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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, D.C. 20549  
**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2017

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_  
Commission File Number: 001 — 32622

**EVERI HOLDINGS INC.**

(Exact name of registrant as specified in its charter)

**DELAWARE**

(State or other jurisdiction of  
incorporation or organization)

**7250 S. TENAYA WAY, SUITE 100**

**LAS VEGAS, NEVADA**

(Address of principal executive offices)

**20-0723270**

(I.R.S. Employer  
Identification No.)

**89113**

(Zip Code)

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

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

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

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

Large accelerated filer

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 November 1, 2017, there were 67,366,979 shares of the registrant's \$0.001 par value per share common stock outstanding.

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**PART I: FINANCIAL INFORMATION**

**Item 1. Financial Statements.**

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

|   | Three Months Ended September 30, |                   | Nine Months Ended September 30, |                    |
|---|----------------------------------|-------------------|---------------------------------|--------------------|
|   | 2017                             | 2016              | 2017                            | 2016               |
| <b>Revenues</b>   |                                  |                   |                                 |                    |
| Games   | \$ 55,452                        | \$ 56,218         | \$ 165,832                      | \$ 158,660         |
| Payments  | 191,870                          | 165,959           | 561,257                         | 483,286            |
| <b>Total revenues</b>   | <b>247,322</b>                   | <b>222,177</b>    | <b>727,089</b>                  | <b>641,946</b>     |
| <b>Costs and expenses</b>   |                                  |                   |                                 |                    |
| Games cost of revenue (exclusive of depreciation and amortization)    | 13,820                           | 15,467            | 39,503                          | 36,871             |
| Payments cost of revenue (exclusive of depreciation and amortization) | 149,838                          | 127,211           | 436,104                         | 373,366            |
| Operating expenses  | 29,463                           | 26,996            | 87,235                          | 87,735             |
| Research and development  | 4,545                            | 4,460             | 13,706                          | 14,499             |
| Depreciation  | 12,539                           | 12,367            | 34,765                          | 37,172             |
| Amortization  | 17,322                           | 24,104            | 52,086                          | 70,887             |
| <b>Total costs and expenses</b>                                       | <b>227,527</b>                   | <b>210,605</b>    | <b>663,399</b>                  | <b>620,530</b>     |
| <b>Operating income</b>   | <b>19,795</b>                    | <b>11,572</b>     | <b>63,690</b>                   | <b>21,416</b>      |
| <b>Other expenses</b>   |                                  |                   |                                 |                    |
| Interest expense, net of interest income                              | 23,368                           | 24,815            | 72,306                          | 74,548             |
| Loss on extinguishment of debt  | —                                | —                 | 14,615                          | —                  |
| <b>Total other expenses</b>   | <b>23,368</b>                    | <b>24,815</b>     | <b>86,921</b>                   | <b>74,548</b>      |
| <b>Loss before income tax</b>   | <b>(3,573)</b>                   | <b>(13,243)</b>   | <b>(23,231)</b>                 | <b>(53,132)</b>    |
| Income tax provision (benefit)  | 716                              | (4,989)           | 3,623                           | (20,930)           |
| <b>Net loss</b>   | <b>(4,289)</b>                   | <b>(8,254)</b>    | <b>(26,854)</b>                 | <b>(32,202)</b>    |
| Foreign currency translation  | 602                              | (394)             | 1,710                           | (1,314)            |
| <b>Comprehensive loss</b>   | <b>\$ (3,687)</b>                | <b>\$ (8,648)</b> | <b>\$ (25,144)</b>              | <b>\$ (33,516)</b> |
| <b>Loss per share</b>   |                                  |                   |                                 |                    |
| Basic   | \$ (0.06)                        | \$ (0.12)         | \$ (0.40)                       | \$ (0.49)          |
| Diluted   | \$ (0.06)                        | \$ (0.12)         | \$ (0.40)                       | \$ (0.49)          |
| <b>Weighted average common shares outstanding</b>                     |                                  |                   |                                 |                    |
| Basic   | 66,897                           | 66,049            | 66,449                          | 66,041             |
| Diluted   | 66,897                           | 66,049            | 66,449                          | 66,041             |

See notes to unaudited condensed consolidated financial statements.

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

|   | At September 30,<br>2017 | At December 31,<br>2016 |
|---|--------------------------|-------------------------|
| <b>ASSETS</b>   |                          |                         |
| <b>Current assets</b>   |                          |                         |
| Cash and cash equivalents   | \$ 108,471               | \$ 119,051              |
| Settlement receivables  | 127,443                  | 128,821                 |
| Trade and other receivables, net of allowances for doubtful accounts of \$5,427 and \$4,701 at September 30, 2017 and December 31, 2016, respectively       | 44,971                   | 56,651                  |
| Inventory   | 23,790                   | 19,068                  |
| Prepaid expenses and other assets   | 22,538                   | 18,048                  |
| <b>Total current assets</b>   | <u>327,213</u>           | <u>341,639</u>          |
| <b>Non-current assets</b>   |                          |                         |
| Property, equipment and leased assets, net  | 109,399                  | 98,439                  |
| Goodwill  | 640,593                  | 640,546                 |
| Other intangible assets, net  | 338,074                  | 317,997                 |
| Other receivables   | 2,876                    | 2,020                   |
| Other assets  | 7,450                    | 7,522                   |
| <b>Total non-current assets</b>   | <u>1,098,392</u>         | <u>1,066,524</u>        |
| <b>Total assets</b>   | <u>\$ 1,425,605</u>      | <u>\$ 1,408,163</u>     |
| <b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>  |                          |                         |
| <b>Current liabilities</b>  |                          |                         |
| Settlement liabilities  | \$ 197,494               | \$ 239,123              |
| Accounts payable and accrued expenses   | 126,625                  | 94,391                  |
| Current portion of long-term debt   | 8,200                    | 10,000                  |
| <b>Total current liabilities</b>  | <u>332,319</u>           | <u>343,514</u>          |
| <b>Non-current liabilities</b>  |                          |                         |
| Deferred tax liability  | 60,785                   | 57,611                  |
| Long-term debt, less current portion  | 1,130,671                | 1,111,880               |
| Other accrued expenses and liabilities  | 25,634                   | 2,951                   |
| <b>Total non-current liabilities</b>  | <u>1,217,090</u>         | <u>1,172,442</u>        |
| <b>Total liabilities</b>  | <u>1,549,409</u>         | <u>1,515,956</u>        |
| <b>Commitments and contingencies (Note 12)</b>  |                          |                         |
| <b>Stockholders' deficit</b>  |                          |                         |
| Common stock, \$0.001 par value, 500,000 shares authorized and 91,918 and 90,952 shares issued at September 30, 2017 and December 31, 2016, respectively    | 92                       | 91                      |
| Convertible preferred stock, \$0.001 par value, 50,000 shares authorized and 0 shares outstanding at September 30, 2017 and December 31, 2016, respectively | —                        | —                       |
| Additional paid-in capital  | 273,906                  | 264,755                 |
| Accumulated deficit   | (221,152)                | (194,299)               |
| Accumulated other comprehensive loss  | (399)                    | (2,109)                 |
| Treasury stock, at cost, 24,872 and 24,867 shares at September 30, 2017 and December 31, 2016, respectively   | (176,251)                | (176,231)               |
| <b>Total stockholders' deficit</b>  | <u>(123,804)</u>         | <u>(107,793)</u>        |
| <b>Total liabilities and stockholders' deficit</b>  | <u>\$ 1,425,605</u>      | <u>\$ 1,408,163</u>     |

See notes to unaudited condensed consolidated financial statements.

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

|   | <b>Nine Months Ended September 30,</b> |                  |
|---|--|------------------|
|   | <b>2017</b>                            | <b>2016</b>      |
| <b>Cash flows from operating activities</b>                                 |  |                  |
| Net loss  | \$ (26,854)                            | \$ (32,202)      |
| Adjustments to reconcile net loss to cash provided by operating activities: |  |                  |
| Depreciation and amortization   | 86,851                                 | 108,059          |
| Amortization of financing costs   | 4,567                                  | 5,023            |
| Loss on sale or disposal of assets  | 1,580                                  | 2,554            |
| Accretion of contract rights  | 5,845                                  | 6,521            |
| Provision for bad debts   | 7,946                                  | 7,192            |
| Deferred income taxes   | 3,174                                  | (22,259)         |
| Write-down of assets  | —                                      | 4,289            |
| Reserve for obsolescence  | 46                                     | 942              |
| Loss on extinguishment of debt  | 14,615                                 | —                |
| Stock-based compensation  | 5,125                                  | 4,146            |
| Changes in operating assets and liabilities:                                |  |                  |
| Settlement receivables  | 1,569                                  | 9,158            |
| Trade and other receivables   | 2,767                                  | (1,386)          |
| Inventory   | (5,314)                                | 6,315            |
| Prepaid and other assets  | (3,337)                                | 2,912            |
| Settlement liabilities  | (41,799)                               | (22,000)         |
| Accounts payable and accrued expenses                                       | 12,981                                 | 6,544            |
| <b>Net cash provided by operating activities</b>                            | <b>69,762</b>                          | <b>85,808</b>    |
| <b>Cash flows from investing activities</b>                                 |  |                  |
| Capital expenditures  | (70,057)                               | (67,025)         |
| Acquisitions, net of cash acquired  | —                                      | (694)            |
| Proceeds from sale of fixed assets  | 4                                      | 4,608            |
| Placement fee agreements  | (13,132)                               | (11,187)         |
| Changes in restricted cash  | (149)                                  | 88               |
| <b>Net cash used in investing activities</b>                                | <b>(83,334)</b>                        | <b>(74,210)</b>  |
| <b>Cash flows from financing activities</b>                                 |  |                  |
| Repayments of new credit facility   | (2,050)                                | —                |
| Repayments of prior credit facility   | (465,600)                              | (21,900)         |
| Repayments of secured notes   | (335,000)                              | —                |
| Proceeds from current credit facility                                       | 820,000                                | —                |
| Debt issuance costs and discounts   | (19,748)                               | (480)            |
| Proceeds from exercise of stock options                                     | 4,046                                  | —                |
| Purchase of treasury stock  | (21)                                   | (17)             |
| <b>Net cash provided by (used in) financing activities</b>                  | <b>1,627</b>                           | <b>(22,397)</b>  |
| Effect of exchange rates on cash  | 1,365                                  | (743)            |
| <b>Cash and cash equivalents</b>  |  |                  |
| Net decrease for the period   | (10,580)                               | (11,542)         |
| Balance, beginning of the period  | 119,051                                | 102,030          |
| <b>Balance, end of the period</b>   | <b>\$ 108,471</b>                      | <b>\$ 90,488</b> |

See notes to unaudited condensed consolidated financial statements.

|  | <b>Nine Months Ended September 30,</b> |             |
|--|--|-------------|
|  | <b>2017</b>                            | <b>2016</b> |
| <b>Supplemental cash disclosures</b>                     |  |             |
| Cash paid for interest                                   | \$ 59,894                              | \$ 55,465   |
| Cash paid for income tax                                 | \$ 760                                 | \$ 1,124    |
| Cash refunded for income tax                             | \$ 200                                 | \$ 92       |
| <b>Supplemental non-cash disclosures</b>                 |  |             |
| Accrued and unpaid capital expenditures                  | \$ 4,736                               | \$ 1,427    |
| Accrued and unpaid placement fees                        | \$ 39,074                              | \$ —        |
| Accrued and unpaid contingent liability for acquisitions | \$ —                                   | \$ (3,169)  |
| Transfer of leased gaming equipment to inventory         | \$ 6,093                               | \$ 6,222    |

See notes to unaudited condensed consolidated financial statements.

**EVERI HOLDINGS INC. AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

*In this filing, we refer to: (i) our unaudited condensed consolidated financial statements and notes thereto as our "Financial Statements," (ii) our Unaudited Condensed Consolidated Statements of Loss and Comprehensive Loss as our "Statements of Loss," (iii) our Unaudited Condensed Consolidated Balance Sheets as our "Balance Sheets," and our Unaudited Condensed Consolidated Statements of Cash Flows as our "Cash Flows."*

**1. BUSINESS**

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

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

**2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

Our unaudited condensed consolidated financial statements included herein have been prepared by us pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Some of the information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States ("GAAP") have been condensed or omitted pursuant to such rules and regulations, although we believe the disclosures are adequate to make the information presented not misleading. In the opinion of management, all adjustments (which include normal recurring adjustments) necessary for a fair statement of results for the interim periods have been made. The results for the three and nine months ended September 30, 2017 are not necessarily indicative of results to be expected for the full fiscal year. The Financial Statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

There have been no changes to our basis of presentation and significant accounting policies since the most recent filing of our Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

**Fair Values of Financial Instruments**

The fair value of a financial instrument represents the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Fair value estimates are made at a specific point in time, based upon relevant market information about the financial instrument.

The carrying amount of cash and cash equivalents, settlement receivables, trade receivables, other receivables, settlement liabilities, accounts payable and accrued expenses approximates fair value due to the short-term maturities of

these instruments. The fair value of our borrowings are estimated based on various inputs to determine a market price, such as: market demand and supply, size of tranche, maturity and similar instruments trading in more active markets. The estimated fair value and outstanding balances of our borrowings are as follows (in thousands).

|                           | Level of<br>Hierarchy | Fair Value | Outstanding<br>Balance |
|---------------------------|-----------------------|------------|------------------------|
| <b>September 30, 2017</b> |                       |            |                        |
| Term loan                 | 2                     | \$ 826,130 | \$ 817,950             |
| Senior unsecured notes    | 1                     | \$ 378,875 | \$ 350,000             |
| <b>December 31, 2016</b>  |                       |            |                        |
| Term loan                 | 1                     | \$ 451,632 | \$ 465,600             |
| Senior secured notes      | 3                     | \$ 324,950 | \$ 335,000             |
| Senior unsecured notes    | 1                     | \$ 350,000 | \$ 350,000             |

The term loan facility was reported at fair value using a Level 2 input as there were quoted prices in markets that were not considered active as of September 30, 2017. The senior unsecured notes were reported at fair value using a Level 1 input as there were quoted prices in markets that were considered active as of September 30, 2017.

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

### Reclassification of Prior Year Balances

Reclassifications were made to the prior-period Financial Statements to conform to the current period presentation.

### Recent Accounting Guidance

#### *Recently Adopted Accounting Guidance*

In January 2017, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2017-04, which provides updated guidance on the goodwill impairment test and the method by which an entity recognizes an impairment charge. These amendments eliminate Step 2 from the current goodwill impairment process and require that an entity recognize an impairment charge equal to the amount by which the carrying amount exceeds the reporting unit’s fair value, not to exceed the total amount of goodwill allocated to that reporting unit. Additionally, a company should also take into consideration income tax effects from tax deductible goodwill on the carrying amount of a reporting unit when recording an impairment loss. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. This guidance will be applied using a prospective approach. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. We adopted this guidance in the current period. As no indicators of impairment were identified for our goodwill during the three and nine months ended September 30, 2017, this ASU did not impact our Financial Statements.

In March 2016, the FASB issued ASU No. 2016-09, which simplifies several aspects of the accounting for share-based payment transactions, including the accounting for income taxes, statutory tax withholding requirements and classification on the statement of cash flows. The new standard is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. This guidance will be applied either prospectively, retrospectively or using a modified retrospective transition method, depending on the area covered in this update. Early adoption is permitted. We adopted this guidance in the current period on a prospective basis. As of September 30, 2017, the adoption of ASU No. 2016-09 has not materially impacted our Financial Statements. With respect to forfeitures, the Company will continue to estimate the number of awards expected to be forfeited in accordance with our existing accounting policy. In addition, our Cash Flows present excess tax benefits as operating activities in the current period, as the prior period was not adjusted.

In July 2015, the FASB issued ASU No. 2015-11, which provides guidance on the measurement of inventory value. The amendments require an entity to measure in scope inventory at the lower of cost and net realizable value. Net realizable



value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. Subsequent measurement is unchanged for inventory measured using last-in, first-out (“LIFO”) or the retail inventory method. The amendments do not apply to inventory that is measured using LIFO or the retail inventory method. The amendments apply to all other inventory, which includes inventory that is measured using first-in, first-out (“FIFO”) or average cost. The pronouncement is effective for annual periods beginning after December 15, 2016, and interim periods within those fiscal years, and early adoption is permitted. We adopted this guidance in the current period. This ASU did not have a material impact on our Financial Statements.

#### *Recent Accounting Guidance Not Yet Adopted*

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

In January 2017, the FASB issued ASU No. 2017-01, which clarifies the definition of a business. The amendments affect all companies and other reporting organizations that must determine whether they have acquired or sold a business. The amendments are intended to help companies and other organizations evaluate whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The new standard is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. This guidance will be applied using a prospective approach as of the beginning of the first period of adoption. Early adoption is permitted for acquisitions, or disposals that occur before the issuance date or effectiveness date of the amendments when the transaction has not been reported in financial statements that have been issued or made available for issuance. We are currently evaluating the impact of adopting this guidance on our Financial Statements.

In October 2016, the FASB issued ASU No. 2016-18, which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. As a result, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments do not provide a definition of restricted cash or restricted cash equivalents. The new standard is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. This guidance will be applied using a retrospective approach to each period presented. Early adoption is permitted and adoption in an interim period should reflect adjustments as of the beginning of the fiscal year that includes that interim period. We are currently evaluating the impact of adopting this guidance on our Financial Statements.

In October 2016, the FASB issued ASU No. 2016-16, which provides updated guidance on the recognition of the income tax consequences of intra-entity transfers of assets other than inventory when the transfer occurs, and this eliminates the exception for an intra-entity transfer of such assets. The new standard is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. This guidance will be applied using a modified retrospective approach through a cumulative-effective adjustment directly to retained earnings as of the beginning of the period of adoption. Early adoption is permitted during the first interim period of the year this guidance is adopted. We are currently evaluating the impact of adopting this guidance on our Financial Statements.

In August 2016, the FASB issued ASU No. 2016-15, which provides updated guidance on the classification of certain cash receipts and cash payments in the statement of cash flows. The new standard is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. This guidance will be applied using a

retrospective approach. If it is impracticable to apply the amendments retrospectively for some of the issues within this ASU, the amendments for those issues would be applied prospectively as of the earliest date practicable. Early adoption is permitted including adoption in an interim period. We are currently evaluating the impact of adopting this guidance on our Financial Statements.

In June 2016, the FASB issued ASU No. 2016-13, which provides updated guidance on credit losses for financial assets measured at amortized cost basis and available-for sale debt securities. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. This guidance will be applied using a modified retrospective approach for the cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective and using a prospective approach for debt securities for which any other-than-temporary impairment had been recognized before the effective date. Early adoption is permitted for fiscal years beginning after December 15, 2018. We are currently evaluating the impact of adopting this guidance on our Financial Statements.

In February 2016, the FASB issued ASU No. 2016-02, which provides guidance on the accounting treatment of leases. The ASU establishes a right-of-use (“ROU”) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either financing or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years and early adoption is permitted. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. While we are currently assessing the impact of this ASU on our Financial Statements, we expect the primary impact to our consolidated financial position upon adoption will be the recognition, on a discounted basis, of our minimum commitments under noncancelable operating leases on our Balance Sheets, which will result in the recording of right of use assets and lease obligations and are currently discussed in “Note 12 — Commitments and Contingencies.”

In May 2014, the FASB issued ASU No. 2014-09, which creates FASB Accounting Standards Codification (“ASC”) Topic 606, “Revenue from Contracts with Customers” and supersedes ASC Topic 605, “Revenue Recognition”. The guidance replaces industry-specific guidance and establishes a single five-step model to identify and recognize revenue. The core principle of the guidance is that an entity should recognize revenue upon transfer of control of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. Additionally, the guidance requires the entity to disclose further quantitative and qualitative information regarding the nature and amount of revenues arising from contracts with customers, as well as other information about the significant judgments and estimates used in recognizing revenues from contracts with customers. The guidance in ASU 2014-09 was further updated by ASU 2016-08 in March 2016, which provides clarification on the implementation of the principal versus agent considerations in ASU 2014-09. In April 2016, the FASB issued ASU 2016-10, which provides clarification on the implementation of performance obligations and licensing in ASU 2014-09. In May 2016, the FASB issued ASU 2016-11, which amends guidance provided in two SEC Staff Announcements at the March 3, 2016 Emerging Issues Task Force meeting over various topics relating to ASU 606. In May 2016, the FASB issued ASU 2016-12, which clarified various topics in ASU 606. In December 2016, the FASB issued ASU 2016-20, which clarified additional topics in ASU 606. This guidance was originally effective for interim and annual reporting periods beginning after December 15, 2016. However, in August 2015, the FASB issued ASU No. 2015-14, which extended the effective date to interim and annual periods beginning after December 15, 2017. Early application is permitted only as of annual reporting periods beginning after December 15, 2015, including interim reporting periods within that reporting period. This guidance may be adopted retrospectively or under a modified retrospective method where the cumulative effect is recognized at the date of initial application.

We have performed a review of the requirements of the standard and identified our major revenue streams and the anticipated impact to each of them:

| Major Revenue Stream                 | Preliminary Expected Impact Upon Adoption  |
|--------------------------------------|--|
| <b><u>Games Segment:</u></b>         |  |
| Game Sales                           | We expect revenue recognition to be consistent with our current practices, however, there may be some differences as we continue to evaluate the implications.   |
| Game Operations                      | We expect revenue recognition to be consistent with our current practices, however, with respect to our WAP offering(s), for which we initiated this year, we will be required to net the direct costs with Games revenues as opposed to our existing practice of recording those amounts to Games cost of revenues. WAP jackpot expense was approximately \$0.1 million and \$0.3 million for the three and nine months ended September 30, 2017, respectively.   |
| <b><u>Payments Segment:</u></b>      |  |
| Cash Advance, ATM and Check Services | We generally expect revenue recognition to be consistent with our current practices, however, there may potentially be significant differences as we continue to evaluate the implications specifically related to our reporting these revenues on a gross versus net basis. As such, there will be no effect on operating income, net loss, cash flows or the timing of revenues recognized and costs incurred. In addition, there may be changes to the Kiosk Sales and Services and Compliance Sales and Services offerings that impact cash advance, ATM and check services revenue streams as we continue to evaluate the revenue recognition standard. |
| Central Credit                       | We expect revenue recognition to be consistent with our current practices, however, there may be differences as we continue to evaluate the implications.  |
| Kiosk Sales and Services             | We expect to encounter some level of change to our revenue recognition practices for these revenue streams under the new guidance, however, the amounts are not anticipated to be material as we continue to evaluate the implications.  |
| Compliance Sales and Services        | We expect to encounter some level of change to our revenue recognition practices for these revenue streams under the new guidance, however, the amounts are not anticipated to be material as we continue to evaluate the implications.  |

Currently, we do not expect our Games or certain of our Payments revenues to be materially impacted by the implementation of this guidance; however, we continue to evaluate certain of our other Payments-related revenue streams as there may be a potentially significant impact, depending on our final interpretation of the accounting guidance. More specifically, based on the transition guidance related to the new revenue recognition standard, we are in the process of determining if our cash advance, ATM and check services revenue streams will be required to be reported “net of transaction price” rather than our current gross revenue presentation basis. Under the existing Topic 605, certain factors that supported our gross reporting position have been eliminated in the new Topic 606. In addition, our understanding of the new transition guidance, as it specifically pertains to payments from customers, may further require us to report certain of these Payments-related revenue streams on a net presentation basis. If our conclusions, in accordance with GAAP, support a net reporting of these specific revenue streams, this will have a significant impact on our revenues, cost of revenues and margins for the affected revenue streams, however, there will be no effect on operating income, net loss, cash flows or the timing of revenues recognized and costs incurred.

