

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

(Mark One)

- ☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2020
OR
☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____
Commission file number: 001-32622

EVERI HOLDINGS INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)
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)

(800) 833-7110

(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

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

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

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

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

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

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. Yes ☒ No ☐

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

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

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

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the registrant's Definitive Proxy Statement for its 2021 Annual Meeting of Stockholders (which is expected to be filed with the Securities and Exchange Commission within 120 days after the end of the registrant's 2020 fiscal year) are incorporated by reference into Part III of this Annual Report on Form 10-K. Except as expressly incorporated by reference, the registrant's Proxy Statement shall not be deemed to be a part of this Annual Report on Form 10-K.

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

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

CAUTIONARY INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

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

This Annual Report on Form 10-K (“Annual Report”) contains “forward-looking” statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and the Private Securities Litigation Reform Act of 1995, as do other materials or oral statements we release to the public. Forward-looking statements are neither historical facts nor assurances of future performance, but instead are based only on our current beliefs, expectations, and assumptions regarding the future of our business, plans and strategies, projections, anticipated events and trends, the economy, and other future conditions, as of the date on which this report is filed. Forward-looking statements often, but do not always, contain words such as “expect,” “anticipate,” “aim to,” “designed to,” “intend,” “plan,” “believe,” “goal,” “target,” “future,” “estimate,” “seek,” “project,” “may,” “can,” “could,” “should” or “will” and other words and terms of similar meaning.

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

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

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

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

- changes in global market, business, and regulatory conditions arising as a result of the COVID-19 global pandemic;
- national and international economic and industry conditions;
- our ability to generate sufficient cash to service all of our indebtedness, fund working capital, and capital expenditures;
- our ability to withstand unanticipated impacts of a pandemic outbreak of uncertain duration;
- our ability to successfully introduce new products and services, including third-party licensed content;
- changes in gaming and financial regulatory and legal, card association, and statutory requirements;
- unanticipated expenses or capital needs;
- technological obsolescence and our ability to adapt to evolving technologies;
- our ability to comply with our debt covenants and service outstanding debt;
- our ability to comply with regulatory requirements under the Payment Card Industry (“PCI”) Data Security Standards and maintain our certified status; and
- those other risks and uncertainties discussed in [“Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations”](#) and [“Item 1A. Risk Factors”](#) of this Annual Report.

We undertake no obligation to update or publicly revise any forward-looking statements as a result of new information, future developments or otherwise. All subsequent written or oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by this section. You are advised, however, to consult any further disclosures we make on related subjects in our reports and other filings with the Securities and Exchange Commission (the “SEC”).

PART I

Item 1. Business.

Overview

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

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

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

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

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

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

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

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

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

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

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

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

Our Products and Services

Everi Games

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

Gaming Operations

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

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

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

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

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

Gaming Equipment and Systems

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

Gaming Other

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

Games Products

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

Classic Mechanical Reel Games. Our full range of classic mechanical reel games provides players with a traditional, high denomination slot gaming experience. These games leverage our long-standing experience in building enduring brands, such as *Black Diamond*® and *Wild Wild Gems*®, and feature a unique perspective on traditional slot games with eye-catching features, such as *Cash Machine*™, a three-reel, one-line mechanical slot game that offers “win what you see” gameplay. Our premium mechanical linked products include both original and licensed game themes such as *Zoltar 5X Pay*™ and *Zoltar Triple Jackpot*™. Our premium linked products include merchandising options for casino operators that can include overhead signs, backlit plexiglass, pod-fillers, wedge kits, and more. Our mechanical reel games are consistently ranked among the best-performing units in industry reports.

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

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

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

Everi FinTech

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

Cash Access Services

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

ATM Cash Withdrawals. ATM cash withdrawal transactions represent the largest category of electronic payment transactions that we process, as measured by dollars processed and transaction volume. In an ATM cash withdrawal transaction, a patron directly accesses funds from either a standalone ATM or a device enabled with our ATM service by using a debit card to withdraw funds from the patron's demand deposit account, or using a credit card to access the patron's line of credit. In either event, the patron must use the personal identification number ("PIN") associated with such card. Our processor then routes the transaction request through an electronic funds transfer ("EFT") network to the patron's bank or card issuer, as applicable.

Depending on several factors, including the patron's account balance or credit limit and daily withdrawal limit (which limits are set by the card issuer), the card issuer will either authorize or decline the transaction. If the transaction is authorized, then the ATM-enabled device dispenses the cash to the patron. For a transaction using a debit card, the patron's demand deposit account is debited by the amount of cash disbursed plus a service fee that we assess the patron for the use of the ATM service. For a transaction using a credit card with a PIN, the patron's credit card account is charged by the amount of the cash disbursed plus service fees assessed by the card issuer and by the Company for the use of the ATM service. In both cases, our service fee is currently a fixed dollar amount and not a percentage of the transaction size. We also receive a fee from the card issuer, which we refer to as interchange reimbursement fee, for accommodating the card issuer's customer (the patron). In most circumstances, we pay a percentage of the service fee received from the patron and, in many circumstances, a portion of the reverse interchange fees received from the card issuer, as a commission to our gaming establishment customers for the right to operate on their premises.

Credit Card Cash Access Transactions and POS Debit Card Cash Access Transactions. Patrons can perform credit card cash access transactions and POS debit card cash access transactions using many of our enabled devices. A patron's credit card cash access limit is usually a sub-limit of the total credit line and is set by the card issuer, not Everi FinTech. These limits vary significantly and can be larger or smaller than the POS debit cash access limit. A credit card cash access transaction obligates the patron to repay the card issuer over time on terms that are preset by the cardholder agreement. A patron's POS debit card allows the patron to make cash withdrawals at the POS-enabled device in an amount equal to the lesser of the amount of funds in the account, or a daily limit that is generally five to ten times as large as the patron's daily ATM limit.

When a patron requests either a credit card or POS debit card cash access transaction, our processor routes the transaction request through one of the card associations, or EFT networks, to the card issuer. Depending upon several factors, such as the available credit or bank account balance, the transaction is either authorized or declined by the card issuer. If authorized, the patron's bank account is debited or the patron's credit card balance is increased, in both cases, by an amount equal to the funds requested plus our service fee. Our service fee is a fixed dollar amount, a percentage of the transaction size, or a combination of a fixed dollar amount and percentage of the transaction size. If the transaction is authorized, the device informs the patron that the transaction has been approved. The device then further instructs the patron to proceed to the gaming establishment's cashier cage ("financial services center"), to complete the transaction, because both credit card and POS debit card cash access transactions must, in most circumstances, be completed in a face-to-face environment and a unique signature received in order to comply with rules of the card associations. We receive the transaction amount and the service fee from the card issuer, and we reimburse the gaming establishment for the cash amount that it provided to the patron, and in addition, will pay the gaming establishment a portion of the service fee we collected as a commission for the right to operate on its premises. We are also obligated to pay interchange fees to the card issuer and processing costs related to the electronic payment transaction to card associations.

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

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

On our behalf, our third-party provider charges our customers a fee for the check warranty services, which is typically a percentage of the face amount of the check being warranted. In such circumstances, we receive the check warranty revenue associated with the fees we charge our customers for the initial check warranty services. We are exposed to risk for the losses associated with warranted checks that cannot be collected from patrons issuing the items. Warranty expenses are defined as any amounts paid by the third-party provider to gaming establishments to purchase dishonored checks that will not be collectible from patrons. We also pay certain fees and operating expenses to our third-party provider in connection with the provision of such services.

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

Equipment

Fully Integrated Kiosks are a complete line of products that provide multiple functions to gaming operators on their casino floors. This includes cash access functionality that enables ATM cash withdrawals, POS debit card and credit card cash access transactions directly or by using our patented "Seamless Transition" technology, which is the Europay, MasterCard, and Visa global standard for cards equipped with security chip technology ("EMV") corollary of our 3-in-1 Rollover functionality. The kiosks also provide functionality to perform check cashing transactions, slot machine ticket redemption, bill breaking, slot ticket purchase from a debit card, and loyalty program access, as well as integration with mobile and wallet technology. The availability of our cash access platform on these slot ticket redemption devices provides us with additional points of contact with gaming patrons at locations that are typically closer to gaming devices than traditional cash access devices that are generally located on the periphery of the gaming area and also provides gaming patrons with more opportunities to access their cash with less cashier involvement.

Other Integrated Kiosk Solutions provide casinos with more efficient and streamlined methods for cash handling and transaction processing. These products are designed to be integrated with our cash access products and cage compliance software ensuring compliance with anti-money laundering regulations, and provide an automated way to process common tax forms, such as the Internal Revenue Service Form W-2G or Form 1042-S. In addition, we offer equipment in the form of standalone, non-ATM terminals that perform authorizations for credit card cash access and POS debit card cash access transactions. Our kiosk solutions include the following products:

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

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

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

Information Services and Other

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

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

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

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

Central Credit is our gaming patron credit bureau service which, on a subscription basis, allows gaming establishments to improve their credit-granting decisions by obtaining access to a database containing credit information and transaction data on millions of gaming patrons. Our gaming credit reports comprise information recorded from patron credit histories at hundreds of gaming establishments. We provide such information to gaming establishments that subscribe to the service. These establishments then use that data, among other things, to determine how much credit, if any, they will grant to a gaming patron. We typically charge our customers for access to gaming patron credit reports on a monthly basis and our fees are generally comprised of a fixed minimum amount plus per-transaction charges for certain requests.

Other marketing solutions include database services that allow gaming establishments access to information from our proprietary patron transaction database for purposes of player acquisition, direct marketing, market share analysis, and a variety of other patron promotional uses. Our proprietary patron transaction database includes information that is captured from transactions we process. Patrons may “opt out” of having their names included in such marketing services.

