensation for all services to be rendered a base salary of **$600,000** per employment year ("Base Salary"). The Base Salary will be paid in substantially equal payments pursuant to the payroll practices of the Company, less deductions or amounts required by law, deductions for contributions for benefits, and other deductions authorized by Executive. The Base Salary will be prorated for the month in which employment commences or terminates, and for any employment year less than twelve (12) months in duration. The Base Salary will be reviewed by the Company and may be increased from time to time by the Company in its absolute discretion. Executive's Base Salary may only be decreased if a Company-wide decrease is implemented for all senior leadership positons and in such an event may only be decreased by the same proportion used for all senior leaders.

4. BONUS AND BENEFITS

4.1 **Bonus.** Executive is eligible to participate in the Company's Managerial Bonus Plan ("Plan") at the C-Suite level subject to the terms and conditions specified in the Plan document. The CEO will have the sole discretion

to set Executive's annual target bonus under the Plan but in no event will it be set at less than 75% of Base Salary if 100% of target is achieved. The Company maintains the absolute discretion to prospectively modify, amend or eliminate the Plan. Bonus eligibility under the Plan is dependent on active employment status at the time of bonus payout.

In exchange for Executive's commitment to remain employed with the Company for a three-year period commencing September 1, 2018 (the "Stay Period"), Executive will also be eligible to participate in the Annual Incentive Program ("AIP") which entitles Executive to three (3) annual AIP bonus payments in the gross amount of $450,000 each, less all required withholding and deductions ("AIP Bonus Payment"). Executive's annual AIP Bonus Payment will be paid in the first quarter of the fiscal year, at the same time that the Company pays all employees their annual bonuses. The AIP Bonus Payments collectively will be considered payment for Executive's three-year commitment to remain employed during the Stay Period. In order to earn the AIP Bonus Payment for any year, Executive must satisfy all of the following conditions:

Be actively employed by AGS at the time payment is due to be paid; and
Be satisfactorily performing Executive's job duties or other duties.

Should Executive resign without Good Reason or be terminated by the Company for Cause (as defined in Sections 5.3 and 5.4) prior to the expiration of the Stay Period, Executive will be obligated to immediately repay to the Company the net amount (after taxes) of any AIP Bonus Payment paid to him in the current fiscal year pursuant to this Agreement. For purposes of clarity, Executive will receive the third and final AIP bonus payment referenced in Section "2" of the superseded First Amendment to July 1, 2015 Employment Agreement during March 2019 at the same time that the Company pays all employees their annual bonuses. Executive will receive the first AIP Bonus Payment provided for in this Agreement at that same time. Executive agrees that this section in no way alters the at-will nature of the employment relationship between himself and the Company.

4.2 **Benefits** . Executive will receive vacation, health, dental, and other benefits under the established plans and programs of the Company to the extent Executive is eligible for participation based on applicable eligibility criteria determined by the Company for all senior leadership positions. The Company maintains the absolute discretion to modify, amend or eliminate all employee benefits plans and programs.

4.3 **Sign-On Bonus.** AGS agrees to pay Executive a one-time sign-on bonus in the gross amount of $500,000 ("Sign-On Bonus"), less all required withholding and deductions, paid on or before 15 days from the execution of this document by Executive. This Sign-On Bonus is in addition to, and not considered part of, Executive's Base Salary or other bonus compensation that he may be eligible for under the Employment Agreement. If Executive resigns his employment without Good Reason at any time during the Stay Period referenced in Section 4.1 of this Agreement, Executive agrees to immediately pay back to the Company the net amount (after taxes) of the Sign-On Bonus paid to him, within thirty (30) days of such termination date. Executive and Company agree that the Sign-On Bonus is not fully earned by Executive unless he remains actively employed by the Company during the entire Stay Period, unless he is terminated earlier by the Company or resigns for Good Reason (in which case, to be clear, the Sign-On Bonus would be deemed fully earned by Executive).

4.4 **Stock Options/Equity.** Nothing in this Agreement is intended to alter, amend, or diminish any rights Executive currently has under any plan or agreement relating to stock or stock options previously granted to Executive.

5. SEVERANCE OBLIGATION UPON TERMINATION OF EMPLOYMENT

5.1 **Termination for Cause, Death or Disability.** If Executive's employment is terminated for Cause, as defined in Section 5.3 of this Agreement, or due to the death or disability of Executive, Executive will be entitled to receive only the unpaid portion of Base Salary accrued to the termination date and all of Executive's rights to compensation under this Agreement will terminate as of that termination date. "Disability" shall mean the absence of Executive from Executive's duties with the Company on a full-time basis for 90 business days within a one-year period as a result of incapacity due to physical or mental illness that is determined to be permanent by a physician selected by the Company or its insurers who is also reasonably acceptable to Executive or Executive's legal representative.

5.2 **Termination Without Cause.** Notwithstanding that Executive remains an at-will employee of the Company at all times, if the Company terminates Executive's employment without Cause, Executive will be entitled to receive the unpaid portion of Base Salary accrued to the termination date. In addition, subject to the signing by Executive of a general release of all claims against the Company in a form and manner satisfactory to the Company and subject to Executive's compliance with post-termination obligations and restrictive covenants set forth in Section 6 of this Agreement (including its subparts), Executive will be entitled to receive severance pay equal to Executive's Base Salary over an eighteen (18) month severance period which shall be paid in substantially equal payments over 18 months pursuant to the payroll practices of the Company, along with the pro-rated Managerial Bonus Plan payment for the year in which Executive is terminated at the same time that the Company pays all employees their annual bonuses (collectively the "Severance Payment"). In addition, in the event a Change of Control occurs and Executive is terminated without Cause on or within twenty-four (24) months of such a Change of Control and Executive has otherwise satisfied the prerequisites to receipt of severance set forth in this Section, Executive shall be entitled to the Severance Payment except that the severance amount will be equal to Executive's Base Salary over a twenty-four (24) month period rather than eighteen (18) months of severance pay, to be paid over 24 months pursuant to the payroll practices of the Company. The following shall apply to Executive's Severance Payment: (A) The Severance Payment described above shall be made at the time and in the manner described; (B) the time and manner of the Severance Payment that are not exempt from Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), by reason of the regulatory exemptions for short-term deferrals and certain separation pay plans shall not be modified except to the extent such modification is permitted under Code Section 409A; and (C) no payments of severance that are not exempt from Code Section 409A shall be paid during the six month period following Executive's separation from service and shall, instead, be paid on the first day of the seventh month following Executive's separation from service to the extent such a delay is required to avoid a violation of Code Section 409A. A "Change of Control" means:

(i) a merger, amalgamation, arrangement, consolidation of the Company with or into another entity, or any other corporate reorganization or other business combination involving the Company (a "Business Combination"), if as a result of such Business Combination more than 50% of the combined voting power of the continuing or surviving entity's securities outstanding immediately afterwards are owned by persons who were not shareholders of the Company immediately prior to such Business Combination;

(ii) the exercise of the voting power of all or any shares of the Company so as to cause or result in the election of a majority of directors of the Company who were not directors of the Company prior to such election;

(iii) a tender offer, an exchange offer, a take-over bid or any other offer or bid by an entity, person or group (other than the Company, or a wholly owned subsidiary of the Company) which results in the ownership by such entity, person or group of persons acting in concert of more than 50% of the issued and outstanding voting shares of the Company; or

(iv) the sale, transfer or disposition by the Company of all or substantially all of the assets of the Company.

(v) An event will not constitute a Change of Control if its sole purpose is to change the jurisdiction of the Company or to create a holding company, partnership or trust that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such event. Additionally, a Change of Control will not be deemed to have occurred, with respect to Executive, if Executive is part of a purchasing group that consummates the Change of Control or, in the case of paragraph (ii) above, Executive initiates the election of the new directors.

This paragraph in no way limits payments that may be due under Company sponsored benefit plans.

5.3 **Definition of Cause.** "Cause" means that Executive committed any of the following acts and/or omissions:

(i) failure or inability to perform the essential functions of Executive's position after written notice and thirty (30) days to cure;

(ii) failure to cure a material breach of any of the terms of this Agreement after written notice and thirty (30) days to cure;

(iii) being charged with or convicted of a crime involving fraud, theft, embezzlement, assault, battery or other violent act or another crime involving dishonesty, violence or moral turpitude;

(iv) declining to follow any significant and legal instruction from the Company after written notice and thirty (30) days to cure;

(v) failure to maintain or having suspended, revoked or denied any applicable or necessary license, permit or professional designation, or where the Company has reasonably determined that Executive's involvement with AGS may have a negative impact on AGS's ability to receive or retain any of its licenses;

(vi) intentionally declining or failing to follow any known rule or policy of the Company, including as examples only, policies prohibiting discrimination or harassment in the workplace and safety or health rules;

(vii) violation or participation in a violation of a statute or regulation of a federal, state or local government regarding gaming, safety, health, labor or employment; or

(viii) committing any act that constitutes a breach of a fiduciary duty or a duty of loyalty.

5.4 **Definition of Good Reason.** "Good Reason" means any of the following acts:

(i) a Change in Control (as defined in Section 5.2 above) if one or more of the following occurs within twelve (12) months of such Change in Control (a) Executive no longer reports to Chief Executive Officer David Lopez; or (b) a material diminution of Executive's duties; or

(ii) a material diminution of Executive's duties, title, reporting structure, or Base Salary.

6. <u>RESTRICTIVE COVENANTS</u>

6.1 **Confidentiality; Work Product.** The term "Confidential Information" as used in this Agreement means all information disclosed, before or after the execution of this Agreement, by Company to Executive, as well as any information to which Executive has access or that is learned, generated or created by Executive, whether alone or jointly with others. Confidential Information includes, but is not limited to: (i) source code and programming information, including proprietary wireless and portable computer technology software; (ii) licensing and purchasing agreements; (iii) client lists and other client data, supplier lists, pricing information and fee schedules; (iv) employment, management and consulting agreements and other organization information; (v) trade secrets and other proprietary business and management methods; (vi) competitive analysis and strategies; (vii) all other technical, marketing, operational, economic, business, management, or financial knowledge, information or data of any nature whatsoever relating to the business of Company, which has been or may hereafter be learned, generated, created, or otherwise obtained by Executive, alone or jointly with others, whether in written, electronic, oral, or any other form; and (viii) any extracts therefrom. Confidential Information shall not include: (i) information that at the time of disclosure is publicly available, or information which later becomes publicly available through no act or omission of the Executive; (ii) information that Executive independently developed without the use of Company's Confidential Information; or (iii) information disclosed to Executive by a third party

not in violation of any obligations of confidentiality to the Company. Executive agrees to only use Confidential Information for the purpose of performing his duties for the company within the course and scope of employment and will make no use or disclosure of the confidential Information, in whole or in part, for any other purpose. Executive agrees to keep confidential all Confidential Information and to preserve the confidential and proprietary nature of the Confidential Information at all times. In the event that Executive is requested or required by subpoena or court order to disclose any Confidential Information, it is agreed that Executive will provide immediate notice of such request to Company and will use reasonable efforts to resist disclosure, until an appropriate protected order may be sought, or a waiver of compliance with the provisions of this Agreement granted. Upon the termination of Executive's employment with Company for any reason, Executive shall return all Confidential Information and Company property in his possession including, without limitation, all originals, copies, translations, notes, or any other form of said material, without retaining any copy of duplicates thereof, and promptly to delete or destroy any and all written, printed, electronic or other material or information derived from the Confidential Information.

6.2 **Work for Hire.** Executive understands and agrees that, to the extent permitted by law, all work, papers, reports, documentation, drawings, images, product ideas, service ideas, photographs, negatives, tapes and masters thereof, computer programs including their source code and object code, prototypes and other materials (collectively, "Work Product"), including without limitation, any and all such Work Product generated and maintained on any form of electronic media, that Executive generates, either alone or jointly with others, during employment with Company will be considered a "work made for hire," and ownership of any and all copyrights in any all such Work Product will belong to the Company. In the event that any portion of the Work Product should be deemed not to be a "work made for hire" for any reason, Executive hereby assigns, conveys, transfers and grants, and agrees to assign, convey, transfer and grant to Company all of Executive's right, title, and interest in and to the Work Product and any copyright therein, and agrees to cooperate with Company in the execution of appropriate instruments assigning and evidencing such ownership rights. Executive hereby waives any claim or right under "droit moral" or moral rights to object to Company's copyright in or use of the Work Product. Any Work Product not generally known to the public shall be deemed Confidential Information and shall be subject to the use and disclosure restrictions herein.

6.3 **Inventions.** Executive hereby assigns and agrees to assign to Company all of Executive's right, title, and interest in and to any discoveries, inventions and improvements (each an "Invention," and collectively, "Inventions"), whether patentable or not, that Executive makes, conceives or suggests, either alone or jointly with others, while employed by Company. Any Invention that was made, conceived or suggested by Executive, either solely or jointly with others, within one (1) year following termination of employment with Company and that pertains to any Confidential Information or business activity of Company will be irrebuttably presumed to have been made, conceived or suggested in the course of Executive's employment and with the use of the time, materials or facilities of Company. Any Invention not generally known to the public shall be deemed Confidential Information and shall be subject to the use and disclosure restriction herein.

6.4 **Non-competition.** While employed by the Company and for the Restricted Period, Executive shall not (a) provide services that are the same as or similar in function or purpose to the services Executive provided to the Company during the Covered Period; or (b) provide such other services that are otherwise likely or probable to result in the use or disclosure of Confidential Information; to a business whose products and services include products and services offered by the Company during the Covered Period (a "Competitive Business") within any jurisdiction or marketing area in which the Company or any of its subsidiaries is doing business or has invested and established good will in demonstrating an intent to do business during the Covered Period. Executives' ownership of securities of 2% or less of any publicly traded class of securities of a public company shall not violate this Section. The "Restricted Period" shall be the twelve-month period following the date of Executive's termination of employment with Company if termination occurs prior to September 1, 2021 and shall be the six-month period following the date of Executive's termination of employment with Company if terminations occurs after September 1, 2021. The "Covered Period" means the six (6) month period of time immediately preceding the termination of Executive's employment with Company. If Executive's employment terminates prior to September 1, 2021, Executive may elect to shorten the Covered Period to six (6) months if Executive provides written notice of his intent to compete with the Company waiving and relinquishing any right to receive any additional severance

payments provided for in Section 5.2 that would otherwise be due and payable to Executive. In no event shall the Covered Period be less than six (6) months.

6.5 **Non-solicitation.** During the eighteen (18) month period following the date of Executive's termination of employment with Company (the "Non-solicitation Period"), Executive shall not, directly or indirectly, (i) solicit for employment any individual who is then an employee of the Company or its subsidiaries or who was an employee of the Company or its subsidiaries within the Covered Period (a "Covered Employee"), or (ii) contract for, hire or employ any Covered Employee earning at least $100,000 in annualized base compensation as of the Covered Employee's most recent date of employment with the Company. During the Non-solicitation Period, the Executive shall also not take any action that could reasonably be expected to have the effect of encouraging or inducing any employee, representative, officer or director of the Company or any of its subsidiaries to cease his or her relationship with the Company or any of its subsidiaries for any reason. In addition, during the Non-solicitation Period, the Executive shall not, with respect to providing services to a Competitive Business, solicit for business of, any person or entity who is or was a customer of the Company or potential customer with whom the Company had initiated contact, during the Covered Period.

6.6 **Nondisparagement.** At all times during Executive's employment and thereafter, Executive shall refrain from all conduct, verbal or otherwise, that disparages or damages the reputation, goodwill, or standing in the community of Apollo Management VIII, LP ("Apollo"), the Company or any of their respective affiliates.

6.7 **Remedies.** The parties agree that the provision of this Section 6, including its subparts (the "Covenants") have been specifically negotiated by sophisticated parties. Executive acknowledges and agrees that the Covenants are reasonable in light of all of the circumstances, are sufficiently limited to protect the legitimate interests of the Company and its affiliates, impose no undue hardship on Executive, and are not injurious to the public, and further acknowledges and agrees that Executive's breach of the Covenants will cause the Company irreparable harm, which cannot be adequately compensated by money damages, and that if the Company elects to prevent Executive from breaching such provisions by obtaining an injunction against Executive, there is a reasonable probability of the Company's eventual success on the merits. Accordingly, Executive consents and agrees that if the Executive commits any such beach or threatens to commit any breach, the Company shall be entitled to temporary and permanent injunctive relief from a court of competent jurisdiction, without posting any bond or other security and without the necessity of proof of actual damages, in addition to, and not in lieu of, such other remedies as may be available to the Company for such breach, including the recovery of money damages. In the event that the Covenants shall be determined by any court of competent jurisdiction to be unenforceable by reason of their extending for too great a period of time, over too great a geographical area, or by reason of being too extensive or vague in any other respect, they shall be interpreted to extend only over the maximum period of time for which they may be enforceable and/or over the maximum geographical areas as to which they may be enforceable and/or to the maximum extent in all other respects as to which they be enforceable, all as determined by such court in such action.

6.8 **Survival.** The provision of this Section 6 and all of its subparts shall survive termination of employment for any reason.

7. ARBITRATION

The parties agree to resolve any disputes through arbitration in Las Vegas, Nevada. This Section is governed by the Federal Arbitration Act, 9 U.S.C. § 1, et seq., and applies to any dispute brought by either party arising out of or related to Executive's employment including termination of the employment. This Section is intended to apply to the resolution of disputes that otherwise would be resolved in a court of law. The following claims are excluded from coverage by this Section: (1) claims for breach of Section 6, including any of its subparts, seeking specific performance of or injunctive relief; (2) claims that, as a matter of law, may not be subject to mandatory arbitration; and (3) claims that may be adjudicated in small claims court.

Executive specifically acknowledges this provision requires the arbitration of disputes between Executive and the Company and affirmatively agrees to be bound by this provision.

/s/ D.L. **Executive's initials**

8. ATTORNEY FEES

The prevailing party is entitled to an award of attorney fees for litigation or arbitration to enforce this Agreement.

9. SURVIVAL

The provisions of Sections 6, 7, and 10 will survive termination of this Agreement and remain enforceable.

10. SEVERABILITY

The invalidity or unenforceability of any provision of this Agreement will in no way affect the validity or enforceability of any other provisions or subparts.

11. ASSIGNMENT AND SUCCESSORS

Neither this Agreement nor any of Executive's rights or duties may be assigned or delegated by Executive. This Agreement is not assignable by the Company without the consent of Executive, except to a successor in interest or a subsidiary of the Company.

12. ENTIRE AGREEMENT, WAIVER AND OTHER

Except as set forth herein, this Agreement contains the entire agreement of the parties and supersedes all previous agreements written or oral, express or implied, covering the subject matter. No waiver or modification of any of the provisions of this Agreement will be valid unless in writing and signed by the party granting the waiver or modification. This Agreement may not be supplemented except by an instrument in writing signed by both parties.

13. GOVERNING LAW AND VENUE

This Agreement will be governed by and construed in accordance with the laws of the State of Nevada. Any legal suit, action or proceeding setting forth claims excluded from coverage by Section 7 arising out of or relating to this Agreement or Executive's employment with Company shall be instituted in the courts of (including federal courts located in) Clark County, Nevada, and each party irrevocably submits to the exclusive jurisdiction of such courts in any such suit, action or proceeding.

[SIGNATURE PAGE FOLLOWS]

DATED: November 5, 2018 AGS, LLC

By: / s/ DAVID LOPEZ
David Lopez, CEO

EXECUTIVE

DATED: November 5, 2018

/ s/ SIGMUND LEE
SIGMUND LEE

Exhibit 10.16

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT is made as of this 21st day of October, 2018, by and between AGS, LLC, a Delaware limited liability company ("AGS" or the "Company"), and Nicholas Paul Kimokeo Akiona ("Executive"). The Company desires to continue employment with Executive and the Executive accepts employment on the following terms and conditions. This Agreement supersedes and replaces any previous agreements, express or implied, between the parties concerning employment including but not limited to Employment Agreement dated February 23, 2015.

1. EMPLOYMENT AND DUTIES OF EXECUTIVE

1.1 **Employment.** The Company agrees to employ Executive in the position of Chief Financial Officer. Executive agrees to perform those responsibilities assigned by the Company and render services necessary to protect and advance the best interests of the Company.

1.2 **Performance of Duties.** Executive agrees to perform Executive's duties and obligations well and faithfully and to the utmost of Executive's ability. Executive agrees to devote full business time, attention, skill and effort to the performance of the duties and responsibilities the Company may assign from time to time. Executive will also comply with all Company rules, regulations and policies.

1.3 **Conflict of Interest.** Executive may not, during the term of employment, engage in any other activity, if it conflicts or interferes with or adversely affects in any material respect the performance or discharge of Executive's duties and responsibilities. Executive agrees that he will not engage in any other gainful employment, business or activity without the written consent of the Company.

2. AT-WILL EMPLOYMENT

Executive is employed at will. That means Executive may leave the employ of the Company, and the Company may terminate Executive's employment at any time, for any reason, with or without cause. Executive understands and agrees that there are no express or implied agreements to the contrary and that this Section cannot be amended or altered by any practice or oral statement made to Executive. This Section may only be altered by a written instrument signed by Executive and the Company specifically referring to this section of the Agreement.