As we continue to take the necessary measures of preparedness in connection with the adoption of the new revenue recognition standard, we continue to do the following:

- Evaluate our revenue streams to determine the extent, if any, of the changes to the timing and amount of revenue recorded in each reporting period.
- Review our existing accounting policies, procedures and internal controls to further determine the impact of the new standard on our Financial Statements.
- Prepare the enhanced disclosures and updates to our revenue recognition policies to identify performance obligations to customers and that will require significant judgment in both measurement and recognition.
- Review in detail our sales contract terms and conditions to determine the necessary adjustments, if any.
- Monitor the activity of the FASB and the transition resource group as it relates to specific interpretive guidance that may impact us.

We may identify other impacts from the implementation of this guidance as we continue our assessment. We expect to adopt this guidance using the modified retrospective method beginning in the first quarter of 2018.

### **3. BUSINESS COMBINATIONS**

We account for business combinations in accordance with ASC 805, which requires that the identifiable assets acquired and liabilities assumed be recorded at their estimated fair values on the acquisition date separately from goodwill, which is the excess of the fair value of the purchase price over the fair values of these identifiable assets and liabilities. We include the results of operations of an acquired business as of the acquisition date. We had no material acquisitions for the three and nine months ended September 30, 2017 and 2016.

### **4. FUNDING AGREEMENTS**

#### **Contract Cash Solutions Agreement**

Our Contract Cash Solutions Agreement with Wells Fargo Bank, N.A. (“Wells Fargo”) allows us to use funds owned by Wells Fargo to provide the currency needed for normal operating requirements for our ATMs. For the use of these funds, we pay Wells Fargo a cash usage fee on the average daily balance of funds utilized multiplied by a contractually defined cash usage rate. These cash usage fees, reflected as interest expense within the Statements of Loss, were \$1.2 million and \$3.5 million for the three and nine months ended September 30, 2017, respectively, and \$0.7 million and \$2.3 million for the three and nine months ended September 30, 2016, respectively. We are exposed to interest rate risk to the extent that the applicable London Interbank Offered Rate (“LIBOR”) increases.

Under this agreement, all currency supplied by Wells Fargo remains the sole property of Wells Fargo at all times until it is dispensed, at which time Wells Fargo obtains an interest in the corresponding settlement receivable which is recorded on a net basis. As these funds are not our assets, supplied cash is not reflected on the Balance Sheets. The outstanding balances of ATM cash utilized by us from Wells Fargo were \$226.6 million and \$285.4 million as of September 30, 2017 and December 31, 2016, respectively.

The Contract Cash Solutions Agreement, as amended, provides us with cash in the maximum amount of \$4 25.0 million during the term of the agreement, which expires on June 30, 2019.

We are responsible for any losses of cash in the ATMs under this agreement, and we self-insure for this risk. We incurred no material losses related to this self-insurance for the three and nine months ended September 30, 2017 and 2016.

#### Site-Funded ATMs

We operate ATMs at certain customer gaming establishments where the gaming establishment provides the cash required for the ATM operational needs. We are required to reimburse the customer for the amount of cash dispensed from these site-funded ATMs. The site-funded ATM liability included within settlement liabilities in the accompanying Balance Sheets was \$134.1 million and \$151.0 million as of September 30, 2017 and December 31, 2016, respectively.

#### Prefunded Cash Access Agreements

Due to certain regulatory requirements, some international gaming establishments require prefunding of cash to cover all outstanding settlement amounts in order for us to provide cash access services to their properties. We enter into agreements with these operators for which we supply our cash access services for their properties. Under these agreements, we maintain sole discretion to either continue or cease operations as well as discretion over the amounts prefunded to the properties and may request amounts to be refunded to us, with appropriate notice to the operator, at any time. The initial prefunded amounts and subsequent amounts from the settlement of transactions are deposited into a bank account that is to be used exclusively for cash access services, and we maintain the right to monitor all transaction activity in that account. The total amount of prefunded cash outstanding was approximately \$9.3 million and \$8.5 million at September 30, 2017 and December 31, 2016, respectively, and is included in prepaid expenses and other assets on our Balance Sheets.

### 5. TRADE AND OTHER RECEIVABLES

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

|   | At September 30,<br>2017 | At December 31,<br>2016 |
|---|--------------------------|-------------------------|
| <b>Trade and other receivables, net</b>                       |                          |                         |
| Games trade and loans receivables                             | \$ 36,837                | \$ 44,410               |
| Payments trade and loans receivables                          | 10,214                   | 12,337                  |
| Other receivables   | 796                      | 1,924                   |
| <b>Total trade and other receivables, net</b>                 | <b>\$ 47,847</b>         | <b>\$ 58,671</b>        |
| Less: non-current portion of receivables                      | 2,876                    | 2,020                   |
| <b>Total trade and other receivables,<br/>current portion</b> | <b>\$ 44,971</b>         | <b>\$ 56,651</b>        |

At least quarterly, we evaluate the collectability of the outstanding balances and establish a reserve for the face amount of the expected losses on our receivables. The allowance for doubtful accounts for trade receivables was \$5.4 million and \$4.7 million as of September 30, 2017 and December 31, 2016, respectively, and includes reserves for both Games and Payments receivables. The provision for doubtful accounts is generally included within operating expenses in the Statements of Loss. We also have a provision for doubtful accounts specifically associated with our outstanding check warranty receivables, which is included within Payments cost of revenues (exclusive of depreciation and amortization) in the Statements of Loss. The outstanding balances of the check warranty and general reserves were \$3.0 million and \$2.4 million, respectively, as of September 30, 2017 and \$2.7 million and \$2.0 million, respectively, as of December 31, 2016.

## 6. PREPAID AND OTHER ASSETS

Prepaid and other assets include the balance of prepaid expenses, deposits, debt issuance costs on our Revolving Credit Facility (defined herein), restricted cash and other assets. The current portion of these assets is included in prepaid and other assets and the non-current portion is included in other assets, both of which are contained within the Balance Sheets.

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

|  | At September 30,<br>2017 | At December 31,<br>2016 |
|--|--------------------------|-------------------------|
| <b>Prepaid expenses and other assets</b>       |                          |                         |
| Deposits                                       | \$ 9,971                 | \$ 8,622                |
| Prepaid expenses                               | 7,870                    | 5,937                   |
| Other  | 4,697                    | 3,489                   |
| <b>Total prepaid expenses and other assets</b> | <u>\$ 22,538</u>         | <u>\$ 18,048</u>        |

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

|  | At September 30,<br>2017 | At December 31,<br>2016 |
|--|--------------------------|-------------------------|
| <b>Other assets</b>                              |                          |                         |
| Prepaid expenses and deposits                    | \$ 3,464                 | \$ 3,399                |
| Debt issuance costs of revolving credit facility | 898                      | 689                     |
| Other  | 3,088                    | 3,434                   |
| <b>Total other assets</b>                        | <u>\$ 7,450</u>          | <u>\$ 7,522</u>         |

## 7. INVENTORY

Our inventory primarily consists of component parts as well as work-in-progress and finished goods. The cost of inventory includes cost of materials, labor, overhead and freight. The inventory is stated at the lower of cost or net realizable value and accounted for using the FIFO method.

Inventory consisted of the following (in thousands):

|  | At September 30,<br>2017 | At December 31,<br>2016 |
|--|--------------------------|-------------------------|
| <b>Inventory</b>   |                          |                         |
| Raw materials and component parts, net of reserves of \$1,523 and \$2,155 at<br>September 30, 2017 and December 31, 2016, respectively | \$ 15,974                | \$ 12,570               |
| Work-in-progress   | 3,516                    | 1,502                   |
| Finished goods   | 4,300                    | 4,996                   |
| <b>Total inventory</b>   | <u>\$ 23,790</u>         | <u>\$ 19,068</u>        |

## 8. PROPERTY, EQUIPMENT AND LEASED ASSETS

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

|  | Useful Life<br>(Years) | At September 30, 2017 |                             |                   | At December 31, 2016 |                             |                   |
|--|------------------------|-----------------------|-----------------------------|-------------------|----------------------|-----------------------------|-------------------|
|  |                        | Cost                  | Accumulated<br>Depreciation | Net Book<br>Value | Cost                 | Accumulated<br>Depreciation | Net Book<br>Value |
| <b>Property, equipment and leased assets</b> |                        |                       |                             |                   |                      |                             |                   |
| Rental pool - deployed                       | 2-4                    | \$ 149,895            | \$ 73,623                   | \$ 76,272         | \$ 123,812           | \$ 59,188                   | \$ 64,624         |
| Rental pool - undeployed                     | 2-4                    | 19,829                | 10,874                      | 8,955             | 13,456               | 5,721                       | 7,735             |
| ATM equipment                                | 5                      | 17,154                | 11,992                      | 5,162             | 16,537               | 11,189                      | 5,348             |
| Leasehold and building improvements          | Lease Term             | 10,723                | 4,820                       | 5,903             | 10,023               | 3,698                       | 6,325             |
| Cash advance equipment                       | 3                      | 8,492                 | 5,544                       | 2,948             | 8,590                | 4,499                       | 4,091             |
| Machinery, office and other equipment        | 2-5                    | 33,217                | 23,058                      | 10,159            | 30,424               | 20,108                      | 10,316            |
| <b>Total</b>                                 |                        | <u>\$ 239,310</u>     | <u>\$ 129,911</u>           | <u>\$ 109,399</u> | <u>\$ 202,842</u>    | <u>\$ 104,403</u>           | <u>\$ 98,439</u>  |

Depreciation expense related to property, equipment and leased assets totaled approximately \$12.5 million and \$34.8 million for the three and nine months ended September 30, 2017, respectively, and \$12.4 million and \$37.2 million for the three and nine months ended September 30, 2016, respectively. There was no material impairment of our property, equipment and leased assets for the three and nine months ended September 30, 2017 and 2016.

## 9. GOODWILL AND OTHER INTANGIBLE ASSETS

### Goodwill

Goodwill represents the excess of the purchase price over the identifiable tangible and intangible assets acquired plus liabilities assumed arising from business combinations. The balance of goodwill was \$640.6 million and \$640.5 million at September 30, 2017 and December 31, 2016, respectively.

In accordance with ASC 350, we test goodwill at the reporting unit level, which are identified as operating segments or one level below, for impairment on an annual basis and between annual tests if events and circumstances indicate it is more likely than not that the fair value of a reporting unit is less than its carrying amount.

We test for impairment annually on a reporting unit basis, at the beginning of our fourth fiscal quarter, or more often under certain circumstances. The annual impairment test is completed using either: a qualitative Step 0 assessment based on reviewing relevant events and circumstances; or a quantitative Step 1 assessment, which determines the fair value of the reporting unit, using an income approach that discounts future cash flows based on the estimated future results of our reporting units and a market approach that compares market multiples of comparable companies to determine whether or not any impairment exists. If the fair value of a reporting unit is less than its carrying amount, we will use the Step 1 assessment to determine the impairment in accordance with the adoption of ASU No 2017-04.

No impairment was identified for our goodwill for the three and nine months ended September 30, 2017 and 2016.

## Other Intangible Assets

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

|   | Useful Life<br>(years) | At September 30, 2017 |                             |                   | At December 31, 2016 |                             |                   |
|---|------------------------|-----------------------|-----------------------------|-------------------|----------------------|-----------------------------|-------------------|
|   |                        | Cost                  | Accumulated<br>Amortization | Net Book<br>Value | Cost                 | Accumulated<br>Amortization | Net Book<br>Value |
| <b>Other intangible assets</b>                    |                        |                       |                             |                   |                      |                             |                   |
| Contract rights under placement<br>fee agreements | 1-7                    | \$ 59,605             | \$ 1,782                    | \$ 57,823         | \$ 17,742            | \$ 6,281                    | \$ 11,461         |
| Customer contracts                                | 7-14                   | 50,975                | 42,768                      | 8,207             | 50,975               | 40,419                      | 10,556            |
| Customer relationships                            | 8-12                   | 231,100               | 58,412                      | 172,688           | 231,100              | 42,688                      | 188,412           |
| Developed technology and<br>software              | 1-6                    | 244,151               | 152,706                     | 91,445            | 224,265              | 126,721                     | 97,544            |
| Patents, trademarks and other                     | 1-17                   | 28,834                | 20,923                      | 7,911             | 27,771               | 17,747                      | 10,024            |
| <b>Total</b>                                      |                        | <u>\$ 614,665</u>     | <u>\$ 276,591</u>           | <u>\$ 338,074</u> | <u>\$ 551,853</u>    | <u>\$ 233,856</u>           | <u>\$ 317,997</u> |

Amortization expense related to other intangible assets was approximately \$17.3 million and \$52.1 million for the three and nine months ended September 30, 2017, respectively, and \$24.1 million and \$70.9 million for the three and nine months ended September 30, 2016, respectively.

We evaluate our other intangible assets for potential impairment in connection with our quarterly review process. There was no material impairment identified for any of our other intangible assets for the three and nine months ended September 30, 2017 and 2016.

We enter into placement fee agreements to provide financing for new gaming facilities or for the expansion or improvement of existing facilities. The funding under placement fee agreements is not reimbursed. In return for the fees under these agreements, each facility dedicates a percentage of its floor space, or an agreed upon unit count, for the placement of our electronic gaming machines (“EGMs”) over the term of the agreement, generally 12 to 83 months, and we receive a fixed percentage or flat fee of those machines’ hold per day. Certain of the agreements contain EGM performance standards that could allow the respective facility to reduce a portion of our guaranteed floor space.

Placement fees and amounts advanced in excess of those to be reimbursed by the customer for real property and land improvements are allocated to intangible assets and are generally amortized over the term of the contract, which is recorded as a reduction of revenue generated from the facility. In the past we have, and in the future, we may, by mutual agreement, amend these agreements to reduce our floor space at the facilities. Any proceeds received for the reduction of floor space are first applied against the intangible asset for that particular placement fee agreement, if any, and the remaining net book value of the intangible asset is prospectively amortized on a straight-line method over the remaining estimated useful life. In July 2017, we entered into a placement fee agreement with a customer for certain of its locations for approximately \$49.1 million, net of \$10.1 million of unamortized fees related to superseded contracts. During the three and nine months ended September 30, 2017, we paid approximately \$10.1 million and \$13.1 million, respectively, in placement fees primarily related to this agreement. For the nine months ended September 30, 2016, \$11.2 million was paid to extend the term of placement fee agreements with the same customer for certain of its locations. We did not enter into any placement fee agreements or incur related fees during the three months ended September 30, 2016.



## 10. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

|  | At September 30,<br>2017 | At December 31,<br>2016 |
|--|--------------------------|-------------------------|
| <b>Accounts payable and accrued expenses</b>       |                          |                         |
| Trade accounts payable                             | \$ 62,422                | \$ 55,352               |
| Placement fees (1)                                 | 16,746                   | —                       |
| Accrued interest                                   | 7,650                    | 82                      |
| Payroll and related expenses                       | 10,207                   | 12,305                  |
| Deferred and unearned revenues                     | 9,981                    | 9,222                   |
| Cash access processing and related expenses        | 7,682                    | 7,001                   |
| Accrued taxes                                      | 2,734                    | 2,587                   |
| Other  | 9,203                    | 7,842                   |
| <b>Total accounts payable and accrued expenses</b> | <u>\$ 126,625</u>        | <u>\$ 94,391</u>        |

- (1) The total outstanding balance of the placement fees was \$39.1 million. The remaining \$22.3 million of non-current placement fees was included in other accrued expenses and liabilities in our Balance Sheets as of September 30, 2017.

## 11. LONG-TERM DEBT

The following table summarizes our outstanding indebtedness (in thousands):

|  | At September 30,<br>2017 | At December 31,<br>2016 |
|--|--------------------------|-------------------------|
| <b>Long-term debt</b>                                    |                          |                         |
| Senior secured term loan                                 | \$ 817,950               | \$ 465,600              |
| Senior secured notes                                     | —                        | 335,000                 |
| Senior unsecured notes                                   | 350,000                  | 350,000                 |
| <b>Total debt</b>  | <u>1,167,950</u>         | <u>1,150,600</u>        |
| Less: debt issuance costs and discount                   | (29,079)                 | (28,720)                |
| <b>Total debt after debt issuance costs and discount</b> | <u>1,138,871</u>         | <u>1,121,880</u>        |
| Less: current portion of long-term debt                  | (8,200)                  | (10,000)                |
| <b>Long-term debt, less current portion</b>              | <u>\$ 1,130,671</u>      | <u>\$ 1,111,880</u>     |

### Refinancing

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

The proceeds from the New Term Loan Facility incurred on the Closing Date were used to: (i) refinance: (a) the Everi Payments existing credit facility with an outstanding balance of approximately \$462.3 million with Bank of America, N.A., as administrative agent, collateral agent, swing line lender and letter of credit issuer, Deutsche Bank Securities Inc., as syndication agent, and Merrill Lynch, Pierce, Fenner & Smith Incorporated and Deutsche Bank Securities Inc., as joint lead arrangers and joint book managers (the “Prior Credit Facility”); and (b) the Everi Payments 7.25% Senior

Secured Notes due 2021 in the aggregate original principal amount of \$335.0 million (the “Refinanced Secured Notes”); and (ii) pay related transaction fees and expenses.

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

### **New Credit Facilities**

The New Term Loan Facility matures seven years after the Closing Date (the “Stated Term Maturity Date”); provided that, if on the date that is 91 days prior to the maturity date (the “Unsecured Notes Maturity Date”) for the Everi Payments 10.00% Senior Unsecured Notes due 2022 in the aggregate original principal amount of \$350.0 million (the “Unsecured Notes”), any Unsecured Notes remain outstanding and the Unsecured Notes Maturity Date has not been extended to a date that is at least six months after the Stated Term Maturity Date, then the New Term Loan Facility shall mature on the date that is 91 days before the Unsecured Notes Maturity Date. The New Revolving Credit Facility matures five years after the Closing Date; provided, that, if on the date that is 121 days prior to the Unsecured Notes Maturity Date, any Unsecured Notes remain outstanding and the Unsecured Notes Maturity Date has not been extended to a date that is at least six months after the Stated Term Maturity Date, then the New Revolving Credit Facility shall mature on the date that is 121 days before the Unsecured Notes Maturity Date. The New Revolving Credit Facility is available for general corporate purposes, including permitted acquisitions, working capital and the issuance of letters of credit.

The interest rate per annum applicable to loans under the New Revolving Credit Facility will be, at Everi Payments’ option, the base rate or the Eurodollar Rate (defined to be the London Interbank Offered Rate or a comparable or successor rate) (the “Eurodollar Rate”) plus, in each case, an applicable margin. The interest rate per annum applicable to the New Term Loan Facility will also be, at Everi Payments’ option, the base rate or the Eurodollar Rate plus, in each case, an applicable margin. The Eurodollar Rate will be reset at the beginning of each selected interest period based on the Eurodollar Rate then in effect; provided that, if the Eurodollar Rate is below 1.0%, then such rate will be equal to 1.0% plus the applicable margin. The base rate is a fluctuating interest rate equal to the highest of: (i) the prime lending rate announced by the administrative agent; (ii) the federal funds effective rate from time to time plus 0.50%; and (iii) the Eurodollar Rate (after taking account of any applicable floor) applicable for an interest period of one month plus 1.00%. The applicable margins for both the New Revolving Credit Facility and the New Term Loan Facility are: (i) 4.50% in respect of Eurodollar Rate loans and (ii) 3.50% in respect of base rate loans.

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

Subject to certain exceptions, the obligations under the New Credit Facilities are secured by substantially all of the present and subsequently acquired assets of each of Everi Payments, Holdings and the subsidiary guarantors party thereto including: (i) a perfected first priority pledge of all the capital stock of Everi Payments and each domestic direct, wholly owned material restricted subsidiary held by Holdings, Everi Payments or any such subsidiary guarantor; and (ii) a perfected first priority security interest in substantially all other tangible and intangible assets of Holdings, Everi Payments, and such subsidiary guarantors (including, but not limited to, accounts receivable, inventory, equipment, general intangibles, investment property, real property, intellectual property and the proceeds of the foregoing). Subject to certain exceptions, the New Credit Facilities are unconditionally guaranteed by Holdings and such subsidiary guarantors.

The New Credit Agreement governing the New Credit Facilities contains certain covenants that, among other things, limit Holdings’ ability, and the ability of certain of its subsidiaries, to incur additional indebtedness, sell assets or consolidate or merge with or into other companies, pay dividends or repurchase or redeem capital stock, make certain investments, issue capital stock of subsidiaries, incur liens, prepay, redeem or repurchase subordinated debt, and enter into certain types of transactions with its affiliates. The New Credit Agreement governing the New Credit Facilities also requires Holdings, together with its subsidiaries, to comply with a consolidated secured leverage ratio. At

September 30, 2017, our consolidated secured leverage ratio was 3.63 to 1.00, with a maximum allowable ratio of 5.00 to 1.00. Our maximum consolidated secured leverage ratio will be 5.00 to 1.00, 4.75 to 1.00, and 4.50 to 1.00 as of December 31, 2017, 2018, and 2019 and thereafter, respectively.