Sales

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

In our Games and FinTech businesses, we sell and market our products and services primarily through the use of a direct sales force, which targets regulated gaming establishments in the United States, Canada, and in certain international markets. Our sales and marketing efforts are directed by a team of customer service executives, each of whom has business development responsibility for gaming establishments in specified geographic regions. These customer service executives direct their efforts at various gaming establishment personnel, including: senior executives, finance professionals, marketing staff, slot directors, and cashiers, and seek to educate them on the benefits of our products and services. In some cases, our customer service executives are supported by field service and customer engagement teams, who provide on-site customer service. In other cases, our sales executives directly maintain the customer relationships. These customer service executives and field service and customer engagement teams generally reside in the vicinity of the specific gaming establishments they support to provide a prompt response to the needs of those gaming establishments. In some situations, we also have joint sales efforts with a number of strategic partners, including independent sales organizations, which allow us to market our products and services to gaming establishments through channels other than our direct sales force.

Markets

Development Activities

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

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

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

We believe our ability to deliver differentiated, appealing products and services to the marketplace is based on our research and development investments, and we expect to continue to make such investments in the future. Research and development costs consist primarily of salaries and benefits, consulting fees, certification and testing fees. Once the technological feasibility has been established, the project is capitalized until it becomes available for general release.

Competitive Conditions

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

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

Resources

Manufacturing

We have assembly facilities in Austin, Texas and Las Vegas, Nevada, where we assemble gaming machines and kiosk products, which comprise a variety of components, including cabinet hardware, computer assemblies, LCD screens, printers, bill validators and acceptors, power transformer and wiring harnesses. We believe that our sources of supply of component parts and raw materials for our products are generally adequate and we have few sole-sourced parts. We utilize contract manufacturers to produce the cabinet hardware that make up our gaming machines, kiosk products, and certain other sub-assemblies.

Intellectual Property

We believe the ability to introduce and respond to technological innovation in the gaming industry will be an increasingly important qualification for the future success of any provider of cash access and gaming-related products and services. Our continued competitiveness will depend on: (i) the pace of our new product development; (ii) our patent, copyright, trademark, and trade secret protection; and (iii) our relationships with customers. Our business development personnel work with gaming establishments, our technology and other strategic partners, and the suppliers of the financial services upon which our cash access services rely, to design and develop innovative products and services that appeal to gaming patrons.

We rely on a combination of patents, trademarks, copyrights, trade secrets, and contractual restrictions to protect our intellectual property. The expiration dates of these patents vary and are based on their filing and issuances dates. We intend to continue to actively file for patent protection, when such filings are commercially reasonable, within and outside the United States. We also seek trademark protection for our names and products and have registered hundreds of trademarks in the United States and various foreign countries. Under permission or license agreements with third parties, we also sell gaming products covered by independently filed copyrights, trademarks, or patents. Typically, these contracts require us to pay royalties to the licensing party. Royalty expenses are included in the cost of gaming and systems in our Financial Statements included elsewhere in this Annual Report on Form 10-K. In addition to our patents, trademarks, and copyrights, we also rely on a broader scope of intellectual property including trade secrets, in-house know-how, and innovation.

Human Capital

Composition of our workforce

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

Culture of our workplace

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

Diversity and Inclusion of our workforce

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

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

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

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

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

Employee Engagement

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

Employee Development

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

Employee Health and Safety

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

Seasonality

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

Government Regulation

General

We believe that we are in substantial compliance with the material gaming and financial institution laws applicable to our business. We have a diligent internal compliance program governing our business activities, as well as legal requirements generally applicable to publicly traded companies. The compliance program is directed on a day-to-day basis by our Chief Legal Officer, who also serves as Chief Compliance Officer. Legal advice is provided by attorneys from the Company's legal department and outside experts. The compliance program is overseen by the Corporate Compliance Committee, which includes a gaming law expert as an independent member. While complying with these regulations can require significant time and resources, we do not believe it results in costs that materially impact our earnings. Despite our compliance efforts, we can give no assurance, however, that our business activities or the activities of our customers in the gaming industry will not be subject to any regulatory or legal enforcement proceedings in the future.

Gaming Regulation

The gaming industry is highly regulated under legal systems that frequently evolve and change based on governmental public policies. Various aspects of our business are subject to comprehensive laws, regulations, and ordinances applicable to the ownership, management, and operation of gambling establishments as well as certain financial services conducted at such establishments. The stated policies and other purposes behind such laws, regulations, and ordinances are generally to: (i) secure the public's trust and confidence in legalized gambling through a system of mandated regulation, internal controls, accounting practices, and operating procedures; and (ii) promote economic activity for the state, county, and local governments through revenue opportunities emanating from taxes, licensing fees, and other economic benefits arising out of gambling and related activities.

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

Gaming Authorities. We are regulated by various city, county, state, provincial, federal, tribal, and foreign government agencies (collectively, "Gaming Authorities") in the jurisdictions where we conduct business as either a: (i) manufacturer of gaming devices, in those jurisdictions where we manufacture gaming devices and systems; (ii) supplier of "associated equipment," in those jurisdictions where we sell and service fully integrated kiosks and other integrated kiosk solutions; and (iii) non-gaming supplier or vendor, in those jurisdictions where we provide cash access and Central Credit services only. We must maintain those licenses, registrations, or other approvals in good standing to continue our business. Gaming Authorities have broad discretion in determining whether to grant a license, registration, or other approval. Subject to complying with certain procedural requirements, Gaming Authorities may deny any application, or limit, condition, restrict, revoke or suspend any license, registration, finding of suitability, qualification, or other approval for any cause deemed reasonable to them.

Approvals, Licensing, and Suitability

The process of obtaining necessary licenses, registrations, or other approvals often involves substantial disclosure of confidential or proprietary information about us and our officers, directors, key personnel and, in certain instances, beneficial owners of our debt or equity securities, and requires a determination by the regulators as to our suitability as a manufacturer, supplier, or vendor to gaming establishments. Gaming regulatory authorities have broad discretion and may require any beneficial holder of our securities, regardless of the number of shares of common stock or amount of debt securities owned, to file an application, make personal or confidential disclosures, be investigated, and be subject to a determination of suitability. Many jurisdictions require any person who acquires beneficial ownership of more than a certain percentage of voting securities of a gaming company and, in some jurisdictions, non-voting securities, typically 5%, to report the acquisition to Gaming Authorities, and Gaming Authorities may require such holders to apply for qualification or a finding of suitability, subject to limited exceptions for "institutional investors" that hold a company's voting securities for investment purposes only.

Product Approvals

Our gaming devices and certain other products and technologies must be certified or approved by Gaming Authorities in many jurisdictions where we conduct business. These Gaming Authorities test the gaming devices, systems, and related equipment directly or through an independent testing laboratory and may also require a field trial under the regulator's technical standards before allowing us to sell the product. Although we collaborate closely with the Gaming Authorities and independent testing laboratories, we cannot control whether our products will be approved or the length of time taken to review our products for sale to third parties. Moreover, there are no guarantees that we will be successful in obtaining and maintaining all necessary licenses, permits, and approvals; and to continue to hold other necessary gaming licenses, permits, and approvals to conduct our businesses either as currently being conducted by us or to expand our businesses.

Our Native American customers are regulated by the National Indian Gaming Commission ("NIGC"), which was established by the Indian Gaming Regulatory Act of 1988 ("IGRA"). The NIGC has regulatory authority over certain aspects of Native American gaming and defines the boundaries of our dealings with the Native American marketplace and the level of regulatory authority to which these games are subject. IGRA establishes three classes of gaming, each with a different regulatory framework:

Class	Type of Games	Regulatory Oversight
I	Social gaming for minimal prizes and traditional Native American gaming.	Exclusive regulation and oversight by tribal governments.
II	Bingo (both in traditional and electronic form).	Regulation by tribal governments with NIGC oversight.
III	Casino style games (including slot machines, blackjack, craps, and roulette).	Must be permitted by the state in which the tribe is located. The state and the tribe must have negotiated a compact approved by NIGC, and the tribe must have adopted a gaming ordinance approved by the NIGC.

We provide our gaming devices and systems in both Class II and Class III markets.

Class III gaming on Native American tribal lands is usually subject to the negotiation of a compact between the tribe and the proximate state attendant to where the tribe intends to operate a gaming facility. These tribal-state compacts typically include provisions entitling the state to receive significant sums of money in exchange for the tribe's operation of Class III gaming. While tribal-state compacts are intended to document the agreement between the state and a tribe, these tribal-state compacts can be subject to disputes relative to permitted Class III gaming operations.

The Johnson Act. The Johnson Act, as amended by the federal Gambling Devices Act of 1962 (the "Johnson Act"), requires that we register annually with the Criminal Division of the United States Department of Justice, and requires a wide variety of record keeping and equipment identification efforts on our part. Registration is required in order for us to sell, distribute, manufacture, transport, or receive gaming equipment, machines, or components across state lines. If we fail to comply with the requirements set forth under the Johnson Act, we could become subject to a variety of penalties, including, but not limited to, the seizure and forfeiture of equipment.

Internet and Online Gaming Regulation. Several states have passed legislation and regulations to allow certain intra-state, wager-based, online casino, or lottery games, such as online poker, online lottery, lottery ticket purchases, or lottery ticket subscriptions. To date, several states have authorized some form of Internet or online gaming or lottery activities. However, the legislative and regulatory framework governing these activities may continue to evolve in the future.

Financial Services Regulation

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

Durbin Amendment. Rules promulgated by the Board of Governors of the Federal Reserve System, required as part of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act"), including the so-called Durbin Amendment (the "Durbin Amendment"), establish, among other things, standards for assessing whether debit card interchange fees received by certain debit card issuers are reasonable and proportional to the costs incurred by issuers for electronic debit transactions. Debit card interchange fees are established by payment card networks and ultimately paid by merchants to debit card issuers for each debit transaction.