3. COMPENSATION

3.1 **Base Salary.** During employment, the Company agrees to pay Executive, as compensation for all services to be rendered a base salary of $336,500.00 per employment year ("Base Salary"). The Base Salary will be paid in substantially equal payments pursuant to the payroll practices of the Company, less deductions or amounts required by law, deductions for contributions for benefits, and other deductions authorized by Executive. The Base Salary will be prorated for the month in which employment commences or terminates, and for any employment year less than twelve (12) months in duration. The Base Salary will be reviewed by the Company and may be increased from time to time by the Company in its absolute discretion. Executive's Base Salary may only be decreased if a Company-wide decrease is implemented for all senior leadership positions and in such an event may only be decreased by the same proportion used for all senior leaders.

4. BONUS AND BENEFITS

4.1 **Bonus.** Executive is eligible to participate in the Company's Management Incentive Plan ("Plan") at the C-Suite level subject to the terms and conditions specified in the Plan document. The Company's Chief Executive Officer will have the sole discretion to set Executive's annual target bonus under the Plan but in no event will it be set

at less than 75% of Base Salary if 100% of target is achieved. The Company maintains the absolute discretion to prospectively modify, amend or eliminate the Plan. Bonus eligibility under the Plan is dependent on active employment status at the time of bonus payout.

4.2 **Benefits** . Executive will receive vacation, health, dental, and other benefits under the established plans and programs of the Company to the extent Executive is eligible for participation based on applicable eligibility criteria determined by the Company for all senior leadership positions. The Company maintains the absolute discretion to modify, amend or eliminate all employee benefits plans and programs.

4.3 **Stock Options/Equity.** Nothing in this Agreement is intended to alter, amend, or diminish any rights Executive currently has under any plan or agreement relating to stock or stock options previously granted to Executive.

5. SEVERANCE OBLIGATION UPON TERMINATION OF EMPLOYMENT

5.1 **Termination for Cause, Death, Disability, or due to a Voluntary Resignation without Good Reason.** If Executive's employment is terminated for Cause, as defined in Section 5.3 of this Agreement, terminates due to the death or disability of Executive or terminates due to a voluntary resignation of Executive without Good Reason, as defined in Section 5.4 of this Agreement, Executive will be entitled to receive only the unpaid portion of Base Salary accrued to the termination date and all of Executive's rights to compensation under this Agreement will terminate as of that termination date. “Disability” shall mean the absence of Executive from Executive’s duties with the Company on a full-time basis for 90 business days within a one-year period as a result of incapacity due to physical or mental illness that is determined to be permanent by a physician selected by the Company or its insurers who is also reasonably acceptable to Executive or Executive’s legal representative.

5.2 **Termination Without Cause or Resignation for Good Reason.** Notwithstanding that Executive remains an at-will employee of the Company at all times, if the Company terminates Executive’s employment without Cause or Executive resigns employment for Good Reason, Executive will be entitled to receive the unpaid portion of Base Salary accrued to the termination date. In addition, subject to the signing by Executive of a general release of all claims against the Company in a form and manner satisfactory to the Company (which must be signed by Executive and become irrevocable on or prior to the 60th day following Executive’s termination of employment) and subject to Executive’s compliance with post-termination obligations and restrictive covenants set forth in Section 6 of this Agreement (including its subparts), Executive will be entitled to receive severance pay equal to Executive’s Base Salary over an eighteen (18) month severance period (meaning 150% of Executive’s Base Salary) which shall be paid in substantially equal payments over 18 months pursuant to the payroll practices of the Company, along with the pro-rated Managerial Bonus Plan payment for the year in which Executive is terminated at the same time that the Company pays all employees their annual bonuses (collectively the “Severance Payment”).

5.3 **Definition of Cause.** “Cause” shall mean the Executive’s termination of employment based upon any one of the following, as determined in good faith by the Company or the Board of Directors (the “Board”): (i) illegal fraudulent conduct, (ii) conviction of or plea of “guilty” or “no contest” to any crime constituting a felony or other crime involving dishonesty, breach of trust, moral turpitude or physical harm to any person, (iii) a determination by the Company or the Board that the Executive’s involvement with the Company would have a negative impact on the Company’s ability to receive or retain any licenses, (iv) being found unsuitable for, or having been denied, a gaming license, or having such license revoked by a gaming regulatory authority in any jurisdiction in which the Company or any of its subsidiaries or affiliates conducts operations, (v) willful or material misrepresentation to the Company or to members of the Board relating to the business, assets or operations of the Company, (vi) refusal to take any action that is consistent with the Executive’s obligations and responsibilities hereunder as reasonably directed by the Company or the Board, if such refusal is not cured within five days of written notice from the Company or the Board, or (vii) material breach of any agreement with the Company and its affiliates, which material breach has not been cured within 30 days written notice from the Company or the Board.

5.4 **Definition of Good Reason.** “Good Reason” means a material diminution of Executive’s duties, title, reporting structure, or Base Salary; provided, that, Executive may not terminate employment for Good Reason

unless Executive provides written notice to the Company within 90 days after the Executive's first having knowledge of the Good Reason event, and the Company has not cured such event within 30 days of receiving such notice.

6. RESTRICTIVE COVENANTS

6.1 **Confidentiality; Work Product.** The term "Confidential Information" as used in this Agreement means all information disclosed, before or after the execution of this Agreement, by Company to Executive, as well as any information to which Executive has access or that is learned, generated or created by Executive, whether alone or jointly with others. Confidential Information includes, but is not limited to: (i) source code and programming information, including proprietary wireless and portable computer technology software; (ii) licensing and purchasing agreements; (iii) client lists and other client data, supplier lists, pricing information and fee schedules; (iv) employment, management and consulting agreements and other organization information; (v) trade secrets and other proprietary business and management methods; (vi) competitive analysis and strategies; (vii) all other technical, marketing, operational, economic, business, management, or financial knowledge, information or data of any nature whatsoever relating to the business of Company, which has been or may hereafter be learned, generated, created, or otherwise obtained by Executive, alone or jointly with others, whether in written, electronic, oral, or any other form; and (viii) any extracts therefrom. Confidential Information shall not include: (i) information that at the time of disclosure is publicly available, or information which later becomes publicly available through no act or omission of the Executive; (ii) information that Executive independently developed without the use of Company's Confidential Information; or (iii) information disclosed to Executive by a third party not in violation of any obligations of confidentiality to the Company. Executive agrees to only use Confidential Information for the purpose of performing his duties for the Company within the course and scope of employment and will make no use or disclosure of the confidential Information, in whole or in part, for any other purpose. Executive agrees to keep confidential all Confidential Information and to preserve the confidential and proprietary nature of the Confidential Information at all times. In the event that Executive is requested or required by subpoena or court order to disclose any Confidential Information, it is agreed that Executive will provide immediate notice of such request to Company and will use reasonable efforts to resist disclosure, until an appropriate protected order may be sought, or a waiver of compliance with the provisions of this Agreement granted. Upon the termination of Executive's employment with Company for any reason, Executive shall return all Confidential Information and Company property in his possession including, without limitation, all originals, copies, translations, notes, or any other form of said material, without retaining any copy of duplicates thereof, and promptly to delete or destroy any and all written, printed, electronic or other material or information derived from the Confidential Information.

6.2 **Work for Hire.** Executive understands and agrees that, to the extent permitted by law, all work, papers, reports, documentation, drawings, images, product ideas, service ideas, photographs, negatives, tapes and masters thereof, computer programs including their source code and object code, prototypes and other materials (collectively, "Work Product"), including without limitation, any and all such Work Product generated and maintained on any form of electronic media, that Executive generates, either alone or jointly with others, during employment with Company will be considered a "work made for hire," and ownership of any and all copyrights in any all such Work Product will belong to the Company. In the event that any portion of the Work Product should be deemed not to be a "work made for hire" for any reason, Executive hereby assigns, conveys, transfers and grants, and agrees to assign, convey, transfer and grant to Company all of Executive's right, title, and interest in and to the Work Product and any copyright therein, and agrees to cooperate with Company in the execution of appropriate instruments assigning and evidencing such ownership rights. Executive hereby waives any claim or right under "droit moral" or moral rights to object to Company's copyright in or use of the Work Product. Any Work Product not generally known to the public shall be deemed Confidential Information and shall be subject to the use and disclosure restrictions herein.

6.3 **Inventions.** Executive hereby assigns and agrees to assign to Company all of Executive's right, title, and interest in and to any discoveries, inventions and improvements (each an "Invention," and collectively, "Inventions"), whether patentable or not, that Executive makes, conceives or suggests, either alone or jointly with others, while employed by Company. Any Invention that was made, conceived or suggested by Executive, either solely or jointly with others, within one (1) year following termination of employment with Company and that pertains to any Confidential Information or business activity of Company will be irrebuttably presumed to have

been made, conceived or suggested in the course of Executive's employment and with the use of the time, materials or facilities of Company. Any Invention not generally known to the public shall be deemed Confidential Information and shall be subject to the use and disclosure restriction herein.

6.4 **Non-competition.** While employed by the Company and for the Restricted Period, Executive shall not (a) provide services that are the same as or similar in function or purpose to the services Executive provided to the Company during the Covered Period; or (b) provide such other services that are otherwise likely or probable to result in the use or disclosure of Confidential Information; to a business whose products and services include products and services offered by the Company during the Covered Period (a "Competitive Business") within any jurisdiction or marketing area in which the Company or any of its subsidiaries is doing business or has invested and established good will in demonstrating an intent to do business during the Covered Period. Executives' ownership of securities of 2% or less of any publicly traded class of securities of a public company shall not violate this Section. The "Restricted Period" shall be the eighteen-month period following the date of Executive's termination of employment with Company. The "Covered Period" means the six (6) month period of time immediately preceding the termination of Executive's employment with Company.

6.5 **Non-solicitation.** During the Restricted Period, Executive shall not, directly or indirectly, (i) solicit for employment any individual who is then an employee of the Company or its subsidiaries or who was an employee of the Company or its subsidiaries within the Covered Period (a "Covered Employee"), or (ii) contract for, hire or employ any Covered Employee earning at least $100,000 in annualized base compensation as of the Covered Employee's most recent date of employment with the Company. During the Restricted Period, the Executive shall also not take any action that could reasonably be expected to have the effect of encouraging or inducing any employee, representative, officer or director of the Company or any of its subsidiaries to cease his or her relationship with the Company or any of its subsidiaries for any reason. In addition, during the Restricted Period, the Executive shall not, with respect to providing services to a Competitive Business, solicit for business of, any person or entity who is or was a customer of the Company or potential customer with whom the Company had initiated contact, during the Covered Period.

6.6 **Nondisparagement.** At all times during Executive's employment and thereafter, Executive shall refrain from all conduct, verbal or otherwise, that disparages or damages the reputation, goodwill, or standing in the community of Apollo Management VIII, LP ("Apollo"), the Company or any of their respective affiliates.

6.7 **Remedies.** The parties agree that the provision of this Section 6, including its subparts (the "Covenants") have been specifically negotiated by sophisticated parties. Executive acknowledges and agrees that the Covenants are reasonable in light of all of the circumstances, are sufficiently limited to protect the legitimate interests of the Company and its affiliates, impose no undue hardship on Executive, and are not injurious to the public, and further acknowledges and agrees that Executive's breach of the Covenants will cause the Company irreparable harm, which cannot be adequately compensated by money damages, and that if the Company elects to prevent Executive from breaching such provisions by obtaining an injunction against Executive, there is a reasonable probability of the Company's eventual success on the merits. Accordingly, Executive consents and agrees that if the Executive commits any such beach or threatens to commit any breach, the Company shall be entitled to temporary and permanent injunctive relief from a court of competent jurisdiction, without posting any bond or other security and without the necessity of proof of actual damages, in addition to, and not in lieu of, such other remedies as may be available to the Company for such breach, including the recovery of money damages. In the event that the Covenants shall be determined by any court of competent jurisdiction to be unenforceable by reason of their extending for too great a period of time, over too great a geographical area, or by reason of being too extensive or vague in any other respect, they shall be interpreted to extend only over the maximum period of time for which they may be enforceable and/or over the maximum geographical areas as to which they may be enforceable and/or to the maximum extent in all other respects as to which they be enforceable, all as determined by such court in such action.

6.8 **Acknowledgements.** Executive acknowledges and agrees that nothing in this Agreement shall prohibit the Executive from reporting possible violations of federal or state law or regulation to or otherwise cooperating with or providing information requested by any governmental agency or entity, including, but not

limited to, the Department of Justice, the Securities and Exchange Commission, the U.S. Equal Employment Opportunity Commission, the Congress, and any agency Inspector General, or making other disclosures that are protected under the whistleblower provisions of federal or state law or regulation. The Executive does not need the prior authorization of the Company to make any such reports or disclosures and the Executive is not required to notify the Company that the Executive has made such reports or disclosures. Notwithstanding anything to the contrary contained herein, the Executive will not be held criminally or civilly liable under any federal or state trade secret law for any disclosure of Confidential Information that is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. If the Executive files a lawsuit for retaliation by the Company for reporting a suspected violation of law, the Executive may disclose the Company's Confidential Information to the Executive's attorney and use the Confidential Information in the court proceeding if the Executive (A) files any document containing the trade secret under seal; and (B) does not disclose the Confidential Information, except pursuant to court order.

6.9 **Survival.** The provision of this Section 6 and all of its subparts shall survive termination of employment for any reason.

7. ARBITRATION

The parties agree to resolve any disputes through arbitration in Las Vegas, Nevada. This Section is governed by the Federal Arbitration Act, 9 U.S.C. § 1, et seq., and applies to any dispute brought by either party arising out of or related to Executive's employment including termination of the employment. This Section is intended to apply to the resolution of disputes that otherwise would be resolved in a court of law. The following claims are excluded from coverage by this Section: (1) claims for breach of Section 6, including any of its subparts, seeking specific performance of or injunctive relief; (2) claims that, as a matter of law, may not be subject to mandatory arbitration; and (3) claims that may be adjudicated in small claims court.

Executive specifically acknowledges this provision requires the arbitration of disputes between Executive and the Company and affirmatively agrees to be bound by this provision.

/s/ **D.L.** **Executive's initials**

8. ATTORNEY FEES

The prevailing party is entitled to an award of attorney fees for litigation or arbitration to enforce this Agreement.

9. SURVIVAL

The provisions of Sections 6, 7, and 10 will survive termination of this Agreement and remain enforceable.

10. SEVERABILITY

The invalidity or unenforceability of any provision of this Agreement will in no way affect the validity or enforceability of any other provisions or subparts.

11. ASSIGNMENT AND SUCCESSORS

Neither this Agreement nor any of Executive's rights or duties may be assigned or delegated by Executive. This Agreement is not assignable by the Company without the consent of Executive, except to a successor in interest or a subsidiary of the Company.

12. ENTIRE AGREEMENT, WAIVER AND OTHER

Except as set forth herein, this Agreement contains the entire agreement of the parties and supersedes all previous agreements written or oral, express or implied, covering the subject matter. No waiver or modification of

any of the provisions of this Agreement will be valid unless in writing and signed by the party granting the waiver or modification. This Agreement may not be supplemented except by an instrument in writing signed by both parties.

13. GOVERNING LAW AND VENUE

This Agreement will be governed by and construed in accordance with the laws of the State of Nevada. Any legal suit, action or proceeding setting forth claims excluded from coverage by Section 7 arising out of or relating to this Agreement or Executive's employment with Company shall be instituted in the courts of (including federal courts located in) Clark County, Nevada, and each party irrevocably submits to the exclusive jurisdiction of such courts in any such suit, action or proceeding.

14. SECTION 409A

For purposes of this Agreement, " Section 409A " means Section 409A of the Code, and the Treasury Regulations promulgated thereunder (and such other Treasury or Internal Revenue Service guidance) as in effect from time to time. The parties intend that any amounts payable hereunder that could constitute "deferred compensation" within the meaning of Section 409A will be compliant with Section 409A or exempt from Section 409A.

14.1 Notwithstanding anything in this Agreement to the contrary, the following special rule shall apply, if and to the extent required by Section 409A, in the event that (i) Executive is deemed to be a "specified employee" within the meaning of Section 409A(a)(2)(B)(i) (as determined in accordance with the methodology established by the Company as in effect on the date of Executive's "separation from service" (within the meaning of Treasury Regulations Section 1.409A-1(h)), (ii) amounts or benefits under this Agreement or any other program, plan or arrangement of the Company or a controlled group affiliate thereof are due or payable on account of separation from service and (iii) Executive is employed by a public company or a controlled group affiliate thereof: no payments hereunder that are "deferred compensation" subject to Section 409A shall be made to Executive prior to the date that is six (6) months after the date of Executive's separation from service or, if earlier, ten (10) days following Executive's date of death; following any applicable six (6)-month delay, all such delayed payments, plus Interest based on the applicable rate as of the date payment would have been made but for the Section 409A delay, will be paid in a single lump sum on the earliest permissible payment date.

14.2 Any payment or benefit due or payable on account of Executive's separation from service that represents a "deferral of compensation" within the meaning of Section 409A shall commence to be paid or provided to Executive sixty-one (61) days following Executive's separation from service; provided that Executive executes, if required by Section 5.2, the release described therein, within sixty (60) days following his "separation from service." Each payment made under this Agreement (including each separate installment payment in the case of a series of installment payments) shall be deemed to be a separate payment for purposes of Section 409A. Amounts payable under this Agreement shall be deemed not to be a "deferral of compensation" subject to Section 409A to the extent provided in the exceptions in Treasury Regulations §§ 1.409A-1(b)(4) ("short-term deferrals") and (b)(9) ("separation pay plans," including the exception under subparagraph (iii)) and other applicable provisions of Section 409A, and shall be paid under any such exception to the maximum extent permitted. For purposes of this Agreement, with respect to payments of any amounts that are considered to be "deferred compensation" subject to Section 409A, references to "termination of employment," "termination," or words and phrases of similar import, shall be deemed to refer to Executive's "separation from service" as defined in Section 409A, and shall be interpreted and applied in a manner that is consistent with the requirements of Section 409A. In no event may Executive, directly or indirectly, designate the calendar year of any payment under this Agreement.

14.3 Notwithstanding anything to the contrary in this Agreement, any payment or benefit under this Agreement or otherwise that is eligible for exemption from Section 409A pursuant to Treasury Regulation § 1.409A-1(b)(9)(v)(A) or (C) (relating to certain reimbursements and in-kind benefits) shall be paid or provided to Executive only to the extent that the expenses are not incurred, or the benefits are not provided, beyond the last day of the second calendar year following the calendar year in which Executive's "separation from service" occurs; and provided further that such expenses are reimbursed no later than the last day of the third calendar year following the calendar year in which Executive's "separation from service" occurs. To the extent any indemnification payment,

expense reimbursement, or the provision of any in-kind benefit is determined to be subject to Section 409A (and not exempt pursuant to the prior sentence or otherwise), the amount of any such indemnification payment or expenses eligible for reimbursement, or the provision of any in-kind benefit, in one (1) calendar year shall not affect the indemnification payment or provision of in-kind benefits or expenses eligible for reimbursement in any other calendar year (except for any lifetime or other aggregate limitation applicable to medical expenses), and in no event shall any indemnification payment or expenses be reimbursed after the last day of the calendar year following the calendar year in which Executive incurred such indemnification payment or expenses, and in no event shall any right to indemnification payment or reimbursement or the provision of any in-kind benefit be subject to liquidation or exchange for another benefit.

DATED: December 13, 2018 AGS, LLC

By: /s/ DAVID LOPEZ
David Lopez, CEO

EXECUTIVE

DATED: December 13, 2018

/s/ NICHOLAS PAUL KIMOKEO AKIONA
Nicholas Paul Kimokeo Akiona

Execution Version

Exhibit 10.24

AMENDED AND RESTATED SECURITYHOLDERS AGREEMENT

by and among

APOLLO GAMING HOLDINGS, L.P.,

AP GAMING VOTECO, LLC,

PLAYAGS, INC. (f/k/a AP GAMING HOLDCO, INC.)

and the other HOLDERS that are parties hereto

DATED AS OF JANUARY 29, 2018

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This **AMENDED AND RESTATED SECURITYHOLDERS AGREEMENT** dated as of January 29, 2018 (this " Agreement "), by and among **APOLLO GAMING HOLDINGS, L.P.** , a Delaware limited partnership (the " Apollo Holder "), **AP GAMING VOTECO, LLC** , a Delaware limited liability company (" VoteCo "), and each other **HOLDER** that is a party hereto or who may become party to this Agreement from time to time in accordance with the provisions herein, and **PLAYAGS, INC.** , a Nevada corporation, and formerly known as AP Gaming Holdco, Inc. (the " Company "), amends and restates in its entirety the Securityholders Agreement, dated as of April 28, 2014 (the " Original Agreement "), by and among the Apollo Holder, VoteCo, the Company and the other Holders thereto.

WHEREAS , contemporaneously with the execution of this Agreement, the Company intends to consummate an initial public offering of shares of the Company's common stock, par value $0.01 per share (the " Common Stock "), pursuant to the Registration Statement on Form S-1 filed by the Company (the " IPO "); and

WHEREAS , the parties hereto desire to amend and restate the Original Agreement to set forth certain respective rights and obligations on and after the consummation of the IPO.

NOW, THEREFORE , in consideration of the premises and of the mutual consents and obligations hereinafter set forth, the parties hereto hereby agree as follows:

Section 1. Definitions .

As used in this Agreement:

" Adoption Agreement " has the meaning given to such term in Section 2(a)(iii) .