We were in compliance with the terms of the New Credit Facilities as of September 30, 2017.

Events of default under the New Credit Agreement governing the New Credit Facilities include customary events such as a cross-default provision with respect to other material debt. In addition, an event of default will occur if Holdings undergoes a change of control. This is defined to include the case where Holdings ceases to own 100% of the equity interests of Everi Payments, or where any person or group acquires a percentage of the economic or voting interests of Holdings' capital stock of 35% or more (determined on a fully diluted basis).

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

For the quarter ended September 30, 2017, the New Term Loan Facility had an applicable weighted average interest rate of 5.74%. For the nine months ended September 30, 2017, the Prior Credit Facility had an applicable weighted average interest rate of 6.29%; the New Term Loan Facility had an applicable weighted average interest rate of 5.71%; and a blended weighted average interest rate of 5.87% for the period ended September 30, 2017.

At September 30, 2017, we had \$818.0 million of borrowings outstanding under the New Term Loan Facility and no borrowings outstanding under the New Revolving Credit Facility. We had \$35.0 million of additional borrowing availability under the New Revolving Credit Facility as of September 30, 2017.

#### **Refinanced Senior Secured Notes**

In connection with entering into the New Credit Agreement, on May 9, 2017, Everi Payments redeemed in full \$335.0 million face value (plus accrued interest) of the Refinanced Secured Notes. As a result of the redemption, the Company recorded \$1.7 million, which consisted of unamortized deferred financing fees of \$0.2 million and discounts of \$1.5 million. These fees are included in the total \$14.6 million non-cash charge.

#### **Senior Unsecured Notes**

In December 2014, we issued \$350.0 million in aggregate principal amount of 10.00% Unsecured Notes due 2022 (the "Unsecured Notes"). The fees associated with the Unsecured Notes included original issue discounts of approximately \$3.8 million and debt issuance costs of approximately \$14.0 million.

Interest is due semi-annually in arrears each January and July.

The Unsecured Notes were acquired by the initial purchasers pursuant to the terms of a purchase agreement. Under the terms of the purchase agreement, during a one-year period following the closing and upon prior notice from the initial purchasers, the Company was required to use commercially reasonable efforts to aid the purchasers in the resale of the Unsecured Notes, including by preparing an updated offering memorandum and participating in reasonable marketing efforts including road shows, to the extent required therein. The Unsecured Notes were resold by the initial purchasers to third parties in the second quarter of 2015.

In December 2015, we completed an exchange offer in which all of the unregistered Unsecured Notes were exchanged for a like amount of Unsecured Notes that had been registered under the Securities Act.

We were in compliance with the terms of the Unsecured Notes as of September 30, 2017 and December 31, 2016.

## 12. COMMITMENTS AND CONTINGENCIES

The following transactions have resulted in a change in our commitments under contractual obligations as compared to those disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016:

In May 2017, we entered into the New Credit Agreement, which provides for the \$35.0 million New Revolving Credit Facility and the \$820.0 million New Term Loan Facility. Under the New Credit Agreement, we are required to make principal payments of 1% annually of \$2.0 million in 2017, \$8.2 million in years 2018 through 2021 and \$783.1 million thereafter. We also have required interest payments, computed using a weighted average interest rate at September 30, 2017 of 5.74%, of \$12.0 million, \$46.6 million, \$46.1 million, \$45.7 million, \$45.3 million and \$104.5 million from 2017 through 2021 and thereafter, respectively.

In July 2017, we extended the term of our placement fee agreements to 6 years and 11 months with our largest customer in Oklahoma. Under the terms of the agreement, we made a \$10.0 million cash payment in August 2017 and will pay approximately \$5.6 million per quarter in placement fees, beginning in January 2018 and ending in July 2019.

We are involved in various investigations, claims and lawsuits in the ordinary course of our business. In addition, various legal actions, claims and governmental inquiries and proceedings are pending or may be instituted or asserted in the future against us and our subsidiaries. Although the outcome of our legal proceedings cannot be predicted with certainty and no assurances can be provided, based upon current information, we do not believe the liabilities, if any, which may ultimately result from the outcome of such matters, individually or in the aggregate, will have a material adverse impact on our financial position, liquidity or results of operations.

## 13. SHAREHOLDERS' EQUITY

**Preferred Stock.** Our amended and restated certificate of incorporation, as amended, allows our Board of Directors, without further action by stockholders, to issue up to 50,000,000 shares of preferred stock in one or more series and to fix the designations, powers, preferences, privileges and relative participating, optional, or special rights as well as the qualifications, limitations or restrictions of the preferred stock, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences. As of September 30, 2017 and December 31, 2016, we had no shares of preferred stock outstanding.

**Common Stock.** Subject to the preferences that may apply to shares of preferred stock that may be outstanding at the time, the holders of outstanding shares of common stock are entitled to receive dividends out of assets legally available at the times and in the amounts as our Board of Directors may from time to time determine. All dividends are non-cumulative. In the event of the liquidation, dissolution or winding up of Everi, the holders of common stock are entitled to share ratably in all assets remaining after the payment of liabilities, subject to the prior distribution rights of preferred stock, if any, then outstanding. Each stockholder is entitled to one vote for each share of common stock held on all matters submitted to a vote of stockholders. Cumulative voting for the election of directors is not provided for. The common stock is not entitled to preemptive rights and is not subject to conversion or redemption. There are no sinking fund provisions applicable to the common stock. Each outstanding share of common stock is fully paid and non-assessable. As of September 30, 2017 and December 31, 2016, we had 91,918,086 and 90,952,185 shares of common stock issued, respectively.

**Treasury Stock.** Employees may direct us to withhold vested shares of restricted stock to satisfy the minimum statutory withholding requirements applicable to their restricted stock vesting. We withheld from restricted stock awards 1,365 and 4,394 shares of common stock for the three and nine months ended September 30, 2017, respectively, at an aggregate purchase price of \$10,115 and \$20,706, respectively, and 2,223 and 7,135 shares of common stock for the three and nine months ended September 30, 2016, respectively, at an aggregate purchase price of \$3,879 and \$16,894, respectively, to satisfy the minimum applicable tax withholding obligations related to the vesting of such restricted stock awards.

#### 14. WEIGHTED AVERAGE COMMON SHARES

The weighted average number of shares of common stock outstanding used in the computation of basic and diluted loss per share is as follows (in thousands):

|   | <u>Three Months Ended September 30,</u> |               | <u>Nine Months Ended September 30,</u> |               |
|---|---|---------------|--|---------------|
|   | <u>2017</u>                             | <u>2016</u>   | <u>2017</u>                            | <u>2016</u>   |
| <b>Weighted average shares</b>  |   |               |  |               |
| <b>Weighted average number of common shares outstanding - basic</b>   | 66,897                                  | 66,049        | 66,449                                 | 66,041        |
| Potential dilution from equity awards (1)                             | —                                       | —             | —                                      | —             |
| <b>Weighted average number of common shares outstanding - diluted</b> | <u>66,897</u>                           | <u>66,049</u> | <u>66,449</u>                          | <u>66,041</u> |

- (1) The Company was in a net loss position for the three and nine months ended September 30, 2017 and 2016; therefore, potentially dilutive common shares were excluded as their effects would be antidilutive under the application of the treasury method. Equity awards to purchase approximately 8.0 million and 12.0 million shares of common stock for the three and nine months ended September 30, 2017, respectively, and 18.5 million and 15.9 million shares of common stock for the three and nine months ended September 30, 2016, respectively, were excluded from the diluted net loss per share results.

#### 15. SHARE-BASED COMPENSATION

##### Equity Incentive Awards

Our 2014 Equity Incentive Plan (as amended and restated effective May 23, 2017, the “Amended and Restated 2014 Plan”) and our 2012 Equity Incentive Plan (as amended, the “2012 Plan”) are used to attract and retain the best available personnel, to provide additional incentives to employees, directors and consultants and to promote the success of our business. The Amended and Restated 2014 Plan superseded the then current 2005 Stock Incentive Plan (the “2005 Plan”). The 2012 Plan was assumed in connection with our acquisition of Everi Games Holding and conformed to include similar provisions to those as set forth in the Amended and Restated 2014 Plan. Our equity incentive plans are administered by the Compensation Committee of our Board of Directors, which has the authority to select individuals who are to receive equity incentive awards and to specify the terms and conditions of grants of such awards, including, but not limited to, the vesting provisions and exercise prices.

Generally, we grant the following award types: (a) time-based options, (b) market-based options and (c) restricted stock. These awards have varying vesting provisions and expiration periods. For the three and nine months ended September 30, 2017, we granted time- and market-based options.

Our time-based stock options granted under our equity plans generally vest at a rate of 25% per year on each of the first four anniversaries of the option grant dates. These options expire after a ten-year period. We estimate forfeiture amounts based on historical patterns.

Our market-based options granted in 2017 vest at a rate of 25% per year on each of the first four anniversaries of the grant date, provided that as of the vesting date for each vesting tranche, the closing price of the Company’s shares on the New York Stock Exchange is at least a specified price hurdle, defined as a 25% premium to the closing stock price on the grant date. If the price hurdle is not met as of the vesting date for a vesting tranche, then the vested tranche shall vest and become vested shares on the last day of a period of 30 consecutive trading days during which the closing price is at least the price hurdle. These options expire after a ten-year period.

Our market-based options granted in 2016 vest at a rate of 25% per year on each of the first four anniversaries of the grant date, provided that as of the vesting date for each vesting tranche, the closing price of the Company’s shares on the New York Stock Exchange is at least a specified price hurdle, defined as a 50% premium to the closing stock price on the grant date. If the price hurdle is not met as of the vesting date for a vesting tranche, then the vested tranche shall vest and become vested shares on the last day of a period of 30 consecutive trading days during which the closing price is at least the price hurdle. These options expire after a ten-year period.

A summary of award activity is as follows (in thousands):

|  | Stock Options<br>Granted | Restricted Stock<br>Granted |
|--|--------------------------|-----------------------------|
| <b>Outstanding, December 31, 2016</b>  | 18,233                   | 80                          |
| Granted                                | 4,107                    | 40                          |
| Exercised options or vested shares     | (950)                    | (16)                        |
| Cancelled or forfeited                 | (358)                    | —                           |
| <b>Outstanding, September 30, 2017</b> | <u>21,032</u>            | <u>104</u>                  |

The maximum number of shares available for future equity awards, both under the Amended and Restated 2014 Plan and the 2012 Plan, is approximately 4.6 million shares of our common stock. There are no shares available for future equity awards under the 2005 Plan.

### Stock Options

The fair values of our standard time-based options were determined as of the date of grant using the Black-Scholes option pricing model with the following assumptions:

|                                     | Nine months ended<br>September 30, |      |
|-------------------------------------|------------------------------------|------|
|                                     | 2017                               | 2016 |
| Risk-free interest rate             | 2 %                                | 1 %  |
| Expected life of options (in years) | 6                                  | 5    |
| Expected volatility                 | 54 %                               | 51 % |
| Expected dividend yield             | — %                                | — %  |

For the nine months ended September 30, 2016, certain executive and director grants were valued under the Black-Scholes option pricing model that utilized different assumptions from those used for our standard time-based options. For the time-based options granted on February 25, 2016, the assumptions were: (a) risk-free interest rate of 1%; (b) expected term of five years; (c) expected volatility of 49%; and (d) no expected dividend yield. For the time-based options granted on February 13, 2016, the assumptions were: (a) risk-free interest rate of 1%; (b) expected term of six years; (c) expected volatility of 49%; and (d) no expected dividend yield.

The fair values of our market-based options were determined as of the date of grant using a lattice-based option valuation model with the following assumptions:

|                               | Nine months ended<br>September 30, |      |
|-------------------------------|------------------------------------|------|
|                               | 2017                               | 2016 |
| Risk-free interest rate       | 3 %                                | 2 %  |
| Measurement period (in years) | 10                                 | 10   |
| Expected volatility           | 70 %                               | 68 % |
| Expected dividend yield       | — %                                | — %  |

For the market-based options granted during the third quarter of 2016, the assumptions were: (a) risk-free interest rate of 2%; (b) expected term of ten years; (c) expected volatility of 69% and (d) no expected dividend yield.

The following tables present the options activity:

|  | Number of<br>Common Shares<br>(in thousands) | Weighted Average<br>Exercise Price<br>(per share) | Weighted<br>Average Life<br>Remaining<br>(years) | Aggregate<br>Intrinsic Value<br>(in thousands) |
|--|--|---|--|--|
| <b>Outstanding, December 31, 2016</b>                  | 18,233                                       | \$ 6.02   | 6.4  | \$ 2,387                                       |
| Granted  | 4,107  | 3.38  |  |  |
| Exercised  | (950)  | 4.29  |  |  |
| Canceled or forfeited                                  | (358)  | 5.99  |  |  |
| <b>Outstanding, September 30, 2017</b>                 | <u>21,032</u>                                | \$ 5.58   | 6.5  | \$ 48,106                                      |
| <b>Vested and expected to vest, September 30, 2017</b> | <u>18,401</u>                                | \$ 5.71   | 6.3  | \$ 40,291                                      |
| <b>Exercisable, September 30, 2017</b>                 | <u>10,539</u>                                | \$ 6.85   | 4.8  | \$ 13,298                                      |

There were 45,750 and 4.1 million options granted for the three and nine months ended September 30, 2017, respectively, and 0.2 million and 4.2 million options granted for the three and nine months ended September 30, 2016, respectively. The weighted average grant date fair value per share of options granted was \$3.85 and \$1.86 for the three and nine months ended September 30, 2017, respectively, and \$0.89 and \$0.81 for the three and nine months ended September 30, 2016, respectively. The total intrinsic value of options exercised was \$0.8 million and \$2.8 million for the three and nine months ended September 30, 2017, respectively. No options were exercised during the three and nine months ended September 30, 2016.

There was \$11.7 million in unrecognized compensation expense related to options expected to vest as of September 30, 2017. This cost is expected to be recognized on a straight-line basis over a weighted average period of 2.3 years. We recorded \$4.8 million in non-cash compensation expense related to options granted that were expected to vest as of September 30, 2017. We received \$2.2 million and \$4.0 million in cash from the exercise of options for the three and nine months ended September 30, 2017, respectively.

There was \$13.5 million in unrecognized compensation expense related to options expected to vest as of September 30, 2016. This cost was expected to be recognized on a straight-line basis over a weighted average period of 2.3 years. We recorded \$3.8 million in non-cash compensation expense related to options granted that were expected to vest as of September 30, 2016. There were no proceeds received from the exercise of options as no exercises occurred for the three and nine months ended September 30, 2016.

#### Restricted Stock

The following is a summary of non-vested share awards for our time-based restricted stock:

|  | Shares<br>Outstanding<br>(in thousands) | Weighted<br>Average Grant<br>Date Fair Value<br>(per share) |
|--|---|---|
| <b>Outstanding, December 31, 2016</b>  | 80                                      | \$ 7.12   |
| Granted                                | 40                                      | 6.66  |
| Vested                                 | (16)                                    | 6.91  |
| Forfeited                              | —                                       | —   |
| <b>Outstanding, September 30, 2017</b> | <u>104</u>                              | \$ 6.97   |

There were no shares and 40,000 shares of restricted stock granted for the three and nine months ended September 30, 2017, respectively, and there were no shares of restricted stock granted for the three and nine months ended September 30, 2016. The total fair value of restricted stock vested was \$37,958 and \$121,979 for the three and nine months ended September 30, 2017, respectively, and \$23,393 and \$74,100 for the three and nine months ended September 30, 2016, respectively.

There was \$0.7 million in unrecognized compensation expense related to shares of time based restricted stock expected to vest as of September 30, 2017. This cost is expected to be recognized on a straight-line basis over a weighted average period of 1.2 years. There were 16,071 shares of restricted stock that vested and we recorded \$0.3 million in non-cash compensation expense related to the restricted stock granted that was expected to vest during the nine months ended September 30, 2017.

There was \$1.3 million in unrecognized compensation expense related to shares of time-based restricted shares expected to vest as of September 30, 2016. This cost was expected to be recognized on a straight-line basis over a weighted average period of 1.9 years. There were 30,000 shares of time-based restricted shares vested and we recorded \$0.3 million in non-cash compensation expense related to the restricted stock granted that was expected to vest during the nine months ended September 30, 2016.

## 16. INCOME TAXES

The income tax provision reflected an effective income tax rate of negative 20.0% and negative 15.6% for the three and nine months ended September 30, 2017, respectively, which was less than the statutory federal rate of 35.0%, primarily due to an increase in our valuation allowance for deferred tax assets, partially offset by state taxes, and the benefit from a research credit. The income tax benefit reflected an effective income tax rate of 37.7% and 39.4% for the three and nine months ended September 30, 2016, respectively, which was higher than the statutory federal rate of 35.0%, primarily due to state taxes, the lower foreign tax rate applicable to our foreign source income, and the benefit from a research credit, partially offset by non-statutory stock options that expired in the year.

During the third quarter of 2017, we increased our valuation allowance by approximately \$2.4 million for our deferred tax assets.

We have analyzed filing positions in all of the federal, state and foreign jurisdictions where we are required to file income tax returns, as well as all open tax years in these jurisdictions. As of September 30, 2017, the Company recorded \$0.8 million of unrecognized tax benefits, all of which would impact our effective tax rate, if recognized. We do not anticipate that our unrecognized tax benefits will materially change within the next 12 months. The Company has not accrued any penalties and interest for its unrecognized tax benefits. Other than the unrecognized tax benefit recorded, we believe that our income tax filing positions and deductions will be sustained upon audit, and we do not anticipate any other adjustments that will result in a material change to our financial position. We may, from time to time, be assessed interest or penalties by tax jurisdictions, although any such assessments historically have been minimal and immaterial to our financial results. Our policy for recording interest and penalties associated with audits and unrecognized tax benefits is to record such items as a component of income tax in our Statements of Loss.

## 17. SEGMENT INFORMATION

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

Our chief operating decision-making group has determined the following to be the operating segments for which we conduct business: (a) Games and (b) Payments. We have reported our financial performance based on our segments in both the current and prior periods. Each of these segments is monitored by our management for performance against its internal forecast and is consistent with our internal management reporting.

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



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

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

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

The accounting policies of the operating segments are generally the same as those described in the summary of significant accounting policies.

The following tables present segment information (in thousands):

|                                | For the Three Months Ended<br>September 30, |                     | For the Nine Months Ended September<br>30, |                             |
|--------------------------------|---|---------------------|--|-----------------------------|
|                                | 2017  | 2016                | 2017                                       | 2016                        |
| <b>Revenues</b>                |   |                     |  |                             |
| Games                          | \$ 55,452                                   | \$ 56,218           | \$ 165,832                                 | \$ 158,660                  |
| Payments                       | 191,870                                     | 165,959             | 561,257                                    | 483,286                     |
| <b>Total revenues</b>          | <u>\$ 247,322</u>                           | <u>\$ 222,177</u>   | <u>\$ 727,089</u>                          | <u>\$ 641,946</u>           |
| <b>Operating income (loss)</b> |   |                     |  |                             |
| Games                          | \$ 1,787                                    | \$ (4,183)          | \$ 9,301                                   | \$ (14,638)                 |
| Payments                       | 18,008                                      | 15,755              | 54,389                                     | 36,054                      |
| <b>Total operating income</b>  | <u>\$ 19,795</u>                            | <u>\$ 11,572</u>    | <u>\$ 63,690</u>                           | <u>\$ 21,416</u>            |
|                                |   |                     | <u>At September 30, 2017</u>               | <u>At December 31, 2016</u> |
| <b>Total assets</b>            |   |                     |  |                             |
| Games                          |   | \$ 927,888          | \$ 894,213                                 |                             |
| Payments                       |   | 497,717             | 513,950                                    |                             |
| <b>Total assets</b>            |   | <u>\$ 1,425,605</u> | <u>\$ 1,408,163</u>                        |                             |

**Major Customers.** For the three and nine months ended September 30, 2017 and 2016, no single customer accounted for more than 10% of our revenues. Our five largest customers accounted for approximately 25% and 26% for the three and nine months ended September 30, 2017, respectively, and 30% and 31% for the three and nine months ended September 30, 2016, respectively.

## 18. CONDENSED CONSOLIDATING FINANCIAL INFORMATION

We conduct substantially all of our business through our U.S. and foreign subsidiaries. Everi Payments' ("Subsidiary Issuer") obligations under the Unsecured Notes are fully and unconditionally guaranteed, subject to certain customary release provisions, on a joint and several basis by Holdings ("Parent") and substantially all of our 100%-owned U.S. subsidiaries other than Subsidiary Issuer (the "Guarantor Subsidiaries" and, together with Parent, the "Guarantors" and each a "Guarantor"). The guarantees of our Unsecured Notes will be released under the following customary circumstances: (i) the sale or disposition of all or substantially all of the assets of the Guarantor (by way of merger, consolidation, or otherwise) to a person that is not (either before or after giving effect to such transaction) Parent, Subsidiary Issuer or a restricted subsidiary; (ii) the sale or disposition of sufficient capital stock of the Guarantor to a person that is not (either before or after giving effect to such transaction) Parent, Subsidiary Issuer or a restricted subsidiary and the Guarantor ceases to be a restricted subsidiary of Subsidiary Issuer as a result of the sale or other disposition; (iii) the designation of the Guarantor as an unrestricted subsidiary in accordance with the indenture

governing the Unsecured Notes; or (iv) the legal or covenant defeasance of the Unsecured Notes or the satisfaction and discharge of the indenture governing the Unsecured Notes.