Anti-Money Laundering and Sanctions. The USA PATRIOT Act of 2001, other federal statutes, generally referred to as the Bank Secrecy Act, and implementing federal regulations require us to establish and maintain an anti-money laundering program. Our anti-money laundering program includes: internal policies, procedures, and controls designed to identify and report money laundering, a designated compliance officer, ongoing employee training programs, an independent audit function to test the program, and customer due diligence. In addition, the cash access services we provide are subject to record keeping and reporting obligations under the Bank Secrecy Act. Our gaming establishment customers are required to file a Suspicious Activity Report (“SAR”) with the U.S. Treasury Department’s Financial Crimes Enforcement Network to report any suspicious transactions relevant to a possible violation of law or regulation. We are also required to file a SAR where we provide our cash access services directly to patrons through financial services centers that we staff and operate. To be reportable, such a transaction must meet criteria that are designed to identify the hiding or disguising of funds derived from illegal activities. Our gaming establishment customers, in situations where our cash access services are provided through gaming establishment cashier personnel, and we, in situations where we provide our cash access services through a financial services center, are required to file a Currency Transaction Report (“CTR”) of each deposit, withdrawal, exchange of currency, or other payment or transfer by, through, or to us which involves a transaction in currency of more than \$10,000 in a single day. Our CashClub® product can assist in identifying transactions that give rise to reporting obligations.

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

Fund Transfers. Our POS debit card cash access transactions, credit card cash access transactions, and ATM services are subject to the Electronic Fund Transfer Act, which provides cardholders with rights with respect to electronic fund transfers, including the right to dispute unauthorized charges, charges that list the wrong date or amount, charges for goods and services that are not accepted or delivered as agreed, math errors, and charges for which a cardholder asks for an explanation or written proof of transaction along with a claimed error or request for clarification. We believe the necessary policies and procedures have been implemented throughout our organization in order to comply with the regulatory requirements for fund transfers.

State Money Transmission Laws. Many states where we complete credit card cash access and POS debit card cash access transactions or offer our online payment processing solution require us to have a money transmitter license. These state laws subject us to, among other requirements, examinations by state regulatory agencies, reporting requirements, net worth and bonding requirements, and consumer disclosure requirements.

Credit Reporting. Our Central Credit gaming patron credit bureau services and check verification and warranty services are subject to the Fair Credit Reporting Act (the “FCRA”) and the Fair and Accurate Credit Transactions Act of 2003 (the “FACTA”) and their implementing rules, which require consumer credit bureaus, such as Central Credit, to provide credit report information to businesses only for certain purposes and to otherwise safeguard credit report information, to disclose to consumers their credit report on request, and to permit consumers to dispute and correct inaccurate or incomplete information in their credit report. These laws and rules also govern the information that may be contained in a consumer credit report. We continue to implement policies and procedures as well as adapt our business practices in order to comply with these laws and regulations. In addition to federal regulations, our Central Credit gaming patron credit bureau services are subject to the state credit reporting regulations that impose similar requirements to the FCRA and the FACTA.

Debt Collection. We currently outsource most of our debt collection efforts to third parties. However, we do engage in debt collection to collect on chargebacks on our cash access products and unpaid balances for services performed for our check services, Central Credit services, compliance services, receivables relating to the sale and service of our fully integrated kiosks and other integrated kiosk solutions, and other amounts owing to us in connection with performing various services for our customers. All such collection practices may be subject to the Fair Debt Collection Practices Act (the “FDCPA”), which prohibits unfair, deceptive, or abusive debt collection practices, as well as consumer-debt-collection laws and regulations adopted by the various states.

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

Privacy Regulations. Our collection of information from patrons who use our financial products and services, such as our cash access services, are subject to the financial information privacy protection provisions of the Gramm-Leach-Bliley Act of 1999 (the “GLBA”) and its implementing federal regulations. We gather, as permitted by law, non-public, personally-identifiable financial information from patrons who use our cash access services, such as names, addresses, telephone numbers, bank and credit card account numbers, and transaction information. The GLBA requires us to safeguard and protect the privacy of such non-public personal information and also requires us to make disclosures to patrons regarding our privacy and information sharing policies and give patrons the opportunity to direct us not to disclose information about them to unaffiliated third parties in certain situations. We are also subject to state privacy regulations which, in some cases, may be even stricter than federal law, including without limitation, the California Consumer Privacy Act which became effective as of January 1, 2020. We continue to implement policies and programs as well as adapt our business practices in order to comply with federal and state privacy laws and regulations. In addition, we are subject to foreign data protection and privacy laws including, but not limited to, the European Union General Data Protection Regulation, which became effective in May 2018 and requires companies to meet certain requirements regarding data privacy and security.

ATM Operations. The Electronic Fund Transfer Act requires us to disclose certain notices regarding the fees that we charge for performing an ATM transaction as well as to incorporate such notices on the ATM screens to notify patrons of such fees prior to completing an ATM transaction. Our ATM services are also subject to applicable state banking regulations in each jurisdiction in which we operate ATMs which require, among other things, that we register with the state banking regulators as an operator of ATMs, that we provide gaming patrons with notices of the transaction fees assessed upon use of our ATMs, that our transaction fees do not exceed designated maximums, that we offer gaming patrons a means of resolving disputes with us, and that we comply with prescribed safety and security requirements. In addition, the ATMs we operate are subject to requirements of the Americans with Disabilities Act, which in general require that ATMs be accessible to individuals with disabilities, such as visually-impaired persons.

Check Cashing. In jurisdictions in which we provide check cashing services, we are required to be licensed by the applicable state banking regulator to operate as a check casher. Some states also impose restrictions on this activity, such as limits on the amounts of service fees that may be imposed on the cashing of certain types of checks, requirements as to records that must be kept with respect to dishonored checks, and requirements as to the contents of receipts that must be delivered to gaming patrons at the time a check is cashed.

Network and Card Association Regulations. In addition to the governmental regulation described above, some of our services are also subject to rules promulgated by various payment networks, EFT networks, and card associations. For example, we must comply with the Payment Card Industry (“PCI”) Data Security Standard. We have been designated as a compliant service provider under the PCI Data Security Standard. We must be certified to maintain our status as a compliant service provider on an annual basis.

EMV is designed to deter fraudulent card transactions related to identity theft, counterfeit cards, and the misuse of lost or stolen cards via enhanced card authentication, transaction authorization, and cardholder verification using chip-based smart-cards. EMV has been adopted in many regions of the world as the global standard for fraud deterrence in chip-based smart-card payments. In October 2015, the network and card associations began shifting liability for fraudulent POS and ATM transactions generated through EMV-capable cards onto merchants whose devices are not capable of processing chip-based smart-card EMV transactions. This shifts the responsibility for chargebacks due to fraudulent transactions on such cards from the card issuer onto the merchant.

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

International Regulation

We are also subject to a variety of gaming and financial services regulations and other laws, including the Foreign Corrupt Practices Act, in the international markets in which we operate. We expect to become subject to additional gaming and financial services regulations and other laws in the jurisdictions into which we expand our operations. Our expansion into new markets is dependent upon our ability to comply with the regulatory regimes adopted by such jurisdictions.

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

Available Information

Our principal executive offices are located at 7250 South Tenaya Way, Suite 100, Las Vegas, Nevada 89113. Our telephone number is (800) 833-7110. Our website address is www.everi.com. We make available, free of charge, on our website, our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after such reports are electronically filed with, or furnished to, the SEC. In addition, our earnings conference calls are webcast live via our website. The information on our website is not part of this Annual Report or our other filings with the SEC. In addition to visiting our website, you may read documents we file with the SEC at www.sec.gov.

Item 1A. Risk Factors.

The following section describes material risks and uncertainties that make an investment in our securities risky and may adversely affect our business, financial condition, results of operations, or the market price of our stock. These risk factors do not identify all risks that we face; our operations could also be affected by factors, events, or uncertainties that are not presently known to us or that we currently do not consider to present significant risks to our operations. This section should be read in conjunction with our Financial Statements and Results of Operations included elsewhere in this Annual Report on Form 10-K.

Risks Related to Our Business

Overall

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

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

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

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

If we are unable to develop and protect our intellectual property adequately or obtain intellectual property rights and agreements, we may lose valuable competitive advantages, be forced to incur costly litigation to protect our rights, or be restricted in our ability to provide various products in our markets.

Our success depends, in part, on developing and protecting our intellectual property. We rely on a combination of patents, trademarks, copyrights, trade secrets, and contractual restrictions to protect our intellectual property. We also rely on other confidentiality and contractual agreements and arrangements with our employees, affiliates, business partners, and customers to establish and protect our intellectual property and similar proprietary rights. We cannot assure you that we will be successful in protecting these rights and, despite our efforts, our trade secrets and proprietary know-how could become known to, or independently developed by, competitors through malfeasance by employees, contractors or other insiders who may have access to our intellectual property; industrial, corporate or other espionage events; unauthorized intrusions into our networks or those of our third-party vendors. Any litigation relating to the defense of our intellectual property, whether successful or unsuccessful, could result in substantial costs to us and potentially cause a diversion of our resources.

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

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

We rely on technology provided by third-party vendors, the loss of which could materially and adversely affect our business, increase our costs, and delay deployment or suspend development of our financial services products, gaming systems, and player terminals.

We have entered into license agreements with third parties for the exclusive use of their technology and intellectual property rights in the gaming industry, such as our license to use portions of the software infrastructure upon which our cash access systems operate, and we also rely on third-party manufacturers to manufacture our gaming devices, fully integrated kiosks, and other integrated kiosk solutions. We rely on these other parties to maintain and protect this technology and the related intellectual property rights. If our licensors fail to protect their intellectual property rights in material that we license and we are unable to protect such intellectual property rights, the value of our licenses may diminish significantly, and our business could be significantly harmed. In addition, if these agreements expire and we are unable to renew them, or if the manufacturers of this software or hardware, or functional equivalents of this software or hardware, were either no longer available to us or no longer offered to us on commercially reasonable terms, we may lose a valuable competitive advantage and our business could be harmed.