" Affiliate " means:

(a) In the case of a Person (other than an individual), another Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with such Person. For the avoidance of doubt, any co-investment vehicle controlled by any member of the Apollo Group shall be deemed to be an Affiliate of the Apollo Group hereunder.

(b) In the case of an individual, (i) any member of the Immediate Family of such individual, including parents, siblings, spouse and children (including those by adoption) and any other Person who lives in such individual's household; the parents, siblings, spouse, or children (including those by adoption) of such Immediate Family member, and in any such case any trust whose primary beneficiary is such individual or one or more members of such Immediate Family and/or such individual's lineal descendants; (ii) the legal representative or guardian of such individual or of any such Immediate Family member in the event such individual or any such Immediate Family member becomes mentally incompetent; and (iii) any Person controlling, controlled by or under common control with such individual.

As used in this definition, the term " control ," including the correlative terms "controlling," "controlled by" and "under common control with," means possession, directly or indirectly, of the power to direct or cause the direction of management or policies (whether through ownership of securities or any partnership or other ownership interest, by contract or otherwise) of a Person. The term " Affiliate " shall not include at any time any portfolio companies of Apollo Management VIII, L.P. or its Affiliates, other than the Apollo Holder, the Company and their respective Subsidiaries.

" Affiliated Entities " has the meaning given to such term in Section 6(a)(i) .

" Agreement " has the meaning given to such term in the preamble.

" Apollo Group " means (a) the Apollo Holder, (b) Apollo Investment Fund VIII, L.P., (c) each of their respective Affiliates (including, for avoidance of doubt, any syndication vehicles) to which any transfers of Common Stock are made and (d) VoteCo, to the extent that it has beneficial ownership of shares of Common Stock pursuant to that certain Irrevocable Proxy and Power of Attorney of the Company, dated as of the date hereof.

" Apollo Holder " has the meaning given to such term in the preamble.

" Asset Sale " means any sale of assets of the Company, including the sale of all or substantially all of the assets of the Company and its subsidiaries, on a consolidated basis, to a Person or Group that is not included in the Apollo Group.

" Bankruptcy Event " means with respect to any Management Holder (i) such Management Holder shall voluntarily be adjudicated as bankrupt or insolvent; (ii) such Management Holder shall consent to or not contest the appointment of a receiver or trustee for himself, herself or itself or for all or any part of his, her or its property; (iii) such Management Holder shall voluntarily file a petition seeking relief under the bankruptcy, rearrangement, reorganization or other debtor relief laws of the United States or any state or any other competent jurisdiction (including foreign jurisdictions); (iv) such Management Holder shall make a general assignment for the benefit of his, her or its creditors; (v) a judgment shall have been made against such Management Holder in response to relief under the bankruptcy, rearrangement, reorganization or other debtor relief laws of the United States or any state or other competent jurisdiction (including foreign jurisdictions); or (vi) a court of competent jurisdiction shall have entered a petition, order, judgment or decree appointing a receiver or trustee for such Management Holder, or for any part of his, her or its property, and such petition, order, judgment or decree shall not be and remain discharged or stayed within a period of sixty (60) days after its entry.

" Board " means the Board of Directors of the Company and any duly authorized committee thereof. All determinations by the Board required pursuant to the terms of this Agreement to be made by the Board shall be binding and conclusive, so long as they are made in good faith.

" Call Right " has the meaning given to such term in Section 5(a)(iv) .

" Cause " means, unless otherwise defined in a Management Holder's Award Agreement, (i) any definition of "Cause" in an employment, severance or similar agreement between the Company or any of its subsidiaries and the applicable Management Holder or (ii) if no such agreement is in effect or if any such agreement in effect does not define "Cause," a termination based upon any one of the following, as determined in good faith by the Board: (1) failure to correct underperformance after written notification from the Board; (2) illegal or fraudulent conduct; (3) conviction of or plea of "guilty" or "no contest" to any crime constituting a felony or other crime involving dishonesty, breach of trust, moral turpitude or physical harm to any person; (4) a determination by the Board that the Management Holder's involvement with the Company or any of its Subsidiaries would have a negative impact on the ability of the Company or any of its Subsidiaries to receive or retain any licenses, including any Gaming Licenses (as defined in the Company's articles of incorporation); (5) willful or material misrepresentation to the Company or any of its subsidiaries or to members of the Board relating to the business, assets or operations of the Company or any of its subsidiaries; (6) refusal to take any action as reasonably directed by the Board or any individual acting on behalf of or at the direction of the Board; or (7) material breach of any agreement with the Company or any of its Subsidiaries, which material breach has not been cured within ten days' written notice from the Board.

" Common Stock " has the meaning given to such term in the recitals and shall include, when the context so requires, any Class B Shares (as defined in the Original Agreement) that were converted into shares of Common Stock upon the conversion of the Company from a Delaware corporation to a Nevada corporation (the " Conversion ").

" Company " has the meaning ascribed to such term in the preamble.

" Confidential Information " means information that is not generally known to the public (except for information known to the public because of the Management Holder's violation of Section 6(c) of this Agreement or in breach of any other obligation owed by the Management Holder to the Company) and that is used, developed or obtained by the Company in connection with its business, including, but not limited to, information, observations and data obtained by the Management Holder while employed by the Company or any predecessors thereof (including those obtained prior to the date of this Agreement) concerning (i) the business or affairs of the Company (or such predecessors), (ii) products or services, (iii) fees, costs and pricing structures, (iv) designs, (v) analyses, (vi) drawings, photographs and reports, (vii) computer software, including operating systems, applications and program listings, (viii) flow charts, manuals and documentation, (ix) databases, (x) accounting and business methods, (xi) inventions, devices, new developments, methods and processes, whether patentable or unpatentable and whether or not reduced to practice, (xii) customers and clients and customer or client lists, (xiii) other copyrightable works, (xiv) all production methods, processes, technology and trade secrets, and (xv) all similar and related information in whatever form. Confidential Information will not include any information that has been published in a form generally available to the public prior to the date the Management Holder proposes to disclose or use such information. Confidential Information will not be deemed to have been published or otherwise disclosed merely because individual portions of the information have been separately published, but only if all material features comprising such information have been published in combination. For purposes of this definition, the "Company" shall mean the Company collectively with its Affiliates.

" Conversion " has the meaning ascribed to such term in the definition of Common Stock.

" Demand Notice " has the meaning ascribed thereto in Section 3(a) .

" Demand Period " has the meaning ascribed thereto in Section 3(b) .

" Disability " means, with respect to each Management Holder, unless otherwise defined in such Management Holder's Award Agreement under the Company's 2014 Long-Term Incentive Plan, that the Management Holder (a) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, or (b) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under an accident, disability or health plan covering employees of the Company.

" Disposition " means any direct or indirect transfer, assignment, sale, gift, pledge, hypothecation or other encumbrance, or any other disposition, of Common Stock (or any interest therein or right thereto), or any other transfer of beneficial ownership of Common Stock whether voluntary or involuntary.

" Exchange Act " means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

" Fair Market Value " means, with respect to each share of Common Stock or other capital stock with economic value held by any Management Holder:

(a) With respect to any series or class of capital stock with economic value, the per share fair market value as determined by the Board in such manner as it deems appropriate.

(b) Notwithstanding anything to the contrary contained in clause (a) above, if any securities of the Company are publicly traded or quoted at the time of determination, then the per share fair market value of such securities shall be the most recent closing trading price, during regular trading hours, of such securities on the business day immediately prior to the date of determination as determined by the Board.

(c) Neither the Company nor any officer, director, employee or agent of the Company shall have any liability with respect to the valuation of such securities that are bought or sold at Fair Market Value determined in accordance with clause (a) as a result of the Fair Market Value, as so determined, being more or less than actual fair market value. Each of the Company and its officers, directors, employees and agents shall be fully protected in relying in good faith upon the records of the Company and upon information, opinions, reports or statements presented to the Company by any Person as to matters which the Company or such officer, director, employee or agent reasonably believes are within such other Person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Company in determining such Fair Market Value.

(d) In the case of a Call Right provided pursuant to this agreement, Fair Market Value will be determined as of the date of exercise of the Call Right, as applicable, except (i) where provided otherwise in this Agreement or (ii) if necessary to avoid liability accounting, Fair Market Value will be determined as of the date of the repurchase made pursuant to exercise of the Call Right.

" Gaming Authority " means any commission, panel, board or similar body or organization of any Governmental Entity, including any Indian Tribe, with authority to regulate gambling or other games of chance or the manufacture, sale, lease, distribution or operation of gaming devices or equipment, the design, operation or distribution of internet gaming services or products, online gaming products and services, the ownership or operation of current or contemplated casinos or any other gaming activities and operations in a jurisdiction, including a tribal jurisdiction.

" Gaming Laws " means all Laws, including any rules, regulations, judgments, injunctions, orders, decrees or other restrictions of any Gaming Authority, applicable to the gaming industry, or any person engaged therein, or Indian Tribes or the manufacture, sale, lease, distribution or operation of gaming devices or equipment, the design, operation or distribution of internet gaming services or products, online gaming products and services, the ownership or operation of current or contemplated casinos or any other gaming activities and operations.

" Good Reason " means with respect to the voluntary resignation of any Management Holder: (i) if the Management Holder is at the time of resignation a party to an Award Agreement pursuant to the Company's 2014 Long-Term Incentive Plan which defines such term, the meaning given in the Award Agreement; and (ii) otherwise, if the Management Holder is at the time of resignation a party to an employment, consulting or similar agreement with the Company or any of its Subsidiaries which defines such term, the meaning given in such agreement.

" Governmental Entity " means any government or governmental or regulatory body thereof, or political subdivision thereof, whether federal, state, county, provincial, local or foreign, including any governing authority of any Indian Tribe, or any agency, department, commission, board, bureau, instrumentality or authority thereof, or any court, arbitrator or mediator (public or private).

" Group " shall have the meaning ascribed thereto in Section 13(d)(3) of the Exchange Act.

" Holders " mean the holders of securities of the Company who are parties to this Agreement, including the Apollo Holder.

" Immediate Family " means any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law, and shall include adoptive relationships of such Person.

" Indian Tribe " means any United States Native American Indian tribe, band, nation or other organized group or community recognized by the Secretary of the Interior of the United States of America as being eligible for special status as Indians and recognized as possessing powers of self-government.

" Initial Notice " has the meaning ascribed to such term in Section 4(a) .

" IPO " has the meaning ascribed to such term in the recitals.

" IRA " has the meaning ascribed to such term in Section 2(b)(iii) .

" Law " means any law, rule, regulation, judgment, injunction, order, decree or other restriction of any Governmental Entity.

" Majority Disposition " means a Disposition that would have the effect of transferring to a Person or Group that is not a member of the Apollo Group or a portfolio company of any members of the Apollo Group, a majority of the outstanding shares of Common Stock.

" Management Holder " means Holders who are employed by, or serve as consultants to or directors of, the Company or any of its Subsidiaries.

" Options " means the options issued to certain Holders pursuant to the Company's 2014 Long-Term Incentive Plan, as it is amended, supplemented, restated or otherwise modified from time to time, or any other options to purchase Common Stock issued by the Company.

" Original Agreement " has the meaning ascribed to such term in the preamble.

" Original Cost " with respect to Common Stock, means the original price paid by the Holder for such share of Common Stock, subject to appropriate adjustment for stock splits, stock dividends or other distributions, combinations and similar transactions. For the avoidance of doubt, the Original Cost of a share of Common Stock issued upon the exercise of an Option is the exercise price of such Option.

" PDF " has the meaning ascribed to such term in Section 8(j) .

" Permitted Transferee " means, with respect to any Holder, any Affiliate of such Holder.

" Person " shall be construed broadly and shall include, without limitation, an individual, a partnership, a limited liability company, a corporation, an association, a joint stock company, a trust, a joint venture, an unincorporated organization and a governmental entity or any department, agency or political subdivision thereof.

" Piggyback Registration Rights " has the meaning ascribed to such term in Section 4(a) .

" Prospectus " means the prospectus included in any Registration Statement, including any preliminary prospectus, and any such prospectus as amended or supplemented by any prospectus supplement, including any such prospectus supplement with respect to the terms of the offering of any portion of the shares of Common Stock covered by a Registration Statement, and by all other amendments and supplements to a prospectus, including post-effective amendments and freewriting prospectuses and in each case including all material incorporated by reference therein.

" Public Offering " has the meaning ascribed to such term in Section 4(c) .

" Qualified Public Offering " means an underwritten public offering of shares of Common Stock by the Company or any selling securityholders pursuant to an effective Registration Statement filed by the Company with the Securities and Exchange Commission (other than (i) a registration relating solely to an employee benefit plan or employee stock plan, a dividend reinvestment plan, or a merger or a consolidation, (ii) a registration incidental to an issuance of securities under Rule 144A, (iii) a registration on Form S-4 or any successor form, or (iv) a registration on Form S-8 or any successor form) under the Securities Act, pursuant to which the aggregate offering price of the shares of Common Stock (by the Company and/or other selling securityholders) sold in such offering (together with the aggregate offering prices from any prior such offerings) is at least $100,000,000.

" Registrable Securities " shall mean shares of Common Stock (including any shares of Common Stock issuable or issued upon exercise, exchange or conversion of any securities exercisable, exchangeable or convertible into shares of Common Stock) held by the Apollo Group or Management Holders; provided , that any Registrable Securities shall cease to be Registrable Securities when (a) a Registration Statement with respect to the sale of such Registrable Securities has been declared effective under the Securities Act and such Registrable Securities have been disposed of in accordance with the plan of distribution set forth in such Registration Statement, (b) such Registrable Securities are distributed pursuant to Rule 144 (or any similar provision then in force) under the Securities Act or (c) such Registrable Securities shall have been otherwise transferred and new certificates for them not bearing a legend restricting further transfer under the Securities Act shall have been delivered by the Company; provided , further , that any securities that have ceased to be Registrable Securities shall not thereafter become Registrable Securities and any security that is issued or distributed in respect of securities that have ceased to be Registrable Securities is not a Registrable Security.

" Registration Request " has the meaning ascribed to such term in Section 3(c) .

" Registration Statement " means a registration statement filed by the Company with the SEC.

" Repurchase Right " has the meaning ascribed to such term in Section 5(a)(iv) .

" Restricted Period " has the meaning ascribed to such term in Section 6(a)(i) .

" SEC " means the U.S. Securities and Exchange Commission.

" Securities " means, with respect to any Person, such Person's "securities" as defined in Section 2(1) of the Securities Act and includes such Person's capital stock or other equity interests or any options, warrants or other securities that are directly or indirectly convertible into, or exercisable or exchangeable for, such Person's capital stock or other equity or equity-linked interests, including phantom stock and stock appreciation rights.

" Securities Act " means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

" Subject Employee " has the meaning ascribed to such term in Section 2(b)(iii) .

" Subsidiary " means, with respect to any Person, any corporation of which a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of such Person or a combination thereof, or any partnership, association, limited liability company or other business entity of which a majority of the partnership or other similar ownership interest is at the time owned or controlled, directly or indirectly, by such Person or one or more Subsidiaries of such Person or a combination thereof. For purposes of this definition, a Person is deemed to have a majority ownership interest in a partnership, association, limited liability company or other business entity if such Person is allocated a majority of the gains or losses of such partnership, association, limited liability company or other business entity or is or controls the managing director, managing member, manager or general partner of such partnership, association, limited liability company or other business entity.

" Transferee " has the meaning ascribed to such term in the preamble of the form of Adoption Agreement attached hereto as Exhibit A .

" Underwritten Offering " means a sale of shares of Common Stock to an underwriter for reoffering to the public.

" VoteCo " has the meaning ascribed to such term in the preamble.

" Work Product " means all inventions, innovations, improvements, technical information, systems, software developments, methods, designs, analyses, drawings, reports, service marks, trademarks, trade names, logos and all similar or related

information (whether patentable or unpatentable) that relates to the Company's or any of its Affiliates' actual or anticipated business, research and development or existing or future products or services and that are conceived, developed or made by the Management Holder (whether or not during usual business hours and whether or not alone or in conjunction with any other person) while employed by the Company or any of its Affiliates (including those conceived, developed or made prior to the date of this Agreement) together with all patent applications, letters patent, trademark, trade name and service mark applications or registrations, copyrights and reissues thereof that may be granted for or upon any of the foregoing.

Section 2. Transfers; Additional Parties .

(a) Restrictions; Permitted Dispositions . Without the prior written consent of a majority of the Board then in office, no Holder shall (i) directly or indirectly, grant any proxies or enter into any voting trust or other agreement or arrangement or (ii) make any Disposition, directly or indirectly, through an Affiliate or otherwise except as expressly permitted by this Section 2 . The preceding sentence shall apply with respect to all shares of Common Stock held at any time by a Holder (including without limitation, all Options and all shares of Common Stock that may be acquired upon the exercise of any Option or upon a distribution pursuant to any deferred compensation plan), regardless of the manner in which such Holder initially acquired such shares of Common Stock or Options other than:

(i) Dispositions by a Holder that is an individual to: (A) a guardian of the estate of such Holder; (B) an inter-vivos trust primarily for the benefit of such Holder; (C) an inter-vivos trust whose primary beneficiary is one or more of such Holder's lineal descendants (including lineal descendants by adoption); or (D) the spouse of such Holder during marriage and not incident to divorce;

(ii) Dispositions by a Holder that is an individual to (x) a Person who is a member of such Holders' Immediate Family; provided , that such Person remains an Immediate Family member of such Holder or to (y) a trust established for the exclusive benefit of such Holder's Immediate Family; and

(iii) any Disposition permitted pursuant to Section 3 or Section 4 .

provided , that in the case of each subclause of this Section 2(a) , that such Disposition complies with the applicable securities rules and regulations and Gaming Laws in effect at the time of the Disposition and provided that each proposed Transferee executes an adoption agreement in substantially the form of Exhibit A or in such other form that is reasonably satisfactory to the Company (an " Adoption Agreement "). Furthermore, each such permitted Transferee of any Holder to which shares of Common Stock are transferred shall, and such Holder shall cause such permitted Transferee to, transfer back to such Holder (or to another permitted Transferee of such Holder) any shares of Common Stock it owns if such permitted Transferee ceases to be a permitted Transferee of such Holder.

(b) Additional Parties .

(i) As a condition to the Company's issuance of shares of Common Stock in any transaction other than a Public Offering, or the Company's obligation to effect a transfer of shares of Common Stock permitted by this Agreement on the books and records of the Company (other than an issuance or a transfer to the Apollo Group or of any of the Apollo Group's Affiliates, the Company or any Subsidiary of the Company), the Transferee shall (and the recipient, if requested to by the Company, shall) be required to become a party to this Agreement by executing (together with such Person's spouse, if applicable) an Adoption Agreement.

(ii) In the event that any Person acquires shares of Common Stock in a negotiated private transaction permitted by this Agreement prior to a Public Offering from (i) a Holder (other than the Apollo Holder) or any Affiliate or member of such Holder's Group or (ii) any direct or indirect Transferee of such Holder or such Holder's Group, such Person shall be subject to any and all obligations and restrictions of such Holder hereunder, as if such Person were such Holder named herein (except as otherwise provided in the Adoption Agreement executed by such Person and accepted by the Company). Additionally, if the restrictions specified in Section 2(c) are in effect, whenever a Management Holder makes a transfer of shares of Common Stock in a negotiated private transaction permitted by this Agreement, such shares of Common Stock shall contain a legend so as to inform any Transferee that such shares of Common Stock were held originally by a Management Holder and are subject to repurchase pursuant to Section 5 below based on the employment of or events relating to such Management Holder. Such legend shall not be placed on any shares of Common Stock acquired from a Management Holder by the Company, the Apollo Group or any of its Affiliates.

(iii) If any shares of Common Stock are acquired by an individual retirement account (" IRA ") on behalf of an employee of the Company or any of its Subsidiaries (the " Subject Employee "), such IRA shall be deemed to be a Management Holder. Additionally, such Subject Employee shall be deemed to be a Management Holder and his or her IRA shall be deemed to have acquired all shares of Common Stock it holds from such Subject Employee pursuant to a transfer that is subject to Section 2(b)

(ii) above.

(iv) Any Holder that proposes to transfer shares of Common Stock in accordance with the terms and conditions hereof shall be responsible for any reasonable expenses incurred by the Company in connection with such transfer, and all expenses incurred by such Holder in connection with obtaining any approvals required under applicable Gaming Laws.

(c) Securities Restrictions; Legends .

(i) No shares of Common Stock shall be transferable except upon the conditions specified in this Section 2(c) , which conditions are intended to insure compliance with the provisions of the Securities Act.