Presented below is condensed consolidating financial information for (a) Parent, (b) Subsidiary Issuer, (c) the Guarantor Subsidiaries and (d) our U.S. subsidiaries that are not Guarantor Subsidiaries and our foreign subsidiaries (collectively, the “Non-Guarantor Subsidiaries”) as of September 30, 2017 and December 31, 2016 and for the three and nine months ended September 30, 2017 and 2016. The condensed consolidating financial information has been presented to show the nature of assets held and the results of operations and cash flows of Parent, Subsidiary Issuer, the Guarantor Subsidiaries and the Non-Guarantor Subsidiaries assuming that the guarantee structure of the Unsecured Notes had been in effect at the beginning of the periods presented.

|   | <b>Three Months Ended September 30, 2017</b> |                          |                               |                                   |                     |                   |
|---|--|--------------------------|-------------------------------|-----------------------------------|---------------------|-------------------|
|   | <u>Parent</u>                                | <u>Subsidiary Issuer</u> | <u>Guarantor Subsidiaries</u> | <u>Non-Guarantor Subsidiaries</u> | <u>Eliminations</u> | <u>Total</u>      |
| <b>Revenues</b>   |  |                          |                               |                                   |                     |                   |
| Games   | \$ —   | \$ —                     | \$ 55,331                     | \$ 1,739                          | \$ (1,618)          | \$ 55,452         |
| Payments  | —  | 175,793                  | 7,841                         | 9,040                             | (804)               | 191,870           |
| <b>Total revenues</b>   | <b>—</b>                                     | <b>175,793</b>           | <b>63,172</b>                 | <b>10,779</b>                     | <b>(2,422)</b>      | <b>247,322</b>    |
| <b>Costs and expenses</b>   |  |                          |                               |                                   |                     |                   |
| Games cost of revenue (exclusive of depreciation and amortization)    | —  | —                        | 13,857                        | 1,106                             | (1,143)             | 13,820            |
| Payments cost of revenue (exclusive of depreciation and amortization) | —  | 140,299                  | 2,478                         | 7,061                             | —                   | 149,838           |
| Operating expenses  | —  | 18,519                   | 10,365                        | 1,858                             | (1,279)             | 29,463            |
| Research and development  | —  | —                        | 4,542                         | 3                                 | —                   | 4,545             |
| Depreciation  | —  | 1,615                    | 10,740                        | 184                               | —                   | 12,539            |
| Amortization  | —  | 2,260                    | 14,579                        | 483                               | —                   | 17,322            |
| <b>Total costs and expenses</b>                                       | <b>—</b>                                     | <b>162,693</b>           | <b>56,561</b>                 | <b>10,695</b>                     | <b>(2,422)</b>      | <b>227,527</b>    |
| <b>Operating income</b>   | <b>—</b>                                     | <b>13,100</b>            | <b>6,611</b>                  | <b>84</b>                         | <b>—</b>            | <b>19,795</b>     |
| <b>Other expenses (income)</b>  |  |                          |                               |                                   |                     |                   |
| Interest (income) expense, net  | —  | (292)                    | 23,406                        | 254                               | —                   | 23,368            |
| Income (loss) from subsidiaries                                       | 4,289  | (2,898)                  | (39)                          | —                                 | (1,352)             | —                 |
| <b>Total other expenses (income)</b>                                  | <b>4,289</b>                                 | <b>(3,190)</b>           | <b>23,367</b>                 | <b>254</b>                        | <b>(1,352)</b>      | <b>23,368</b>     |
| <b>(Loss) income before income tax</b>                                | <b>(4,289)</b>                               | <b>16,290</b>            | <b>(16,756)</b>               | <b>(170)</b>                      | <b>1,352</b>        | <b>(3,573)</b>    |
| Income tax (benefit) provision  | —  | (1,055)                  | 1,708                         | 63                                | —                   | 716               |
| <b>Net (loss) income</b>  | <b>(4,289)</b>                               | <b>17,345</b>            | <b>(18,464)</b>               | <b>(233)</b>                      | <b>1,352</b>        | <b>(4,289)</b>    |
| Foreign currency translation  | 602  | —                        | —                             | 602                               | (602)               | 602               |
| <b>Comprehensive (loss) income</b>                                    | <b>\$ (3,687)</b>                            | <b>\$ 17,345</b>         | <b>\$ (18,464)</b>            | <b>\$ 369</b>                     | <b>\$ 750</b>       | <b>\$ (3,687)</b> |

**Three Months Ended September 30, 2016**

|   | Parent            | Subsidiary<br>Issuer | Guarantor<br>Subsidiaries | Non-<br>Guarantor<br>Subsidiaries | Eliminations    | Total             |
|---|-------------------|----------------------|---------------------------|-----------------------------------|-----------------|-------------------|
| <b>Revenues</b>   |                   |                      |                           |                                   |                 |                   |
| Games   | \$ —              | \$ —                 | \$ 56,218                 | \$ —                              | \$ —            | \$ 56,218         |
| Payments  | —                 | 153,145              | 7,519                     | 5,417                             | (122)           | 165,959           |
| <b>Total revenues</b>   | <b>—</b>          | <b>153,145</b>       | <b>63,737</b>             | <b>5,417</b>                      | <b>(122)</b>    | <b>222,177</b>    |
| <b>Costs and expenses</b>   |                   |                      |                           |                                   |                 |                   |
| Games cost of revenue (exclusive of depreciation and amortization)    | —                 | —                    | 15,467                    | —                                 | —               | 15,467            |
| Payments cost of revenue (exclusive of depreciation and amortization) | —                 | 122,316              | 2,206                     | 2,689                             | —               | 127,211           |
| Operating expenses  | —                 | 16,491               | 10,148                    | 479                               | (122)           | 26,996            |
| Research and development  | —                 | —                    | 4,460                     | —                                 | —               | 4,460             |
| Depreciation  | —                 | 1,892                | 10,447                    | 28                                | —               | 12,367            |
| Amortization  | —                 | 3,128                | 20,439                    | 537                               | —               | 24,104            |
| <b>Total costs and expenses</b>                                       | <b>—</b>          | <b>143,827</b>       | <b>63,167</b>             | <b>3,733</b>                      | <b>(122)</b>    | <b>210,605</b>    |
| <b>Operating income</b>   | <b>—</b>          | <b>9,318</b>         | <b>570</b>                | <b>1,684</b>                      | <b>—</b>        | <b>11,572</b>     |
| <b>Other expenses (income)</b>  |                   |                      |                           |                                   |                 |                   |
| Interest expense, net of interest income                              | —                 | 1,371                | 23,399                    | 45                                | —               | 24,815            |
| Loss (income) from subsidiaries                                       | 8,254             | (4,306)              | —                         | —                                 | (3,948)         | —                 |
| <b>Total other expenses (income)</b>                                  | <b>8,254</b>      | <b>(2,935)</b>       | <b>23,399</b>             | <b>45</b>                         | <b>(3,948)</b>  | <b>24,815</b>     |
| <b>(Loss) income before income tax</b>                                | <b>(8,254)</b>    | <b>12,253</b>        | <b>(22,829)</b>           | <b>1,639</b>                      | <b>3,948</b>    | <b>(13,243)</b>   |
| Income tax provision (benefit)  | —                 | 3,849                | (9,261)                   | 423                               | —               | (4,989)           |
| <b>Net (loss) income</b>  | <b>(8,254)</b>    | <b>8,404</b>         | <b>(13,568)</b>           | <b>1,216</b>                      | <b>3,948</b>    | <b>(8,254)</b>    |
| Foreign currency translation  | (394)             | —                    | —                         | (394)                             | 394             | (394)             |
| <b>Comprehensive (loss) income</b>                                    | <b>\$ (8,648)</b> | <b>\$ 8,404</b>      | <b>\$ (13,568)</b>        | <b>\$ 822</b>                     | <b>\$ 4,342</b> | <b>\$ (8,648)</b> |

Nine Months Ended September 30, 2017

|   | Parent             | Subsidiary<br>Issuer | Guarantor<br>Subsidiaries | Non-<br>Guarantor<br>Subsidiaries | Eliminations     | Total              |
|---|--------------------|----------------------|---------------------------|-----------------------------------|------------------|--------------------|
| <b>Revenues</b>   |                    |                      |                           |                                   |                  |                    |
| Games   | \$ —               | \$ —                 | \$ 165,551                | \$ 5,445                          | \$ (5,164)       | \$ 165,832         |
| Payments  | —                  | 515,853              | 23,323                    | 25,409                            | (3,328)          | 561,257            |
| <b>Total revenues</b>   | —                  | 515,853              | 188,874                   | 30,854                            | (8,492)          | 727,089            |
| <b>Costs and expenses</b>   |                    |                      |                           |                                   |                  |                    |
| Games cost of revenue (exclusive of depreciation and amortization)    | —                  | —                    | 39,659                    | 2,945                             | (3,101)          | 39,503             |
| Payments cost of revenue (exclusive of depreciation and amortization) | —                  | 410,038              | 7,167                     | 18,899                            | —                | 436,104            |
| Operating expenses  | —                  | 53,413               | 32,463                    | 6,750                             | (5,391)          | 87,235             |
| Research and development  | —                  | —                    | 13,676                    | 30                                | —                | 13,706             |
| Depreciation  | —                  | 5,057                | 29,292                    | 416                               | —                | 34,765             |
| Amortization  | —                  | 7,756                | 42,885                    | 1,445                             | —                | 52,086             |
| <b>Total costs and expenses</b>                                       | —                  | 476,264              | 165,142                   | 30,485                            | (8,492)          | 663,399            |
| <b>Operating income</b>   | —                  | 39,589               | 23,732                    | 369                               | —                | 63,690             |
| <b>Other expenses (income)</b>  |                    |                      |                           |                                   |                  |                    |
| Interest expense, net of interest income                              | —                  | 2,216                | 69,455                    | 635                               | —                | 72,306             |
| Loss (income) from subsidiaries                                       | 26,854             | (8,884)              | (121)                     | —                                 | (17,849)         | —                  |
| Loss on extinguishment of debt  | —                  | 14,615               | —                         | —                                 | —                | 14,615             |
| <b>Total other expenses (income)</b>                                  | 26,854             | 7,947                | 69,334                    | 635                               | (17,849)         | 86,921             |
| <b>(Loss) income before income tax</b>                                | (26,854)           | 31,642               | (45,602)                  | (266)                             | 17,849           | (23,231)           |
| Income tax (benefit) provision  | —                  | (1,701)              | 5,108                     | 216                               | —                | 3,623              |
| <b>Net (loss) income</b>  | (26,854)           | 33,343               | (50,710)                  | (482)                             | 17,849           | (26,854)           |
| Foreign currency translation  | 1,710              | —                    | —                         | 1,710                             | (1,710)          | 1,710              |
| <b>Comprehensive (loss) income</b>                                    | <u>\$ (25,144)</u> | <u>\$ 33,343</u>     | <u>\$ (50,710)</u>        | <u>\$ 1,228</u>                   | <u>\$ 16,139</u> | <u>\$ (25,144)</u> |

Nine Months Ended September 30, 2016

|   | Parent      | Subsidiary<br>Issuer | Guarantor<br>Subsidiaries | Non-<br>Guarantor<br>Subsidiaries | Eliminations | Total       |
|---|-------------|----------------------|---------------------------|-----------------------------------|--------------|-------------|
| <b>Revenues</b>   |             |                      |                           |                                   |              |             |
| Games   | \$ —        | \$ —                 | \$ 158,660                | \$ —                              | \$ —         | 158,660     |
| Payments  | —           | 447,762              | 22,622                    | 13,769                            | (867)        | 483,286     |
| <b>Total revenues</b>   | —           | 447,762              | 181,282                   | 13,769                            | (867)        | 641,946     |
| <b>Costs and expenses</b>   |             |                      |                           |                                   |              |             |
| Games cost of revenue (exclusive of depreciation and amortization)    | —           | —                    | 36,871                    | —                                 | —            | 36,871      |
| Payments cost of revenue (exclusive of depreciation and amortization) | —           | 359,265              | 6,754                     | 7,347                             | —            | 373,366     |
| Operating expenses  | —           | 53,912               | 33,230                    | 1,460                             | (867)        | 87,735      |
| Research and development  | —           | —                    | 14,499                    | —                                 | —            | 14,499      |
| Depreciation  | —           | 6,376                | 30,707                    | 89                                | —            | 37,172      |
| Amortization  | —           | 9,370                | 59,830                    | 1,687                             | —            | 70,887      |
| <b>Total costs and expenses</b>                                       | —           | 428,923              | 181,891                   | 10,583                            | (867)        | 620,530     |
| <b>Operating income (loss)</b>  | —           | 18,839               | (609)                     | 3,186                             | —            | 21,416      |
| <b>Other expenses (income)</b>  |             |                      |                           |                                   |              |             |
| Interest expense, net of interest income                              | —           | 4,880                | 69,500                    | 168                               | —            | 74,548      |
| Loss (income) from subsidiaries                                       | 32,202      | (11,120)             | —                         | —                                 | (21,082)     | —           |
| <b>Total other expenses (income)</b>                                  | 32,202      | (6,240)              | 69,500                    | 168                               | (21,082)     | 74,548      |
| <b>(Loss) income before income tax</b>                                | (32,202)    | 25,079               | (70,109)                  | 3,018                             | 21,082       | (53,132)    |
| Income tax provision (benefit)  | —           | 5,785                | (27,642)                  | 927                               | —            | (20,930)    |
| <b>Net (loss) income</b>  | (32,202)    | 19,294               | (42,467)                  | 2,091                             | 21,082       | (32,202)    |
| Foreign currency translation  | (1,314)     | —                    | —                         | (1,314)                           | 1,314        | (1,314)     |
| <b>Comprehensive (loss) income</b>                                    | \$ (33,516) | \$ 19,294            | \$ (42,467)               | \$ 777                            | \$ 22,396    | \$ (33,516) |

At September 30, 2017

|   | Parent       | Subsidiary Issuer | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations   | Total        |
|---|--------------|-------------------|------------------------|----------------------------|----------------|--------------|
| <b>ASSETS</b>   |              |                   |                        |                            |                |              |
| <b>Current assets</b>                                       |              |                   |                        |                            |                |              |
| Cash and cash equivalents                                   | \$ —         | \$ 85,633         | \$ 6,587               | \$ 16,251                  | \$ —           | \$ 108,471   |
| Settlement receivables                                      | —            | 112,879           | —                      | 14,564                     | —              | 127,443      |
| Trade and other receivables, net                            | —            | 6,370             | 35,415                 | 3,186                      | —              | 44,971       |
| Inventory   | —            | 5,550             | 18,240                 | —                          | —              | 23,790       |
| Prepaid expenses and other assets                           | —            | 6,078             | 6,691                  | 9,769                      | —              | 22,538       |
| Intercompany balances                                       | —            | 167,488           | 207,021                | 1,531                      | (376,040)      | —            |
| <b>Total current assets</b>                                 | —            | 383,998           | 273,954                | 45,301                     | (376,040)      | 327,213      |
| <b>Non-current assets</b>                                   |              |                   |                        |                            |                |              |
| Property, equipment and leased assets, net                  | —            | 13,987            | 93,258                 | 2,154                      | —              | 109,399      |
| Goodwill  | —            | 151,417           | 488,511                | 665                        | —              | 640,593      |
| Other intangible assets, net                                | —            | 20,330            | 314,348                | 3,396                      | —              | 338,074      |
| Other receivables   | —            | 1,220             | 1,656                  | —                          | —              | 2,876        |
| Investment in subsidiaries                                  | (123,760)    | 182,365           | 1,007                  | 79                         | (59,691)       | —            |
| Deferred tax asset  | —            | 34,386            | —                      | —                          | (34,386)       | —            |
| Other assets  | —            | 4,632             | 2,635                  | 183                        | —              | 7,450        |
| Intercompany balances                                       | —            | 1,148,223         | —                      | —                          | (1,148,223)    | —            |
| <b>Total non-current assets</b>                             | (123,760)    | 1,556,560         | 901,415                | 6,477                      | (1,242,300)    | 1,098,392    |
| <b>Total assets</b>   | \$ (123,760) | \$ 1,940,558      | \$ 1,175,369           | \$ 51,778                  | \$ (1,618,340) | \$ 1,425,605 |
| <b>LIABILITIES AND STOCKHOLDERS' (DEFICIT) EARNINGS</b>     |              |                   |                        |                            |                |              |
| <b>Current liabilities</b>                                  |              |                   |                        |                            |                |              |
| Settlement liabilities                                      | \$ —         | \$ 189,738        | \$ 202                 | \$ 7,554                   | \$ —           | \$ 197,494   |
| Accounts payable and accrued expenses                       | —            | 77,194            | 46,314                 | 3,117                      | —              | 126,625      |
| Current portion of long-term debt                           | —            | 8,200             | —                      | —                          | —              | 8,200        |
| Intercompany balances                                       | —            | 204,387           | 154,489                | 17,164                     | (376,040)      | —            |
| <b>Total current liabilities</b>                            | —            | 479,519           | 201,005                | 27,835                     | (376,040)      | 332,319      |
| <b>Non-current liabilities</b>                              |              |                   |                        |                            |                |              |
| Deferred tax liability                                      | —            | —                 | 95,171                 | —                          | (34,386)       | 60,785       |
| Long-term debt, less current portion                        | —            | 1,130,671         | —                      | —                          | —              | 1,130,671    |
| Other accrued expenses and liabilities                      | —            | 2,973             | 22,661                 | —                          | —              | 25,634       |
| Intercompany balances                                       | —            | —                 | 1,148,223              | —                          | (1,148,223)    | —            |
| <b>Total non-current liabilities</b>                        | —            | 1,133,644         | 1,266,055              | —                          | (1,182,609)    | 1,217,090    |
| <b>Total liabilities</b>                                    | —            | 1,613,163         | 1,467,060              | 27,835                     | (1,558,649)    | 1,549,409    |
| <b>Stockholders' (deficit) equity</b>                       |              |                   |                        |                            |                |              |
| Common stock  | 92           | —                 | —                      | —                          | —              | 92           |
| Additional paid-in capital                                  | 273,906      | 93,091            | 6,841                  | 21,109                     | (121,041)      | 273,906      |
| (Accumulated deficit) retained earnings                     | (221,152)    | 234,659           | (297,969)              | 4,279                      | 59,031         | (221,152)    |
| Accumulated other comprehensive loss                        | (355)        | (355)             | (563)                  | (1,445)                    | 2,319          | (399)        |
| Treasury stock, at cost                                     | (176,251)    | —                 | —                      | —                          | —              | (176,251)    |
| <b>Total stockholders' (deficit) equity</b>                 | (123,760)    | 327,395           | (291,691)              | 23,943                     | (59,691)       | (123,804)    |
| <b>Total liabilities and stockholders' (deficit) equity</b> | \$ (123,760) | \$ 1,940,558      | \$ 1,175,369           | \$ 51,778                  | \$ (1,618,340) | \$ 1,425,605 |

At December 31, 2016

|   | Parent       | Subsidiary Issuer | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations   | Total        |
|---|--------------|-------------------|------------------------|----------------------------|----------------|--------------|
| <b>ASSETS</b>   |              |                   |                        |                            |                |              |
| <b>Current assets</b>                                       |              |                   |                        |                            |                |              |
| Cash and cash equivalents                                   | \$ —         | \$ 88,648         | \$ 9,103               | \$ 21,300                  | \$ —           | \$ 119,051   |
| Settlement receivables                                      | —            | 122,222           | —                      | 6,599                      | —              | 128,821      |
| Trade and other receivables, net                            | —            | 9,001             | 41,743                 | 5,907                      | —              | 56,651       |
| Inventory   | —            | 6,009             | 13,059                 | —                          | —              | 19,068       |
| Prepaid expenses and other assets                           | —            | 5,359             | 3,807                  | 8,882                      | —              | 18,048       |
| Intercompany balances                                       | —            | 106,729           | 188,028                | 1,461                      | (296,218)      | —            |
| <b>Total current assets</b>                                 | —            | 337,968           | 255,740                | 44,149                     | (296,218)      | 341,639      |
| <b>Non-current assets</b>                                   |              |                   |                        |                            |                |              |
| Property, equipment and leased assets, net                  | —            | 15,144            | 81,993                 | 1,302                      | —              | 98,439       |
| Goodwill  | —            | 151,417           | 488,512                | 617                        | —              | 640,546      |
| Other intangible assets, net                                | —            | 23,901            | 289,338                | 4,758                      | —              | 317,997      |
| Other receivables   | —            | 2,019             | —                      | 1                          | —              | 2,020        |
| Investment in subsidiaries                                  | (107,751)    | 171,979           | 1,293                  | 86                         | (65,607)       | —            |
| Deferred tax asset  | —            | 37,578            | —                      | —                          | (37,578)       | —            |
| Other assets  | —            | 4,940             | 2,286                  | 296                        | —              | 7,522        |
| Intercompany balances                                       | —            | 1,143,115         | 7,851                  | —                          | (1,150,966)    | —            |
| <b>Total non-current assets</b>                             | (107,751)    | 1,550,093         | 871,273                | 7,060                      | (1,254,151)    | 1,066,524    |
| <b>Total assets</b>   | \$ (107,751) | \$ 1,888,061      | \$ 1,127,013           | \$ 51,209                  | \$ (1,550,369) | \$ 1,408,163 |
| <b>LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY</b>       |              |                   |                        |                            |                |              |
| <b>Current liabilities</b>                                  |              |                   |                        |                            |                |              |
| Settlement liabilities                                      | \$ —         | \$ 225,170        | \$ 268                 | \$ 13,685                  | \$ —           | \$ 239,123   |
| Accounts payable and accrued expenses                       | —            | 64,192            | 28,970                 | 1,229                      | —              | 94,391       |
| Current portion of long-term debt                           | —            | 10,000            | —                      | —                          | —              | 10,000       |
| Intercompany balances                                       | —            | 189,488           | 101,387                | 5,343                      | (296,218)      | —            |
| <b>Total current liabilities</b>                            | —            | 488,850           | 130,625                | 20,257                     | (296,218)      | 343,514      |
| <b>Non-current liabilities</b>                              |              |                   |                        |                            |                |              |
| Deferred tax liability                                      | —            | —                 | 95,189                 | —                          | (37,578)       | 57,611       |
| Long-term debt, less current portion                        | —            | 1,111,880         | —                      | —                          | —              | 1,111,880    |
| Other accrued expenses and liabilities                      | —            | 2,583             | 368                    | —                          | —              | 2,951        |
| Intercompany balances                                       | —            | —                 | 1,143,116              | 7,850                      | (1,150,966)    | —            |
| <b>Total non-current liabilities</b>                        | —            | 1,114,463         | 1,238,673              | 7,850                      | (1,188,544)    | 1,172,442    |
| <b>Total liabilities</b>                                    | —            | 1,603,313         | 1,369,298              | 28,107                     | (1,484,762)    | 1,515,956    |
| <b>Stockholders' (deficit) equity</b>                       |              |                   |                        |                            |                |              |
| Common stock  | 91           | —                 | —                      | —                          | —              | 91           |
| Additional paid-in capital                                  | 264,755      | 85,499            | 5,314                  | 21,093                     | (111,906)      | 264,755      |
| (Accumulated deficit) retained earnings                     | (194,299)    | 201,316           | (247,273)              | 5,168                      | 40,789         | (194,299)    |
| Accumulated other comprehensive loss                        | (2,067)      | (2,067)           | (326)                  | (3,159)                    | 5,510          | (2,109)      |
| Treasury stock, at cost                                     | (176,231)    | —                 | —                      | —                          | —              | (176,231)    |
| <b>Total stockholders' (deficit) equity</b>                 | (107,751)    | 284,748           | (242,285)              | 23,102                     | (65,607)       | (107,793)    |
| <b>Total liabilities and stockholders' (deficit) equity</b> | \$ (107,751) | \$ 1,888,061      | \$ 1,127,013           | \$ 51,209                  | \$ (1,550,369) | \$ 1,408,163 |