To the extent there are adverse conditions present, we may experience various difficulties, particularly with respect to international third-party suppliers of our components, that could cause significant production delays. If we are unable to obtain these components from our established third-party vendors, we could be required to either redesign our products to function with alternate third-party products or to develop or manufacture these components ourselves, which would result in increased costs and could result in delays in the deployment of our gaming systems and player terminals. Furthermore, we might be forced to limit the features available in our current or future offerings.

Our net operating losses and other tax credit carry-forwards are subject to limitations that could potentially reduce these tax assets.

As of December 31, 2020, we had tax effected federal and state net operating loss (“NOL”) carry-forwards of approximately \$95.2 million and \$14.8 million, respectively, and federal research and development credit carry-forwards of approximately \$12.4 million. The federal net operating losses can be carried forward and applied to offset taxable income for 20 years and will expire starting in 2025 (for losses incurred before 2018). Estimated federal losses incurred after 2017 of approximately \$20.0 million, tax effected, can be carried forward indefinitely to offset taxable income. The state net operating loss carry-forwards will expire between 2021 and 2040. The federal research and development credits are limited to a 20 year carry-forward period and will begin to expire in varying amounts in 2029, if not utilized.

Based on the weight of available evidence, including both positive and negative indicators, if it is more likely than not that a portion, or all, of the deferred tax assets will not be realized, we must consider recording a valuation allowance. Greater weight is given to evidence that is objectively verifiable, most notably historical results. We are in a cumulative loss position and we have increased our valuation allowance for deferred tax assets related to these NOL and other tax credit carry-forwards, excluding the federal NOLs incurred after 2017, by approximately \$17.2 million during 2020. Our ability to utilize the remaining NOL and other tax credit carry-forwards to reduce taxable income in future years may be further limited, including the possibility that projected future taxable income is insufficient to realize the benefit of these NOL carry-forwards prior to their expiration. To the extent our results of operations do not improve, we may not have the ability to overcome the more likely than not accounting standard that would allow us to reverse the valuation allowance and may be subject to record an additional valuation allowance in the future.

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

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

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

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

Our business is dependent upon consumer demand for gaming and overall economic trends specific to the gaming industry. Economic downturns or a decline in the popularity of gaming could reduce the number of patrons that use our products and services or the amounts of cash that they access using our services.

We provide our gaming-related and cash access products and services almost exclusively to regulated gaming establishments. As a result, our business depends on consumer demand for gaming. Gaming is a discretionary leisure activity, participation in which has in the past and may in the future decline during periods of (i) economic growth, due to changes in consumers’ spending preferences; (ii) economic downturns, due to decreases in our consumers’ disposable income or general tourism activities; and (iii) declining consumer confidence, due to general economic conditions, domestic- and geo-political concerns, or other factors. Gaming competes with other leisure activities as a form of consumer entertainment and may lose popularity as new leisure activities arise or as other leisure activities become more popular. In addition, gaming in traditional gaming establishments (to which we sell our products and services) competes

with Internet-based gaming. The popularity and acceptance of gaming is also influenced by the prevailing social mores and changes in social mores, including changes driven by social responsibility organizations that are dedicated to addressing problem gaming, which could result in reduced acceptance of gaming as a leisure activity or litigation or lobbying efforts focused on limiting gaming activities. To the extent that the popularity or availability of gaming in traditional gaming establishments declines as a result of any of these factors, the demand for our cash access and gaming-related products and services, or the willingness of our customers to spend new capital on acquiring gaming equipment or utilize revenue share agreements, may decline and our business may be harmed.

Games Business

Most of our leased gaming device contracts with our customers are short-term, and if we are unable to maintain our current customers on terms that are favorable to us, our business, financial condition, operations, or cash flows may suffer a material adverse effect.

Most of our leased gaming device contracts with our customers are generally short-term, except for customers with whom we have entered into development and placement fee agreements. We do not rely upon the stated term of our gaming device contracts to retain the business of our customers. We rely instead upon providing competitive player terminals, games, and systems to give our customers the incentive to continue doing business with us. At any point in time, a significant portion of our gaming device business is subject to non-renewal, which may materially and adversely affect our earnings, financial condition, and cash flows. To renew or extend any of our customer contracts, generally, we may be required to accept financial and other terms that are less favorable to us than the terms of the expired contracts. In addition, we may not succeed in renewing customer contracts when they expire. If we are required to agree to other less favorable terms to retain our customers or we are not able to renew our relationships with our customers upon the expiration of our contracts, our business, financial condition, operations, or cash flows could suffer a material adverse effect.

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

As of December 31, 2020, we operated more than 9,200 Class II gaming units under lease or daily fixed-fee arrangements to our customers. Customers who enter into compacts with state governments may desire to change from Class II gaming units to Class III gaming units, as Class III units generally perform better than Class II units. This may result in the loss of placements under lease or daily fixed-fee arrangements as customers purchase or lease Class III units from other equipment suppliers to replace our existing Class II units. If we are unable to replace these lost units with our proprietary Class III units, then our business, financial condition, operations, or cash flows may suffer an adverse effect.

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

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

We derive a significant portion of our revenue from Native American tribal customers, and our ability to effectively operate in Native American gaming markets is vulnerable to legal and regulatory uncertainties, including the ability to enforce contractual rights on Native American land.

We derive a significant percentage of our revenue from the provision of cash access and gaming-related products and services to gaming facilities operated on Native American lands. Native American tribes that are federally-recognized are considered “domestic dependent nations” with certain sovereign rights and, in the absence of a specific grant of authority by Congress to a state or a specific compact or agreement between a tribal entity and a state that would allow the state to regulate activities taking place on Native American lands, such tribes can enact their own laws and regulate gaming operations and contracts. In this capacity, Native American tribes generally enjoy a degree of sovereign immunity, which, among other things, recognizes a tribe’s inherent authority of self-determination and self-governance, immunizes the tribe from certain lawsuits outside of tribal jurisdiction, and generally authorizes a tribe’s powers of taxation and spending over its federally-recognized nation. Accordingly, before we can seek to enforce contract rights with a Native

American tribe, or an agency or instrumentality of a Native American tribe, we must obtain from the Native American tribe a general or limited waiver of its sovereign immunity with respect to the matter in dispute, which we are not always able to do. Without a general or limited waiver of sovereign immunity, or if such waiver is held to be ineffective, we could be precluded from judicially enforcing any rights or remedies against a Native American tribe, including the right to enter Native American lands to retrieve our property in the event of a breach of contract by the tribal party to that contract. Governing law and venue provisions in our contracts with Native American tribal customers vary widely and may not be enforceable.

Government enforcement, regulatory action, judicial decisions, and proposed legislative action have in the past, and will likely continue to affect our business, financial condition, operations, cash flows, and prospects in Native American tribal lands. The legal and regulatory uncertainties surrounding our Native American tribal agreements could result in a significant and immediate material adverse effect on our business, financial condition, operations, or cash flows. For example, certain of our agreements with Native American tribes are subject to review by regulatory authorities. Additionally, such uncertainties could increase our cost of doing business and could take management's attention away from operations. Regulatory action against our customers or equipment in these or other markets could result in machine seizures and significant revenue disruptions, among other adverse consequences. Moreover, Native American tribal policies and procedures, as well as tribal selection of gaming vendors, are subject to the political and governance environment within each Native American tribe. Changes in tribal leadership or tribal political pressure can affect our business relationships within Native American markets.

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

In our gaming business, we enter into placement fee agreements typically to secure a long-term revenue share percentage and a fixed number of player terminal placements in the gaming facility. These placement fee arrangements sometimes provide for the removal of our player terminal placements in the event of poor game performance with no further obligation of the gaming customer. Additionally, we have historically entered into development fee arrangements and may continue to do so in the future.

FinTech Business

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

When patrons use our cash access services, we either dispense cash or produce a negotiable instrument that can be exchanged for cash. If a completed cash access transaction is subsequently disputed, and if we are unsuccessful in establishing the validity of the transaction, we may not be able to collect payment for such transaction and such transaction becomes a chargeback. In the event that we incur chargebacks in excess of specified levels, we could lose our sponsorship into the card associations or be censured by the card associations by way of fines or otherwise. Our failure to adequately manage our chargebacks could have a material adverse effect on our business, financial condition, operations, or cash flows.

Changes in consumer willingness to pay a convenience fee to access their funds could reduce the demand for our cash access products and services.

Our cash access business depends upon the willingness of patrons to pay a convenience fee to access their own funds on the premises of a gaming establishment. In most retail environments, consumers typically do not pay an additional fee for using non-cash payment methods such as credit cards, POS debit cards, or checks. Gaming patrons could bring more cash with them to gaming establishments or access cash outside of gaming establishments without paying a fee for the convenience of not having to leave the gaming establishment. To the extent that gaming patrons become unwilling to pay these convenience fees or lower cost cash access alternatives become available, the demand for cash access services within gaming establishments will decline and our business could suffer.

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

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

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

Risks Related to Our Capital Structure

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

As of December 31, 2020, our total indebtedness was approximately \$1.1 billion, which included the Senior Secured Credit Facilities and the 2017 Unsecured Notes (as discussed and defined in [“Note 12 - Long Term Debt”](#)), each of which contain restrictive covenants. Our high degree of leverage could impact our ability to raise additional capital to fund our operations, limit our ability to react to changes in our industry or the economy, expose us to interest rate risk to the extent of our variable rate debt, and prevent us from meeting our obligations with respect to our indebtedness, any of which could have significant adverse effects on our business, financial condition and results of operations.