(ii) Each certificate representing shares of Common Stock shall (unless otherwise permitted by the provisions of clause (iv) below) be stamped or otherwise imprinted with a legend in substantially the following form:

> "THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE BEEN ACQUIRED FOR INVESTMENT AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES OR BLUE SKY LAWS. THESE SECURITIES MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN EXEMPTION THEREFROM UNDER SAID ACT OR LAWS. THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE ALSO SUBJECT TO A SECURITYHOLDERS AGREEMENT AMONG THE ISSUER OF SUCH SECURITIES (THE "COMPANY"), AND THE OTHER PARTIES NAMED THEREIN. THE TERMS OF SUCH SECURITYHOLDERS AGREEMENT INCLUDE, AMONG OTHER THINGS, RESTRICTIONS ON TRANSFER. A COPY OF SUCH AGREEMENT WILL BE FURNISHED WITHOUT CHARGE BY THE COMPANY TO THE HOLDER HEREOF UPON WRITTEN REQUEST.
>
> NO SALE, ASSIGNMENT, TRANSFER OR OTHER DISPOSITION OF SECURITIES OF THE COMPANY SHALL BE EFFECTIVE UNLESS AND UNTIL THE TERMS AND CONDITIONS OF SUCH SECURITYHOLDERS AGREEMENT HAVE BEEN COMPLIED WITH IN FULL AND UNLESS AND UNTIL THE APPROVALS OF ALL GAMING AUTHORITIES REQUIRING SUCH PRIOR CONSENTS HAVE BEEN OBTAINED.
>
> THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO A RIGHT OF REDEMPTION AND OTHER RESTRICTIONS PURSUANT TO THE COMPANY'S ARTICLES OF INCORPORATION AND BYLAWS, EACH AS AMENDED, A COPY OF EACH OF WHICH IS ON FILE AT THE OFFICE OF THE COMPANY, AND MADE A PART HEREOF AS FULLY AS THOUGH THE PROVISIONS OF SAID ARTICLES OF INCORPORATION AND BYLAWS WERE IMPRINTED IN FULL ON THIS CERTIFICATE, TO ALL OF WHICH THE HOLDER OF THIS CERTIFICATE, BY ACCEPTANCE HEREOF, ASSENTS AND AGREES TO BE BOUND AND ARE, OR MAY BECOME, SUBJECT TO RESTRICTIONS IMPOSED BY APPLICABLE GAMING LAWS, REGULATIONS OR OTHERWISE, INCLUDING, WITHOUT LIMITATION, RESTRICTIONS ON OWNERSHIP, VOTING, DISTRIBUTIONS AND TRANSFER."

(iii) Any Holder of Common Stock, by acceptance thereof, agrees, prior to any voluntary Disposition, to give written notice to the Company of such Holder's intention to affect such Disposition and to comply in all other respects with the provisions of this Section 2(c) . Each such notice shall describe the manner and circumstances of the proposed Disposition. Upon request by the Company, the Holder delivering such notice shall deliver a written opinion, addressed to the Company, of counsel for such Holder, stating that in the opinion of such counsel (which opinion and counsel shall be reasonably satisfactory to the Company) such proposed Disposition does not involve a transaction requiring registration or qualification of such shares under the Securities Act. Such Holder shall be entitled to Dispose of such shares in accordance with the terms of the notice delivered to the Company, if the Company does not reasonably object to such transfer and request such opinion within ten (10) days after delivery of such notice, or, if it requests such opinion, does not reasonably object to such transfer within ten (10) days after delivery of such opinion. Subject to clause (iv) below, each certificate or other instrument evidencing any such Disposed Common Stock shall bear the legend set forth in clause (ii) above unless (1) the opinion of counsel referred to above states that such legend is not required or (2) the Company shall have waived the requirement of such legend.

(iv) Notwithstanding the foregoing provisions of this Section 2(c) , the restrictions imposed by this Section 2(c) (other than those imposed by Gaming Laws) shall cease and terminate when (i) any such shares of Common Stock are sold or otherwise disposed of pursuant to an effective Registration Statement, or (ii) after a Qualified Public Offering, the Holder has met the requirements for transfer of such shares pursuant to Rule 144 under the Securities Act. Whenever the restrictions imposed by this Section 2(c) shall terminate, the Holder shall be entitled to receive from the Company, without expense, a new certificate not bearing the restrictive legend set forth in clause (ii) above and not containing any other reference to the restrictions imposed by this Section 2(c) .

(d) Gaming Laws Restrictions on Transfer . No Disposition of any security under this Section 2 or any other Section of this Agreement may be made, and no shares of Common Stock may be issued, except in compliance with all applicable Gaming Laws and following receipt of all approvals required thereunder.

(e) Improper Dispositions . Any Disposition or attempted Disposition in breach of this Agreement shall be void *ab initio* and of no effect. In connection with any attempted Disposition in breach of this Agreement, the Company may hold and refuse to transfer any shares of Common Stock or any certificate therefor, in addition to and without prejudice to any and all other rights or remedies which may be available to it or the Holders, and the Person(s) engaging in such Disposition or attempted Disposition shall indemnify and hold harmless the Company and each of the Holders from all losses, claims, damages, liabilities and expenses that such indemnified person may incur (including legal fees and expenses) in enforcing the provisions of this Agreement.

Section 3. Demand Registration Rights .

(a) Subject to the provisions of this Section 3 , at any time and from time to time after the date hereof, the Apollo Group may make one or more written requests (" Registration Request ") to the Company for registration under and in accordance with the provisions of the Securities Act of all or part of their Registrable Securities.

(b) All Registration Requests made pursuant to this Section 3 will specify the aggregate amount of Registrable Securities to be registered and will also specify the intended methods of disposition thereof (a " Demand Notice "). Subject to Section 3(d) , promptly upon receipt of any such Demand Notice, the Company will use its reasonable best efforts to effect such registration under the Securities Act (including, without limitation, filing post-effective amendments, appropriate qualification under applicable blue sky or other state securities laws and appropriate compliance with the applicable regulations promulgated under the Securities Act) of the Registrable Securities which the Company has been so requested to register within one hundred eighty (180) days of such request (or within one hundred twenty (120) days of such request in the case of a Registration Request after a Qualified Public Offering (subject to any lock-up restrictions)). At any time prior to the registration, the Apollo Group may revoke such request by providing a notice to the Company revoking such request.

(c) If the Company receives a Registration Request and the Company furnishes to the Apollo Group a copy of a resolution of the Board certified by the secretary of the Company stating that in the good faith judgment of the Board it would be materially adverse to the Company for a Registration Statement to be filed on or before the date such filing would otherwise be required hereunder, the Company shall have the right to defer such filing for a period of not more than fifty (50) days after the date such filing would otherwise be required hereunder. The Company shall not be permitted to take such action more than once in any 360-day period. If the Company shall so postpone the filing of a Registration Statement, the Apollo Group may withdraw its Registration Request by so advising the Company in writing within thirty (30) days after receipt of the notice of postponement. In addition, if the Company receives a Registration Request and the Company is then in the process of preparing to engage in a Public Offering, the Company shall inform the Apollo Group of the Company's intent to engage in a Public Offering and may require the Apollo Group to withdraw such Registration Request for a period of up to one hundred twenty (120) days so that the Company may complete its Public Offering. In the event that the Company ceases to pursue such Public Offering, it shall promptly inform the Apollo Group and the Apollo Group shall be permitted to submit a new Registration Request. For the avoidance of doubt, such requesting party shall have the right to participate in the Company's Public Offering as provided in Section 4 .

(d) Registrations under this Section 3 shall be on such appropriate registration form of the Securities and Exchange Commission (i) as shall be selected by the Company and as shall be reasonably acceptable to the Apollo Group and (ii) as shall permit the disposition of such Registrable Securities in accordance with the intended method or methods of disposition specified in the Demand Notice. If, in connection with any registration under this Section 3 which is proposed by the Company to be on Form S-3 or any successor form, the managing underwriter, if any, shall advise the Company in writing that in its opinion the use of another permitted form is of material importance to the success of the offering, then such registration shall be on such other permitted form.

(e) The Company shall use its best efforts to keep any Registration Statement filed in response to a Registration Request effective for as long as is necessary for the Apollo Group to dispose of all of the covered securities.

(f) In the case of an Underwritten Offering, the Apollo Group shall select the underwriters, provided such selection is reasonably acceptable to the Company.

Section 4. Piggyback Registration Rights .

(a) Participation . Subject to Section 4(b) , if at any time after the consummation of a Qualified Public Offering (or prior to the consummation of a Qualified Public Offering with the Company's consent), the Company proposes to file a Registration Statement, whether on its own behalf or in connection with the exercise of any demand registration rights by the Apollo Group or any other Holder possessing such rights (other than (i) a registration relating solely to an employee benefit plan or employee stock

plan, a dividend reinvestment plan, or a merger or a consolidation, (ii) a registration incidental to an issuance of debt securities under Rule 144A, (iii) a registration on Form S-4 or any successor form, or (iv) a registration on Form S-8 or any successor form), with respect to an offering (for its own account or otherwise, and including any registration pursuant to Section 3 other than the initial Qualified Public Offering) that includes any Registrable Securities, then the Company shall give prompt notice (the " Initial Notice ") to the Apollo Group and the Management Holders, and such Holders shall be entitled to include in such Registration Statement the Registrable Securities held by them. The Initial Notice shall offer the Apollo Group and the Management Holders, respectively, the right, subject to Section 4(b) (the " Piggyback Registration Right "), to register such number of shares of Registrable Securities as each such holder may request and shall set forth (X) the anticipated filing date of such Registration Statement and (Y) the number of Registrable Securities that is proposed to be included in such Registration Statement. Subject to Section 4(b) , the Company shall include in such Registration Statement such shares of Registrable Securities for which it has received written requests to register such shares within ten (10) days after the Initial Notice has been given.

(b) Underwriters' Cutback . Notwithstanding the foregoing, if a registration pursuant to this Section 4 involves an Underwritten Offering and the managing underwriter or underwriters of such proposed Underwritten Offering advise the Company that the total or kind of securities which such Holders and any other persons or entities intend to include in such offering would be reasonably likely to adversely affect the price, timing or distribution of the securities offered in such offering, then the number of securities proposed to be included in such registration shall be allocated among the Company and all of the selling Apollo Group and Management Holders, such that the number of securities that each such Person shall be entitled to sell in the Underwritten Offering shall be included in the following order:

(i) In the event of an exercise of any demand registration rights by the Apollo Group or any other Holder or Holders possessing such rights:

(1) first , the securities held by the Person(s) exercising such demand registration rights pursuant to Section 3 or pursuant to any other agreement containing demand registration rights, *pro rata* based upon the number of Registrable Securities requested to be registered by each such Person in connection with such registration;

(2) second , the securities held by the Apollo Group and the Management Holders requested to be included in such registration pursuant to the terms of this Section 4 , *pro rata* based upon the number of Registrable Securities requested to be registered by each such Person in connection with such registration;

(3) third , the securities to be issued and sold by the Company in such registration; and

(4) fourth , the securities held by any other Persons requested to be included in such registration pursuant to the terms of this Section 4 or pursuant to any other agreement containing piggyback registration rights, pro rata based upon the number of Registrable Securities requested to be registered by each such Person in connection with such registration.

(ii) In all other cases:

(1) first , the securities to be issued and sold by the Company in such registration;

(2) second , the securities held by the Apollo Holder and the Management Holders requested to be included in such registration pursuant to the terms of this Section 4 or pursuant to any other agreement containing piggyback registration rights, *pro rata* based upon the number of Registrable Securities requested to be registered by each such Person in connection with such registration; and

(3) third , the securities held by all other Persons requesting their securities be included in such registration pursuant to the terms of this Section 4 or pursuant to any other agreement containing piggyback registration rights, *pro rata* based upon the number of Registrable Securities requested to be registered by each such Person in connection with such registration.

In the event that the managing underwriter or underwriters of such proposed Underwritten Offering determine that participation in such Underwritten Offering by a particular Holder or group of Holders would be likely to adversely affect such Underwritten Offering, such Holder or Holders shall not participate in such Underwritten Offering.

(c) Lock-ups .

(i) If the Company shall register Registrable Securities under the Securities Act for sale to the public (a " Public Offering "), no Holder shall sell publicly, make any short sale of, grant any option for the purchase of, or otherwise dispose publicly of, any shares of Common Stock without the prior written consent of VoteCo and the Company, for the period of time in

which the Apollo Group has similarly agreed not to sell publicly, make any short sale of, grant any option for the purchase of, or otherwise dispose publicly of, shares of Common Stock. In addition, if requested by the managing underwriter(s), in connection with the initial Public Offering, all Holders shall enter into a customary lock-up agreement with the managing underwriter(s). In connection with an underwritten Public Offering following a Qualified Public Offering, no Holder shall sell publicly, make any short sale of, grant any option for the purchase of, or otherwise dispose publicly of, any shares of Common Stock, for such period as shall be required by the managing underwriter of such Public Offering.

(ii) In connection with the initial Public Offering, the Management Holders shall agree with the Company to lock-up their shares of Common Stock for a period of one year from and after the completion of such initial Public Offering, subject to customary exceptions in the Company's discretion.

(d) Company Control . The Company may decline to file a Registration Statement after giving the Initial Notice, or withdraw any such Registration Statement after filing but prior to the effectiveness of such Registration Statement, provided that the Company shall promptly notify each Holder who was to participate in such offering in writing of any such action and provided further that the Company shall bear all reasonable expenses incurred by such Holder or otherwise in connection with such unfilled or withdrawn Registration Statement and no Holder shall be deemed to have made a Registration Request with respect to the unfilled or withdrawn Registration Statement. Except as provided in Section 3(f) , the Company shall have sole discretion to select any and all underwriters that may participate in any Underwritten Offering.

(e) Participation in Underwritten Offerings . No Person may participate in any Underwritten Offering hereunder unless such Person agrees to sell such Person's securities on the basis provided in any underwriting arrangements approved by VoteCo and the Company and provides the questionnaires, powers of attorney, customary indemnities, underwriting agreements, lock-ups (subject to Section 4(c) above) and other documents required for such underwriting arrangements. Nothing in this Section 4(e) shall be construed to create any additional rights regarding the piggyback registration of Registrable Securities in any Person otherwise than as set forth herein.

(f) Expenses . The Company will pay all registration fees and other expenses in connection with each registration of Registrable Securities requested pursuant to this Section 4 ; provided , that each Holder shall pay all applicable underwriting fees, discounts and similar charges (*pro rata* based on the securities sold) and that all Holders as a group shall be entitled to a single counsel (at the Company's expense) to be selected by the Apollo Group.

(g) Indemnification .

(i) Indemnification by the Company . The Company agrees to indemnify and hold harmless, to the full extent permitted by law, each selling Holder, its officers, directors, employees and representatives and each Person who controls (within the meaning of the Securities Act) such selling Holder, and in the case of the Apollo Holder, its officers, managers, employees, representatives, Affiliates, the Apollo Group and any portfolio companies of any members of the Apollo Group, and in the case of VoteCo, its officers, managers, employees, and representatives, against any losses, claims, damages, liabilities and expenses caused by any untrue or alleged untrue statement of a material fact contained in any Registration Statement, prospectus or preliminary prospectus or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as the same may be caused by or contained in any information furnished in writing to the Company by such selling Holder for use therein; provided , however , that the Company shall not be liable in any such case to the extent that any such loss, claim, damage, liability or expense arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in any such preliminary prospectus if (A) such selling Holder failed to deliver or cause to be delivered a copy of the prospectus to the Person asserting such loss, claim, damage, liability or expense after the Company has furnished such selling Holder with a sufficient number of copies of the same and (B) the prospectus completely corrected in a timely manner such untrue statement or omission; and provided , further , that the Company shall not be liable in any such case to the extent that any such loss, claim, damage, liability or expense arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission in the prospectus, if such untrue statement or alleged untrue statement, omission or alleged omission is completely corrected in an amendment or supplement to the prospectus and the selling Holder thereafter fails to deliver such prospectus as so amended or supplemented prior to or concurrently with the sale of the securities to the Person asserting such loss, claim, damage, liability or expense after the Company had furnished such selling Holder with a sufficient number of copies of the same. The Company will also indemnify underwriters, selling brokers, dealer managers and similar securities industry professionals participating in the distribution, their officers and directors and each Person who controls such Persons (within the meaning of the Securities Act) to the same extent as provided above with respect to the indemnification of the selling Holder, if requested.

(ii) Indemnification by Selling Holders . Each selling Holder agrees to indemnify and hold harmless, to the full extent permitted by law, the Company, its directors, officers, employees and representatives and each Person who controls the

Company (within the meaning of the Securities Act) against any losses, claims, damages or liabilities and expenses caused by any untrue or alleged untrue statement of a material fact contained in any Registration Statement or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, to the extent, but only to the extent, that such untrue statement or omission is contained in any statement or affidavit furnished in writing by such selling Holder to the Company expressly for inclusion in such Registration Statement, prospectus or preliminary prospectus and has not been corrected in a subsequent writing prior to or concurrently with the sale of the securities to the Person asserting such loss, claim, damage, liability or expense. In no event shall the liability of any selling Holder hereunder be greater in amount than the dollar amount of the proceeds received by such selling Holder upon the sale of the securities giving rise to such indemnification obligation. The Company and the selling Holders shall be entitled to receive indemnities from underwriters, selling brokers, dealer managers and similar securities industry professionals participating in the distribution, to the same extent as provided above with respect to information so furnished in writing by such Persons specifically for inclusion in any prospectus or Registration Statement.

(iii) Conduct of Indemnification Proceedings . Any Person entitled to indemnification hereunder will (i) give prompt (but in any event within thirty (30) days after such Person has actual knowledge of the facts constituting the basis for indemnification) written notice to the indemnifying party of any claim with respect to which it seeks indemnification and (ii) permit such indemnifying party to assume the defense of such claim with counsel reasonably satisfactory to the indemnified party; provided , however , that any delay or failure to so notify the indemnifying party shall relieve the indemnifying party of its obligations hereunder only to the extent, if at all, that it is actually prejudiced by reason of such delay or failure; provided , further , however , that any Person entitled to indemnification hereunder shall have the right to select and employ separate counsel and to participate in the defense of such claim, but the fees and expenses of such counsel shall be at the expense of such Person unless (a) the indemnifying party has agreed in writing to pay such fees or expenses, or (b) the indemnifying party shall have failed to assume the defense of such claim within a reasonable time after receipt of notice of such claim from the Person entitled to indemnification hereunder and employ counsel reasonably satisfactory to such Person or (c) in the reasonable judgment of any such Person, based upon advice of counsel, a conflict of interest may exist between such Person and the indemnifying party with respect to such claims (in which case, if the Person notifies the indemnifying party in writing that such Person elects to employ separate counsel at the expense of the indemnifying party, the indemnifying party shall not have the right to assume the defense of such claim on behalf of such Person). If such defense is not assumed by the indemnifying party, the indemnifying party will not be subject to any liability for any settlement made without its consent (but such consent will not be unreasonably withheld). An indemnified party shall not be required to consent to any settlement involving the imposition of equitable remedies or involving the imposition of any material obligations on such indemnified party other than financial obligations for which such indemnified party will be indemnified hereunder. No indemnifying party will be required to consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of a release from all liability in respect to such claim or litigation. Whenever the indemnified party or the indemnifying party receives a firm offer to settle a claim for which indemnification is sought hereunder, it shall promptly notify the other of such offer. If the indemnifying party refuses to accept such offer within twenty (20) business days after receipt of such offer (or of notice thereof), such claim shall continue to be contested and, if such claim is within the scope of the indemnifying party's indemnity contained herein, the indemnified party shall be indemnified pursuant to the terms hereof. If the indemnifying party notifies the indemnified party in writing that the indemnifying party desires to accept such offer, but the indemnified party refuses to accept such offer within twenty (20) business days after receipt of such notice, the indemnified party may continue to contest such claim and, in such event, the total maximum liability of the indemnifying party to indemnify or otherwise reimburse the indemnified party hereunder with respect to such claim shall be limited to and shall not exceed the amount of such offer, plus reasonable out-of-pocket costs and expenses (including reasonable attorneys' fees and disbursements) to the date of notice that the indemnifying party desires to accept such offer, provided that this sentence shall not apply to any settlement of any claim involving the imposition of equitable remedies or to any settlement imposing any material obligations on such indemnified party other than financial obligations for which such indemnified party will be indemnified hereunder. An indemnifying party who is not entitled to, or elects not to, assume the defense or a claim will not be obligated to pay the fees and expenses of more than one counsel for all parties indemnified by such indemnifying party with respect to such claim in any one jurisdiction, unless in the written opinion of counsel to the indemnified party, reasonably satisfactory to the indemnifying party, use of one counsel would be expected to give rise to a conflict of interest between such indemnified party and any other of such indemnified parties with respect to such claim, in which event the indemnifying party shall be obligated to pay the fees and expenses of each additional counsel.

(iv) Other Indemnification . Indemnification similar to that specified in this Section 4(g) (with appropriate modifications) shall be given by the Company and each selling Holder with respect to any required registration or other qualification of securities under Federal or state law or regulation of governmental authority other than the Securities Act.

(v) Contribution . If for any reason the indemnification provided for in the preceding clauses g(i) and g(ii) is unavailable to an indemnified party or insufficient to hold such indemnified party harmless as contemplated by the preceding clauses g(i) and g(ii), then the indemnifying party shall contribute to the amount paid or payable by the indemnified party as a result of such loss, claim, damage or liability in such proportion as is appropriate to reflect not only the relative benefits received by the

indemnified party and the indemnifying party, but also the relative fault of the indemnified party and the indemnifying party, as well as any other relevant equitable considerations, provided that no selling Holder shall be required to contribute in an amount greater than the dollar amount of the proceeds received by such selling Holder with respect to the sale of any securities under this Section 4. No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not itself guilty of such fraudulent misrepresentation.

Section 5. Repurchase Rights.

(a) Company Call Rights.