Nine Months Ended September 30, 2017

|  | Parent         | Subsidiary<br>Issuer | Guarantor<br>Subsidiaries | Non-<br>Guarantor<br>Subsidiaries | Eliminations | Total             |
|--|----------------|----------------------|---------------------------|-----------------------------------|--------------|-------------------|
| <b>Cash flows from operating activities</b>  |                |                      |                           |                                   |              |                   |
| Net (loss) income  | \$ (26,854)    | \$ 33,343            | \$ (50,710)               | \$ (482)                          | \$ 17,849    | \$ (26,854)       |
| Adjustments to reconcile net (loss) income to cash provided by (used in) operating activities: |                |                      |                           |                                   |              |                   |
| Depreciation and amortization  | —              | 12,813               | 72,177                    | 1,861                             | —            | 86,851            |
| Amortization of financing costs  | —              | 4,567                | —                         | —                                 | —            | 4,567             |
| Loss on sale or disposal of assets   | —              | 347                  | 1,233                     | —                                 | —            | 1,580             |
| Accretion of contract rights   | —              | —                    | 5,845                     | —                                 | —            | 5,845             |
| Provision for bad debts  | —              | (136)                | 8,082                     | —                                 | —            | 7,946             |
| Deferred income taxes  | —              | 3,193                | (19)                      | —                                 | —            | 3,174             |
| Reserve for obsolescence   | —              | 265                  | (219)                     | —                                 | —            | 46                |
| Loss on extinguishment of debt   | —              | 14,615               | —                         | —                                 | —            | 14,615            |
| Equity in loss (income) of subsidiaries  | 26,854         | (8,884)              | (121)                     | —                                 | (17,849)     | —                 |
| Stock-based compensation   | —              | 3,684                | 1,441                     | —                                 | —            | 5,125             |
| Changes in operating assets and liabilities:   |                |                      |                           |                                   |              |                   |
| Net settlement receivables and liabilities   | —              | (26,089)             | (66)                      | (14,075)                          | —            | (40,230)          |
| Other changes in operating assets and liabilities  | —              | (35,336)             | 34,422                    | 8,011                             | —            | 7,097             |
| <b>Net cash provided by (used in) operating activities</b>                                     | <b>—</b>       | <b>2,382</b>         | <b>72,065</b>             | <b>(4,685)</b>                    | <b>—</b>     | <b>69,762</b>     |
| <b>Cash flows from investing activities</b>  |                |                      |                           |                                   |              |                   |
| Capital expenditures   | —              | (7,191)              | (61,474)                  | (1,392)                           | —            | (70,057)          |
| Proceeds from sale of fixed assets   | —              | 4                    | —                         | —                                 | —            | 4                 |
| Placement fee agreements   | —              | —                    | (13,132)                  | —                                 | —            | (13,132)          |
| Changes in restricted cash   | —              | 96                   | (245)                     | —                                 | —            | (149)             |
| Intercompany investing activities  | (4,025)        | 3,996                | 270                       | (76)                              | (165)        | —                 |
| <b>Net cash used in investing activities</b>   | <b>(4,025)</b> | <b>(3,095)</b>       | <b>(74,581)</b>           | <b>(1,468)</b>                    | <b>(165)</b> | <b>(83,334)</b>   |
| <b>Cash flows from financing activities</b>  |                |                      |                           |                                   |              |                   |
| Repayments of new credit facility  | —              | (2,050)              | —                         | —                                 | —            | (2,050)           |
| Repayments of prior credit facility  | —              | (465,600)            | —                         | —                                 | —            | (465,600)         |
| Repayments of secured notes  | —              | (335,000)            | —                         | —                                 | —            | (335,000)         |
| Proceeds from current credit facility  | —              | 820,000              | —                         | —                                 | —            | 820,000           |
| Debt issuance costs and discounts  | —              | (19,748)             | —                         | —                                 | —            | (19,748)          |
| Proceeds from exercise of stock options  | 4,046          | —                    | —                         | —                                 | —            | 4,046             |
| Purchase of treasury stock   | (21)           | —                    | —                         | —                                 | —            | (21)              |
| Intercompany financing activities  | —              | 96                   | —                         | (261)                             | 165          | —                 |
| <b>Net cash provided by (used in) financing activities</b>                                     | <b>4,025</b>   | <b>(2,302)</b>       | <b>—</b>                  | <b>(261)</b>                      | <b>165</b>   | <b>1,627</b>      |
| Effect of exchange rates on cash   | —              | —                    | —                         | 1,365                             | —            | 1,365             |
| <b>Cash and cash equivalents</b>   |                |                      |                           |                                   |              |                   |
| Net decrease for the period  | —              | (3,015)              | (2,516)                   | (5,049)                           | —            | (10,580)          |
| Balance, beginning of the period   | —              | 88,648               | 9,103                     | 21,300                            | —            | 119,051           |
| <b>Balance, end of the period</b>  | <b>\$ —</b>    | <b>\$ 85,633</b>     | <b>\$ 6,587</b>           | <b>\$ 16,251</b>                  | <b>\$ —</b>  | <b>\$ 108,471</b> |



**Nine Months Ended September 30, 2016**

|  | Parent      | Subsidiary<br>Issuer | Guarantor<br>Subsidiaries | Non-<br>Guarantor<br>Subsidiaries | Eliminations | Total            |
|--|-------------|----------------------|---------------------------|-----------------------------------|--------------|------------------|
| <b>Cash flows from operating activities</b>  |             |                      |                           |                                   |              |                  |
| Net (loss) income  | \$ (32,202) | \$ 19,294            | \$ (42,467)               | \$ 2,091                          | \$ 21,082    | \$ (32,202)      |
| Adjustments to reconcile net (loss) income to cash provided by operating activities: |             |                      |                           |                                   |              |                  |
| Depreciation and amortization  | —           | 15,746               | 90,537                    | 1,776                             | —            | 108,059          |
| Amortization of financing costs  | —           | 5,023                | —                         | —                                 | —            | 5,023            |
| Loss on sale or disposal of assets   | —           | 1,349                | 1,205                     | —                                 | —            | 2,554            |
| Accretion of contract rights   | —           | —                    | 6,521                     | —                                 | —            | 6,521            |
| Provision for bad debts  | —           | 18                   | 7,174                     | —                                 | —            | 7,192            |
| Deferred income taxes  | —           | 10,546               | (32,805)                  | —                                 | —            | (22,259)         |
| Write-down of assets   | —           | —                    | 4,289                     | —                                 | —            | 4,289            |
| Reserve for obsolescence   | —           | 484                  | 458                       | —                                 | —            | 942              |
| Equity in loss (income) of subsidiaries  | 32,202      | (11,120)             | —                         | —                                 | (21,082)     | —                |
| Stock-based compensation   | —           | 2,910                | 1,236                     | —                                 | —            | 4,146            |
| Other non-cash items   | —           | —                    | —                         | —                                 | —            | —                |
| Changes in operating assets and liabilities:   |             |                      |                           |                                   |              |                  |
| Net settlement receivables and liabilities   | —           | (16,538)             | 6                         | 3,690                             | —            | (12,842)         |
| Other changes in operating assets and liabilities                                    | 1           | (27,155)             | 41,544                    | (5)                               | —            | 14,385           |
| <b>Net cash provided by operating activities</b>                                     | <b>1</b>    | <b>557</b>           | <b>77,698</b>             | <b>7,552</b>                      | <b>—</b>     | <b>85,808</b>    |
| <b>Cash flows from investing activities</b>  |             |                      |                           |                                   |              |                  |
| Capital expenditures   | —           | (7,330)              | (59,622)                  | (73)                              | —            | (67,025)         |
| Acquisitions, net of cash acquired   | —           | (694)                | —                         | —                                 | —            | (694)            |
| Proceeds from sale of fixed assets   | —           | 4,608                | —                         | —                                 | —            | 4,608            |
| Placement fee agreements   | —           | —                    | (11,187)                  | —                                 | —            | (11,187)         |
| Changes in restricted cash   | —           | 88                   | —                         | —                                 | —            | 88               |
| Intercompany investing activities  | 10          | 499                  | 175                       | (67)                              | (617)        | —                |
| <b>Net cash provided by (used in) investing activities</b>                           | <b>10</b>   | <b>(2,829)</b>       | <b>(70,634)</b>           | <b>(140)</b>                      | <b>(617)</b> | <b>(74,210)</b>  |
| <b>Cash flows from financing activities</b>  |             |                      |                           |                                   |              |                  |
| Repayments of prior credit facility  | —           | (21,900)             | —                         | —                                 | —            | (21,900)         |
| Debt issuance costs and discounts  | —           | (480)                | —                         | —                                 | —            | (480)            |
| Purchase of treasury stock   | (17)        | —                    | —                         | —                                 | —            | (17)             |
| Intercompany financing activities  | —           | 68                   | —                         | (685)                             | 617          | —                |
| <b>Net cash (used in) provided by financing activities</b>                           | <b>(17)</b> | <b>(22,312)</b>      | <b>—</b>                  | <b>(685)</b>                      | <b>617</b>   | <b>(22,397)</b>  |
| Effect of exchange rates on cash   | —           | —                    | —                         | (743)                             | —            | (743)            |
| <b>Cash and cash equivalents</b>   |             |                      |                           |                                   |              |                  |
| Net (decrease) increase for the period   | (6)         | (24,584)             | 7,064                     | 5,984                             | —            | (11,542)         |
| Balance, beginning of the period   | 6           | 87,078               | 3,900                     | 11,046                            | —            | 102,030          |
| <b>Balance, end of the period</b>  | <b>\$ —</b> | <b>\$ 62,494</b>     | <b>\$ 10,964</b>          | <b>\$ 17,030</b>                  | <b>\$ —</b>  | <b>\$ 90,488</b> |

**19. SUBSEQUENT EVENTS**

As of the filing date, we had not identified, and were not aware of, any subsequent event for the period.

## **Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.**

*In this filing, we refer to: (i) our unaudited condensed consolidated financial statements and notes thereto as our “Financial Statements,” (ii) our Unaudited Condensed Consolidated Statements of Loss and Comprehensive Loss as our “Statements of Loss,” (iii) our Unaudited Condensed Consolidated Balance Sheets as our “Balance Sheets,” and (iv) our unaudited condensed consolidated results of operations as our “Results of Operations.”*

### **Cautionary Information Regarding Forward-Looking Statements**

The following Management’s Discussion and Analysis of Financial Condition and Results of Operations contains “forward-looking statements” as defined in the U.S. Private Securities Litigation Reform Act of 1995. In this context, forward-looking statements often address our expected future business and financial performance, and often contain words such as “anticipate,” “believe,” “expect,” “intend,” “estimate,” “project,” “may,” “should,” “will,” “likely,” “will likely result,” “will continue,” “future,” “plan,” “target,” “forecast,” “goal,” “observe,” “seek,” “strategy” and other words and terms of similar meaning. These forward-looking statements are subject to various risks and uncertainties that could cause actual results to differ materially from those projected or assumed, including, but not limited to, the following: our ability to generate profits in the future; our ability to execute on mergers, acquisitions and/or strategic alliances, including our ability to integrate and operate such acquisitions consistent with our forecasts; expectations regarding our existing and future installed base and win per day; expectations regarding placement fee arrangements; inaccuracies in underlying operating assumptions; expectations regarding customers’ preferences and demands for future gaming offerings; expectations regarding our product portfolio; the overall growth of the gaming industry, if any; our ability to replace revenue associated with terminated contracts; margin degradation from contract renewals; our ability to comply with the Europay, MasterCard and Visa global standard for cards equipped with security chip technology; our ability to introduce new products and services, including third-party licensed content; gaming establishment and patron preferences; expenditures and product development; anticipated sales performance; employee turnover; national and international economic conditions; changes in gaming regulatory, card association and statutory requirements; regulatory and licensing difficulties; competitive pressures; operational limitations; gaming market contraction; changes to tax laws; uncertainty of litigation outcomes; interest rate fluctuations; business prospects; unanticipated expenses or capital needs; technological obsolescence; our ability to comply with our debt covenants and service outstanding debt; employee turnover and other statements that are not historical facts. If any of these assumptions prove to be incorrect, the results contemplated by the forward-looking statements regarding our future results of operations are unlikely to be realized.

These cautionary statements qualify our forward-looking statements, and you are cautioned not to place undue reliance on these forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made, and we disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

This Quarterly Report on Form 10-Q should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended December 31, 2016 and the information included in our other press releases, reports and other filings with the Securities and Exchange Commission (the “SEC”). Understanding the information contained in these filings is important in order to fully understand our reported financial results and our business outlook for future periods.

### **Overview**

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

Everi is dedicated to providing video and mechanical reel gaming content and technology solutions, integrated gaming payments solutions and compliance and efficiency software to casino operators. Everi Games provides: (a) comprehensive content, electronic gaming units and systems for Native American and commercial casinos, including both Wide-Area Progressive systems and the award winning TournEvent® slot tournament solution; and (b) the central determinant system for the video lottery terminals installed in the State of New York. Everi Payments provides:

(a) access to cash at gaming facilities via Automated Teller Machine (“ATM”) cash withdrawals, credit card cash access transactions, point of sale (“POS”) debit card transactions, and check verification and warranty services; (b) fully integrated gaming industry kiosks that provide cash access and related services; (c) products and services that improve credit decision making, automate cashier operations and enhance patron marketing activities for gaming establishments; (d) compliance, audit and data solutions; and (e) online payment processing solutions for gaming operators in states that offer intrastate, Internet-based gaming and lottery activities.

### **Trends and Developments Impacting our Business**

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

- Casino gaming is dependent upon discretionary consumer spending, which is typically the first type of spending that is restrained by consumers when they are uncertain about their jobs and income. Global economic uncertainty in the marketplace may have an impact on casino gaming and ultimately the demand for new gaming equipment.
- The total North American installed slot base in the third quarter of 2017 remained relatively flat to the same period in 2016. We expect flat to moderate growth in the forward replacement cycle for electronic gaming machines (“EGMs”).
- The volume of new casino openings and new market expansions have slowed from previous years. The reduced demand as a result of fewer new market expansions could reduce the overall demand for slot machines.
- We face continued competition from smaller competitors in the gaming cash access market and face additional competition from larger gaming equipment manufacturers and systems providers. This increased competition has resulted in pricing pressure for both our Games and Payments businesses.
- Governmental oversight related to the cost of transaction processing and related fees to the consumer has increased in recent years. We expect the financial services and payments industry to respond to these legislative acts by changing other fees and costs, which may negatively impact our Payments business in the future.
- Casino operators continue to try to broaden their appeal by focusing on investments in the addition of non-gaming amenities to their facilities, which could impact casino operator’s capital allocation for games.

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

As discussed in detail in “Note 2 — Basis of Presentation and Summary of Significant Accounting Policies – Recent Accounting Guidance – Recent Accounting Guidance Not Yet Adopted,” in *Item 1: Financial Statements*, we are, and have been, assessing the potential impact on our financial statements of ASC Topic 606, “Revenue from Contracts with Customers,” which will initially apply to us beginning with the fiscal year ending December 31, 2018. Based on the transition guidance related to ASC Topic 606, we are in the process of determining if our cash advance, ATM and check services revenue streams will be required to be reported “net of transaction price” rather than on a gross revenue presentation basis, as has been our practice to date. In this regard, ASC Topic 606 eliminates certain factors that appear in the existing governing standard, ASC Topic 605, and that supported our position of reporting these Payments-related revenue streams on a gross revenue basis. In addition, the new revenue recognition standard, as it specifically pertains to payments from customers, may also require us to report certain of these Payments-related revenue streams on a net presentation basis. If, upon the conclusion of our assessment and adoption of ASC Topic 606, we determine that we are required to report these Payments-related revenue streams on a “net of transaction price” basis rather than on a gross revenue presentation basis, this will have a significant impact on our Payments-related revenues, cost of revenues and margins. In particular, our “Payments revenue” would be reduced by the “Payments cost of revenue (exclusive of depreciation and amortization)” associated with the Payments-related revenue streams affected by the new standard, our “Payments cost of revenue (exclusive of depreciation and amortization)” would be reduced by a similar amount, and, correspondingly, our Payments operating margin will remain unchanged. The new revenue standard would not impact our operating income, net loss, cash flows or the timing of revenues recognized and costs incurred under generally accepted accounting principles in the United States (“GAAP”).

## Operating Segments

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

Our chief operating decision-making group has determined the following to be the operating segments for which we conduct business: (a) Games and (b) Payments. We have reported our financial performance based on our segments in both the current and prior periods. Each of these segments is monitored by our management for performance against its internal forecast and is consistent with our internal management reporting.

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

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

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

## Results of Operations

### Three months ended September 30, 2017 compared to three months ended September 30, 2016

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

|   | Three Months Ended |              |                    |              | 2017 vs 2016    |               |
|---|--------------------|--------------|--------------------|--------------|-----------------|---------------|
|   | September 30, 2017 |              | September 30, 2016 |              | \$ Variance     | % Variance    |
|   | \$                 | %            | \$                 | %            |                 |               |
| <b>Revenues</b>   |                    |              |                    |              |                 |               |
| Games   | \$ 55,452          | 22 %         | \$ 56,218          | 25 %         | \$ (766)        | (1) %         |
| Payments  | 191,870            | 78 %         | 165,959            | 75 %         | 25,911          | 16 %          |
| <b>Total revenues</b>   | <b>247,322</b>     | <b>100 %</b> | <b>222,177</b>     | <b>100 %</b> | <b>25,145</b>   | <b>11 %</b>   |
| <b>Costs and expenses</b>   |                    |              |                    |              |                 |               |
| Games cost of revenue (exclusive of depreciation and amortization)    | 13,820             | 5 %          | 15,467             | 7 %          | (1,647)         | (11) %        |
| Payments cost of revenue (exclusive of depreciation and amortization) | 149,838            | 61 %         | 127,211            | 57 %         | 22,627          | 18 %          |
| Operating expenses  | 29,463             | 12 %         | 26,996             | 12 %         | 2,467           | 9 %           |
| Research and development  | 4,545              | 2 %          | 4,460              | 2 %          | 85              | 2 %           |
| Depreciation  | 12,539             | 5 %          | 12,367             | 6 %          | 172             | 1 %           |
| Amortization  | 17,322             | 7 %          | 24,104             | 11 %         | (6,782)         | (28) %        |
| <b>Total costs and expenses</b>                                       | <b>227,527</b>     | <b>92 %</b>  | <b>210,605</b>     | <b>95 %</b>  | <b>16,922</b>   | <b>8 %</b>    |
| <b>Operating income</b>   | <b>19,795</b>      | <b>8 %</b>   | <b>11,572</b>      | <b>5 %</b>   | <b>8,223</b>    | <b>71 %</b>   |
| <b>Other expenses</b>   |                    |              |                    |              |                 |               |
| Interest expense, net of interest income                              | 23,368             | 9 %          | 24,815             | 11 %         | (1,447)         | (6) %         |
| <b>Total other expenses</b>   | <b>23,368</b>      | <b>9 %</b>   | <b>24,815</b>      | <b>11 %</b>  | <b>(1,447)</b>  | <b>(6) %</b>  |
| <b>Loss before income tax</b>   | <b>(3,573)</b>     | <b>(1) %</b> | <b>(13,243)</b>    | <b>(6) %</b> | <b>9,670</b>    | <b>(73) %</b> |
| Income tax provision (benefit)  | 716                | (1) %        | (4,989)            | (2) %        | 5,705           | (114) %       |
| <b>Net loss</b>   | <b>\$ (4,289)</b>  | <b>(2) %</b> | <b>\$ (8,254)</b>  | <b>(4) %</b> | <b>\$ 3,965</b> | <b>(48) %</b> |

\* Rounding may cause variances.

## Revenues

Total revenues increased by \$25.1 million, or 11%, to \$247.3 million for the three months ended September 30, 2017, as compared to the same period in the prior year. This was attributable to higher Payments revenues, slightly offset by lower Games revenues.

Games revenues decreased by \$0.8 million, or 1%, to \$55.4 million for the three months ended September 30, 2017, as compared to the same period in the prior year. This was primarily related to the timing of the TournEvent of Champions<sup>®</sup> slot tournament that occurred in the fourth quarter of 2017 as compared to the third quarter of 2016 and, to a lesser extent, the decrease in leased units and a lower daily win per unit on these games, partially offset by higher unit sales.

Payments revenues increased by \$25.9 million, or 16%, to \$191.9 million for the three months ended September 30, 2017, as compared to the same period in the prior year. This was primarily associated with higher dollar and transaction volumes and fees earned from our cash access services, expansion in Canada for our ATM operations as well as growth in the segment.

## Costs and Expenses

Games cost of revenues (exclusive of depreciation and amortization) decreased by \$1.6 million, or 11%, to \$13.8 million for the three months ended September 30, 2017, as compared to the same period in the prior year. This was primarily due to a decline in cost of revenues as a result of the timing of the TournEvent of Champions<sup>®</sup> slot tournament that occurred in the fourth quarter of 2017 as compared to the third quarter of 2016.

Payments cost of revenues (exclusive of depreciation and amortization) increased by \$22.6 million, or 18%, to \$149.8 million for the three months ended September 30, 2017, as compared to the same period in the prior year. This was primarily related to the costs associated with the increase in cash access services volumes.

Operating expenses increased by \$2.5 million, or 9%, to \$29.5 million for the three months ended September 30, 2017, as compared to the same period in the prior year. This was primarily attributable to higher payroll and related expenses.

Research and development for the three months ended September 30, 2017 remained relatively consistent with the same period in the prior year.