We may not be able to generate sufficient cash to service all of our indebtedness, including the Credit Facilities and the 2017 Unsecured Notes (defined herein), and fund our working capital and capital expenditures, and we may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.

Our ability to make scheduled payments on our indebtedness will depend upon our future operating performance and on our ability to generate cash flow in the future, which is subject to general economic, financial, business, competitive, legislative, regulatory, and other factors that are beyond our control. We cannot assure you that our business will generate sufficient cash flow from operations or that future borrowings, including those under the Credit Facilities, will be available to us in an amount sufficient to pay our indebtedness or to fund other liquidity needs.

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

The Credit Facilities and the indenture governing the 2017 Unsecured Notes contain a number of significant restrictions and covenants that limit our ability, among other considerations, to: incur additional indebtedness; sell assets, or consolidate, or merge with or into other companies; pay dividends, or repurchase or redeem capital stock; make certain investments; issue capital stock of our subsidiaries; incur liens; prepay, redeem or repurchase subordinated debt; and enter into certain types of transactions with our affiliates. These covenants could have the effect of limiting our flexibility in planning for or reacting to changes in our business and the markets in which we compete.

In addition, to the extent we are found in default and if our indebtedness is accelerated, we may not be able to repay our debt or borrow sufficient funds to refinance it. Even if we are able to obtain new financing, it may not be on commercially reasonable terms, on terms that are acceptable to us, or at all. If our debt is in default for any reason, our business, financial condition, and results of operations could be materially and adversely affected. In addition, complying with these covenants may make it more difficult for us to successfully execute our business strategy and compete against companies that are not subject to such restrictions.

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

Risks Related to Our Information Technology

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

Our ability to provide uninterrupted and high levels of services depends upon the performance of our internal network, systems and related infrastructure, and those of our third-party vendors. Any significant interruptions in, or degradation of, the quality of the services, including infrastructure storage and support, that these third parties provide to us could severely harm our business and reputation and lead to the loss of customers and revenue. Our internal network, systems,

and related infrastructure, in addition to the networks, systems, and related infrastructure of our third-party technology vendors, may be vulnerable to computer viruses and other malware that infiltrate such systems and networks, as well as physical or electronic security breaches, natural disasters, and similar disruptions. They have been and may continue to be the target of attempts to identify and exploit network and system vulnerabilities, penetrate or bypass security measures in order to interrupt or degrade the quality of the services we receive or provide, or otherwise gain unauthorized access to our networks and systems or those of our third-party vendors. These vulnerabilities or other attempts at access may result from, or be caused by, human error or technology failures, however, they may also be the product of malicious actions by third parties intending to harm our business. The methods that may be used by these third parties to cause service interruptions or failures or to obtain unauthorized access to information change frequently, are difficult to detect, evolve rapidly, and are increasingly sophisticated and hard to defend against. Although we have not incurred material losses or liabilities as a result of security breaches or attempted security breaches and continue to invest in security measures, we cannot be certain that our defensive measures, and those employed by our third-party vendors, will be sufficient to defend against all such current and future methods.

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

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

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

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

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

Risks Related to Competition

The gaming industry is intensely competitive, and if we are unable to compete effectively, our business could be negatively impacted.

The market for gaming devices, cash access products, and related services is highly competitive, and we expect competition to increase and intensify in the future. In both our Games and FinTech businesses, some of our competitors and potential competitors have significant advantages over us, including greater name recognition; longer operating histories; pre-existing relationships with current or potential customers with respect to other financial services; greater financial, research, design, development, marketing, technological, and other resources; and more ready access to capital resources, which allow them to respond more quickly to new or changing opportunities, be in a better position to compete and, in respect of our cash access business, to pay higher commissions or other incentives to gaming establishments in order to gain new customers. In our FinTech business, we compete with other established providers of cash access products and services, including third-party transaction processors, financial institutions, and other regional and local banks that operate ATMs on the premises of gaming establishments. To the extent that we lose customers to these competitors, or competitive pressures force us to offer incentives or less favorable pricing terms for us to establish or maintain relationships with gaming establishments, our business, financial condition, operations, or cash flows could be materially and adversely affected.

Consolidation among our customers or competitors could have a material adverse effect on our revenues and profitability.

We often execute contracts with customers pursuant to which we provide products and services at multiple gaming establishments. Accordingly, the expiration or termination of a single key contract can mean the loss of multiple gaming facilities at which many of our products and services are used. Consolidation among operators of gaming establishments may also result in the loss of customers, if one of our customers is acquired by a business that utilizes one of our competitors, or significant margin compression, if rates vary between acquiring and acquired customers. Consolidation among our competitors in either the Games or FinTech sectors will only increase advantages these competitors may have over us as we compete for these customers, including even greater financial, research, design, development, marketing, technological, and other resources, and the ability to offer customers more favorable rates and prices due to lower operating costs resulting from efficiencies of scale and varying margins of a larger product portfolio, among other factors.

Our business depends on our ability to introduce new, commercially viable games, products and services in a timely manner.

Our success is dependent on our ability to develop and sell new games, products, and services that are attractive not only to our customers, but also to their customers, the gaming patrons. If our games, products, and services do not appeal to gaming operators and patrons, or do not meet or sustain revenue and profitability of contractual obligations and expectations, we may lose business to our competitors. Additionally, we may be unable to enhance existing games, products, and services in a timely manner in response to changing regulatory or legal requirements, or market conditions, or customer requirements, or new games, products and services may not achieve market acceptance in new or existing markets. Delay in regulatory approvals of new gaming devices and equipment may adversely impact new product deployment. If we are unable to keep pace with rapid innovations in new technologies or product design and deployment or if we are unable to quickly adapt our development, manufacturing or sales processes to compete, our business, financial condition, operations or cash flows could suffer a material adverse effect.

Risks Related to the Regulation of Our Business

Unauthorized disclosure of cardholder and patron data or similar violations of applicable data privacy laws, whether through a security breach of our computer systems, our third-party processor's computer systems or otherwise, or through our unauthorized use or transmission of such data subjects us to costly fines, penalties, and legal claims.

We collect and store personally identifiable information about cardholders and patrons that perform certain cash access and Central Credit transactions, including names, addresses, social security numbers, driver's license numbers, and account numbers, and we maintain a database of cardholder and patron data, including account numbers, in order to process our cash access and Central Credit transactions. We also rely on our third-party processor and certain other technology partners to process and store cardholder and patron data relating to our cash access and Central Credit transactions. As a result, we, as well as our third-party processor, certain of our other technology providers, and some of our gaming establishment customers, are required to comply with various foreign, federal, and state privacy statutes and

regulations, and the PCI Data Security Standard. Compliance with these regulations and requirements, which are subject to change at any time, is often difficult and costly, and our failure, or the failure of these other third parties, to comply may result in significant fines or civil penalties, regulatory enforcement action, liability to our sponsor bank, and termination of our agreements with our gaming establishment customers, each of which could have a material adverse effect on our business, financial condition, operations, or cash flows. If our computer systems or those of our third-party processor or other technology providers suffer a security breach, we may be subject to liability, including claims for unauthorized transactions with misappropriated bank card information, impersonation, or similar fraud claims, as well as for any failure to comply with laws governing required notifications of such a breach, and these claims could result in protracted and costly litigation, penalties, or sanctions from the card associations and EFT payment networks, and damage to our reputation, which could reduce and limit our ability to provide cash access and related services to our gaming establishment customers.

The personally identifiable information we collect also includes our patrons' transaction behavioral data and credit history data, which we may use to provide marketing and data intelligence services to gaming establishments. This information is increasingly subject to federal, state, and card association laws and regulations, as well as laws and regulations in numerous jurisdictions around the world. Governmental regulations are typically intended to protect the privacy and security of such data and information as well as to regulate the collection, storage, transmission, transfer, use, and distribution of such data and information. We could be materially and adversely affected if domestic or international laws or regulations are expanded to require changes in our business practices, or if governing jurisdictions interpret or implement their laws or regulations in ways that negatively affect our business or even prohibit us from offering certain marketing and data intelligence or other services. Similarly, if we are required to allocate significant resources to modify our internal operating systems and procedures to enable enhanced protection of patron data that we transmit, store, and use, our business results could be adversely affected. In addition, we may face requirements that pose compliance challenges in new international markets that we seek to enter as various foreign jurisdictions have different laws and regulations concerning the storage, transmission, and use of gaming patron data. Such variation could subject us to costs, liabilities, or negative publicity that could impair our ability to expand our operations into some countries; therefore, it could limit our future growth.

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

Our ability to conduct both our gaming and cash access businesses, expand operations, develop and distribute new games, products and systems, and expand into new gaming markets is also subject to significant federal, state, local, Native American, and foreign regulations which vary from jurisdiction to jurisdiction. In the United States and many other countries, gaming must be expressly authorized by law. Once authorized, such activities are subject to extensive and evolving governmental regulation. The gaming laws, regulations, and ordinances generally concern the antecedents, acumen, financial stability, and character of our owners, officers, and directors, as well as those persons financially interested or involved in our companies; dictate the technical standards and regulations of our electronic player terminals, gaming systems, and certain other products; and set forth the process and manner by which the Gaming Authorities issue such licenses, findings of suitability, and product approvals. In addition, the suspension, revocation, non-renewal or limitation of any of our licenses or product approvals, or the inability to obtain or maintain requisite license or product approvals could have a material adverse effect on our business operations, financial condition, results of operations, and our ability to retain key employees. The Gaming Authorities may deny, limit, condition, suspend, or revoke a gaming license or related approval for violations of applicable gaming laws and regulations, and may impose substantial fines and take other actions, any one of which could have a significant adverse effect on our business, financial condition, and results of operations.