(i) In the event that a Management Holder's employment is terminated by the Company or, if applicable, an Affiliate thereof, for Cause or is terminated by such Management Holder without Good Reason, then the Company (or at its option, any of its Subsidiaries) shall have the right, but not the obligation, to repurchase all or any portion of the shares of Common Stock held by such Management Holder (including any shares of Common Stock received upon a distribution from any deferred compensation plan or any shares of Common Stock then issuable upon exercise of any Options held by such Management Holder) in accordance with this Section 5 for the lesser of (i) Original Cost and (ii) Fair Market Value. If Fair Market Value was determined at any time during the twelve-month period prior to such closing date, the Fair Market Value as of such closing date shall be deemed to equal the most recent determination of Fair Market Value during such twelve-month period unless the Board, in its sole discretion, otherwise elects to recalculate the Fair Market Value as of such closing date. Only to the extent necessary to comply with Section 409A of the Code, with respect to shares of Common Stock received by a Management Holder upon exercise of any Options, the provisions of this Section 5(a)(i) shall cease to apply on the ten-year anniversary of the grant of such Options to such Management Holder.

(ii) In the event that a Management Holder's employment is terminated other than as described in Section 5(a)(i), then the Company (or at its option, any of its Subsidiaries) shall have the right, but not the obligation, to repurchase all or any portion of the shares of Common Stock held by such Management Holder (including any shares of Common Stock received upon a distribution from any deferred compensation plan or any shares of Common Stock then issuable upon exercise of any Options held by such Management Holder) in accordance with this Section 5 for Fair Market Value. If Fair Market Value was determined at any time during the twelve month period prior to such closing date, the Fair Market Value as of such closing date shall be deemed to equal the most recent determination of Fair Market Value during such twelve-month period unless the Board, in its sole discretion, otherwise elects to recalculate the Fair Market Value as of such closing date.

(iii) From and after a Bankruptcy Event with respect to any Management Holder, the Company (or at its option, any of its Subsidiaries) shall have the right, but not the obligation, to repurchase all or any portion of the shares of Common Stock held by such holder (including any shares of Common Stock received upon a distribution of any deferred compensation plan or any shares of Common Stock issuable upon exercise of any Options held by any such Management Holder) in accordance with this Section 5 for Fair Market Value.

(iv) Following the occurrence of any of the events set forth in Section 5(a)(i), Section 5(a)(ii), and Section 5(a)(iii) (each a "Repurchase Event"), the Company or any of its Subsidiaries may exercise its right of repurchase (a "Call Right") until the date occurring ninety (90) days after the relevant Repurchase Event; provided, however, that (A) with respect to shares of Common Stock acquired by a Management Holder after such Repurchase Event (whether by exercise of Options, distribution of shares of Common Stock from any equity compensation plan, deferred compensation plan or otherwise), the Company or any of its Subsidiaries may exercise its right to purchase such shares of Common Stock until the date occurring six (6) months after the acquisition of such shares of Common Stock by such Management Holder, and (B) if the termination of employment giving rise to a Repurchase Event is due to death or Disability, the Company or any of its Subsidiaries may exercise its Call Right with respect to such Management Holder until the date occurring 180 days after such Repurchase Event.

(b) The Apollo Group Repurchase Right. The Company or a Subsidiary thereof shall give written notice to the Apollo Group (other than VoteCo) stating whether the Company or any Subsidiary will exercise such Call Rights pursuant to clause (a) above. If such notice states that the Company and its Subsidiaries will not exercise their Call Right for all or a portion of the shares of Common Stock then subject thereto, the Apollo Group (other than VoteCo) shall have the right to purchase such shares of Common Stock not purchased by the Company or its Subsidiaries on the same terms and conditions as the Company and its Subsidiaries until the later of (i) the 30th day following the receipt of such notice or (ii) such longer period as specified in subclauses (A) and (B) of Section 5(a)(iv), if applicable.

(c) Closing. The closing of any purchase of shares of Common Stock pursuant to this Section 5 shall take place on a date designated by the Company, one of its Subsidiaries, or the Apollo Group, as applicable, in accordance with the applicable provisions of this Section 5; provided, that if necessary to avoid liability accounting, the closing with respect to a Management

Holder will be deferred until such time as the applicable Management Holder has held the shares of Common Stock for a period of at least six (6) months and one day. The Company, one of its Subsidiaries, or the Apollo Group, as applicable, will pay for the shares of Common Stock purchased by it pursuant to this Section 5 by delivery of a check or wire transfer of funds, in exchange for the delivery by the Management Holder of the certificates representing such shares of Common Stock, duly endorsed for transfer to the Company, such Subsidiary or the Apollo Group, as applicable. The Company shall have the right to record such purchase on its books and records without the consent of the Management Holder, so long as such transaction is consistent with the terms of this Agreement.

(d) Restrictions on Repurchase . Notwithstanding anything to the contrary contained in this Agreement, (i) all purchases of shares of Common Stock by the Company, its Subsidiaries or the Apollo Group shall be subject to applicable restrictions contained in any federal, state or non-U.S. law; (ii) if any such restrictions prohibit or otherwise delay any purchase of shares of Common Stock which the Company, the Subsidiaries thereof or the Apollo Group is otherwise entitled or required to make pursuant to this Section 5 , then the Company, the Subsidiaries thereof and the Apollo Group shall have the option to make such purchases pursuant to this Section 5 within thirty (30) days of the date that it is first permitted to make such purchase under the laws and/or agreements containing such restrictions; and (iii) the Company and its Subsidiaries shall not be obligated to effectuate any transaction contemplated by this Section 5 if such transaction would violate the terms of any restrictions imposed by agreements evidencing the indebtedness of the Company or any of its Subsidiaries. In the event that any shares of Common Stock are sold by a Holder pursuant to this Section 5 , the Holder, and such Holder's successors, assigns or representatives, will take all reasonable steps necessary and desirable to obtain all required third-party, governmental and regulatory consents and approvals with respect to such Holder and take all other actions necessary and desirable to facilitate consummation of such sale in a timely manner. For the avoidance of doubt, in the event a repurchase is delayed pursuant to the terms of this Section 5(d) , the determination date for purposes of determining the Fair Market Value shall be the date on which the closing date of the purchase of the applicable shares would have occurred but for the delay.

(e) Withholdings . The Company may withhold from any amounts payable under this Agreement such federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable Law, or may permit a Holder to elect to pay the Company any such required withholding taxes. If such Holder so elects, the payment by such Holder of such taxes shall be a condition to the receipt of amounts payable to such Holder under this Agreement. The Company shall, to the extent permitted or required by Law, have the right to deduct any such taxes from any payment otherwise due to such Holder.

Section 6. Restrictive Covenants .

(a) Non-Solicitation; Non-Competition . Each Management Holder shall be bound by the non-competition and non-solicitation provisions contained in this Section 6(a) , except that if any Management Holder is a party to a subscription, employment or other agreement with the Company or any of its Subsidiaries which contains non-compete and non-solicitation provisions, such Management Holder shall only be bound by the non-compete and non-solicitation provisions contained in such other agreement and shall not be bound by the provisions of this Section 6 .

(i) Non-Solicitation . During the period commencing on the date hereof and ending on the date of the one-year anniversary of the Management Holder's termination of employment for any reason (such period, the " Restricted Period "), the Management Holder shall not directly or indirectly (i) induce or attempt to induce any employee, consultant or independent contractor of the Company or any Affiliate of the Company (collectively, the " Affiliated Entities " and each such entity an " Affiliated Entity ") to leave the Company or such Affiliated Entity, or in any way interfere with the relationship between the Company or any such Affiliated Entity, on the one hand, and any employee or independent contractor thereof, on the other hand, (ii) hire any person who is an employee or independent contractor of the Company or any Affiliated Entity until twelve (12) months after such individual's relationship with the Company or such Affiliated Entity has been terminated for any reason or (iii) induce or attempt to induce any customer (including former customers who were customers at any time during the three-year period immediately prior to such inducement or attempted inducement), supplier, licensee or other business relation of the Company or any subsidiary of the Company to cease doing business with the Company or such subsidiary, or in any way interfere with the relationship between any such customer, supplier, licensee or business relation, on the one hand, and the Company or any subsidiary, on the other hand.

(b) Non-Competition . Each Management Holder acknowledges that, in the course of his employment with the Company and/or its Subsidiaries and their predecessors, he has become familiar, or will become familiar, with the Company's and its Subsidiaries' and their predecessors' trade secrets and with other confidential information concerning the Company, its Subsidiaries and their respective predecessors and that his services have been and will be of special, unique and extraordinary value to the Company and its Subsidiaries. Therefore, each Management Holder agrees that, during the Restricted Period, such Management Holder shall not, within any jurisdiction or marketing area in which the Company or any of its Subsidiaries is doing business or intends to do business at any time during such Management Holder's employment with the Company and its affiliates or during the

six-month period following the termination of such employment, directly or indirectly, own, manage, operate, control, be employed or retained by (whether as an employee, consultant, independent contractor or otherwise, and whether or not for compensation), participate in the ownership, management, operation or control of, or otherwise render services to or engage in, any business that engages in any line of business conducted by the Company or any of its Subsidiaries at any time during such Management Holder's employment with the Company and its affiliates or during the six-month period following the termination of such employment; provided, that ownership of securities of two percent (2%) or less of any publicly traded class of securities of a public company shall not violate this paragraph.

(c) Non-Disclosure; Non-Use of Confidential Information . Each Management Holder shall not disclose or use at any time, either during his employment with the Company and its Affiliates or thereafter, any Confidential Information of which the Management Holder is or becomes aware, whether or not such information is developed by him, except to the extent that such disclosure or use is directly related to and required by such Management Holder's performance in good faith of duties assigned to such Management Holder by the Company. Each Management Holder shall take all appropriate steps to safeguard Confidential Information in his possession and to protect it against disclosure, misuse, espionage, loss and theft. Each Management Holder shall deliver to the Company at the termination of his employment with the Company and its Affiliates, or at any time the Company may request, all memoranda, notes, plans, records, reports, computer tapes and software and other documents and data (and copies thereof) relating to the Confidential Information or the Work Product of the business of the Company or any of its Affiliates that the Management Holder may then possess or have under his control. The non-disclosure and non-use of Confidential Information obligations pursuant to this Section 6(c) shall survive the termination of each Management Holder's employment with the Company and its Affiliates. This foregoing does not limit any other non-disclosure or confidentiality obligation otherwise applicable to such Management Holder.

(d) Proprietary Rights . The Management Holder recognizes that the Company and its Affiliates possess a proprietary interest in all Confidential Information and Work Product and have the exclusive right and privilege to use, protect by copyright, patent or trademark, or otherwise exploit the processes, ideas and concepts described therein to the exclusion of the Management Holder, except as otherwise agreed between the Company and the Management Holder in writing. The Management Holder expressly agrees that any Work Product made or developed by the Management Holder or the Management Holder's agents or Affiliates during the course of the Management Holder's employment, including any Work Product which is based on or arises out of Work Product, shall be the property of an inure to the exclusive benefit of the Company and its Affiliates. The Management Holder further agrees that all Work Product developed by the Management Holder (whether or not able to be protected by copyright, patent or trademark) during the course of such Management Holder's employment, or involving the use of the time, materials or other resources of the Company or any of its Affiliates, shall be promptly disclosed to the Company and shall become the exclusive property of the Company, and the Management Holder shall execute and deliver any and all documents necessary or appropriate to implement the foregoing.

Section 7. Notices .

All notices, demands and other communications to be given or delivered under or by reason of the provisions of this Agreement shall be in writing and shall be deemed to have been given (a) when personally delivered, (b) when transmitted via telecopy (or other facsimile device) to the number set out below if the sender on the same day sends a confirming copy of such notice by a recognized overnight delivery service (charges prepaid), (c) the day following the day (except if not a business day then the next business day) on which the same has been delivered prepaid to a reputable national overnight air courier service, (d) the third (3rd) business day following the day on which the same is sent by certified or registered mail, postage prepaid or (e) the day on which the same is sent via e-mail and has been confirmed via telephone. Notices, demands and communications, in each case to the respective parties, shall be sent to the applicable address set forth below, unless another address has been previously specified in writing:

If to the Company:

PlayAGS, Inc.
5475 S. Decatur Blvd., Suite 100
Las Vegas, Nevada
Attention: Vic Gallo
Email: v.gallo@playags.com
Telephone: 702-724-1111

with a copy (which shall not constitute notice) to:

Apollo Gaming Holdings, L.P.
c/o Apollo Management VIII, L.P.

9 West 57th St.
New York, New York 10019
Attention: David Sambur
Email: sambur@apollolp.com
Attention: Laurie Medley
Email: lmedley@apollolp.com
Telephone: 212-515-3484
Facsimile: 646-390-1501

If to the Apollo Group:

Apollo Gaming Holdings, L.P.
c/o Apollo Management VIII, LP
9 West 57th Street, 43rd Floor
New York, New York 10019
Attention: David Sambur
Email: sambur@apollolp.com
Attention: Laurie Medley
Email: lmedley@apollolp.com
Telephone: 212-515-3484
Facsimile: 646-390-1501

with a copy (which shall not constitute notice) to:

Paul, Weiss, Rifkind, Wharton & Garrison LLP
1285 Avenue of the Americas
New York, New York 10019
Attention: Ross A. Fieldston
Email: rfieldston@paulweiss.com
Telephone: 212-373-3075
Facsimile: 212-492-0075

If to any Management Holder: to the address set forth with respect to such Management Holder in the Company's records.

The Company, any Holder or any spouse or legal representative of a Holder may effect a change of address for purposes of this Agreement by giving notice of such change to the Company, and the Company shall, upon the request of any party hereto, notify such party of such change in the manner provided herein. Until such notice of change of address is properly given, the addresses set forth in this Section 7 shall be effective for all purposes.

Section 8. Miscellaneous Provisions .

(a) THIS AGREEMENT WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEVADA, WITHOUT GIVING EFFECT TO ANY CHOICE OF LAW OR CONFLICTING PROVISION OR RULE THAT WOULD CAUSE THE LAWS OF ANY JURISDICTION OTHER THAN THE STATE OF NEVADA TO BE APPLIED. IN FURTHERANCE OF THE FOREGOING, THE INTERNAL LAW OF THE STATE OF NEVADA WILL CONTROL THE INTERPRETATION AND CONSTRUCTION OF THIS AGREEMENT, EVEN IF UNDER SUCH JURISDICTION'S CHOICE OF LAW OR CONFLICT OF LAW ANALYSIS, THE SUBSTANTIVE LAW OF SOME OTHER JURISDICTION WOULD ORDINARILY APPLY.

(b) BECAUSE DISPUTES ARISING IN CONNECTION WITH COMPLEX FINANCIAL TRANSACTIONS ARE MOST QUICKLY AND ECONOMICALLY RESOLVED BY AN EXPERIENCED AND EXPERT PERSON AND THE PARTIES WISH APPLICABLE STATE AND FEDERAL LAWS TO APPLY (RATHER THAN ARBITRATION RULES), THE PARTIES DESIRE THAT THEIR DISPUTES BE RESOLVED BY A JUDGE, APPLYING SUCH APPLICABLE LAWS. THEREFORE, TO ACHIEVE THE BEST COMBINATION OF THE BENEFITS OF THE JUDICIAL SYSTEM, THE PARTIES HERETO WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT OR PROCEEDING BROUGHT TO ENFORCE OR DEFEND ANY RIGHT OR REMEDIES UNDER THIS AGREEMENT OR ANY DOCUMENTS ENTERED INTO IN CONNECTION WITH THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED HEREIN.

(c) Whenever the context requires, the gender of all words used herein shall include the masculine, feminine and

neuter, and the number of all words shall include the singular and plural.

(d) This Agreement shall be binding upon the Company, the Apollo Holder, VoteCo, the Management Holders, any other Holders, any spouses of individual Holders, and their respective heirs, executors, administrators and permitted successors and assigns.

(e) This Agreement may be amended or waived from time to time by an instrument in writing signed by the Company, the Apollo Holder and VoteCo; provided , however , that (x) if an amendment or waiver would materially disproportionately adversely affect the rights or obligations of the Management Holders as a group relative to the Apollo Holder, such instrument in writing shall also require the signatures of Management Holders who hold at least a majority of the outstanding shares of Common Stock owned by all Management Holders as of the date of such amendment or waiver. Notwithstanding the foregoing, if the Company issues a new class of capital stock, the Company may in good faith amend the terms of this Agreement to reflect such issuance and apply the terms of this Agreement to such new class of capital stock; provided , however , that (x) if such issuance would materially disproportionately adversely affect the rights or obligations of the Management Holders as a group relative to the Apollo Holder, such instrument in writing shall also require the signatures of Management Holders who hold at least a majority of the outstanding shares of Common Stock owned by all Management Holders as of the date of such amendment or waiver.

(f) This Agreement shall terminate automatically upon the earlier to occur of: (i) the dissolution of the Company (it being understood that neither the Conversion nor any other event after which the Company continues to exist as a limited liability company or in another form, whether incorporated in Nevada or in another jurisdiction, shall constitute a dissolution) or (ii) the consummation of a Majority Disposition; provided , however , that if Registrable Securities have been registered pursuant to Section 3 or Section 4 hereof prior to such termination, Section 4(g) shall survive such termination.

(g) Any Holder who disposes of all of his, her or its shares of Common Stock in conformity with the terms of this Agreement shall have no further rights hereunder other than rights to indemnification under Section 4 , if applicable (it being understood and agreed, for the avoidance of doubt, that the obligations and restrictions under Section 6 hereof shall continue to apply to a Management Holder after such Disposition in accordance with the terms of Section 6).

(h) The spouses of the individual Holders are fully aware of, understand and fully consent and agree to the provisions of this Agreement and its binding effect upon any community property interests or similar marital property interests in the shares of Common Stock or other Company securities they may now or hereafter own, and agree that the termination of their marital relationship with any Holder for any reason shall not have the effect of removing any shares of Common Stock or other securities of the Company otherwise subject to this Agreement from the coverage of this Agreement and that their awareness, understanding, consent and agreement are evidenced by their signing this Agreement. Furthermore, each individual Holder agrees to cause his or her spouse (and any subsequent spouse) to execute and deliver, upon the request of the Company, a counterpart of this Agreement, or an Adoption Agreement substantially in the form of Exhibit A or in a form satisfactory to the Company.

(i) Each party to this Agreement acknowledges that a remedy at law for any breach or attempted breach of this Agreement will be inadequate, agrees that each other party to this Agreement shall be entitled to specific performance and injunctive and other equitable relief in case of any such breach or attempted breach and further agrees to waive (to the extent legally permissible) any legal conditions required to be met for the obtaining of any such injunctive or other equitable relief (including posting any bond in order to obtain equitable relief).

(j) This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original copy of this Agreement and all of which, when taken together, will be deemed to constitute one and the same agreement. The exchange of copies of this Agreement and of signature pages by facsimile transmission or Portable Document Format (" PDF ") shall constitute effective execution and delivery of this Agreement as to the parties and may be used in lieu of the original Agreement for all purposes. Signatures of the parties transmitted by facsimile or PDF shall be deemed to be their original signatures for all purposes. It shall not be necessary in making proof of this Agreement to produce or account for more than one such counterpart. The failure of any Holder to execute this Agreement does not make it invalid as against any other Holder.

(k) Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable Law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable Law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or any other jurisdiction, and such invalid, illegal or otherwise unenforceable provisions shall be null and void as to such jurisdiction. It is the intent of the parties, however, that any invalid, illegal or otherwise unenforceable provisions be automatically replaced by other provisions which are as similar as possible in terms to such invalid, illegal or otherwise unenforceable provisions but are valid and enforceable to the fullest extent permitted by Law.

(l) Each party hereto shall do and perform or cause to be done and performed all such further acts and things and shall execute and deliver all such other agreements, certificates, instruments, and other documents as any other party hereto reasonably may request in order to carry out the provisions of this Agreement and the consummation of the transactions contemplated hereby.

(m) The parties to this Agreement agree that jurisdiction and venue in any action brought by any party hereto pursuant to this Agreement shall exclusively and properly lie in Eighth Judicial District Court, located in Clark County, Nevada, or (in the event that such court denies jurisdiction) any federal or state court located in the State of Nevada. By execution and delivery of this Agreement each party hereto irrevocably submits to the jurisdiction of such courts for himself and in respect of his property with respect to such action. The parties hereto irrevocably agree that venue for such action would be proper in such court, and hereby waive any objection that such court is an improper or inconvenient forum for the resolution of such action. The parties further agree that the mailing by certified or registered mail, return receipt requested, or service in accordance with Section 8 or any other manner permitted by applicable Law, of any process required by any such court shall constitute valid and lawful service of process against them, without necessity for service by any other means provided by statute or rule of court.

(n) No course of dealing between the Company, its Subsidiaries, and the Holders (or any of them) or any delay in exercising any rights hereunder will operate as a waiver of any rights of any party to this Agreement. The failure of any party to enforce any of the provisions of this Agreement will in no way be construed as a waiver of such provisions and will not affect the right of such party thereafter to enforce each and every provision of this Agreement in accordance with its terms.

(o) Except as otherwise expressly provided herein, this Agreement sets forth the entire agreement of the parties hereto as to the subject matter hereof and supersedes all previous agreements among all or some of the parties hereto, whether written, oral or otherwise, as to such subject matter. Unless otherwise provided herein, any consent required by the Company may be withheld by the Company in its sole discretion.

(p) Except as otherwise expressly provided herein, no Person not a party to this Agreement, as a third party beneficiary or otherwise, shall be entitled to enforce any rights or remedies under this Agreement.