Depreciation for the three months ended September 30, 2017 remained relatively consistent with the same period in the prior year.

Amortization decreased by \$6.8 million, or 28%, to \$17.3 million for the three months ended September 30, 2017, as compared to the same period in the prior year. This was primarily associated with certain intangible assets being fully amortized related to our acquisition of the Games business.

Primarily as a result of the factors described above, operating income increased by \$8.2 million, or 71%, to \$19.8 million for the three months ended September 30, 2017, as compared to the same period in the prior year. The operating margin increased from 5% for the three months ended September 30, 2016 to 8% for the three months ended September 30, 2017.

Interest expense, net of interest income decreased by \$1.4 million, or 6%, to \$23.4 million for the three months ended September 30, 2017, as compared to the three months ended September 30, 2016. This was primarily due to lower interest expense as a result of our debt refinancing in May 2017.

Income tax provision was \$0.7 million for the three months ended September 30, 2017, as compared to an income tax benefit of \$5.0 million for the same period in the prior year. This was primarily due to an increase in the valuation allowance for deferred tax assets. The income tax provision reflected an effective income tax rate of negative 20.0% for the three months ended September 30, 2017, which was less than the statutory federal rate of 35.0% primarily due to an increase in our valuation allowance for deferred tax assets, partially offset by state taxes and the benefit from a research credit. The income tax benefit reflected an effective income tax rate of 37.7% for the same period in the prior year, which was higher than the statutory federal rate of 35.0% primarily due to state taxes, the lower foreign tax rate applicable to our foreign source income and the benefit from a research credit, partially offset by non-statutory stock options that expired in the year.

## Nine months ended September 30, 2017 compared to nine months ended September 30, 2016

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

|   | Nine Months Ended  |              |                    |              | 2017 vs 2016    |              |
|---|--------------------|--------------|--------------------|--------------|-----------------|--------------|
|   | September 30, 2017 |              | September 30, 2016 |              | \$ Variance     | % Variance   |
|   | \$                 | %            | \$                 | %            |                 |              |
| <b>Revenues</b>   |                    |              |                    |              |                 |              |
| Games   | \$ 165,832         | 23 %         | \$ 158,660         | 25 %         | \$ 7,172        | 5 %          |
| Payments  | 561,257            | 77 %         | 483,286            | 75 %         | 77,971          | 16 %         |
| <b>Total revenues</b>   | <b>727,089</b>     | <b>100 %</b> | <b>641,946</b>     | <b>100 %</b> | <b>85,143</b>   | <b>13 %</b>  |
| <b>Costs and expenses</b>   |                    |              |                    |              |                 |              |
| Games cost of revenue (exclusive of depreciation and amortization)    | 39,503             | 5 %          | 36,871             | 6 %          | 2,632           | 7 %          |
| Payments cost of revenue (exclusive of depreciation and amortization) | 436,104            | 60 %         | 373,366            | 58 %         | 62,738          | 17 %         |
| Operating expenses  | 87,235             | 12 %         | 87,735             | 14 %         | (500)           | (1) %        |
| Research and development  | 13,706             | 2 %          | 14,499             | 2 %          | (793)           | (5) %        |
| Depreciation  | 34,765             | 5 %          | 37,172             | 6 %          | (2,407)         | (6) %        |
| Amortization  | 52,086             | 7 %          | 70,887             | 11 %         | (18,801)        | (27) %       |
| <b>Total costs and expenses</b>                                       | <b>663,399</b>     | <b>91 %</b>  | <b>620,530</b>     | <b>97 %</b>  | <b>42,869</b>   | <b>7 %</b>   |
| <b>Operating income</b>   | <b>63,690</b>      | <b>9 %</b>   | <b>21,416</b>      | <b>3 %</b>   | <b>42,274</b>   | <b>197 %</b> |
| <b>Other expenses</b>   |                    |              |                    |              |                 |              |
| Interest expense, net of interest income                              | 72,306             | 10 %         | 74,548             | 12 %         | (2,242)         | (3) %        |
| Loss on extinguishment of debt  | 14,615             | 2 %          | —                  | — %          | 14,615          | — %          |
| <b>Total other expenses</b>   | <b>86,921</b>      | <b>12 %</b>  | <b>74,548</b>      | <b>12 %</b>  | <b>12,373</b>   | <b>17 %</b>  |
| <b>Loss before income tax</b>   | <b>(23,231)</b>    | <b>(3) %</b> | <b>(53,132)</b>    | <b>(8) %</b> | <b>29,901</b>   | <b>56 %</b>  |
| Income tax provision (benefit)  | 3,623              | (1) %        | (20,930)           | (3) %        | 24,553          | 117 %        |
| <b>Net loss</b>   | <b>\$ (26,854)</b> | <b>(4) %</b> | <b>\$ (32,202)</b> | <b>(5) %</b> | <b>\$ 5,348</b> | <b>17 %</b>  |

\* Rounding may cause variances.

### Revenues

Total revenues increased by \$85.1 million, or 13%, to \$727.1 million for the nine months ended September 30, 2017, as compared to the same period in the prior year. This was primarily attributable to higher Games and Payments revenues.

Games revenues increased by \$7.2 million, or 5%, to \$165.8 million for the nine months ended September 30, 2017, as compared to the same period in the prior year. This was primarily related to an increase in unit sales, which were partially offset by a lower average outstanding number of leased units combined with lower daily win per unit on these games. In addition, revenues were also impacted as a result of the timing of the TournEvent of Champions<sup>®</sup> slot tournament that occurred in the fourth quarter of 2017 as compared to the third quarter of 2016.

Payments revenues increased by \$78.0 million, or 16%, to \$561.3 million for the nine months ended September 30, 2017, as compared to the same period in the prior year. This was primarily associated with higher dollar and transaction volumes and fees earned from our cash access services, expansion in Canada for our ATM operations as well as growth in the segment.

### Costs and Expenses

Games cost of revenues (exclusive of depreciation and amortization) increased by \$2.6 million, or 7%, to \$39.5 million for the nine months ended September 30, 2017, as compared to the same period in the prior year. This was primarily due to higher variable costs associated with the increase in unit sales, partially offset by a decline in the cost of revenues as a result of the timing of the TournEvent of Champions<sup>®</sup> slot tournament that occurred in the fourth quarter of 2017 as compared to the third quarter of 2016.

Payments cost of revenues (exclusive of depreciation and amortization) increased by \$62.7 million, or 17%, to \$436.1 million for the nine months ended September 30, 2017, as compared to the same period in the prior year. This was primarily related to the costs associated with the increase in cash access services volumes.

Operating expenses decreased by \$0.5 million, or 1%, to \$87.2 million for the nine months ended September 30, 2017, as compared to the same period in the prior year. This was primarily attributable to higher costs in the prior-year period for the write down of an acquired note receivable and a warrant associated with Bee Cave Games, Inc. and severance costs related to a former executive, partially offset by higher payroll and related expenses and non-cash stock compensation costs.

Research and development decreased by \$0.8 million, or 5%, to \$13.7 million for the nine months ended September 30, 2017, as compared to the same period in the prior year. This was primarily due to a higher capitalization of certain development costs.

Depreciation decreased by \$2.4 million, or 6%, to \$34.8 million for the nine months ended September 30, 2017, as compared to the same period in the prior year. This was primarily associated with certain fixed assets being fully depreciated, partially offset by higher expense associated with new assets placed in service.

Amortization decreased by \$18.8 million, or 27%, to \$52.1 million for the nine months ended September 30, 2017, as compared to the same period in the prior year. This was primarily associated with certain intangible assets being fully amortized related to our acquisition of the Games business.

Primarily as a result of the factors described above, operating income increased by \$42.3 million, or 197%, to \$63.7 million for the nine months ended September 30, 2017, as compared to the same period in the prior year. The operating margin increased from 3% for the nine months ended September 30, 2016 to 9% for the nine months ended September 30, 2017.

Interest expense, net of interest income decreased by \$2.2 million, or 3%, to \$72.3 million for the nine months ended September 30, 2017, as compared to \$74.5 million for the nine months ended September 30, 2016. This was primarily due to lower interest expense as a result of our debt refinancing in May 2017.

Loss on extinguishment of debt was \$14.6 million for the nine months ended September 30, 2017 as a result of our debt refinancing in May 2017.

Income tax provision was \$3.6 million for the nine months ended September 30, 2017, as compared to an income tax benefit of \$20.9 million for the same period in the prior year. This was primarily due to an increase in the valuation allowance for deferred tax assets. The income tax provision reflected an effective income tax rate of negative 15.6% for the nine months ended September 30, 2017, which was less than the statutory federal rate of 35.0% primarily due to an increase in our valuation allowance for deferred tax assets, partially offset by state taxes and the benefit from a research credit. The income tax benefit reflected an effective income tax rate of 39.4% for the same period in the prior year, which was higher than the statutory federal rate of 35.0% primarily due to state taxes, the lower foreign tax rate applicable to our foreign source income, and the benefit from a research credit, partially offset by non-statutory stock options that expired in the year.



## Games Revenues and Leased Units

The following tables include the revenues from our Games segment and the related leased units (amounts in thousands, except for EGMs):

|  | Three Months Ended |                  |                    |                    |                  |                    | 2017 vs 2016<br>% Variance |
|--|--------------------|------------------|--------------------|--------------------|------------------|--------------------|----------------------------|
|  | September 30, 2017 |                  |                    | September 30, 2016 |                  |                    |                            |
|  | Total EGMs         | Revenue          | % of Games Revenue | Total EGMs         | Revenue          | % of Games Revenue |                            |
| <b>Games revenues and leased units</b> |                    |                  |                    |                    |                  |                    |                            |
| Contractual agreement (1)              | 4,994              | \$ 7,130         | 13 %               | 5,249              | \$ 8,649         | 15 %               | (18) %                     |
| Participation revenue (2)              | 8,221              | 25,842           | 47 %               | 8,038              | 24,789           | 44 %               | 4 %                        |
| Sales                                  | —                  | 16,292           | 29 %               | —                  | 14,795           | 27 %               | 10 %                       |
| NY Lottery (3)                         | —                  | 4,667            | 8 %                | —                  | 4,594            | 8 %                | 2 %                        |
| Other                                  | —                  | 1,521            | 3 %                | —                  | 3,391            | 6 %                | (55) %                     |
| <b>Total</b>                           | <b>13,215</b>      | <b>\$ 55,452</b> | <b>100 %</b>       | <b>13,287</b>      | <b>\$ 56,218</b> | <b>100 %</b>       | <b>(1) %</b>               |

(1) We enter into placement fee agreements for our EGMs to secure floor space for a contracted period of time.

(2) In general, under participation arrangements, we secure floor space for our EGMs on a month-to-month basis.

(3) We provide the New York State Gaming Commission with an accounting and central determinant system for the video lottery terminals in operation at licensed New York State facilities.

|  | Nine Months Ended  |                   |                    |                    |                   |                    | 2017 vs 2016<br>% Variance |
|--|--------------------|-------------------|--------------------|--------------------|-------------------|--------------------|----------------------------|
|  | September 30, 2017 |                   |                    | September 30, 2016 |                   |                    |                            |
|  | Total EGMs         | Revenue           | % of Games Revenue | Total EGMs         | Revenue           | % of Games Revenue |                            |
| <b>Games revenues and leased units</b> |                    |                   |                    |                    |                   |                    |                            |
| Contractual agreement (1)              | 4,994              | \$ 20,552         | 12 %               | 5,249              | \$ 27,694         | 17 %               | (26) %                     |
| Participation revenue (2)              | 8,221              | 76,452            | 46 %               | 8,038              | 74,135            | 47 %               | 3 %                        |
| Sales                                  | —                  | 52,574            | 32 %               | —                  | 38,718            | 24 %               | 36 %                       |
| NY Lottery (3)                         | —                  | 13,715            | 8 %                | —                  | 13,788            | 9 %                | (1) %                      |
| Other                                  | —                  | 2,539             | 2 %                | —                  | 4,325             | 3 %                | (41) %                     |
| <b>Total</b>                           | <b>13,215</b>      | <b>\$ 165,832</b> | <b>100 %</b>       | <b>13,287</b>      | <b>\$ 158,660</b> | <b>100 %</b>       | <b>5 %</b>                 |

(1) We enter into placement fee agreements for our EGMs to secure floor space for a contracted period of time.

(2) In general, under participation arrangements, we secure floor space for our EGMs on a month-to-month basis.

(3) We provide the New York State Gaming Commission with an accounting and central determinant system for the video lottery terminals in operation at licensed New York State facilities.

## Critical Accounting Policies

The preparation of our Financial Statements in conformity with generally accepted accounting principles in the United States requires us to make estimates and assumptions that affect our reported amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities in our Financial Statements. The SEC has defined critical accounting policies as the ones that are most important to the portrayal of the financial condition and results of operations, and which require management to make its most difficult and subjective judgments, often as a result of the need to make estimates about matters that are inherently uncertain.

For the three and nine months ended September 30, 2017, there were no material changes to the critical accounting policies and estimates discussed in our audited Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

## Recent Accounting Guidance

For a description of our recently adopted accounting guidance and recent accounting guidance not yet adopted, see “ Note 2 — Basis of Presentation and Summary of Significant Accounting Policies — Recent Accounting Guidance” of our Financial Statements included elsewhere in this Quarterly Report on Form 10-Q for a description of recent accounting guidance.

## LIQUIDITY AND CAPITAL RESOURCES

### Overview

The following table presents selected balance sheet information and an unaudited reconciliation of cash and cash equivalents per GAAP to net cash position and net cash available (in thousands):

|                                   | At September 30,<br>2017 | At December 31,<br>2016 |
|-----------------------------------|--------------------------|-------------------------|
| <b>Balance sheet data</b>         |                          |                         |
| Total assets                      | \$ 1,425,605             | \$ 1,408,163            |
| Total long-term debt              | \$ 1,138,871             | \$ 1,121,880            |
| Total stockholders' deficit       | \$ (123,804)             | \$ (107,793)            |
| <b>Cash available</b>             |                          |                         |
| Cash and cash equivalents         | \$ 108,471               | \$ 119,051              |
| Settlement receivables            | 127,443                  | 128,821                 |
| Settlement liabilities            | (197,494)                | (239,123)               |
| <b>Net cash position (1)</b>      | 38,420                   | 8,749                   |
| Undrawn revolving credit facility | 35,000                   | 50,000                  |
| <b>Net cash available (1)</b>     | <u>\$ 73,420</u>         | <u>\$ 58,749</u>        |

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

### Cash Resources

Our cash balance, cash flows and line of credit are expected to be sufficient to meet our recurring operating commitments and to fund our planned capital expenditures for the foreseeable future. Cash and cash equivalents at September 30, 2017 included cash in non-U.S. jurisdictions of approximately \$16.3 million. Generally, these funds are available for operating and investment purposes within the jurisdiction in which they reside, but are subject to taxation in the U.S. upon repatriation.

We provide cash settlement services to our customers related to our cash access products. These services involve the movement of funds between the various parties associated with cash access transactions. These activities result in a balance due to us at the end of each business day for the face amount provided to patrons plus the service fee charged to those patrons that we recoup over the next few business days and classify as settlement receivables. These activities also result in a balance due to our customers at the end of each business day for the face amount provided to patrons that we remit over the next few business days and classify as settlement liabilities. As of September 30, 2017, we had \$127.4 million in settlement receivables, for which we generally receive payment within one week. As of September 30, 2017, we had \$197.5 million in settlement liabilities due to our customers for these settlement services that are generally

paid within the next few business days. As the timing of cash received from settlement receivables and payment of settlement liabilities may differ, the total amount of cash held by us will fluctuate throughout the year.

Our cash and cash equivalents were \$108.5 million and \$119.1 million as of September 30, 2017 and December 31, 2016, respectively. Our net cash position after considering the impact of settlement receivables and settlement liabilities was \$38.4 million and \$8.7 million as of September 30, 2017 and December 31, 2016, respectively. Our net cash available after considering the net cash position and undrawn amounts available under our Revolving Credit Facility was approximately \$73.4 million and \$58.7 million as of September 30, 2017 and December 31, 2016, respectively.

### Sources and Uses of Cash

The following table presents a summary of our cash flow activity (in thousands):

|                                   | Nine Months Ended September 30, |                  | 2017 vs 2016     |
|-----------------------------------|---------------------------------|------------------|------------------|
|                                   | 2017                            | 2016             | Change           |
| <b>Cash flow activities</b>       |                                 |                  |                  |
| Operating activities              | \$ 69,762                       | \$ 85,808        | \$ (16,046)      |
| Investing activities              | (83,334)                        | (74,210)         | (9,124)          |
| Financing activities              | 1,627                           | (22,397)         | 24,024           |
| Effect of exchange rates on cash  | 1,365                           | (743)            | 2,108            |
| <b>Cash and cash equivalents</b>  |                                 |                  |                  |
| Net decrease for the period       | (10,580)                        | (11,542)         | 962              |
| Balance, beginning of the period  | 119,051                         | 102,030          | 17,021           |
| <b>Balance, end of the period</b> | <u>\$ 108,471</u>               | <u>\$ 90,488</u> | <u>\$ 17,983</u> |

Cash flows provided by operating activities decreased by \$16.0 million for the nine months ended September 30, 2017, as compared to the same period in the prior year. This was primarily attributable to the impact of the change in settlement receivables and settlement liabilities for the period.

Cash flows used in investing activities increased by \$9.1 million for the nine months ended September 30, 2017, as compared to the same period in the prior year. This was primarily attributable to lower proceeds from the sale of fixed assets and higher placement fees and capital expenditures.

Cash flows provided by financing activities increased by \$24.0 million for the nine months ended September 30, 2017, as compared to the same period in the prior year. This was primarily attributable to repayments of our Prior Credit Facility (defined below) that were not applicable in the current period and additional proceeds from exercise of stock options.

We expect that our cash provided by operating activities will be sufficient for our operating and debt servicing needs during the next 12 months. If not, we have sufficient borrowings available under the New Credit Facilities to meet additional funding requirements. On occasion, we monitor the financial strength of our lenders associated with certain of our debt instruments using publicly-available information. Therefore, we believe it is more likely than not that our lenders will be able to honor their commitments under the New Credit Agreement.

## Long - Term Debt

The following table summarizes our outstanding indebtedness (in thousands):

|  | At September 30,<br>2017 | At December 31,<br>2016 |
|--|--------------------------|-------------------------|
| <b>Long-term debt</b>                                    |                          |                         |
| Senior secured term loan                                 | \$ 817,950               | \$ 465,600              |
| Senior secured notes                                     | —                        | 335,000                 |
| Senior unsecured notes                                   | 350,000                  | 350,000                 |
| <b>Total debt</b>  | <u>1,167,950</u>         | <u>1,150,600</u>        |
| Less: debt issuance costs and discount                   | (29,079)                 | (28,720)                |
| <b>Total debt after debt issuance costs and discount</b> | 1,138,871                | 1,121,880               |
| Less: current portion of long-term debt                  | (8,200)                  | (10,000)                |
| <b>Long-term debt, less current portion</b>              | <u>\$ 1,130,671</u>      | <u>\$ 1,111,880</u>     |

## Refinancing

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

The proceeds from the New Term Loan Facility incurred on the Closing Date were used to: (i) refinance: (a) the Everi Payments existing credit facility with an outstanding balance of approximately \$462.3 million with Bank of America, N.A., as administrative agent, collateral agent, swing line lender and letter of credit issuer, Deutsche Bank Securities Inc., as syndication agent, and Merrill Lynch, Pierce, Fenner & Smith Incorporated and Deutsche Bank Securities Inc., as joint lead arrangers and joint book managers (the “Prior Credit Facility”); and (b) the Everi Payments 7.25% Senior Secured Notes due 2021 in the aggregate original principal amount of \$335.0 million (the “Refinanced Secured Notes”); and (ii) pay related transaction fees and expenses.

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

## New Credit Facilities

The New Term Loan Facility matures seven years after the Closing Date (the “Stated Term Maturity Date”); provided that, if on the date that is 91 days prior to the maturity date (the “Unsecured Notes Maturity Date”) for the Everi Payments 10.00% Senior Unsecured Notes due 2022 in the aggregate original principal amount of \$350.0 million (the “Unsecured Notes”), any Unsecured Notes remain outstanding and the Unsecured Notes Maturity Date has not been extended to a date that is at least six months after the Stated Term Maturity Date, then the New Term Loan Facility shall mature on the date that is 91 days before the Unsecured Notes Maturity Date. The New Revolving Credit Facility matures five years after the Closing Date; provided, that, if on the date that is 121 days prior to the Unsecured Notes Maturity Date, any Unsecured Notes remain outstanding and the Unsecured Notes Maturity Date has not been extended to a date that is at least six months after the Stated Term Maturity Date, then the New Revolving Credit Facility shall mature on the date that is 121 days before the Unsecured Notes Maturity Date. The New Revolving Credit Facility is available for general corporate purposes, including permitted acquisitions, working capital and the issuance of letters of credit.

The interest rate per annum applicable to loans under the New Revolving Credit Facility will be, at Everi Payments' option, the base rate or the Eurodollar Rate (defined to be the London Interbank Offered Rate or a comparable or successor rate) (the "Eurodollar Rate") plus, in each case, an applicable margin. The interest rate per annum applicable to the New Term Loan Facility will also be, at Everi Payments' option, the base rate or the Eurodollar Rate plus, in each case, an applicable margin. The Eurodollar Rate will be reset at the beginning of each selected interest period based on the Eurodollar Rate then in effect; provided that, if the Eurodollar Rate is below 1.0%, then such rate will be equal to 1.0% plus the applicable margin. The base rate is a fluctuating interest rate equal to the highest of: (i) the prime lending rate announced by the administrative agent; (ii) the federal funds effective rate from time to time plus 0.50%; and (iii) the Eurodollar Rate (after taking account of any applicable floor) applicable for an interest period of one month plus 1.00%. The applicable margins for both the New Revolving Credit Facility and the New Term Loan Facility are: (i) 4.50% in respect of Eurodollar Rate loans and (ii) 3.50% in respect of base rate loans.