Further, changes in existing gaming laws or regulations, or new interpretations of existing gaming laws may hinder or prevent us from continuing to operate in those jurisdictions where we currently do business, which could harm our operating results. In particular, the enactment of unfavorable legislation or government efforts affecting or directed at manufacturers or gaming operators, such as referendums to increase gaming taxes, or requirements to use local distributors, or uncertainty as to the means and manner in which existing gaming laws may be interpreted and applied, either singly or together, could have a negative impact on our operations.

Moreover, in addition to the risk of enforcement action, we are also at risk of loss of business reputation in the event of any potential legal or regulatory investigation, whether or not we are ultimately accused of or found to have committed any violation. For a summary of gaming regulations that could affect our business, see ["Item 1. Business — Regulation."](#)

Many of the financial services that we provide are subject to extensive rules and regulations, which may harm our business.

Our Central Credit gaming patron credit bureau and warranty services are subject to the FCRA, the FACTA, and similar state laws. The collection practices that are used by our third-party providers and us may be subject to the FDCPA and applicable state laws relating to debt collection. All of our cash access services and patron marketing services are subject to the privacy provisions of state and federal law, including the Gramm-Leach-Bliley Act. Our POS debit card cash access transactions and ATM withdrawal services are subject to the Electronic Fund Transfer Act. Our ATM services are subject to the applicable state banking regulations in each jurisdiction in which we operate ATMs. Our ATM services may also be subject to state and local regulations relating to the imposition of daily limits on the amounts that may be withdrawn from ATMs, the location of ATMs, our ability to surcharge cardholders who use our ATMs, and the form and type of notices that must be disclosed regarding the provision of our ATM services. The cash access services we provide are subject to record keeping and reporting obligations under the Bank Secrecy Act and the USA PATRIOT Act of 2001, including as relates to our federally-mandated internal anti-money laundering program. We are required to file SARs with respect to transactions completed at all gaming establishments where we provide our cash access services through a gaming establishment's cashier or financial services center. If we are found to be noncompliant in any way with these laws, we could be subject to substantial civil and criminal penalties. In jurisdictions in which we serve as a check casher, we are subject to the applicable state licensing requirements and regulations governing check cashing activities. We are also subject to various state licensing requirements and regulations governing money transmitters. We may be required to obtain additional licenses from federal or state financial authorities in connection with our products and services. There can be no assurance that we will be able to obtain any such licenses, and, even if we were able to do so, there could be substantial costs and potential product changes involved in maintaining such licenses, which could have a material and adverse effect on our business.

We are subject to formal or informal audits, inquiries, examinations, or reviews from time to time by the regulatory authorities that enforce these financial services rules and regulations. Although we have a compliance program that covers the laws and regulations that apply to our business, in the event that any regulatory authority determines that the manner in which we provide cash access, patron marketing, or gaming patron credit bureau services is not in compliance with existing rules and regulations, or the regulatory authorities adopt new rules or regulations that prohibit or restrict the manner in which we provide cash access, patron marketing, or gaming patron credit bureau services, then these regulatory authorities may force us to modify the manner in which we operate or force us to stop processing certain types of cash access transactions or providing patron marketing or gaming patron credit bureau services altogether. We may also be required to pay substantial penalties and fines if we fail to comply with applicable rules and regulations. For example, if we fail to file CTRs or SARs on a timely basis or if we are found to be noncompliant in any way with either the Bank Secrecy Act or the USA PATRIOT Act of 2001, we could be subject to substantial civil and criminal penalties. In addition, our failure to comply with applicable rules and regulations could subject us to private litigation.

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

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

We are subject to extensive rules and regulations of card associations, including VISA, MasterCard, and EFT networks that are always subject to change, which may harm our business.

Our cash access business is subject to the extensive rules and regulations of the leading card associations, VISA and MasterCard. The rules and regulations do not expressly address some of the contexts and settings in which we process cash access transactions or do so in a manner subject to varying interpretations. As an example, we and certain of our providers must comply with the PCI Data Security Standard. The failure by any of such providers to comply with such standards could result in our being fined or being prohibited from processing transactions through VISA, MasterCard, and other card and payment networks. We also process transactions involving the use of the proprietary credit cards such as those offered by Discover Card and American Express, as well as other regional cards issued in certain international markets. The rules and regulations of the proprietary credit card networks that service these cards present risks to us that are similar to those posed by the rules and regulations of VISA, MasterCard, and other payment networks.

The card associations' and payment networks' rules and regulations are always subject to change, and the card associations or payment networks may modify their rules and regulations from time to time. Our inability to anticipate

changes in rules and regulations, or the interpretation or application thereof, may result in substantial disruption to our business. In the event that the card associations, payment networks or our sponsoring banks determine that the manner in which we process certain types of card transactions is not in compliance with existing rules and regulations, or if the card associations or payment networks adopt new rules or regulations that prohibit or restrict the manner in which we process certain types of card transactions, we may be forced to pay a fine, modify the manner in which we operate our business, or stop processing certain types of cash access transactions altogether, any of which could have a material adverse effect on our business, financial condition, operations, or cash flows.

Card association and EFT network changes to interchange reimbursement rates or network operating fees or fees associated with the processing and settlement of our cash access transactions or otherwise change their operating rules and regulations may affect our revenues, cost of revenues (exclusive of depreciation and amortization), net income, and our business generally.

We receive income from issuers of ATM, credit, and debit cards for certain transactions performed on our ATMs related to cash dispensing or certain other non-financial transactions such as balance inquiries. The EFT networks may also charge certain fees related to the performance of these transactions. We refer to the net of this income and fees as reverse interchange. The amount of this reverse interchange income is determined by the card associations and EFT networks, and this income is subject to decrease at their discretion.

We pay interchange and other network fees for services to the credit card associations and EFT networks that they provide in settling transactions routed through their networks. Collectively, we call these charges interchange fees. Subject to the limitations imposed by federal regulations such as the Durbin Amendment or other regulations that may be enacted, the amounts of these interchange fees are determined based upon the sole discretion of the card associations and EFT networks and are subject to increase at any time. We have been seeing such card association interchange fee increases with higher frequency in recent years and with disproportionate negative impact upon transaction categories into which our cash access transactions typically fall. Competitive pressures might prevent us from passing all or some of these fees through to our customers in the future. To the extent that we are unable to pass through to our customers all or any portion of any increase in interchange or other network processing fees, our cost of revenues (exclusive of depreciation and amortization) would increase and our net income would decrease, assuming no change in transaction volumes. Any such decrease in net income could have a material adverse effect on our business, financial condition, operations, or cash flows. In addition, proposed changes to the Dodd-Frank Act, such as the repeal of the Durbin Amendment, if adopted, or other regulation that could be implemented to limit the amount of surcharge or service fees charged for our cash access transactions could have a negative impact on revenue and gross margins (exclusive of depreciation and amortization) as a result of reduced service fee revenue and potential increases in interchange rates merchants pay for debit card transactions.

The card associations and EFT networks may also elect to impose new membership or other fees, or implement new rules and regulations with respect to processing transactions through their networks, and any such new fees, rules, or regulations could have a material adverse effect on our business, financial condition, operations, or cash flows.

The provision of our credit card access, POS debit, and ATM services are dependent upon our continued sponsorship into the VISA and MasterCard card associations, and the suspension or termination of our sponsorship would result in a material adverse effect on our business, financial condition, operations, or cash flows.

We process virtually all of our credit card cash access, POS debit, and ATM service transactions through the VISA and MasterCard card associations, both domestically and internationally, and virtually all of the revenue that we derive from our credit card cash access, POS debit, and ATM services is dependent upon our continued sponsorship into the VISA and MasterCard associations. We cannot provide these services without sponsorship into the VISA and MasterCard associations by a member financial institution. Our failure to maintain our current sponsorship arrangements or secure alternative sponsorship arrangements into the VISA and MasterCard associations could have a material adverse effect on our business, financial condition, operations, or cash flows.

Our ATM service business is subject to extensive rules and regulations, which may harm our business.

Our ATM services are subject to the applicable federal, state, and local banking regulations in each jurisdiction in which we operate ATMs, which regulations relate to the imposition of daily limits on the amounts that may be withdrawn from ATMs, the location of ATMs, our ability to surcharge cardholders who use our ATMs, and the form and type of notices that must be disclosed with respect to the fees we charge to patrons in connection with our ATM services. ATMs are also subject to requirements of the Americans with Disabilities Act, which in general require that ATMs be accessible to individuals with disabilities, such as visually-impaired persons. These laws and regulations may impose significant

burdens on our ability to operate ATMs profitably in some locations, or at all, and our business, financial condition, operations, or cash flows could be materially adversely affected. Moreover, because these regulations are subject to change, we may be forced to modify our ATM operations in a manner inconsistent with the assumptions upon which we relied when entering into contracts to provide ATM services at gaming establishments. If federal, state, local, or foreign authorities adopt new laws or regulations, or raise enforcement levels on existing laws and regulations that make it more difficult for us to operate our ATM business, then our revenues and earnings may be negatively affected. If legislation or regulations are enacted in the future that adversely impact our ATM business, we may be forced to modify our operations in a manner inconsistent with the assumptions upon which we relied when entering into contracts to provide ATMs at gaming establishments and our business, financial condition, operations, or cash flows could suffer a material adverse effect.

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

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

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

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

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

The failure or circumvention of the means by which we safeguard and protect the privacy of information we gather may result in the dissemination of non-public personal information, which may harm our reputation and may expose us to liability to the affected individuals and regulatory enforcement proceedings or fines.