(q) If, and as often as, there are any changes in the Common Stock by way of stock split, stock dividend, combination or reclassification, or through merger, consolidation, reorganization or recapitalization, or by any other means, appropriate adjustment shall be made in the provisions of this Agreement, as may be required, so that the rights, privileges, duties and obligations hereunder shall continue with respect to the Common Stock as so changed.

(r) No officer or director of the Company shall be personally liable to the Company or any Holder as a result of any acts or omissions taken under this Agreement in good faith.

(s) In the event of any amendment or material waiver of this Agreement, the Company shall provide the Holders with a written notice of such amendment or waiver, with such notice conforming to the requirements set forth in Section 7 above. A copy of this Agreement and of all amendments hereto shall be filed and maintained at the principal offices of the Company.

(t) In the event additional shares of Common Stock are issued by the Company to a Holder at any time during the term of this Agreement, either directly or upon the exercise or exchange of securities of the Company exercisable for or exchangeable into Common Stock, such additional Common Stock, as a condition to its issuance, shall become subject to the terms and provisions of this Agreement.

(u) Notwithstanding anything to the contrary contained herein, but subject to Section 2 , the Apollo Group may assign its rights or obligations, in whole or in part, under this Agreement to one or more of its Affiliates.

(v) Notwithstanding anything that may be expressed or implied in this Agreement, and notwithstanding that certain of the Holders may be limited partnerships or limited liability companies, each Holder covenants, agrees and acknowledges that, except as required by applicable Law, no recourse under this Agreement or any documents or instruments delivered in connection with this Agreement shall be had against the Apollo Group or any of its Affiliates or any of its or their former, current or future direct or indirect equity holders, controlling persons, shareholders, directors, officers, employees, agents, Affiliates, members, financing sources, accountants, advisors, managers, general or limited partners, assignees or representatives (" Related Parties "),

whether by the enforcement of any assessment or by any legal or equitable proceeding, or by virtue of any applicable Law, it being expressly agreed and acknowledged that no personal liability whatsoever shall attach to, be imposed on or otherwise be incurred by any of the Related Parties, as such, for any obligation or liability of the Company, the Apollo Group or any Holder, under this Agreement or any documents or instruments delivered in connection with this Agreement in respect of or by reason of obligations or liabilities or their creation.

This Agreement is executed by the Company and by each Holder and spouse of each Holder to be effective as of the date first above written.

PLAYAGS, INC.

By: /s/ David Lopez
Name: David Lopez
Title: Chief Executive Officer and President

APOLLO GAMING HOLDINGS, L.P.

By: Apollo Gaming Holdings GP, LLC,
its general partner

By: /s/ David Sambur
Name: David B. Sambur
Title: Chief Executive Officer, President, Treasurer and Secretary

AP GAMING VOTECO, LLC

By: /s/ Marc Rowan
Name: Marc Rowan
Title: Member

By: /s/ David Sambur
Name: David B. Sambur
Title: Member

This Agreement is executed by the Company and by each Holder and spouse of each Holder to be effective as of the date first above written.

/s/ David Lopez
Name of Holder: David Lopez

/s/ Lisa Lopez
Name of Holder: Lisa Lopez

/s/ Victor Gallo
Name of Holder: Victor Gallo

/s/ Kris Morishige
Name of Holder: Kris Morishige

/s/ Ofir Ventura
Name of Holder: Ofir Ventura

/s/ Cecilia Venture
Name of Holder: Cecilia Venture

/s/ John Hemberger
Name of Holder: John Hemberger

/s/ Julia Boguslawski
Name of Holder: Julia Boguslawski

/s/ Kimo Akiona
Name of Holder: Kimo Akiona

/s/ Robert Perry
Name of Holder: Robert Perry

/s/ Ashley S. Perry

Name of Holder: Ashley S. Perry

/s/ Zbigniew Czyzewski
Name of Holder: Zbigniew Czyzewski

/s/ Magdalena Young-Czyzewski
Name of Holder: Magdalena Young-Czyzewski

/s/ Julia Boguslawski
Name of Holder: Julia Boguslawski

/s/ John Hemberger
Name of Holder: John Hemberger

/s/ Alan Siegal
Name of Holder: Alan Siegal

/s/ Matthew Reback
Name of Holder: Matthew Reback

/s/ Ann Reback
Name of Holder: Ann Reback

/s/ Andrew Burke
Name of Holder: Andrew Burke

/s/ Adrianne Burke
Name of Holder: Adrianne Burke

EXHIBIT A

ADOPTION AGREEMENT

This Adoption Agreement (" Adoption ") is executed pursuant to the terms of the Amended and Restated Securityholders Agreement, dated as of January 29, 2018, copy of which is attached hereto (as it may be amended from time to time, the " Securityholders Agreement "), by the transferee or the recipient of an issuance by the Company, as applicable, (" Transferee ") executing this Adoption. By the execution of this Adoption, the Transferee agrees as follows:

1. Acknowledgement . Transferee acknowledges that Transferee is acquiring certain shares of Common Stock of PlayAGS, Inc., a Nevada corporation (the " Company "), subject to the terms and conditions of the Securityholders Agreement, among the Company, Apollo Gaming Holdings, L.P., AP Gaming VoteCo, LLC and the Holders party thereto. Capitalized terms used herein without definition are defined in the Securityholders Agreement and are used herein with the same meanings set forth therein.

2. Agreement . Transferee (i) agrees that the shares of Common Stock acquired by Transferee, and certain other shares of Common Stock that may be acquired by Transferee in the future, shall be bound by and subject to the terms of the Securityholders Agreement, pursuant to the terms thereof, (ii) hereby adopts the Securityholders Agreement with the same force and effect as if he, she or it were originally a party thereto and (iii) agrees that Transferee shall be deemed to be a [insert "Management Holder" or "Holder," as applicable] for purposes of the Securityholders Agreement.

3. Notice . Any notice required as permitted by the Securityholders Agreement shall be given to Transferee at the address listed below Transferee's signature.

4. Law . THIS ADOPTION WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEVADA, WITHOUT GIVING EFFECT TO ANY CHOICE OF LAW OR CONFLICTING PROVISION OR RULE (WHETHER OF THE STATE OF NEVADA OR ANY OTHER JURISDICTION) THAT WOULD CAUSE THE LAWS OF ANY JURISDICTION OTHER THAN THE STATE OF NEVADA TO BE APPLIED. IN FURTHERANCE OF THE FOREGOING, THE INTERNAL LAW OF THE STATE OF NEVADA WILL CONTROL THE INTERPRETATION AND CONSTRUCTION OF THIS ADOPTION, EVEN IF UNDER SUCH JURISDICTION'S CHOICE OF LAW OR CONFLICT OF LAW ANALYSIS, THE SUBSTANTIVE LAW OF SOME OTHER JURISDICTION WOULD ORDINARILY APPLY.

5. Joinder . The spouse of the undersigned Transferee, if applicable, executes this Adoption to acknowledge its fairness and that it is in such spouse's best interest, and to bind such spouse's community interest, if any, in the shares of Common Stock and other securities referred to above and in the Securityholders Agreement, to the terms of the Securityholders Agreement.

IN WITNESS WHEREOF, the undersigned has executed this Adoption Agreement as of the date written below.

Date:

[NAME]

By: ___
Name:
Title:

Address for Notices:

Execution Version

Exhibit 10.25

STOCKHOLDERS AGREEMENT

dated as of

January 29, 2018

by and among

PLAYAGS, INC.,

APOLLO GAMING HOLDINGS, L.P.

and

AP GAMING VOTECO, LLC

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VoteCo	Preamble
Voting Securities	Section 1.1

STOCKHOLDERS AGREEMENT

STOCKHOLDERS AGREEMENT (this " Agreement "), dated as of January 29, 2018, among PlayAGS, Inc., a Nevada corporation (the " Corporation "), Apollo Gaming Holdings, L.P., a Delaware limited partnership (" Holdings ", and together with any other stockholders of the Corporation who become party hereto in accordance with this Agreement, the " Stockholders "), and AP Gaming VoteCo, LLC, a Delaware limited liability company (" VoteCo ").

WHEREAS, in connection with the IPO (as defined herein), the Corporation and its Affiliates (as defined herein) intend to consummate the transactions described in the Registration Statement on Form S-1 filed by the Corporation (the " IPO Registration Statement "); and

WHEREAS, the parties hereto desire to provide for certain governance rights and other matters on and after the consummation of the IPO.

NOW, THEREFORE, in consideration of the mutual covenants and undertakings contained herein and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

ARTICLE I

DEFINITIONS AND USAGE

Section 1.3 Definitions . As used in this Agreement, the following terms shall have the following meanings:

" Affiliate " means in the case of a Person, another Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with such Person; provided , that neither the Corporation nor any of its Subsidiaries will be deemed an Affiliate of any Stockholder or any of such Stockholders' Affiliates or VoteCo. For the avoidance of doubt, any co-investment vehicle controlled by any member of the Apollo Group shall be deemed to be an Affiliate of the Apollo Group hereunder. The term " Affiliate " shall not include at any time any portfolio companies of Apollo Management VIII, L.P. or its Affiliates, other than the Holdings, VoteCo, the Corporation and their respective Subsidiaries.

As used in this definition, the term " control ," including the correlative terms "controlling," "controlled by" and "under common control with," means possession, directly or indirectly, of the power to direct or cause the direction of management or policies (whether through ownership of securities or any partnership or other ownership interest, by contract or otherwise) of a Person.

" Apollo Group " means (a) Holdings, (b) Apollo Investment Fund VIII, L.P., (c) each of their respective Affiliates (including, for avoidance of doubt, any syndication vehicles) to which any transfers of Common Stock are made and (d) VoteCo, to the extent

that it has beneficial ownership of shares of Common Stock pursuant to that certain Irrevocable Proxy and Power of Attorney of the Company, dated as of the date hereof.

" Articles of Incorporation " means the articles of incorporation of the Corporation on file in the office of the Nevada Secretary of State, as they may be amended, restated or otherwise modified from time to time.

" beneficial ownership " has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act. The terms " beneficially own " and " beneficial owner " shall have correlative meanings.

" Board of Directors " means the board of directors of the Corporation.

" Bylaws " means the bylaws of the Corporation, as they may be amended, restated or otherwise modified from time to time.

" Change of Control " means (i) an acquisition by any Person or group of Persons of Equity Securities of the Corporation, whether already outstanding or newly issued, in a transaction or series of transactions, if immediately thereafter such Person or group of Persons (other than the Stockholders or their Permitted Transferees or a wholly-owned Subsidiary of the Corporation) has, or would have, directly or indirectly, beneficial ownership of fifty percent (50%) or more of the combined Equity Securities or voting power of the Corporation; (ii) the sale of all or substantially all of the assets of the Corporation and its Subsidiaries, taken as a whole, directly or indirectly, to any Person or group of Persons (other than the Stockholders or their Permitted Transferees or a wholly-owned Subsidiary of the Corporation) in a transaction or series of transactions; or (iii) the consummation of a tender offer, merger, recapitalization, consolidation, business combination, reorganization or other transaction, or series of related transactions, involving the Corporation and any other Person or group of Persons; unless , in the case of clause (iii) of this definition, both (1) the then-existing Stockholders, immediately prior to such transaction or the first transaction in such series of transactions, will beneficially own more than fifty percent (50%) of the combined Equity Securities or voting power of the Corporation (or, if the Corporation will not be the surviving entity or publicly traded parent company in such transaction or series of transactions, such surviving entity or parent) immediately after the consummation of such transaction or series of transactions and (2) the individuals who are members of the Board of Directors, immediately prior to the consummation of such transaction or the first transaction in such series of transactions, will be entitled to cast at least a majority of the votes of the Board of Directors (or the board of managers or equivalent body of such surviving entity, as the case may be) after the closing of such transaction or series of transactions. As used in this definition of Change of Control, the term "group" shall have the same meaning assigned to such term in Rule 13d-5 of the Exchange Act.

" Common Stock " means shares of the Corporation's common stock, par value $0.01 per share.

" Controlled Affiliate " of any Person means any Affiliate that directly or indirectly, through one or more intermediaries, is controlled (as defined in the definition of "Affiliate") by such Person.

" Controlled Entity " means, as to any Person, (a) any corporation more than fifty percent (50%) of the outstanding voting stock of which is owned by such Person or such Person's Affiliates, (b) any partnership of which such Person or an Affiliate of such Person is the managing partner (or the general partner if such partnership is a limited partnership) and in which such Person or such Person's Affiliates hold partnership interests representing at least fifty percent (50%) of such partnership's capital and profits and (c) any limited liability company of which such Person or an Affiliate of such Person is the manager or managing member and in which such Person or such Person's Affiliates hold membership interests representing at least fifty percent (50%) of such limited liability company's capital and profits.

" Equity Security " has the meaning ascribed to such term in Rule 405 under the Securities Act, and in any event, includes any security having the attendant right to vote for directors or similar representatives and any general or limited partner interest in any Person.

" Exchange Act " means the Securities Exchange Act of 1934, as amended, and any successor law or statute, in each case together with the rules and regulations promulgated thereunder.

" Fair Market Value " means, with respect to property (other than cash), the fair market value of such property as determined in good faith by the Board of Directors.

" Governmental Entity " means any court, administrative agency, regulatory body, commission or other governmental authority, board, bureau or instrumentality, domestic or foreign and any subdivision thereof.

" Hedging Obligation " means, with respect to any Person, any liability of such Person under any interest rate, currency or commodity swap agreement, cap agreement or collar agreement, and any other agreement or arrangement designed to protect a Person against fluctuations in interest rates, currency exchange rates or commodity prices.

" Indebtedness " of a Person means, at any date of determination, without duplication, (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments (excluding contingent obligations under surety bonds), (iii) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising and paid in the ordinary course of business, (iv) the capitalized amount of all capital leases of such Person, (v) all non-contingent obligations of such Person to reimburse any bank or other Person in respect of amounts paid under a letter of credit, bankers acceptance, surety bond or similar instrument, (vi) all obligations of a type described in clauses (i) through (v) and clauses (vii) and (viii) of this definition secured by a Lien on any asset of such Person, whether or not such obligation is otherwise an obligation of such Person, (vii) all Hedging Obligations

of such Person, and (viii) all Indebtedness of others guaranteed by such Person. Any obligation constituting Indebtedness solely by virtue of the preceding clause (vi) shall be valued at the lower of the Fair Market Value of the corresponding asset and the aggregate unpaid amount of such obligation.

" IPO " means the initial public offering of shares of Common Stock pursuant to an effective IPO Registration Statement under the Securities Act.

" Lien " means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind, or any other type of preferential arrangement that has the practical effect of creating a security interest in respect of such asset.

" Minimum Condition " means that the Apollo Group, together with its Permitted Transferees, maintains, directly or indirectly, beneficial ownership of at least 33 1 / 3 % of the issued and outstanding Common Stock, as adjusted for any stock split, stock dividend, reverse stock split, recapitalization, business combination, reclassification or similar event, in each case with such adjustment being determined in good faith by the Board of Directors.

" Percentage Interest " means, with respect to any Person and as of any date of determination, a fraction, expressed as a percentage, the numerator of which is the number of shares of Common Stock held or beneficially owned by such Person as of such date and the denominator of which is the aggregate number of shares of Common Stock issued and outstanding as of such date.

" Permitted Transferee " means, with respect to any Person, any Controlled Entity or Affiliate of such Person.

" Person " means any individual, partnership, firm, corporation, limited liability company, association, trust, unincorporated organization or other entity.

" Registration Statement " means a registration statement filed by the Corporation with the SEC.

" SEC " means the United States Securities and Exchange Commission or any similar agency then having jurisdiction to enforce the Securities Act.

" Securities Act " means the Securities Act of 1933, as amended, supplemented or restated from time to time and any successor to such statute, and the rules and regulations promulgated thereunder.

" Subsidiary " means, with respect to any Person, any corporation or other entity of which a majority of (i) the voting power of the voting equity securities or (ii) the outstanding equity interests is owned, directly or indirectly, by such Person.

" Transfer " means any sale, assignment, bequest, conveyance, devise, gift (outright or in trust), pledge, encumbrance, hypothecation, mortgage, exchange, transfer or other

disposition or act of alienation, whether voluntary or involuntary or by operation of law. The terms " Transferred " and " Transferring " have correlative meanings.

" Underwriting Agreement " means the Underwriting Agreement with respect to the IPO.

" Voting Securities " means the Common Stock and any other securities of the Corporation or any Subsidiary of the Corporation which would entitle the holders thereof to vote with the holders of Common Stock in the election of directors of the Corporation.

Section 1.4 Interpretation . In this Agreement and in the exhibits hereto, except to the extent that the context otherwise requires:

(a) the headings are for convenience of reference only and shall not affect the interpretation of this Agreement;

(b) defined terms include the plural as well as the singular and vice versa;

(c) words importing gender include all genders;

(d) a reference to any statute or statutory provision shall be construed as a reference to the same as it may have been or may from time to time be amended, extended, re-enacted or consolidated and to all statutory instruments or orders made thereunder;

(e) any reference to a "day" shall mean the whole of such day, being the period of 24 hours running from midnight to midnight;

(f) references to Articles, Sections, subsections, clauses and Exhibits are references to Articles, Sections, subsections, clauses and Exhibits of and to this Agreement;

(g) the words "including" and "include" and other words of similar import shall be deemed to be followed by the phrase "without limitation"; and

(h) unless otherwise specified, references to any party to this Agreement or any other document or agreement shall include such party's successors and permitted assigns.

ARTICLE II

APPROVAL AND CONSULTATION OF CERTAIN MATTERS

Section 2.3 Approval of Apollo . For so long as the Minimum Condition is satisfied, the Corporation shall not, and shall cause its Subsidiaries and Controlled Affiliates not to, take any of the following actions or agree to, enter into or adopt any plan with respect thereto without the prior approval (which approval may be in the form of an action by written consent or any other written instrument or writing) of Holdings:

(a) any increase or decrease in the size of the Board of Directors;

(b) the incurrence of an aggregate amount of Indebtedness of the Corporation and its Subsidiaries or Controlled Affiliates taken as a whole (other than (i) Indebtedness of the Corporation and its Subsidiaries or Controlled Affiliates as of the date hereof or any refinancing thereof up to the same maximum principal amount of such Indebtedness outstanding as of the date hereof, (ii) capital leases contemplated by an annual budget approved by the Board of Directors and (iii) inter-company Indebtedness) in excess of $10.0 million;

(c) any authorization, creation (by way of reclassification, merger, consolidation or otherwise) or issuance of any Equity Securities of any kind of the Corporation or its Subsidiaries, including any designation of the rights (including special voting rights) of one or more series of preferred stock of the Corporation, other than (i) pursuant to any equity compensation plan of the Corporation approved by the compensation committee of the Board of Directors, (ii) the issuance of Equity Securities of a Subsidiary of the Corporation to the Corporation or a wholly-owned Subsidiary of the Corporation, or (iii) upon conversion of convertible securities or upon exercise of warrants or options, which convertible securities, warrants or options are outstanding on the date hereof or issued in compliance with this Agreement;

(d) any redemption, repurchase or other acquisition by the Corporation of its Equity Securities or any declaration thereof, other than (i) the redemption, repurchase or other acquisition by the Corporation of any Equity Securities of any director, officer, independent contractor or employee in connection with the termination of the employment or services of such director, officer, independent contractor or employee as contemplated by the applicable equity compensation plan or award agreement with respect to such Equity Securities, (ii) the redemption, repurchase or other acquisition of any shares of Common Stock pursuant to Section 5 of the Securityholders Agreement, dated as of the date hereof, by and among the Company, Holdings, VoteCo and the holders party thereto (iii) the redemption, repurchase or other acquisition of any Securities (as defined in Section 14 of Article XIV of the Articles of Incorporation) pursuant to Article XIV of the Articles of Incorporation or (iv) pursuant to an offer made to all stockholders of the Corporation *pro rata* with respect to such Equity Securities (regardless of whether any or all of such stockholders elect to participate in such redemption, repurchase or other acquisition);

(e) any material acquisition of assets or Equity Securities of any Person, in a single transaction or a series of related transactions;

(f) any material disposition of any assets of the Corporation or any of its Subsidiaries or Controlled Affiliates, other than (i) dispositions to the Corporation or any of its wholly owned Subsidiaries or (ii) the sale of inventory or products in the ordinary course of business;

(g) fundamental changes to the nature of the business of the Corporation and its Subsidiaries or its Controlled Affiliates, taken as a whole as of the date hereof,

including entry by the Corporation or any of its Subsidiaries into material new and unrelated lines of business and the cessation of a material portion of the business;

(h) any adoption, approval or issuance of any "poison pill," stockholder or similar rights plan by the Corporation or its Subsidiaries or Controlled Affiliates or any amendment, restatement, modification or waiver of such plan after the adoption thereof has been approved by Holdings in accordance with this Section 2.1 ;

(i) any payment or declaration of any dividend or distribution on any Equity Securities of the Corporation or entering into a recapitalization transaction the primary purpose of which is to pay a dividend or distribution, other than dividends or distributions required to be made pursuant to the terms of any outstanding preferred stock of the Corporation;

(j) appointment or removal of the chairperson of the Board of Directors or the chief executive officer, chief financial officer, general counsel, controller or any other officer of the Corporation that would be subject to Section 16 of the Exchange Act;

(k) the consummation of a Change of Control or entry into any contract or agreement the effect of which would be a Change of Control; or

(l) any entry by the Corporation or any of its Subsidiaries or Controlled Affiliates into voluntary liquidation, dissolution or commencement of bankruptcy or insolvency proceedings, the adoption of a plan with respect to any of the foregoing or the decision not to oppose any similar proceeding commenced by a third party.