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

Subject to certain exceptions, the obligations under the New Credit Facilities are secured by substantially all of the present and subsequently acquired assets of each of Everi Payments, Holdings and the subsidiary guarantors party thereto including: (i) a perfected first priority pledge of all the capital stock of Everi Payments and each domestic direct, wholly owned material restricted subsidiary held by Holdings, Everi Payments or any such subsidiary guarantor; and (ii) a perfected first priority security interest in substantially all other tangible and intangible assets of Holdings, Everi Payments, and such subsidiary guarantors (including, but not limited to, accounts receivable, inventory, equipment, general intangibles, investment property, real property, intellectual property and the proceeds of the foregoing). Subject to certain exceptions, the New Credit Facilities are unconditionally guaranteed by Holdings and such subsidiary guarantors.

The New Credit Agreement governing the New Credit Facilities contains certain covenants that, among other things, limit Holdings' ability, and the ability of certain of its subsidiaries, to incur additional indebtedness, sell assets or consolidate or merge with or into other companies, pay dividends or repurchase or redeem capital stock, make certain investments, issue capital stock of subsidiaries, incur liens, prepay, redeem or repurchase subordinated debt, and enter into certain types of transactions with its affiliates. The New Credit Agreement governing the New Credit Facilities also requires Holdings, together with its subsidiaries, to comply with a consolidated secured leverage ratio. At September 30, 2017, our consolidated secured leverage ratio was 3.63 to 1.00, with a maximum allowable ratio of 5.00 to 1.00. Our maximum consolidated secured leverage ratio will be 5.00 to 1.00, 4.75 to 1.00, and 4.50 to 1.00 as of December 31, 2017, 2018, and 2019 and thereafter, respectively.

We were in compliance with the terms of the New Credit Facilities as of September 30, 2017.

Events of default under the New Credit Agreement governing the New Credit Facilities include customary events such as a cross-default provision with respect to other material debt. In addition, an event of default will occur if Holdings undergoes a change of control. This is defined to include the case where Holdings ceases to own 100% of the equity interests of Everi Payments, or where any person or group acquires a percentage of the economic or voting interests of Holdings' capital stock of 35% or more (determined on a fully diluted basis).

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

For the quarter ended September 30, 2017, the New Term Loan Facility had an applicable weighted average interest rate of 5.74%. For the nine months ended September 30, 2017, the Prior Credit Facility had an applicable weighted average interest rate of 6.29%; the New Term Loan Facility had an applicable weighted average interest rate of 5.71%; and a blended weighted average interest rate of 5.87% for the period ended September 30, 2017.

At September 30, 2017, we had \$818.0 million of borrowings outstanding under the New Term Loan Facility and no borrowings outstanding under the New Revolving Credit Facility. We had \$35.0 million of additional borrowing availability under the New Revolving Credit Facility as of September 30, 2017.

### **Refinanced Senior Secured Notes**

In connection with entering into the New Credit Agreement, on May 9, 2017, Everi Payments redeemed in full \$335.0 million face value (plus accrued interest) of the Refinanced Secured Notes. As a result of the redemption, the Company recorded \$1.7 million, which consisted of unamortized deferred financing fees of \$0.2 million and discounts of \$1.5 million. These fees are included in the total \$14.6 million non-cash charge.

### **Senior Unsecured Notes**

In December 2014, we issued \$350.0 million in aggregate principal amount of 10.00% Unsecured Notes due 2022 (the “Unsecured Notes”). The fees associated with the Unsecured Notes included original issue discounts of approximately \$3.8 million and debt issuance costs of approximately \$14.0 million.

Interest is due semi-annually in arrears each January and July.

The Unsecured Notes were acquired by the initial purchasers pursuant to the terms of a purchase agreement. Under the terms of the purchase agreement, during a one-year period following the closing and upon prior notice from the initial purchasers, the Company was required to use commercially reasonable efforts to aid the purchasers in the resale of the Unsecured Notes, including by preparing an updated offering memorandum and participating in reasonable marketing efforts including road shows, to the extent required therein. The Unsecured Notes were resold by the initial purchasers to third parties in the second quarter of 2015.

In December 2015, we completed an exchange offer in which all of the unregistered Unsecured Notes were exchanged for a like amount of Unsecured Notes that had been registered under the Securities Act.

We were in compliance with the terms of the Unsecured Notes as of September 30, 2017 and December 31, 2016.

### **Contractual Obligations**

The following transactions have resulted in a change in our commitments under contractual obligations as compared to those disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016:

In May 2017, we entered into the New Credit Agreement, which provides for the \$35.0 million New Revolving Credit Facility and the \$820.0 million New Term Loan Facility. Under the New Credit Agreement, we are required to make principal payments of 1% annually of \$2.0 million in 2017, \$8.2 million in years 2018 through 2021 and \$783.1 million thereafter. We also have required interest payments, computed using a blended weighted average interest rate at September 30, 2017 of 5.74%, of \$12.0 million, \$46.6 million, \$46.1 million, \$45.7 million, \$45.3 million and \$104.5 million from 2017 through 2021 and thereafter, respectively.

In July 2017, we extended the term of our placement fee agreements to 6 years and 11 months with our largest customer in Oklahoma. Under the terms of the agreement, we made a \$10.0 million cash payment in August 2017, and will pay approximately \$5.6 million per quarter in placement fees, beginning in January 2018 and ending in July 2019.

### **Other Liquidity Needs and Resources**

We need cash to support our foreign operations. For some foreign jurisdictions, such as the United Kingdom, applicable law and cross border treaties allow us to transfer funds between our domestic and foreign operations efficiently. For

other foreign jurisdictions, we must rely on the cash generated by our operations in those foreign jurisdictions, and the cost of repatriation is prohibitive. For example, Global Cash Access (Canada), Inc., the subsidiary through which we operate our Payments business in Canada, generates cash that is sufficient to support its operations. If we expand our Payments business into new foreign jurisdictions, we must rely on treaty favored cross border transfers of funds, the cash generated by our operations in those foreign jurisdictions or alternate sources of working capital.

### **Off-Balance Sheet Arrangements**

Our Contract Cash Solutions Agreement with Wells Fargo Bank, N.A. (“Wells Fargo”) allows us to use funds owned by Wells Fargo to provide the currency needed for normal operating requirements for our ATMs. For the use of these funds, we pay Wells Fargo a cash usage fee on the average daily balance of funds utilized multiplied by a contractually defined cash usage rate. These cash usage fees, reflected as interest expense within the Statements of Loss, were \$1.2 million and \$3.5 million for the three and nine months ended September 30, 2017, respectively, and \$0.7 million and \$2.3 million for the three and nine months ended September 30, 2016, respectively. We are exposed to interest rate risk to the extent that the applicable LIBOR increases.

Under this agreement, all currency supplied by Wells Fargo remains the sole property of Wells Fargo at all times until it is dispensed, at which time Wells Fargo obtains an interest in the corresponding settlement receivable, which is recorded on a net basis. As these funds are not our assets, supplied cash is not reflected on the Balance Sheets. The outstanding balances of ATM cash utilized by us from Wells Fargo were \$226.6 million and \$285.4 million as of September 30, 2017 and December 31, 2016, respectively.

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

We are responsible for any losses of cash in the ATMs under this agreement and we self-insure for this risk. We incurred no material losses related to this self-insurance for the three and nine months ended September 30, 2017 and 2016.

### **Effects of Inflation**

Our monetary assets, consisting primarily of cash, receivables, inventory and our non-monetary assets, consisting primarily of the deferred tax asset, goodwill and other intangible assets, are not significantly affected by inflation. We believe that replacement costs of equipment, furniture and leasehold improvements will not materially affect our operations. However, the rate of inflation affects our operating expenses, such as those for salaries and benefits, armored carrier expenses, telecommunications expenses and equipment repair and maintenance services, which may not be readily recoverable in the financial terms under which we provide our Games and Payments products and services to gaming establishments and their patrons.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

In the normal course of business, we are exposed to foreign currency exchange risk. We operate and conduct business in foreign countries and, as a result, are exposed to movements in foreign currency exchange rates. Our exposure to foreign currency exchange risk related to our foreign operations is not material to our results of operations, cash flows or financial position. At present, we do not hedge this risk, but continue to evaluate such foreign currency translation risk exposure.

Wells Fargo supplies us with currency needed for normal operating requirements of our domestic ATMs pursuant to the Contract Cash Solutions Agreement. Under the terms of this agreement, we pay a monthly cash usage fee based upon the product of the average daily dollars outstanding in all such ATMs multiplied by a margin that is tied to LIBOR. We are, therefore, exposed to interest rate risk to the extent that the applicable LIBOR increases. The currency supplied by Wells Fargo was \$226.6 million as of September 30, 2017. Based upon this outstanding amount of currency supplied by Wells Fargo, each 1% increase in the applicable LIBOR would have a \$2.3 million impact on income before taxes over a 12-month period. Foreign gaming establishments or third-party vendors supply the currency needs for the ATMs located on their premises.

The New Credit Facilities bear interest at rates that can vary over time. We have the option of having interest on the outstanding amounts under the New Credit Facilities paid based on a base rate or based on LIBOR. We have historically elected to pay interest based on LIBOR, and we expect to continue to pay interest based on LIBOR of various maturities.

The weighted average interest rate on the New Credit Facilities was approximately 5.71% for the nine months ended September 30, 2017. Based upon the outstanding balance on the New Credit Facilities of \$818.0 million as of September 30, 2017, each 1% increase in the applicable LIBOR would have an \$8.2 million impact on interest expense over a 12-month period. The interest rate on the Unsecured Notes is fixed, and therefore, an increase in LIBOR does not impact the interest expense associated with such notes.

#### **Item 4. Controls and Procedures.**

##### **Evaluation of Disclosure Controls and Procedures**

The Company's management, including its Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of September 30, 2017. Based on such evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of September 30, 2017, the Company's disclosure controls and procedures are effective such that material information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported, within the time periods specified by the SEC's rules and forms and (ii) accumulated and communicated to management, including the Company's principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

##### **Changes in Internal Control over Financial Reporting during the Quarter Ended September 30, 2017**

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the third quarter ended September 30, 2017 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## **PART II. OTHER INFORMATION**

#### **Item 1. Legal Proceedings.**

We are involved in various investigations, claims and lawsuits in the ordinary course of our business. In addition, various legal actions, claims and governmental inquiries and proceedings are pending or may be instituted or asserted in the future against us and our subsidiaries. Although the outcome of our legal proceedings cannot be predicted with certainty and no assurances can be provided, based upon current information, we do not believe the liabilities, if any, which may ultimately result from the outcome of such matters, individually or in the aggregate, will have a material adverse impact on our financial position, liquidity or results of operations.

#### **Item 1A. Risk Factors.**

We refer you to documents filed by us with the SEC, specifically "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016, which identify important risk factors that could materially affect our business, financial condition and future results. We also refer you to the factors and cautionary language set forth in the section entitled "Cautionary Statements Regarding Forward-looking Statements" in "Item 2. Management's Discussion and Analysis of Financial Conditions and Results of Operations" of this Quarterly Report on Form 10-Q. This Quarterly Report on Form 10-Q, including the accompanying Financial Statements, should be read in conjunction with such risks and other factors for a full understanding of our operations and financial condition. The risks described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016 and herein are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or operating results. The risk factors included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016 have not materially changed.



**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.****Issuer Purchases and Withholding of Equity Securities**

|                         | <b>Total Number of<br/>Shares Purchased (1)<br/>(in thousands)</b> | <b>Average Price per<br/>Share (2)</b> |
|-------------------------|--|--|
| <b>Tax Withholdings</b> |  |  |
| 7/1/17 - 7/31/17        | 0.5  | \$ 7.10                                |
| 8/1/17 - 8/31/17        | 0.4  | \$ 7.33                                |
| 9/1/17 - 9/30/17        | 0.5  | \$ 7.80                                |
| <b>Total</b>            | <b>1.4</b>   | <b>\$ 7.41</b>                         |

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

**Item 3. Defaults Upon Senior Securities.**

None.

**Item 4. Mine Safety Disclosures.**

Not applicable.

**Item 5. Other Information.**

None.

**Item 6. Exhibits**

| <b>Exhibit Number</b> | <b>Description</b>   |
|-----------------------|--|
| 10.1*                 | <a href="#">Transition and Resignation Agreement and General Release of All Claims with Juliet A. Lim (dated October 25, 2017).</a>  |
| 31.1*                 | <a href="#">Certification of Michael D. Rumbolz, President and Chief Executive Officer of Everi Holdings Inc. in accordance with Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a> |
| 31.2*                 | <a href="#">Certification of Randy L. Taylor, Chief Financial Officer of Everi Holdings Inc. in accordance with Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>                  |
| 32.1**                | <a href="#">Certification of Michael D. Rumbolz, President and Chief Executive Officer of Everi Holdings Inc. in accordance with 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>   |
| 32.2**                | <a href="#">Certification of Randy L. Taylor, Chief Financial Officer of Everi Holdings Inc. in accordance with 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>  |
| 101.INS*              | XBRL Instance Document.  |
| 101.SCH*              | XBRL Taxonomy Extension Schema Document.   |
| 101.CAL*              | XBRL Taxonomy Extension Calculation Linkbase Document.   |
| 101.DEF*              | XBRL Taxonomy Extension Definition Linkbase Document.  |
| 101.LAB*              | XBRL Taxonomy Extension Label Linkbase Document.   |
| 101.PRE*              | XBRL Taxonomy Extension Presentation Linkbase Document.  |

\* Filed herewith.

\*\* Furnished herewith.

**SIGNATURES**

Pursuant to the requirements 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.

**November 7, 2017**

(Date)

**EVERI HOLDINGS INC.**

(Registrant)

By: /s/ Todd A. Valli

Todd A. Valli

Senior Vice President, Corporate Finance and  
Chief Accounting Officer

(For the Registrant and as Principal  
Accounting Officer)

**TRANSITION AND RESIGNATION AGREEMENT AND  
GENERAL RELEASE OF ALL CLAIMS**

This Transition and Resignation Agreement and General Release of All Claims (the “*Agreement*”) is entered into as of October 25, 2017 by and between Everi Payments Inc., a Delaware corporation formerly known as Global Cash Access, Inc. (the “*Company*”) and a wholly owned subsidiary of Everi Holdings Inc., a Delaware corporation formerly known as Global Cash Access Holdings, Inc. (“*Holdings*”), and Juliet A. Lim (“*Executive*”) and shall be effective as of the Effective Date (as such term is defined in Section 10.2 below). The Company and Executive shall be referred to herein as the “*Parties*”.

**RECITALS**

**A.** The Executive is currently employed by the Company as Executive Vice President - Payments Business Leader and Chief Legal Officer pursuant to an Employment agreement, dated August 5, 2014, as amended by First Amendment to Employment Agreement, dated January 3, 2017 (such agreement, as so amended, the “*Employment Agreement*”).

**B.** The Executive wishes to voluntarily transition her role from Executive Vice - Payments Business Leader and Chief Legal Officer to a strategic advisory position, effective December 31, 2017 (the “*Transition Date*”) and thereafter wishes to voluntarily resign her employment with the Company in order to pursue other opportunities, effective March 8, 2018 (the “*Resignation Date*”).

**C.** The Parties agree that the Transition Date shall constitute a “separation from service” within the meaning of 26 C.F.R. 1.409A-1(h).

**D.** The Company agrees with the foregoing and wishes to recognize the Executive’s contributions to the Company during her service as Executive Vice President - Payments Business Leader and Chief Legal Officer and to provide for an amicable and efficient transition of duties.

**E.** The parties desire to settle all claims and issues that have, or could have been raised, in relation to the Executive’s employment with the Company and arising out of or in any way related to the acts, transactions or occurrences between the Executive and the Company to date, including, but not limited to, the Executive’s employment with the Company or the termination of that employment, on the terms set forth below.

**NOW, THEREFORE**, in consideration of the promises and mutual agreements hereinafter set forth, it is agreed by and between the undersigned as follows:

## **1. Resignation; Duties and Continuing Obligations .**

**1.1** The Executive agrees that from the date hereof and through the Transition Date, she shall continue to report to the Company as requested by the Chief Executive Officer of the Company (the “ *Chief Executive Officer* ”) for the purpose of transitioning her duties and responsibilities as Executive Vice President - Payments Business Leader and Chief Legal Officer.

**1.2** On the Transition Date, the Executive shall voluntarily resign from her position as Executive Vice President - Payments Business Leader and Chief Legal Officer of the Company and shall no longer be an officer of the Company, Holdings or any affiliates thereof.

**1.3** Following the Transition Date and until the Resignation Date, the Executive shall continue as an employee of the Company (working at a substantially reduced rate that shall be no more than twenty percent (20%) of the rate of services provided by Executive on average over the thirty-six (36)-month period prior to the Transition Date) and shall be assigned to work on strategic planning projects at the direction of, and to the reasonable satisfaction of, the Chief Executive Officer.

**1.4** The parties hereby agree that the Executive’s voluntary resignation from her employment with the Company shall occur on, and be effective as of, the Resignation Date.

**1.5** Executive agrees to cooperate fully in the transition of her duties and to act diligently and in good faith in performing all job duties as may be requested by the Chief Executive Officer. Until the Resignation Date, Executive agrees to continue to comply with the terms of the Employment Agreement. Executive hereby consents to the matters described in this Section 1.1.

**1.6** Upon the Resignation Date, the Employment Agreement shall terminate other than the surviving provisions thereof. Following the Resignation Date, Executive agrees to comply with her continuing obligations regarding proprietary rights and confidentiality set forth in the surviving provisions of the Executive Proprietary Information and Inventions Agreement previously signed by Executive, and further agrees to comply with the surviving provisions of the Employment Agreement, including, but not limited to, Section 5 (Executive’s Termination Obligations), Section 7 (Restrictions on Competition After Termination) (as modified in Section 1.7 below), Section 8 (Restrictions on Solicitation After Termination), and Section 9 (Arbitration).

**1.7** Section 7.2 of the Employment Agreement shall be amended as of the Effective Date by deleting the second and third sentences thereof and replacing such sentences with the following:

“For the avoidance of doubt, the foregoing shall not prohibit Executive from (a) being employed by or engaged as a consultant by, or having any ownership interest in, or participating in the financing, operation, management or control of, any of the following companies (or their respective subsidiaries and successors): Scientific Games Corporation, International Game Technology or Novomatic AG, provided, in each case, that such employment with such company does not, at any

time during the Noncompete Term, require or allow the Executive to be responsible for or involved in, and Executive is not involved in, any line of business that competes with the Payments Business (as defined below) (a "Competitive Business"); (b) being employed by or engaged as a consultant by, or having any ownership interest in, or participating in the financing, operation, management or control of, any person, firm, corporation or business that processes credit card, debit card or automated teller machine transactions; provided, that if such person, firm, corporation or business operates a line of business that is a Competitive Business, Executive does not have responsibility for, oversight over, or involvement in any aspect of such Competitive Business; or (c) being employed as an in-house legal counsel by any of the persons, firms, corporations or businesses referenced in the first sentence of this Section 7.2 so long as Executive (i) other than in her capacity as in-house legal counsel, does not have responsibility for, oversight over, or involvement in any line of business at such person, firm, corporation or business that is a Competitive Business, and (ii) does not provide legal services or advice on commercial contracts or other commercial matters affecting customers of such Competitive Business. For purposes of this Agreement, ( A ) the "Noncompete Term" shall be the period during Executive's employment with the Company and for one (1) year after the termination of Executive's employment hereunder, and ( B ) "Payments Business" means any line of business conducted by the Company, or any line of business that is proposed to be conducted by the Company as of the Transition Date and as to which Executive has knowledge and involvement, that provides: ( 1 ) access to cash at gaming facilities via Automated Teller Machine cash withdrawals, credit card cash access transactions, point of sale debit card transactions, and check verification and warranty services, or that otherwise processes credit card, debit card or automated teller machine transactions originated from inside or outside of gaming establishments on behalf of customers who operate within the gaming industry or for their patrons; ( 2 ) fully integrated gaming industry kiosks that provide cash access and related services; ( 3 ) products and services that improve credit decision making, automate cashier operations and enhance patron marketing activities for gaming establishments; ( 4 ) compliance, audit and data solutions; and ( 5 ) online payment processing solutions for gaming operators in states that offer intrastate, Internet-based gaming and lottery activities."

**2. Severance Pay under the Employment Agreement.** Subject to Executive's compliance with the terms and conditions of this Agreement, the Parties agree and acknowledge that Executive shall receive the pay described in Section 4.3.1 (Base Salary Continuation) and Section 4.3.2 (Target Bonus) of the Employment Agreement (the "**Severance Pay**") as of the Transition Date, or as of such earlier date if Executive's employment is terminated by the Company without Cause (as defined in the Employment Agreement), or the Executive dies or becomes disabled, provided that, the Parties further agree that Executive is a "specified employee" within the meaning of Section 409A of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") (the "**Delayed Payment Rule**") and, as a result, the Severance Pay that is "nonqualified deferred compensation" that is subject to Section 409A and set forth in Section 4.3.1 (Base Salary Continuation) and Section 4.3.2 (Target Bonus) of the Employment Agreement (the "**Delayed Payments**") shall become payable, without interest, on the first (1<sup>st</sup>)

day of the seventh (7<sup>th</sup>) month following the Transition Date (the “ **Delayed Payment Date** ”), or, if earlier, Executive’s date of death, pursuant to Section 409A(a)(2)(B)(i) of the Code, in order to prevent income recognition, imposition of penalty taxes and interest charges on Executive under Section 409A(a)(1) of the Code and similar state laws. All Delayed Payments that would have, but for the Delayed Payment Rule, become payable on or before the Delayed Payment Date shall be paid in a lump sum on the Delayed Payment Date and all other amounts of such Severance Pay shall be paid as originally scheduled in accordance with the terms of the Employment Agreement and in compliance with Section 409A of the Code.

**3. Compensation During Transition Period.** Provided the Executive remains employed with the Company through the Resignation Date, or such earlier date if Executive’s employment is terminated by the Company without Cause (as defined in the Employment Agreement), or the Executive dies or becomes disabled, and except as provided in Section 3.1 below, Executive shall receive for such services (less standard deductions and withholdings):

**3.1** From the date hereof and through the Transition Date, Executive’s Base Salary (as defined in the Employment Agreement) at the Executive’s current annual rate of \$400,000; provided, that from the Transition Date and through the Resignation Date, the Executive’s salary shall be reduced, and the Executive agrees to receive, a salary at the rate of \$2,500.00 per month (pro-rated for partial months);

**3.2** The Executive’s annual cash bonus for fiscal year 2017, as determined by the Compensation Committee of the Board of Directors of Holdings (the “ **Compensation Committee** ”) in accordance with Holdings’ 2017 compensation plan, and payable no later than March 15, 2018 (but subject to the Executive’s execution of the Amendment (as described in Section 5 below));

**3.3** The options to purchase 17,490 shares of common stock of Holdings that were granted to the Executive on March 8, 2017 subject to time-based vesting conditions and that are due to vest on the Resignation Date; and

**3.4** Any options to purchase common stock of Holdings that were granted to the Executive subject to performance-based vesting conditions that satisfy such performance conditions and otherwise vest in accordance with their terms on or before the Resignation Date.