General Risk Factors

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

We had a net loss of \$81.7 million for the year ended December 31, 2020, and net income of \$16.5 million and \$12.4 million for the years ended December 31, 2019 and 2018, respectively. As a result of the interest payments on the indebtedness incurred in connection with Everi Holdings’ purchase of Everi Games in December 2014 (the “Merger”), amortization of intangible assets associated with the Merger and other acquisitions, other related acquisition and financing costs, asset impairment charges, depreciation, and other amortization, we may not be able to generate profits in the future. Our ability to continue to generate net profits in the future depends, in part, on our ability to: establish strategic business relationships with new and existing customers; retain our existing customers and expand our relationships with existing customers; provide our products and services in new markets and to new customers in existing markets; develop new games or license third-party content in our Games business and develop new products and services in our FinTech business; effectively manage a larger and more diverse workforce and business; react to changes, including technological and regulatory changes, in the markets we target or operate in; respond to competitive

developments and challenges; continue to comply with the EMV global standard for cards equipped with security chip technology; and attract and retain experienced and talented personnel.

We may not be able to do any of these successfully, and our failure to do so could have a material adverse effect on our business, financial condition, operations, or cash flows, which could, among other things, affect our ability to make payments under our Credit Facilities (defined herein) or the 2017 Unsecured Notes (defined herein).

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

The market price of our common stock may fluctuate significantly in response to a number of factors, some of which are beyond our control, including, but not limited to those described above in previous risk factor sub-captions.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

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

We primarily occupy the following leased real estate properties:

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

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

Item 3. Legal Proceedings.

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

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

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

Our common stock is listed for trading on the New York Stock Exchange under the symbol "EVRI." On March 1, 2021, there were 8 holders of record of our common stock. Because many of our shares of common stock are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of beneficial stockholders represented by these record holders.

Dividends

We have not declared or paid any cash dividends on our capital stock as we intend to retain our earnings and utilize them for the repayment of outstanding debt and to finance the growth and development of our business. Any future change in our dividend policy will be made at the discretion of our Board of Directors, and will depend on our contractual restrictions, results of operations, earnings, capital requirements, and other factors considered relevant by our Board of Directors. In addition, the Senior Secured Credit Facilities and the indenture governing the 2017 Unsecured Notes limit our ability to declare and pay cash dividends.

Common Stock Repurchases

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

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

Issuer Purchases and Withholding of Equity Securities

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

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

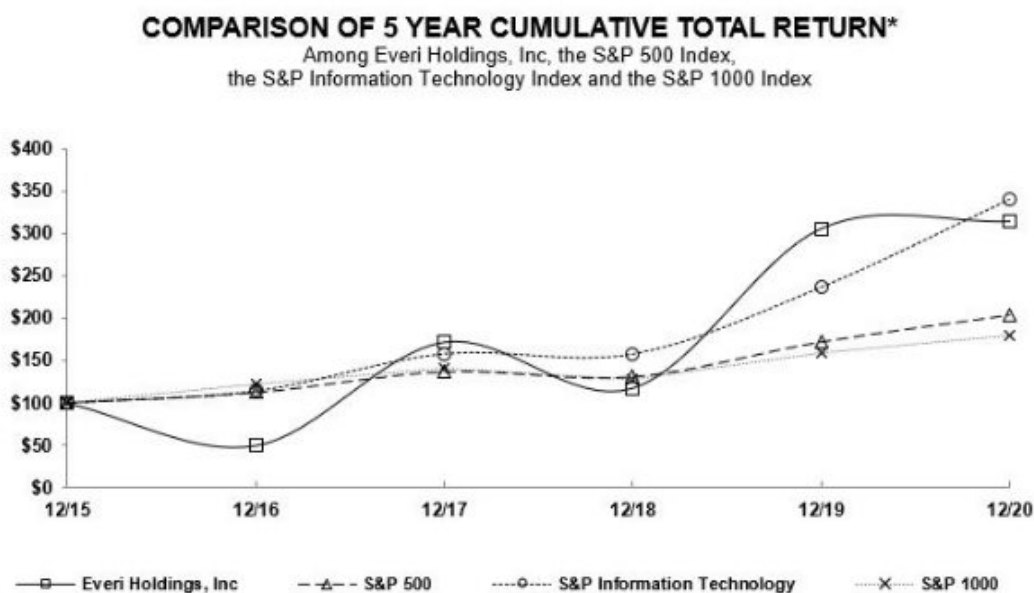
(1) Represents the shares of common stock that were withheld from restricted stock awards to satisfy the minimum applicable tax withholding obligations incident to the vesting of such restricted stock awards. There are no limitations on the number of shares of common stock that may be withheld from restricted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

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

Stock Performance Graph

The line graph below compares the cumulative total stockholder return on our common stock with the cumulative total return of the Standard & Poor's ("S&P") 500 Index, the S&P 1000 Index, and the S&P Information Technology Index during the five-year period ended December 31, 2020. We included an additional reference point, the S&P 1000 Index, as it is a comparable metric that includes small and mid-capitalization stocks, similar in capitalization to our Company.

The graph assumes that \$100 was invested on December 31, 2015 in our common stock, in the S&P 500 Index, the S&P 1000 Index, and the S&P Information Technology Index, and that all dividends were reinvested. Research Data Group, Inc. furnished this data; and the cumulative total stockholder returns for our common stock, the S&P 500 Index, the S&P 1000 Index, and the S&P Information Technology Index are based on the calendar month end closing prices. The comparisons in the graph are required by the SEC and are not intended to forecast or be indicative of possible future performance of our common stock.



*\$100 invested on 12/31/15 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

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The performance graph and the related chart and text are being furnished solely to accompany this Annual Report on Form 10-K pursuant to Item 201(e) of Regulation S-K, and are not being filed for purposes of Section 18 of the Exchange Act and are not to be incorporated by reference in any filing by us under the Securities Act or the Exchange Act, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.

Item 6. Removed and Reserved.

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

The following discussion and analysis of financial condition and results of operations should be read in conjunction with “Item 1. Business” and our Financial Statements included elsewhere in this Annual Report on Form 10-K and the information included in our other filings with the SEC.

Overview

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

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

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

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

Impact of COVID-19 Pandemic

Overall

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

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

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

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

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

Results of Operations and Liquidity

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

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

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

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

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

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

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

Liquidity

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

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

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

Government Relief

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

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

Additional Items Impacting Comparability of Results of Operations

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

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

As a result of these events, together with the impacts of COVID-19, our results of operations and earnings per share in the periods covered by our Financial Statements may not be directly comparable.

Trends and Developments Impacting our Business

Our strategic planning and forecasting processes include the consideration of economic and industry wide trends that may impact our Games and FinTech businesses. Below we have identified a number of trends that could have a material impact on our business:

- Casino gaming is dependent upon discretionary consumer spending, which is typically the first type of spending that is restrained by consumers when they are uncertain about their jobs and income. Global economic uncertainty in the marketplace may have an impact on casino gaming, gaming establishment capital budgets, and ultimately the demand for new gaming equipment, which impacts both of our segments.
- The total North American installed slot base was slightly lower at the end of 2020 than for 2019, due to reduced capital spending and equipment removals by casino operators due to the impact of COVID-19 restrictions and casino closures. The total base had previously increased in both 2019 and 2018. We expect flat to moderate growth in the forward replacement cycle for slot machines in 2021 and in the total installed base compared to 2020, which could have a positive impact on our Games segment while new machine demand associated with new casino openings and major expansions is likely to be relatively flat year-over-year in 2021.
- We face continued competition from smaller competitors in the gaming cash access market, as well as from larger gaming equipment manufacturers and systems providers. This competition continues to contribute to ongoing pricing pressure for both our Games and FinTech businesses.
- Concerns related to COVID-19 have increased interest in cashless alternatives by casino operators and casino patrons. With the introduction of our cashless, touchless CashClub Wallet solution, this could have a positive impact on our FinTech segment, but could also result in added competition from new competitors.
- Transaction processing and related fees have increased in recent years. We expect the financial services and payments industry to respond to these changes, including in ways that may negatively impact our FinTech business in the future.
- Governmental and regulatory oversight on cash transactions, financial services, and payments processing may provide continued motivation for gaming establishments to consider additional products and services that facilitate regulatory compliance and operational efficiencies.
- We derive a significant portion of our revenue from Native American tribal customers, and our ability to effectively operate in Native American gaming markets is vulnerable to legal and regulatory uncertainties, including the ability to enforce contractual rights on Native American land.
- Casino operators continue to broaden their appeal by focusing on investments in non-gaming amenities for their facilities, which could impact casino operator's capital allocations for games and payment solution products and services that impact both of our operating segments.

Operating Segments

We report our financial performance within two operating segments: (i) Games; and (ii) FinTech. For additional information on our segments see [“Item 1. Business”](#) and [“Part II — Item 8 — Financial Statements and Supplementary Data — Notes to Consolidated Financial Statements — Note 18 — Segment Information”](#) included in this Annual Report on Form 10-K.

Results of Operations

Year ended December 31, 2020 compared to the year ended December 31, 2019

The following table presents our Results of Operations as reported for the year ended December 31, 2020 compared to the year ended December 31, 2019 (amounts in thousands)*:

	Year Ended				2020 vs 2019	
	December 31, 2020		December 31, 2019			
	\$	%	\$	%	\$	%
Revenues						
Games revenues						
Gaming operations	\$ 156,199	41 %	\$ 188,874	35 %	\$ (32,675)	(17)%
Gaming equipment and systems	44,006	11 %	90,919	17 %	(46,913)	(52)%
Gaming other	96	— %	3,326	1 %	(3,230)	(97)%
Games total revenues	200,301	52 %	283,119	53 %	(82,818)	(29)%
FinTech revenues						
Cash access services	112,035	30 %	164,741	31 %	(52,706)	(32)%
Equipment	24,297	6 %	37,865	7 %	(13,568)	(36)%
Information services and other	47,041	12 %	47,502	9 %	(461)	(1)%
FinTech total revenues	183,373	48 %	250,108	47 %	(66,735)	(27)%
Total revenues	383,674	100 %	533,227	100 %	(149,553)	(28)%
Costs and expenses						
Games cost of revenues ⁽¹⁾						
Gaming operations	15,192	4 %	18,043	3 %	(2,851)	(16)%
Gaming equipment and systems	25,680	7 %	50,826	10 %	(25,146)	(49)%
Gaming other	456	— %	3,025	— %	(2,569)	(85)%
Games total cost of revenues	41,328	11 %	71,894	13 %	(30,566)	(43)%
FinTech cost of revenues ⁽¹⁾						
Cash access services	6,755	2 %	14,236	3 %	(7,481)	(53)%
Equipment	14,724	3 %	22,292	4 %	(7,568)	(34)%
Information services and other	3,029	1 %	3,964	1 %	(935)	(24)%
FinTech total cost of revenues	24,508	6 %	40,492	8 %	(15,984)	(39)%
Operating expenses	152,546	40 %	162,184	30 %	(9,638)	(6)%
Research and development	27,943	7 %	32,505	6 %	(4,562)	(14)%
Depreciation	67,459	17 %	63,198	12 %	4,261	7 %
Amortization	75,305	20 %	68,937	13 %	6,368	9 %
Total costs and expenses	389,089	101 %	439,210	82 %	(50,121)	(11)%
Operating (loss) income	(5,415)	(1)%	94,017	18 %	(99,432)	(106)%

* Rounding may cause variances.