ARTICLE III

TRANSFER

Section 3.3 Transfers and Joinders . If a Stockholder effects any Transfer of Common Stock to a Permitted Transferee, such Permitted Transferee may, if not a Stockholder, within five (5) days of such Transfer, execute a joinder to this Agreement, in form and substance reasonably acceptable to the Corporation, in which such Permitted Transferee agrees to be a "Stockholder" for all purposes of this Agreement and which provides that such Permitted Transferee shall be bound by and shall fully comply with the terms of this Agreement.

Section 3.4 Binding Effect on Transferees . Subject to execution of a joinder to this Agreement within five (5) days of the applicable Transfer, in form and substance reasonably acceptable to the Corporation, and subject further to compliance with all applicable gaming laws and the receipt of any approvals required thereunder, pursuant to Section 3.1 , such Permitted Transferee shall become a Stockholder hereunder.

Section 3.5 Charter Provisions . The parties hereto shall use their respective reasonable efforts (including voting or causing to be voted all of the Voting Securities

held of record by such party or beneficially owned by such party by virtue of having voting power over such Voting Securities) so as to prevent any amendment to the Articles of Incorporation or Bylaws as in effect as of the date hereof that would (a) add restrictions to the transferability of the Voting Securities by any Stockholder or its Permitted Transferees at the time of such an amendment, which restrictions are beyond those then provided for in the Articles of Incorporation, the Bylaws, this Agreement or applicable securities laws or (b) nullify any of the rights of any Stockholder or its Permitted Transferees at the time of such amendment, which rights are explicitly provided for in this Agreement, unless, in each such case, such amendment shall have been approved by such Stockholder.

ARTICLE IV

INFORMATION

Section 4.3 Books and Records; Access . The Corporation shall, and shall cause its Subsidiaries to, keep proper books, records and accounts, in which full and correct entries shall be made of all financial transactions and the assets and business of the Corporation and each of its Subsidiaries in accordance with generally accepted accounting principles. For so long as the Apollo Group beneficially owns 3% or more of the outstanding shares of Common Stock, the Corporation shall, and shall cause its Subsidiaries to, permit the Apollo Group and their respective designated representatives, at reasonable times and upon reasonable prior notice to the Corporation, to inspect, review and/or make copies and extracts from the books and records of the Corporation or any of such Subsidiaries and to discuss the affairs, finances and condition of the Corporation or any of such Subsidiaries with the officers of the Corporation or any such Subsidiary. For so long as the Apollo Group beneficially owns 3% or more of the outstanding shares of Common Stock, the Corporation, upon the written request of any member of the Apollo Group, shall, and shall cause its Subsidiaries to, provide the Apollo Group, in addition to other information that might be reasonably requested by the Apollo Group from time to time, (i) direct access to the Corporation's auditors and officers, (ii) the ability to link Holdings' systems into the Corporation's general ledger and other systems in order to enable the Apollo Group to retrieve data on a "real-time" basis, (iii) quarter-end reports, in a format to be prescribed by the Apollo Group, to be provided within thirty (30) days after the end of each quarter, (iv) copies of all materials provided to the Board of Directors (or committee of the Board of Directors) at the same time as provided to the directors (or members of a committee of the Board of Directors), (v) access to appropriate officers and directors of the Corporation at such times as may be requested by the Apollo Group for consultation with respect to matters relating to the business and affairs of the Corporation and its Subsidiaries, (vi) information in advance with respect to any significant corporate actions, including, without limitation, extraordinary dividends or distributions, mergers, acquisitions or dispositions of assets, issuances of significant amounts of debt or equity and material amendments to the Articles of Incorporation or Bylaws or the comparable governing documents of any of its Subsidiaries, and to provide the Apollo Group, with the right to consult with the

Corporation and its Subsidiaries with respect to such actions, (vii) flash data, in a format to be prescribed by the Apollo Group, to be provided within ten (10) days after the end of each quarter and (viii) to the extent otherwise prepared by the Corporation, operating and capital expenditure budgets and periodic information packages relating to the operations and cash flows of the Corporation and its Subsidiaries (all such information so furnished pursuant to this Section 4.1 , the " Information "). The Corporation agrees to consider, in good faith, the recommendations of the Apollo Group in connection with the matters on which the Corporation is consulted as described above. Subject to Section 4.2 , any member of the Apollo Group (and any party receiving Information from such member of the Apollo Group) who shall receive Information shall maintain the confidentiality of such Information, and the Corporation shall not be required to provide such portions of any Information containing attorney-client, work product or similar privileged information of the Corporation or other information required by the Corporation to be kept confidential pursuant to and in accordance with the terms of any confidentiality agreement with a third Person or applicable law, so long as the Corporation has used its commercially reasonable efforts to enter into an arrangement pursuant to which it may provide such information to the Apollo Group without the loss of any such privilege or without violating such confidentiality obligation.

Section 4.4 Sharing of Information . Individuals associated with Holdings may from time to time serve on the Board of Directors or the equivalent governing body of the Corporation's Subsidiaries. The Corporation, on its behalf and on behalf of its Subsidiaries, recognizes that such individuals (i) will from time to time receive non-public information concerning the Corporation and its Subsidiaries, and (ii) may (subject to the obligation to maintain the confidentiality of such information in accordance with Section 4.1) share such information with other individuals associated with Holdings. Such sharing will be for the dual purpose of facilitating support to such individuals in their capacity as members of the Board of Directors or such equivalent governing body and enabling the Apollo Group, as equityholders, to better evaluate the Corporation's performance and prospects. The Corporation, on behalf of itself and its Subsidiaries, hereby irrevocably consents to such sharing. In the event that Holdings or any of its representatives are requested or required by law, regulation or legal or regulatory process to disclose any non-public Information concerning the Corporation and its Subsidiaries, Holdings or such representative may disclose only that portion of the requested information which it is advised by counsel is required by law, regulation or legal or regulatory process to be disclosed so long as Holdings or such representatives uses reasonable efforts to obtain assurances that such disclosed information will be afforded confidential treatment. Notwithstanding the foregoing, Holdings may disclose any information or data that it can demonstrate: (i) is or was independently developed by Holdings or its representatives without the benefit of any non-public Information or in breach of this Agreement; (ii) is or becomes generally available to the public, other than as a result of disclosure by Holdings or its representatives in breach of this Agreement or any other duty of confidentiality owed to the Corporation; (iii) becomes available to Holdings or its representatives from a source other than the Corporation or any of its representatives, so long as that source is, to Holdings' or its representatives' knowledge, as applicable, not prohibited from disclosing such information or data to you by any

restrictions on disclosure or use or any other duty of confidentiality to the Corporation; or (iv) is known to, or already in the possession of, Holdings or its representatives on a non-confidential basis prior to it being furnished pursuant to this Agreement, so long as, to Holdings' or its representatives' knowledge, the source of such information was not bound by any restrictions on disclosure or use or any other duty of confidentiality to the Corporation.

ARTICLE V

BOARD REPRESENTATION

Section 5.3 Composition of Initial Board .

(a) The Corporation shall take all necessary actions so as to cause the Board of Directors to be comprised of six (6) directors, who shall be divided into three (3) classes of directors in accordance with the terms of the Articles of Incorporation. As of the date hereof, the six (6) directors shall be divided into three (3) classes as follows:

(i) the Class I directors shall include Daniel Cohen and Yvette Landau;

(ii) the Class II directors shall include Eric Press and Adam Chibib; and

(iii) the Class III directors shall include David Sambur and David Lopez.

(b) For the avoidance of doubt, Section 5.1(a) is applicable solely to the initial composition of the Board of Directors at the time of the IPO, except that, subject to the Articles of Incorporation, a director shall remain a member of the class of directors to which he or she was assigned in accordance with Section 5.1(a) .

Section 5.4 Nominees .

(a) The Corporation shall take all necessary actions so as to cause to be elected to the Board of Directors, and to cause to continue in office, at any given time, a number of individuals nominated by Holdings (each, a " Stockholder Nominee ") equal to:

(i) for so long as the Percentage Interest of the Apollo Group and its Permitted Transferees is at least 50%, the Percentage Interest of the Apollo Group and its Permitted Transferees multiplied by the total number of directorships comprising the Board of Directors (*i.e.* , for the avoidance of doubt, including any vacancies and newly created directorships) (the " Entire Board "), and rounded up to the nearest whole number; and

(ii) for so long as the Percentage Interest of the Apollo Group and its Permitted Transferees is at least 5% but less than 50%, the greater of (x) the Percentage Interest of the Apollo Group and its Permitted Transferees multiplied by the total number

of directorships comprising the Entire Board and rounded up to the nearest whole number and (y) one.

(b) The Corporation agrees to (i) include the Stockholder Nominees in the slate of persons nominated and recommended by the Board of Directors (or a committee thereof) for election to the Board of Directors at every meeting (or action by written consent without a meeting) of stockholders of the Corporation at which directors are to be elected, (ii) use its best efforts to cause the election of each such Stockholder Nominee to the Board of Directors, including soliciting proxies or consents in favor thereof to the same or greater extent as it does so in favor of the other members of such slate, (iii) not permit the number of persons nominated or recommended by the Board of Directors (or a committee thereof) to exceed the number of directorships to be elected at such meeting (or by such action by written consent without a meeting) and (iv) use its best efforts to cause each class of the Board of Directors to include, to the extent practicable, at least one Stockholder Nominee.

(c) The Corporation shall take all action within its control so that a Stockholder Nominee will not be removed from the Board of Directors without the approval of Holdings, so long as the Percentage Interest of the Apollo Group and its Permitted Transferees continues to equal or exceed 5%. If Holdings notifies the Apollo Group of its desire to remove, for any reason or no reason, any Stockholder Nominee from the Board of Directors, the Apollo Group shall vote or cause to be voted all of the shares of Voting Securities beneficially owned by the Apollo Group for the removal of such Stockholder Nominee, and the Corporation shall take all required action, if any, to permit the taking of such vote and removal by the Apollo Group.

(d) In the event that a vacancy is created at any time by the death, disability, retirement, resignation or removal of any director who was a Stockholder Nominee, the Corporation agrees to take at any time and from time to time all actions necessary to cause the vacancy created thereby to be filled as promptly as practicable by a new Stockholder Nominee; provided , that for the avoidance of doubt, Holdings shall not have the right to nominate a new Stockholder Nominee, and the Board of Directors and the Apollo Group shall not be required to take any action to cause any vacancy to be filled with any such new Stockholder Nominee, to the extent that election or appointment of such new Stockholder Nominee to the Board of Directors would result in a number of Stockholder Nominees serving on the Board of Directors being in excess of the number of Stockholder Nominees to which Holdings is then entitled pursuant to Section 5.2(a) .

(e) If the number of directors entitled to be nominated as Stockholder Nominees pursuant to Section 5.2(a) decreases, the Stockholder Nominee(s) then in office as directors need not resign from the Board of Directors at or prior to the end of such director's term and, if the Board of Directors (or a committee thereof) recommends the nomination of such director(s) for election at the next annual meeting coinciding with the end of such director's term or otherwise is reelected to the Board of Directors thereafter, such director shall no longer be considered a Stockholder Nominee.

Section 5.5 Committees . For so long as this Agreement is in effect, the Corporation shall take all necessary actions to cause to be appointed to each committee of the Board of Directors a number of Stockholder Nominees that is as proportionate (rounding up to the next whole director) to the number of members of such committee as is the number of Stockholder Nominees that Holdings is entitled to nominate to the Board of Directors under this Agreement to the number of directorships constituting the Entire Board, in each case to the extent such directors are permitted to serve on such committee under the applicable rules of the SEC and any applicable stock exchange. It is understood by the parties hereto that Holdings shall not have any obligation to appoint any Stockholder Nominee to any committee of the Board of Directors and any failure to exercise such right in this section in a prior period shall not constitute any waiver of such right in a subsequent period.

ARTICLE VI
INDEMNIFICATION

Section 6.3 Right to Indemnification . The Corporation shall indemnify and hold harmless, to the fullest extent permitted by applicable law as it presently exists or may hereafter be amended, VoteCo, each Stockholder, its Affiliates and its direct and indirect partners (including partners of partners and stockholders and members of partners), members, stockholders, managers, directors, officers, employees and agents and each Person who controls any of them within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act (the " Covered Persons ") from and against any and all losses, claims, damages, liabilities and expenses (including reasonable attorneys' fees) sustained or suffered by any such Covered Person based upon, relating to, arising out of, or by reason of any third party or governmental claims relating to such Covered Person's status as a Covered Person (including any and all losses, claims, damages or liabilities under the Securities Act, the Exchange Act or other federal or state statutory law or regulation, at common law or otherwise, which relate directly or indirectly to the registration, purchase, sale or ownership of any Equity Securities of the Corporation or to any fiduciary obligation owed with respect thereto), including in connection with any third party or governmental action or claim relating to any action taken or omitted to be taken or alleged to have been taken or omitted to have been taken by any Covered Person as a stockholder or controlling person, including claims alleging so-called control person liability or securities law liability (any such claim, a " Claim "). Notwithstanding the preceding sentence, except as otherwise provided in Section 6.3 , the Corporation shall be required to indemnify a Covered Person in connection with a Claim (or part thereof) commenced by such Covered Person only if the commencement of such Claim (or part thereof) by the Covered Person was authorized by the Board of Directors.

Section 6.4 Prepayment of Expenses . To the extent not prohibited by applicable law, the Corporation shall pay the expenses (including reasonable attorneys' fees) incurred by a Covered Person in defending any Claim in advance of its final disposition; provided , however , that, to the extent required by applicable law, such payment of expenses in advance of the final disposition of such Claim shall be made only

upon receipt of an undertaking by such Covered Person to repay all amounts advanced if it should be ultimately determined that such Covered Person is not entitled to be indemnified under this ARTICLE VI or otherwise.

Section 6.5 Claims . If a claim for indemnification or advancement of expenses under this ARTICLE VI is not paid in full within 30 days after a written claim therefor by the Covered Person has been received by the Corporation, such Covered Person may file suit to recover the unpaid amount of such claim and, if successful in whole or in part, shall be entitled to be paid the expense of prosecuting such claim. In any such action the Corporation shall have the burden of proving that the Covered Person is not entitled to the requested indemnification or advancement of expenses under applicable law.

Section 6.6 Nonexclusivity of Rights . The rights conferred on any Covered Person by this ARTICLE VI shall not be exclusive of any other rights that such Covered Person may have or hereafter acquire under any statute, provision of the Articles of Incorporation or Bylaws or any agreement, vote of stockholders or disinterested directors or otherwise.

Section 6.7 Other Sources . Subject to Section 6.6 , the Corporation's obligation, if any, to indemnify or to advance expenses to any Covered Person shall be reduced by any amount such Covered Person may collect as indemnification or advancement of expenses from any other Person.

Section 6.8 Indemnitor of First Resort . The Corporation hereby acknowledges that the Covered Persons may have certain rights to advancement and/or indemnification by certain Affiliates of the Apollo Group (collectively, the " Fund Indemnitors "). In all events, (i) the Corporation hereby agrees that it is the indemnitor of first resort (*i.e.* , its obligation to a Covered Person to provide advancement and/or indemnification to such Covered Person is primary and any obligation of the Fund Indemnitors (including any Affiliate thereof other than the Corporation) to provide advancement or indemnification hereunder or under any other indemnification agreement (whether pursuant to contract, by-laws or charter), or any obligation of any insurer of the Fund Indemnitors to provide insurance coverage, for the same expenses, liabilities, judgments, penalties, fines and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such expenses, liabilities, judgments, penalties, fines and amounts paid in settlement) incurred by such Covered Person is secondary and (ii) if any Fund Indemnitor (or any Affiliate thereof, other than the Corporation) pays or causes to be paid, for any reason, any amounts otherwise indemnifiable hereunder or under any other indemnification agreement (whether pursuant to contract, by-laws or charter) with such Covered Person, then (x) such Fund Indemnitor (or such Affiliate, as the case may be) shall be fully subrogated to all rights of such Covered Person with respect to such payment and (y) the Corporation shall fully indemnify, reimburse and hold harmless such Fund Indemnitor (or such other Affiliate, as the case may be) for all such payments actually made by such Fund Indemnitor (or such other Affiliate, as the case may be).

ARTICLE VII

TERMINATION

Section 7.3 Term . The terms of this Agreement shall terminate, and be of no further force and effect, upon the first to occur of:

(a) the mutual consent of all of the parties hereto;

(b) with respect to each Stockholder, the first time such Stockholder has Transferred all (but not less than all) of its Common Stock; or

(c) the consummation of a Change of Control.

Section 7.4 Survival . If this Agreement is terminated pursuant to Section 7.1 , this Agreement shall become void and of no further force and effect, except for: (i) the provisions set forth in this Section 7.2 , ARTICLE VI , Section 9.4 , Section 9.5 , Section 9.6 and Section 9.9 and (ii) the rights of the Stockholders with respect to the breach of any provision hereof by the Corporation, which shall, in each case of clauses (i) and (ii), survive the termination of this Agreement.

ARTICLE VIII

REPRESENTATIONS AND WARRANTIES

Section 8.3 Representations and Warranties of the Stockholders . Each Stockholder represents and warrants to the Corporation that (a) such Stockholder is duly authorized to execute, deliver and perform this Agreement; (b) this Agreement has been duly executed by such Stockholder and is a valid and binding agreement of such Stockholder, enforceable against such Stockholder in accordance with its terms; and (c) the execution, delivery and performance by such Stockholder of this Agreement does not violate or conflict with or result in a breach of or constitute (or with notice or lapse of time or both would constitute) a default under any agreement to which such Stockholder is a party or, if such Stockholder is an entity, the organizational documents of such Stockholder.

Section 8.4 Representations and Warranties of VoteCo . VoteCo represents and warrants to the Corporation that (a) VoteCo is duly authorized to execute, deliver and perform this Agreement; (b) this Agreement has been duly executed by VoteCo and is a valid and binding agreement of VoteCo, enforceable against VoteCo in accordance with its terms; and (c) the execution, delivery and performance by VoteCo of this Agreement does not violate or conflict with or result in a breach of or constitute (or with notice or lapse of time or both would constitute) a default under the organizational documents of VoteCo.

Section 8.5 Representations and Warranties of the Corporation . The Corporation represents and warrants to each Stockholder and VoteCo that (a) the Corporation is duly

authorized to execute, deliver and perform this Agreement; (b) this Agreement has been duly authorized, executed and delivered by the Corporation and is a valid and binding agreement of the Corporation, enforceable against the Corporation in accordance with its terms; and (c) the execution, delivery and performance by the Corporation of this Agreement does not violate or conflict with or result in a breach by the Corporation of or constitute (or with notice or lapse of time or both would constitute) a default by the Corporation under the Articles of Incorporation or Bylaws, any existing applicable law, rule, regulation, judgment, order, or decree of any Governmental Entity exercising any statutory or regulatory authority over any of the foregoing, domestic or foreign, having jurisdiction over the Corporation or any of its Subsidiaries or Controlled Affiliates or any of their respective properties or assets, or any agreement or instrument to which the Corporation or any of its Subsidiaries or Controlled Affiliates is a party or by which the Corporation or any of its Subsidiaries or Controlled Affiliates or any of their respective properties or assets may be bound.

ARTICLE IX

MISCELLANEOUS

Section 9.3 Entire Agreement . This Agreement, together with documents contemplated hereby, constitute the entire agreement between the parties hereto pertaining to the subject matter hereof and fully supersede any and all prior or contemporaneous agreements or understandings between the parties hereto pertaining to the subject matter hereof.

Section 9.4 Further Assurances . Each of the parties hereto does hereby covenant and agree on behalf of itself, its successors, and its permitted assigns, without further consideration, to prepare, execute, acknowledge, file, record, publish, and deliver such other instruments, documents and statements, and to take such other actions as may be required by law or reasonably necessary to effectively carry out the intent and purposes of this Agreement.

Section 9.5 Notices . Any notice, consent, payment, demand, or communication required or permitted to be given by any provision of this Agreement shall be in writing and shall be (a) delivered personally to the Person or to an officer of the Person to whom the same is directed, (b) sent by facsimile, overnight mail or registered or certified mail, return receipt requested, postage prepaid, or (c) sent by e-mail, with electronic or written confirmation of receipt, in each case addressed as follows:

(i) if to the Corporation, to:

PlayAGS, Inc.
5475 S. Decatur Blvd, Suite 100
Las Vegas, Nevada
Attention: Vic Gallo

Email: v.gallo@playags.com
Telephone: 702-724-1111

with a copy (which shall not constitute notice) to:

Apollo Gaming Holdings, L.P.
c/o Apollo Management VIII, LP
9 West 57th Street, 43rd Floor
New York, New York 10019
Attention: David Sambur
Email: sambur@apollolp.com
Attention: Laurie Medley
Email: lmedley@apollolp.com
Telephone: 212-515-3484
Facsimile: 646-390-1501

(ii) If to any member of the Apollo Group, to:

Apollo Gaming Holdings, L.P.
c/o Apollo Management VIII, LP
9 West 57th Street, 43rd Floor
New York, New York 10019
Attention: David Sambur
Email: sambur@apollolp.com
Attention: Laurie Medley
Email: lmedley@apollolp.com
Telephone: 212-515-3484
Facsimile: 646-390-1501

with a copy (which shall not constitute notice) to:

Paul, Weiss, Rifkind, Wharton & Garrison LLP
1285 Avenue of the Americas
New York, New York 10019-6064
Attention: Ross A. Fieldston
Email: rfieldston@paulweiss.com
Telephone: 212-373-3075
Fax: 212-492-0075

(iii) if to any other Stockholder, to:

the address and facsimile number of such Stockholder set forth in the records of the Corporation.