**4. Other Compensation.** In exchange for the promises set forth herein, including the Executive’s continued employment with the Company through the Resignation Date, or such earlier date if Executive’s employment is terminated by the Company without Cause (as defined in the Employment Agreement), or the Executive dies or becomes disabled, and the duties performed by Executive as described in Section 1 above, the Company agrees that (in each case subject to the Executive’s execution of the Amendment (as described in Section 5 below)):

**4.1** On or prior to the Effective Date (as defined in Section 10.2 below), the Board of Directors of Holdings, or the Compensation Committee thereof, shall take all action required to be taken under Holdings’ 2014 Amended and Restated Equity Incentive Plan (the “ **Plan** ”), and any related document effecting a grant of options to purchase Holdings’ common

stock or a grant of shares of restricted common stock of Holdings to Executive (a “ **Grant Notice** ”), to cause:

(a) The 12,000 shares of restricted common stock of Holdings that were granted to the Executive on October 30, 2014 subject to time-based vesting conditions and that are not vested as of the Resignation Date to become fully vested as of the Resignation Date;

(b) The options to purchase 25,000 shares of common stock of Holdings that were granted to the Executive on May 2, 2014 subject to time-based vesting conditions and that are not vested as of the Resignation Date to become fully vested as of the Resignation Date;

(c) The options to purchase 65,587 shares of common stock of Holdings that were granted to the Executive on May 13, 2016 subject to time-based vesting conditions and that are not vested as of the Resignation Date to become fully vested as of the Resignation Date;

(d) The options to purchase 24,486 shares of common stock of Holdings that were granted to Executive on March 8, 2017 subject to time-based vesting conditions (in addition to the options referenced in Section 3.3 above) and that are not vested as of the Resignation Date to become fully vested as of the Resignation Date; and

(e) The period during which Executive may exercise any outstanding options to purchase common stock of Holdings that are held by Executive and that are vested as of the Resignation Date to be extended to March 8, 2019 (but in no event shall the period extend beyond the original expiry date of such options or ten (10) years from the original date of grant, whichever is earlier).

Subject to the last paragraph of this Section 4, all other aspects of Executive’s restricted stock or stock option grants shall be governed by the Plan and the applicable Grant Notice.

**4.2** Subject to the Executive’s execution of the Amendment (as described in Section 5 below), the Company will, following the Executive’s timely election, provide the Executive with continued coverage for the period from the Resignation Date through March 8, 2019 under the Company’s group health insurance plans (exclusive of the Exec-U-Care plan) in accordance with the provisions of Title X of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended and any state law equivalent (“ **COBRA** ”), at no cost to the Executive. Notwithstanding the preceding sentence, if the Company determines, in its sole discretion, that the payment of the COBRA premiums would result in a violation of the nondiscrimination rules of Section 105(h)(2) of the Internal Revenue Code of 1986, as amended, or any statute or regulation of similar effect (including but not limited to the 2010 Patient Protection and Affordable Care Act, as amended by the 2010 Health Care and Education Reconciliation Act), then in lieu of providing the COBRA premiums, the Company, in its sole discretion, may elect to instead pay the Executive on the first day of each month of such applicable salary continuation period, a fully taxable cash payment equal to the COBRA premiums for that month, subject to applicable withholdings and deductions, and Executive may, but is not obligated to, use such payments toward the cost of COBRA premiums.



**4.3** The Company shall pay to the Executive a lump sum payment on March 8, 2019 in the amount of \$33,000 (less standard deductions and withholdings) as reimbursement for moving expenses incurred by Executive if, by such date, Executive has relocated her principal place of residence at least one-hundred (100) miles from the Las Vegas, Nevada metropolitan area.

The Executive acknowledges and agrees that the Executive is not otherwise entitled to the foregoing compensation described in this Section 4 and that such compensation and the other matters provided herein are adequate legal consideration for the promises and representations made by the Executive in this Agreement. The Executive further acknowledges and agrees that, other than with respect to the options to purchase common stock of Holdings that vest in accordance with their terms on or prior to the Resignation Date as referenced in Section 3.3 and Section 3.4 above, and other than those options to purchase common stock of Holdings referenced in Section 4.1(a)-(d) above, any shares of restricted common stock of Holdings or any options to purchase common stock of Holdings held by the Executive that are not vested as of the Resignation Date shall be forfeited.

**5. Re-Affirmation.** The Executive understands that this Agreement is intended to be entered into immediately (subject to the twenty-one (21) day consideration period and seven (7) day revocation period described in Section 10 below), and that the amendment attached hereto as Exhibit A (the “*Amendment*”) is intended to be entered into on the Resignation Date. The Executive agrees to execute the attached Amendment to this Agreement on the Resignation Date in order to extend and reaffirm the promises and covenants made by her in this Agreement, including, but not limited to, the general release of all claims. If the Executive fails to execute the Amendment to this Agreement within five (5) days after the Resignation Date, or effectively revokes the acceptance of the Amendment, the Company shall not be obligated to make, or continue, the payments or provide the benefits described in Section 2, Section 3.3, Section 4.1, Section 4.2, and Section 4.3 above.

## **6. General Release.**

**6.1** The Executive knowingly and voluntarily releases and forever discharges the Company, and any parent or subsidiary corporations, divisions or affiliated corporations, partnerships or other affiliated entities of the foregoing, past and present, as well as their respective employees, officers, attorneys, directors, shareholders, agents, successors and assigns individually and in their business capacity (collectively, “*Released Parties*”), of and from any and all claims, known and unknown, asserted or unasserted, which the Executive has or may have against any Released Parties as of the Effective Date, including, but not limited to, any alleged violation of:

- Title VII of the Civil Rights Act of 1964;
- Sections 1981 through 1988 of Title 42 of the United States Code;
- The Executive Retirement Income Security Act of 1974 ("ERISA") (as modified below);

- The Immigration Reform and Control Act;
- The Americans with Disabilities Act of 1990;
- The Age Discrimination in Employment Act of 1967 (“ADEA”);
- The Worker Adjustment and Retraining Notification Act;
- The Fair Credit Reporting Act;
- The Family and Medical Leave Act;
- The Equal Pay Act;
- The Genetic Information Nondiscrimination Act of 2008;
- Chapter 613 of the Nevada Revised Statutes including the Nevada Equal Opportunities for Employment Law – Nev. Rev. Stat. § 613.310 et seq;
- Nevada Equal Pay Law – Nev. Rev. Stat. § 608.017;
- Nevada School Visitation Law – Nev. Rev. Stat. § 392.920;
- Nevada Wage Payment and Work Hour Law – Nev. Rev. Stat. § 608 et seq;
- Nevada Occupational Safety & Health Act – Nev. Rev. Stat. § 618 et seq
- any other federal, state or local law, rule, regulation, or ordinance;
- any public policy, contract, tort, or common law; and
- any basis for recovering costs, fees, or other expenses including attorneys' fees incurred in these matters.

**6.2** This release is intended to have the broadest possible application and includes, but is not limited to, any tort, contract, common law, constitutional or other statutory claims and all claims for attorneys’ fees, costs and expenses.

**6.3** The Executive expressly waives the Executive’s right to recovery of any type, including damages or reinstatement, in any administrative or court action, whether state or federal, and whether brought by the Executive or on the Executive’s behalf, related in any way to the matters released herein. The Executive further, waives any right or ability to be a class or collective action representative or to otherwise participate in any putative or certified class, collective or multi-party action or proceeding based on such a claim in which the Company or any other Released Party identified in this Agreement is a party.

**6.4** The parties acknowledge that this general release is not intended to bar any claims that, by statute, may not be waived, such as Executive 's right to file a charge with the National Labor Relations Board or Equal Employment Opportunity Commission and other similar government agencies, and claims for statutory indemnity, workers' compensation benefits or unemployment insurance benefits, as applicable, and any challenge to the validity of Executive 's release of claims under the Age Discrimination in Employment Act of 1967, as amended, as set forth in this Agreement. This general release also does not bar claims or causes of action related to (i) defamation, libel or invasion of privacy ; (ii) enforcement of this Agreement, (iii) vested employee benefits; and (iv) continued indemnification and coverage under the Company's directors and officers liability policy .

**6.5** The Executive acknowledges that the Executive may discover facts or law different from, or in addition to, the facts or law that the Executive knows or believes to be true with respect to the claims released in this Agreement and agrees, nonetheless, that this Agreement and the release contained in it shall be and remain effective in all respects notwithstanding such different or additional facts or the discovery of them.

**6.6** The Executive declares and represents that the Executive intends this Agreement to be complete and not subject to any claim of mistake, and that the release herein expresses a full and complete release and the Executive intends the release herein to be final and complete. The Executive executes this release with the full knowledge that this release covers all possible claims against the Released Parties, to the fullest extent permitted by law.

**7. Representations Concerning Filing of Legal Actions** . The Executive represents that, as of the Effective Date, the Executive has not filed any lawsuits, charges, complaints, petitions, claims or other accusatory pleadings against the Company or any of the other Released Parties in any court or with any governmental agency related to the matters released in this Agreement.

**8. Nondisparagement** . The Executive agrees that the Executive shall not make any voluntary statements, written or oral, or cause or encourage others to make any such statements that defame, disparage or in any way criticize the personal and/or business reputations, practices or conduct of Company or any of the other Released Parties. The Company agrees that it shall instruct its officers and directors to not make any voluntary statements, written or oral, or cause or encourage others to make any such statements that defame, disparage or in any way criticize the personal and/or business reputations, practices or conduct of the Executive. Nothing in this provision shall be construed to require a party to testify dishonestly if such party is compelled by operation of law to provide sworn testimony about any other party hereto, to refrain from participating or cooperating in a governmental investigation, or to refrain from seeking to enforce the terms of this Agreement.

**9. No Admissions** . By entering into this Agreement, the Company makes no admission that it has engaged, or is now engaging, in any unlawful conduct. The parties understand and acknowledge that this Agreement is not an admission of liability and shall not be used or construed as such in any legal or administrative proceeding.

**10. Older Workers' Benefit Protection Act.** This Agreement is intended to satisfy the requirements of the Older Workers' Benefit Protection Act, 29 U.S.C. sec. 626(f). Employee is advised to consult with an attorney before signing this Agreement. .

**10.1** The Executive acknowledges and agrees that (a) the Executive has read and understands the terms of this Agreement; (b) the Executive has been advised in writing to consult with an attorney before executing this Agreement; (c) the Executive has obtained and considered the advice of such legal counsel as Executive deems necessary; (d) the Executive has been given twenty-one (21) days to consider whether or not to enter into this Agreement (although Executive may elect not to use the full twenty-one (21) day period at the Executive's option); and (e) by signing this Agreement, the Executive acknowledges that the Executive does so freely, knowingly, and voluntarily.

**10.2** This Agreement shall not become effective or enforceable until the eighth (8th) day after Executive signs this Agreement. In other words, Executive may revoke Executive's acceptance of this Agreement within seven (7) days after the date Executive signs it. Employee's revocation must be in writing and received by Randy L. Taylor, Executive Vice President and Chief Financial Officer, Everi Holdings Inc., 7250 South Tenaya Way, Suite 100, Las Vegas, Nevada 89113 on or before the seventh (7<sup>th</sup>) day in order to be effective. If the Executive does not revoke acceptance within such seven (7) day period, the Executive's acceptance of this Agreement shall become binding and enforceable on the eighth (8th) day after the date the Executive signs it (" *Effective Date* ").

**10.3** This Agreement does not waive or release any rights or claims that Executive may have under the Age Discrimination in Employment Act that arise after the execution of this Agreement. In addition, this Agreement does not prohibit Executive from challenging the validity of this Agreement's waiver and release of claims under the Age Discrimination in Employment Act.

**11. Severability.** In the event that any provision or part of any provision of this Agreement should be held to be invalid or for any reason unenforceable, the remaining portions of this Agreement shall remain in full force and effect unless, as a result of the unenforceability of a provision or part of a provision, the fundamental purpose of this Agreement is thwarted.

**12. Full Defense.** This Agreement may be pled as a full and complete defense to, and may be used as a basis for an injunction against, any action, suit or other proceeding that may be prosecuted, instituted or attempted by the Executive in breach hereof. The Executive agrees that in the event an action or proceeding is instituted by the Company or any of the Released Parties in order to enforce the terms or provisions of this Agreement, the Company, or the Released Parties, as applicable, shall be entitled to an award of reasonable costs and attorneys' fees incurred in connection with enforcing this Agreement, to the fullest extent permitted by law.

**13. Affirmation.** The Executive affirms that the Executive has been paid all compensation, wages, bonuses, and commissions due to her as of the Effective Date, and has been provided all leaves (paid or unpaid) and benefits to which the Executive may be entitled.

**14. Taxes** . Executive agrees and understands that Executive is responsible for payment, if any, of personal local, personal state, and/or personal federal taxes on the payments and any other consideration provided hereunder by the Company and any penalties or assessments thereon. In no event will the Company reimburse Executive for any taxes that may be imposed on Employee as a result of Section 409A of the Code .

**15. Applicable Law** . The validity, interpretation and performance of this Agreement shall be construed and interpreted according to the laws of the United States of America and the State of Nevada.

**16. Counterparts** . This Agreement may be signed in separate counterparts, each of which is deemed to be an original and all of which taken together constitute one and the same agreement. Delivery of a copy of this Agreement bearing an original signature by facsimile transmission or e-mail in PDF format shall have the same effect as physical delivery of the document bearing the original signature.

**17. Entire Agreement; Modification** . Subject to the continued effectiveness of the Employment Agreement through the Resignation Date, this Agreement, including the surviving provisions of the Employment Agreement and Employee Proprietary and Inventions Agreement previously executed by the Executive, is intended to be the entire agreement between the parties, and supersedes and cancels any and all other and prior agreements, written or oral, between the parties regarding this subject matter. This Agreement may be amended only by a written instrument executed by all parties hereto.

**18. No Effect on Other Obligations** . This Agreement does not eliminate or change any obligations the Executive may have that are unrelated to the subject matters of this Agreement.

**19. Headings** . Headings used in this Agreement, as designated by bold typeface, are for convenience only and shall not be used to interpret or construe this Agreement's provisions.

**20. Fees and Costs** . The parties shall each bear their own costs, expert fees, attorneys' fees, and other fees incurred in connection with the execution of this Agreement.

THE PARTIES TO THIS AGREEMENT HAVE READ THE FOREGOING AGREEMENT AND FULLY UNDERSTAND EACH AND EVERY PROVISION CONTAINED HEREIN. WHEREFORE, THE PARTIES HAVE EXECUTED THIS AGREEMENT ON THE DATES SHOWN BELOW.

**EXECUTIVE**

Dated: October 25, 2017

/s/ Juliet A. Lim  
\_\_\_\_\_  
Juliet A. Lim

**EVERI PAYMENTS INC.**

Dated: October 25, 2017

By: /s/ Randy L. Taylor  
\_\_\_\_\_  
Name: Randy L. Taylor  
Title: Executive Vice President and Chief Financial Officer

**AMENDMENT TO TRANSITION AND RESIGNATION AGREEMENT AND  
GENERAL RELEASE OF ALL CLAIMS**

This Amendment to the Transition and Resignation Agreement and General Release of All Claims (the “*Amendment*”) is made by and between Everi Payments Inc., a Delaware corporation (the “*Company*”) and a wholly owned subsidiary of Everi Holdings Inc., a Delaware corporation (“*Holdings*”), and Juliet A. Lim (“*Executive*”), and amends the Transition and Resignation Agreement and General Release of All Claims, dated as of October 25, 2017, among those same parties (the “*Agreement*”) by extending the promises and agreements of each and every section and subsection of that Agreement (except those portions of Section 10 and its subparts which specifically refer to the acknowledgements, consideration and revocation periods, effective date and preserved rights of the Executive relating to the Agreement), through the last day of the Executive's employment, March 8, 2018 (the “*Resignation Date*”).

**1. Resignation.** The Executive voluntarily resigned her employment with the Company effective as of the Resignation Date.

**2. Older Workers' Benefit Protection Act.** This Amendment is intended to satisfy the Older Workers' Benefit Protection Act, 29 U.S.C. Section 626(f).

**a. Acknowledgment/Time to Consider.** The Executive acknowledges and agrees that (a) she has read and understands the terms of this Amendment; (b) she has been advised to consult with an attorney; (c) she has obtained and considered the advice of such legal counsel as she deems necessary; (d) she has been given twenty-one (21) days prior to the Resignation Date to consider whether or not to sign this Amendment; (e) this Amendment is to be signed within five (5) days after the Resignation Date, and (f) by signing this Amendment, the Executive acknowledges that she does so freely, knowingly, and voluntarily.

**b. Revocation/Effective Date.** This Amendment shall not become effective or enforceable until the eighth (8th) day after Executive signs this Amendment (and such signing shall not occur prior to the Resignation Date). In other words, Executive must sign this Amendment within five (5) days after the Resignation Date, and she then has the option to revoke her acceptance of this Amendment within seven (7) days after she signs it. The Executive's revocation must be in writing and received by Randy L. Taylor, Executive Vice President and Chief Financial Officer of the Company, on or before the seventh (7th) day after it is signed to be effective. If Executive does not revoke her acceptance on or before that date, her acceptance of this Amendment shall become binding and enforceable on the eighth (8th) day and the compensation described in Section 2, Section 3.3, Section 4.1, Section 4.2, and Section 4.3 of the Agreement to which this Amendment is an amendment shall then become due and payable, or shall continue to be paid, as stated therein.

**c. Preserved Rights of Executive.** This Amendment does not waive or release any rights or claims that the Executive may have under the Age Discrimination in Employment Act that arise after the execution of this Amendment. In addition, this Amendment does not prohibit

Executive from challenging the validity of the waiver and release of claims under the Age Discrimination in Employment Act.

**3. Affirmations**. The Executive affirms that other than the compensation referenced in Section 2 and Section 3.2 of the Agreement, the Executive has been paid all compensation, wages, bonuses, and commissions due to her, and has been provided all leaves (paid or unpaid) and benefits to which the Executive may be entitled.

**4. Confidentiality and Return of Company Property**. By signing this Amendment, the Executive represents and warrants that the Executive has returned to the Company all Company property, data and information belonging to the Company and agrees that the Executive shall not use or disclose to others any confidential or proprietary information of the Company or the Released Parties. In addition, except as may be required to be disclosed by the Company in accordance with applicable law, the Executive agrees to keep the terms of the Agreement and this Amendment confidential between the Executive and the Company, except that Executive may tell the Executive's immediate family and attorney or accountant, if any, as needed, but in no event should the Executive discuss the Agreement, this Amendment or their respective terms with any current or prospective employee of the Company.

**5. Subpoena or Other Legal Order**. If the Executive receives a subpoena or other legal order requiring the Executive to provide information or testimony (or is otherwise required to provide information or testimony) that the Executive reasonably anticipates shall involve any of the Released Parties, the Executive shall provide the Company with a copy of the subpoena or other legal order (or, in the absence of such a subpoena or other legal order, other written notice of the event) at least thirty (30) days (or as many days as possible) prior to the date on which the Executive anticipates being required to provide information or testimony.

**6. Counterparts**. This Agreement may be signed in separate counterparts, each of which is deemed to be an original and all of which taken together constitute one and the same agreement. Delivery of a copy of this Agreement bearing an original signature by facsimile transmission or e-mail in PDF format shall have the same effect as physical delivery of the document bearing the original signature.

**7. No Further Amendments**. Except as amended herein by this Amendment, the Agreement shall remain in full force and effect in accordance with its terms.



THE PARTIES TO THIS AMENDMENT HAVE READ THE FOREGOING AMENDMENT AND FULLY UNDERSTAND EACH AND EVERY PROVISION CONTAINED HEREIN. WHEREFORE, THE PARTIES HAVE FREELY AND VOLUNTARILY EXECUTED THIS AMENDMENT ON THE DATES SHOWN BELOW.

**EXECUTIVE**

Dated: March \_\_, 2018

\_\_\_\_\_  
Juliet A. Lim

**EVERI PAYMENTS INC**

Dated: March \_\_, 2018

By: \_\_\_\_\_

Name: Randy L. Taylor

Title: Executive Vice President and Chief Financial Officer

**EVERI HOLDINGS INC.**  
**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO EXCHANGE ACT RULE 13a-14(a)/15d-14(a)**  
**AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Michael D. Rumbolz, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Everi Holdings 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 third 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.

Dated: November 7, 2017

By: /s/ Michael D. Rumbolz  
Michael D. Rumbolz  
President and Chief Executive Officer

**EVERI HOLDINGS INC.**  
**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO EXCHANGE ACT RULE 13a-14(a)/15d-14(a)**  
**AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Randy L. Taylor, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Everi Holdings 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 third 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.

Dated: November 7, 2017

By: /s/ Randy L. Taylor  
Randy L. Taylor  
Chief Financial Officer

**EVERI HOLDINGS INC.**  
**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350**  
**AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the periodic report of Everi Holdings Inc. (the "Company") on Form 10-Q for the period ended September 30, 2017 as filed with the Securities and Exchange Commission (the "Report"), I, Michael D. Rumbolz, President and Chief Executive Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my 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 at the dates and for the periods indicated.

This Certification has not been, and shall not be deemed, "filed" with the Securities and Exchange Commission.

Dated: November 7, 2017

By: /s/ Michael D. Rumbolz  
Michael D. Rumbolz  
President and Chief Executive Officer

**EVERI HOLDINGS INC.**  
**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350**  
**AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the periodic report of Everi Holdings Inc. (the "Company") on Form 10-Q for the period ended September 30, 2017 as filed with the Securities and Exchange Commission (the "Report"), I, Randy L. Taylor, Chief Financial Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my 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 at the dates and for the periods indicated.

This Certification has not been, and shall not be deemed, "filed" with the Securities and Exchange Commission.

Dated: November 7, 2017

By: /s/ Randy L. Taylor  
Randy L. Taylor  
Chief Financial Officer