Any such notice shall be deemed to be delivered, given and received for all purposes as of: (A) the date so delivered, if delivered personally, (B) upon receipt, if sent by facsimile or e-mail, or (C) on the date of receipt or refusal indicated on the return receipt, if sent by registered or certified mail, return receipt requested, postage and charges prepaid and properly addressed.

Section 9.6 Governing Law . ALL ISSUES AND QUESTIONS CONCERNING THE APPLICATION, CONSTRUCTION, VALIDITY, INTERPRETATION AND ENFORCEMENT OF THIS AGREEMENT AND THE EXHIBITS AND SCHEDULES TO THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEVADA, WITHOUT GIVING EFFECT TO ANY CHOICE OF LAW OR CONFLICT OF LAW RULES OR PROVISIONS (WHETHER OF THE STATE OF NEVADA OR ANY OTHER JURISDICTION) THAT WOULD CAUSE THE APPLICATION OF THE LAWS OF ANY JURISDICTION OTHER THAN THE STATE OF NEVADA.

Section 9.7 Consent to Jurisdiction . ANY AND ALL SUITS, LEGAL ACTIONS OR PROCEEDINGS ARISING OUT OF THIS AGREEMENT (INCLUDING AGAINST ANY DIRECTOR OR OFFICER OF THE CORPORATION) SHALL BE BROUGHT SOLELY IN THE EIGHTH JUDICIAL DISTRICT COURT LOCATED IN CLARK COUNTY, NEVADA, OR IN THE EVENT SUCH COURT DENIES JURISDICTION, IN ANY OTHER STATE OR FEDERAL COURT LOCATED IN THE STATE OF NEVADA, AND EACH PARTY HERETO HEREBY SUBMITS TO AND ACCEPTS THE EXCLUSIVE JURISDICTION OF SUCH COURT FOR THE PURPOSE OF SUCH SUITS, LEGAL ACTIONS OR PROCEEDINGS. IN ANY SUCH SUIT, LEGAL ACTION OR PROCEEDING, EACH PARTY HERETO WAIVES PERSONAL SERVICE OF ANY SUMMONS, COMPLAINT OR OTHER PROCESS AND AGREES THAT SERVICE THEREOF MAY BE MADE IN ACCORDANCE WITH SECTION 9.3 OR ANY OTHER METHOD PERMITTED BY LAW. TO THE FULLEST EXTENT PERMITTED BY LAW, EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OR ANY SUCH SUIT, LEGAL ACTION OR PROCEEDING IN ANY SUCH COURT AND HEREBY FURTHER WAIVES ANY CLAIM THAT ANY SUIT, LEGAL ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

Section 9.8 Equitable Remedies . The parties hereto agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with its specific terms or was otherwise breached. It is accordingly agreed that the parties hereto shall be entitled to an injunction or injunctions and other equitable remedies to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof, this being in addition to any other remedy to which they are entitled at law or in equity. Any requirements for the securing or posting of any bond with respect to such remedy are hereby waived by each of the parties hereto.

Each party further agrees that, in the event of any action for an injunction or other equitable remedy in respect of such breach or enforcement of specific performance, it will not assert the defense that a remedy at law would be adequate.

Section 9.9 Construction. This Agreement shall be construed as if all parties hereto prepared this Agreement.

Section 9.10 Counterparts. This Agreement may be executed in any number of counterparts, and each such counterpart shall for all purposes be deemed an original, and all such counterparts shall together constitute but one and the same agreement.

Section 9.11 Third Party Beneficiaries. Except for the rights of Covered Persons set forth in ARTICLE VI, nothing in this Agreement, express or implied, is intended or shall be construed to give any Person other than the parties hereto (or their respective legal representatives, successors, heirs and distributees) any legal or equitable right, remedy or claim under or in respect of any agreement or provision contained herein, it being the intention of the parties hereto that this Agreement is for the sole and exclusive benefit of such parties (or such legal representatives, successors, heirs and distributees) and for the benefit of no other Person.

Section 9.12 Binding Effect. Except as otherwise provided herein, all the terms and provisions of this Agreement shall be binding upon, shall inure to the benefit of and shall be enforceable by the respective successors and permitted assigns of the parties hereto. Neither VoteCo nor any Stockholder may assign any of its rights hereunder to any Person other than a Permitted Transferee. Each Permitted Transferee of VoteCo or any Stockholder shall be subject to all of the terms of this Agreement, and by taking and holding such shares such Person shall be entitled to receive the benefits of and be conclusively deemed to have agreed to be bound by and to comply with all of the terms and provisions of this Agreement. Notwithstanding the foregoing, no successor or assignee of the Corporation shall have any rights granted under this Agreement until such Person shall acknowledge its rights and obligations hereunder by a signed written statement of such Person's acceptance of such rights and obligations.

Section 9.13 Severability. In the event that any provision of this Agreement as applied to any party or to any circumstance, shall be adjudged by a court to be void, unenforceable or inoperative as a matter of law, then the same shall in no way affect any other provision in this Agreement, the application of such provision in any other circumstance or with respect to any other party, or the validity or enforceability of the Agreement as a whole.

Section 9.14 Adjustments Upon Change of Capitalization. In the event of any change in the outstanding Common Stock, by reason of dividends, distributions, splits, reverse splits, spin-offs, split-ups, recapitalizations, combinations, exchanges of shares and the like, the term "Common Stock" shall refer to and include the securities received or resulting therefrom, but only to the extent such securities are received in exchange for or in respect of Common Stock.

Section 9.15 Amendments; Waivers .

(a) No provision of this Agreement may be amended or waived unless such amendment or waiver is in writing and signed, in the case of an amendment, by the Corporation and Holdings, or in the case of a waiver, by either the Corporation if such waiver is to be effective against the Corporation, or Holdings, if such waiver is to be effective against the Stockholders or VoteCo; provided that any amendment or waiver that affects the rights or obligations of any Stockholder hereunder in a manner disproportionately adverse to such Stockholder as compared to the other Stockholders shall require the written consent of such Stockholder.

(b) No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

Section 9.16 Actions in Other Capacities . Nothing in this Agreement shall limit, restrict or otherwise affect any actions taken by any Stockholder in its capacity as a stockholder, partner or member of the Corporation or any of its Subsidiaries or Controlled Affiliates, nor shall any of the Corporation's covenants herein in any way limit, restrict or otherwise affect the ability of any director or officer of the Corporation to exercise his or her fiduciary duties as a director or officer of the Corporation; provided , that the Corporation shall nevertheless in all events remain liable for any breach of its covenants under this Agreement.

Section 9.17 Non-Recourse . No officer or director of the Corporation shall be personally liable to the Corporation, VoteCo or any Stockholder as a result of any acts or omissions taken under this Agreement in good faith. Notwithstanding anything that may be expressed or implied in this Agreement, and notwithstanding that VoteCo or certain of the Stockholders may be limited partnerships or limited liability companies, VoteCo and each Stockholder covenants, agrees and acknowledges that, except as required by applicable law, no recourse under this Agreement or any documents or instruments delivered in connection with this Agreement shall be had against the Apollo Group or any of its Affiliates or any of its or their former, current or future direct or indirect equity holders, controlling persons, shareholders, directors, officers, employees, agents, Affiliates, members, financing sources, accountants, advisors, managers, general or limited partners, assignees or representatives (" Related Parties "), whether by the enforcement of any assessment or by any legal or equitable proceeding, or by virtue of any applicable law, it being expressly agreed and acknowledged that no personal liability whatsoever shall attach to, be imposed on or otherwise be incurred by any of the Related Parties, as such, for any obligation or liability of the Corporation, the Apollo Group or any Stockholder, under this Agreement or any documents or instruments delivered in connection with this Agreement in respect of or by reason of obligations or liabilities or their creation.

IN WITNESS WHEREOF, the parties have caused this Stockholders Agreement to be duly executed and delivered, all as of the date first set forth above.

PLAYAGS, INC.

By: /s/ David Lopez
Name: David Lopez
Title: Chief Executive Officer and President

APOLLO GAMING HOLDINGS, L.P.

By: Apollo Gaming Holdings GP, LLC,
its general partner

By: /s/ David Sambur
Name: David B. Sambur
Title: Chief Executive Officer, President, Treasurer and Secretary

AP GAMING VOTECO, LLC

By: /s/ Marc Rowan
Name: Marc Rowan
Title: Member

By: /s/ David Sambur
Name: David B. Sambur
Title: Member

Exhibit 10.26

IRREVOCABLE PROXY AND POWER OF ATTORNEY (this " Proxy "), dated as of January 29, 2018 but effective as of the Effective Time (as defined below), and made and granted by the party listed on Schedule A hereto (the " Stockholder ").

WHEREAS , PlayAGS, Inc., a Nevada corporation (the " Company "), intends to effect a recapitalization by (i) reclassifying its existing non-voting common stock, par value $0.01 per share (the " Existing Non-Voting Stock "), as a new class of voting common stock, par value $0.01 per share (the " New Voting Stock "), and (ii) cancelling its existing voting common stock, par value $0.01 per share (the " Existing Voting Stock ") (collectively, the " Reclassification ");

WHEREAS , AP Gaming VoteCo, LLC, a Delaware limited liability company (" VoteCo "), is the sole holder of all of the outstanding shares of the Existing Voting Stock (and, for the avoidance of doubt, the Existing Voting Stock is the Company's only outstanding class of voting stock) and therefore holds sole voting control of the Company;

WHEREAS , the Stockholder owns the number of shares of Existing Non-Voting Stock set forth opposite its name on Schedule A hereto;

WHEREAS , to effect the Reclassification, the Company intends to amend and restate its articles of incorporation, as heretofore amended to date, by filing Amended and Restated Articles of Incorporation (the " Amended Charter ") with the Nevada Secretary of State;

WHEREAS , the Amended Charter will become effective immediately upon its filing with the Nevada Secretary of State or upon such later time (not later than 90 days after the filing time) specified in the Amended Charter (the " Effective Time ");

WHEREAS , automatically upon the Effective Time, the Existing Non-Voting Stock will be reclassified as New Voting Stock, and the Stockholder will own the number of shares of New Voting Stock set forth opposite its name on Schedule A hereto (the " Subject Shares "); and

WHEREAS , in connection with the Reclassification, and in compliance with gaming regulatory requirements, the Stockholder desires, effective as of the Effective Time, to vest voting and dispositive control in VoteCo with respect to matters relating to the Company and the Subject Shares by granting this Proxy as set forth below.

Section 1. Representations and Warranties of Each Stockholder . The Stockholder represents and warrants to VoteCo with respect to itself as follows:

(a) Authority; Execution and Delivery; Enforceability . The Stockholder has requisite power and authority to execute and deliver this Proxy. The execution and delivery of this Proxy and the grant hereunder have been duly and validly authorized by the Stockholder, and no other proceedings on the part of the Stockholder are necessary to authorize the grant contemplated by this Proxy. This Proxy has been duly and validly executed and delivered by the Stockholder and constitutes the valid and binding proxy of the Stockholder, enforceable against the Stockholder in accordance with its terms, except as enforceability may be limited by bankruptcy laws, other similar laws affecting creditors' rights and general principles of equity.

(b) No Conflicts . Neither the execution and delivery by the Stockholder of this Proxy nor the compliance by the Stockholder with the terms and conditions hereof will violate, result in a breach of, or constitute a default under its organizational documents, or violate, result in a breach of, or constitute a default under, in each case in any material respect, any agreement, instrument, judgment, order or decree to which the Stockholder is a party or is otherwise bound or give to others any material rights or interests (including rights of purchase, termination, cancellation or acceleration) under any such agreement or instrument.

(c) The Subject Shares . After giving effect to the Reclassification (i) the Stockholder will be the beneficial and sole record owner of the Subject Shares set forth opposite its name on Schedule A ; (ii) the Stockholder will have the sole right to vote such Subject Shares, except as contemplated by this Proxy; and (iii) none of such Subject Shares will be subject to any voting trust or other agreement, arrangement or restriction with respect to the voting of such Subject Shares, except as contemplated by this Proxy.

Section 2. Irrevocable Proxy and Power of Attorney .

(a) Subject to Sections 2(b)-(d) below, upon the Effective Time, the Stockholder hereby irrevocably constitutes and appoints VoteCo, with full power of substitution, its true and lawful proxy and attorney-in-fact to (i) vote all of the Subject Shares at any meeting (and any adjournment or postponement thereof) of the Company's stockholders and in connection with any written consent of the Company's stockholders and (ii) direct and effect the sale, transfer or other disposition of all or any part of the Subject Shares, if, as and when so determined in the sole discretion of VoteCo.

(b) The proxy and power of attorney granted herein shall be irrevocable during the Term (as defined below), shall be deemed to be coupled with an interest sufficient in law to support an irrevocable proxy, and shall revoke all prior proxies granted by the Stockholder (if any) with respect to the Subject Shares. The Stockholder shall not grant to any entity or other person any proxy which conflicts with the proxy granted herein, and any attempt to do so shall be void.

(c) VoteCo may exercise the proxy granted herein with respect to the Subject Shares only during the Term, and during the Term VoteCo shall have the right to vote the Subject Shares at any meeting of the Company's stockholders and in any action

by written consent of the Company's stockholders in accordance with the provisions of Section 2(a) above. Unless expressly requested by VoteCo in writing, the Stockholder shall not vote all or any portion of the Subject Shares at any such meeting or in connection with any such written consent of stockholders. During the Term, the vote, written consent or other action by VoteCo shall control in any conflict between a vote of or written consent or other action with respect to the Subject Shares by VoteCo and a vote of or written consent or other action by the Stockholder with respect to the Subject Shares.

(d) All or a portion of the Subject Shares, as the case may be, shall be released from the proxy created in this Proxy upon the sale, transfer or other disposition by VoteCo (including pursuant to the consummation of a public offering) of such Subject Shares (a " Release Event "). Such release of Subject Shares hereunder shall occur automatically, without any requirement for any further act by the Stockholder or VoteCo or the delivery of any certificate to memorialize the same.

Section 3. Covenants of the Stockholder . The Stockholder covenants and agrees during the Term as follows:

(a) The Stockholder hereby agrees, while this Proxy is in effect with respect to any Subject Shares, and except as contemplated by this Proxy, (i) not to enter into any voting agreements, whether by proxy, voting agreement or other voting arrangement with respect to such Subject Shares, and (ii) not to take any action that would make any representation or warranty of the Stockholder contained herein untrue or incorrect, in each case, that would have the effect of preventing the Stockholder from performing its obligations under this Proxy.

(b) The Stockholder shall not (i) sell, transfer, pledge or otherwise dispose of or encumber any of its Subject Shares, any beneficial ownership thereof or any other interest therein, and (ii) enter into any contract, arrangement or understanding with any entity or other person that violates or conflicts with, or would reasonably be expected to violate or conflict with, the Stockholder's obligations under this Section 3(b) .

Section 4. Term and Termination . The term of this Proxy, including the proxy granted pursuant to Section 2 hereof and the Stockholder's covenants and agreements contained herein with respect to the Subject Shares, shall commence at the Effective Time and shall terminate automatically with respect to any Subject Share as and when, and to the extent, that such Subject Share is subject to a Release Event (the " Term ").

Section 5. No Liability . Neither VoteCo (nor any of its affiliates), nor any direct or indirect former, current or future partner, member, stockholder, director, manager, officer or agent of VoteCo or any of its affiliates, or any direct or indirect former, current or future partner, member, stockholder, employee, director, manager, officer or agent of any of the foregoing (each, an " Indemnified Person ") shall be liable, responsible or accountable in damages or otherwise to the Stockholder, any or all of the members thereof, or their respective successors or assigns by reason of any act or

omission related to the possession or exercise of this Proxy, and the Stockholder shall indemnify, defend and hold harmless each Indemnified Person in respect of the same. The Stockholder acknowledges and agrees that no duty is owed to the Stockholder by VoteCo (or any or all of the other Indemnified Persons) in connection with or as a result of the granting of this Proxy or by reason of any act or omission related to the possession or the exercise thereof, and, to the extent any duty shall nonetheless be deemed or found to exist, the Stockholder hereby expressly and knowingly irrevocably waives, to the fullest extent permitted by applicable law, any and all such duty or duties, regardless of type or source.

Section 6. General Provisions .

(a) Assignment . This Proxy shall not be assignable by the Stockholder.

(b) No Ownership Interest . Except as expressly set forth in this Proxy, nothing contained in this Proxy shall be deemed to vest in VoteCo any direct or indirect ownership or incidence of ownership of or with respect to the Subject Shares.

(c) Severability . If any provision of this Proxy would be held in any jurisdiction to be invalid, prohibited or unenforceable for any reason, such provision, as to such jurisdiction, shall be ineffective, without invalidating the remaining provisions of this Proxy or affecting the validity or enforceability of such provision in any other jurisdiction. Notwithstanding the foregoing, if such provision could be more narrowly drawn so as not be invalid, prohibited or unenforceable in such jurisdiction, it shall, as to such jurisdiction, be so narrowly drawn, without invalidating the remaining provisions of this Proxy or affecting the validity or enforceability of such provision in any other jurisdiction.

(d) Governing Law . This Proxy shall be governed by and construed in accordance with the laws of the State of Nevada, without giving effect to principles of conflicts of laws.

* * * * *

IN WITNESS WHEREOF , the Stockholder has duly executed this Proxy as of the date first written above.

APOLLO GAMING HOLDINGS, L.P.

By: Apollo Gaming Holdings GP, LLC
its General Partner

By: /s/ David Sambur
Name: David Sambur
Title: Chief Executive Officer, President, Treasurer and Secretary

SCHEDULE A

Stockholder	Existing Non-Voting Stock	Subject Shares	Address
Apollo Gaming Holdings, L.P.	14,931,529	23,208,076	c/o Apollo Management VIII, L.P. 9 West 57th Street 43rd Floor New York, NY 10019

Exhibit 21.1

SUBSIDIARIES OF PLAYAGS, INC.
As of December 31, 2018

Name		**Jurisdiction of Incorporation**
AP Gaming Voteco, LLC		Delaware
PlayAGS, Inc.		Nevada
AP Gaming, Inc.		Delaware
AP Gaming Holdings, LLC		Delaware
AP Gaming I, LLC		Delaware
AP Gaming II, Inc.		Delaware
AP Gaming Acquisition, LLC		Delaware
AGS Capital, LLC		Delaware
PLAYAGS BRASIL LTDA		Brazil
AGS LLC		Delaware
PLAYAGS UK Limited		England and Wales
Gamingo Limited		England and Wales
AGS CJ Corporation		Delaware
AGS CJ Holdings Corporation		Delaware
Cadillac Jack, Inc.		Georgia
PLAYAGS Mexico, S. De R.L. De C.V.		Mexico
PLAYAGS Canada, ULC		British Columbia
PLAYAGS AUSTRALIA PTY		Australia
AGSi LLC		Nevada
AGS Interactive US, INC.		California
GAMINGO (ISRAEL), LTD.		Israel
AGSi Holdings LLC		Nevada
Gameiom Technologies Limited		Isle of Man
AGSi Malta Limited		Malta
Gameiom Technologies (Gibraltar) Limited		Gibraltar

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-226615) and Form S-8 (No. 333-222740) of PlayAGS, Inc. of our report dated March 5, 2019 relating to the financial statements and financial statement schedules, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Las Vegas, Nevada
March 5, 2019

Exhibit 31.1

Certification of Principal Executive Officer

of Periodic Report Pursuant to Rule 13a-14(a) and Rule 15d-14(a)

I, David Lopez, certify that:

1. I have reviewed this Annual Report on Form 10-K of PlayAGS, INC.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 5, 2019

/s/ DAVID LOPEZ

David Lopez
Chief Executive Officer, President and Director
(Principal Executive Officer)

Exhibit 31.2

Certification of Principal Financial Officer

of Periodic Report Pursuant to Rule 13a-14(a) and Rule 15d-14(a)

I, Kimo Akiona, certify that:

1. I have reviewed this Annual Report on Form 10-K of PlayAGS, INC.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 5, 2019

/s/ KIMO AKIONA

Kimo Akiona
Chief Financial Officer, Chief Accounting Officer and Treasurer
(Principal Financial and Accounting Officer)

Exhibit 32

Certification of Principal Executive Officer and Principal Financial Officer

Pursuant to 18 U.S.C. Section 1350

In connection with this Annual Report on Form 10-K of PlayAGS, Inc. (the "Company") for the year ended December 31, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), David Lopez, as Chief Executive Officer of the Company, and Kimo Akiona, as Treasurer of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 5, 2019

/s/ DAVID LOPEZ

David Lopez
Chief Executive Officer, President and Director
(Principal Executive Officer)

Date: March 5, 2019

/s/ KIMO AKIONA

Kimo Akiona
Chief Financial Officer, Chief Accounting Officer and Treasurer
(Principal Financial and Accounting Officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to PlayAGS, Inc. and will be retained by PlayAGS, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.