(1) Exclusive of depreciation and amortization.

	Year Ended				2020 vs 2019	
	December 31, 2020		December 31, 2019			
	\$	%	\$	%	\$	%
Other expenses						
Interest expense, net of interest income	74,564	19 %	77,844	15 %	(3,280)	(4)%
Loss on extinguishment of debt	7,457	2 %	179	— %	7,278	4066 %
Total other expenses	82,021	21 %	78,023	15 %	3,998	5 %
(Loss) income before income tax	(87,436)	(23)%	15,994	3 %	(103,430)	(647)%
Income tax benefit	(5,756)	(2)%	(523)	— %	(5,233)	1001 %
Net (loss) income	\$ (81,680)	(21)%	\$ 16,517	3 %	\$ (98,197)	(595)%

* Rounding may cause variances.

Total Revenues

Total revenues decreased by approximately \$149.6 million, or 28%, to approximately \$383.7 million for the year ended December 31, 2020, as compared to the prior year period. This was primarily due to the impact of COVID-19 and the closure of many casino properties for a portion of the period. Games revenues decreased by approximately \$82.8 million, or 29%, to approximately \$200.3 million for the year ended December 31, 2020, as compared to the prior year period. We had: (i) a decline in the sale of gaming machines included in our gaming equipment and systems revenues; and (ii) a decrease in the average daily win per unit as a result of units being deactivated for a prolonged period of time on a higher installed base of leased games largely reflecting greater demand for our premium units included in our gaming operations revenues. FinTech revenues decreased by approximately \$66.7 million, or 27%, to approximately \$183.4 million for the year ended December 31, 2020, as compared to the prior year period. We had: (i) a decline in the dollar and transaction volumes included in our cash access services revenues; and (ii) a decrease in the sale of full service kiosks, partially offset by an increase in our loyalty kiosks included in our equipment revenues.

Costs and Expenses

Total costs and expenses decreased by approximately \$50.1 million, or 11%, to approximately \$389.1 million for the year ended December 31, 2020, as compared to the same period in the prior year. This was primarily due to the impact of COVID-19 and the closure of many casino properties for a portion of the period. Games cost of revenues decreased by approximately \$30.6 million, or 43%, to approximately \$41.3 million for the year ended December 31, 2020, as compared to the prior year period. We had a reduction in the variable costs included in our gaming and equipment systems cost of revenues as a result of the decline in the sale of machines. FinTech cost of revenues decreased by approximately \$16.0 million, or 39%, to approximately \$24.5 million for the year ended December 31, 2020, as compared to the prior year period. We had a reduction in the variable costs primarily as a result of: (i) a decline in the dollar and transaction volumes included in our cash access services cost of revenues; and (ii) a decrease in the sale of full-service kiosks, partially offset by an increase in our loyalty kiosks included in our equipment revenues.

Operating expenses decreased by approximately \$9.6 million, or 6%, to approximately \$152.5 million for the year ended December 31, 2020, as compared to the prior year period. This was primarily due to lower payroll and related expenses and trade show-related costs from actions taken in response to COVID-19 for both our Games and FinTech operating segments. In addition, our legal expenses were lower as a result of the litigation costs we incurred in the prior year period in connection with our FACTA matter related to our FinTech operating segment.

Research and development decreased by approximately \$4.6 million, or 14%, to approximately \$27.9 million for the year ended December 31, 2020, as compared to the prior year period. This was primarily due to lower payroll and related costs included in our Games segment in light of actions taken in response to COVID-19, partially offset by higher payroll and related costs included in our FinTech segment primarily as a result of the acquisition of certain assets in connection with our loyalty solutions in the prior year as costs for research and development consist primarily of salaries and benefits, consulting fees, certification and testing costs.

Depreciation increased by approximately \$4.3 million, or 7%, to approximately \$67.5 million for the year ended December 31, 2020, as compared to the prior year period. This was primarily due to an increase in the installed base of lease gaming machines placed in service included in our Games segment.

Amortization increased by approximately \$6.4 million, or 9%, to approximately \$75.3 million for the year ended December 31, 2020, as compared to the prior year period. The increase was primarily due to the release of new game themes included in our Games segment and the intangible assets acquired in the prior year period in connection with the loyalty business included in our FinTech segment.

Primarily as a result of the factors and responsive actions taken, described above, in light of COVID-19 and the closure of many casino properties for a portion of the period, operating income decreased by approximately \$99.4 million, or 106%, and resulted in an operating loss of approximately \$5.4 million for the year ended December 31, 2020, as compared to the prior year. The operating loss margin was 1% for the year ended December 31, 2020 compared to an operating income margin of 18% for the same period in the prior year.

Interest expense, net of interest income, decreased by approximately \$3.3 million, or 4%, to approximately \$74.6 million for the year ended December 31, 2020, as compared to the prior year period. This was primarily due to lower debt balances with respect to certain of our instruments and more favorable variable interest rates in effect for certain of our debt instruments; partially offset by: (i) the amortization of debt issuance costs incurred in connection with the Fourth Amendment to the existing Credit Agreement and entering into the Incremental Term Loan Credit Agreement; (ii) the additional Incremental Term Loan debt incurred with less favorable variable interest rates in effect; (iii) an adjustment to, and the associated accretion of, interest related to the acquisition of certain assets from Atrient and MGT in the prior year; and (iv) a reduction in interest income earned.

Loss on extinguishment of debt of approximately \$7.5 million for the year ended December 31, 2020 was a result of the redemption and repurchase transactions related to the 2017 Unsecured Notes.

Income tax benefit increased by \$5.2 million, or 1001%, to approximately \$5.8 million for the year ended December 31, 2020, as compared to the same period in the prior year period. The income tax benefit for the year ended December 31, 2020 reflected an effective income tax rate of 6.6%, which was less than the statutory federal rate of 21.0%, primarily due to an increase in our valuation allowance as a result of the book loss incurred during the period, partially offset by certain indefinite lived deferred tax assets that may be offset against our indefinite lived deferred tax liabilities. The income tax benefit reflected an effective income tax rate of negative 3.3% for the same period in the prior year, which was less than the statutory federal rate of 21.0%, primarily due to a partial decrease in our valuation allowance for deferred tax assets and a research credit.

Primarily as a result of the factors and responsive actions taken, described above, in light of COVID-19, our net income decreased by approximately \$98.2 million, or 595%, as compared to the prior year, and resulted in a net loss of approximately \$81.7 million for the year ended December 31, 2020.

Year ended December 31, 2019 compared to year ended December 31, 2018:

The following table presents our Results of Operations as reported for the year ended December 31, 2019 compared to the year ended December 31, 2018 (amounts in thousands)*:

	Year Ended				2019 vs 2018	
	December 31, 2019		December 31, 2018			
	\$	%	\$	%	\$	%
Revenues						
Games revenues						
Gaming operations	\$ 188,874	35 %	\$ 168,146	36 %	\$ 20,728	12 %
Gaming equipment and systems	90,919	17 %	87,038	18 %	3,881	4 %
Gaming other	3,326	1 %	3,794	1 %	(468)	(12)%
Games total revenues	283,119	53 %	258,978	55 %	24,141	9 %
FinTech revenues						
Cash access services	164,741	31 %	156,806	34 %	7,935	5 %
Equipment	37,865	7 %	20,977	4 %	16,888	81 %
Information services and other	47,502	9 %	32,754	7 %	14,748	45 %
FinTech total revenues	250,108	47 %	210,537	45 %	39,571	19 %
Total revenues	533,227	100 %	469,515	100 %	63,712	14 %
Costs and expenses						
Games cost of revenues ⁽¹⁾						
Gaming operations	18,043	3 %	17,603	4 %	440	2 %
Gaming equipment and systems	50,826	10 %	47,121	9 %	3,705	8 %
Gaming other	3,025	— %	3,285	1 %	(260)	(8)%
Games total cost of revenues	71,894	13 %	68,009	14 %	3,885	6 %
FinTech cost of revenues ⁽¹⁾						
Cash access services	14,236	3 %	9,717	2 %	4,519	47 %
Equipment	22,292	4 %	12,601	3 %	9,691	77 %
Information services and other	3,964	1 %	4,110	1 %	(146)	(4)%
FinTech total cost of revenues	40,492	8 %	26,428	6 %	14,064	53 %
Operating expenses	162,184	30 %	142,298	30 %	19,886	14 %
Research and development	32,505	6 %	20,497	4 %	12,008	59 %
Depreciation	63,198	12 %	61,225	14 %	1,973	3 %
Amortization	68,937	13 %	65,245	14 %	3,692	6 %
Total costs and expenses	439,210	82 %	383,702	82 %	55,508	14 %
Operating income	94,017	18 %	85,813	18 %	8,204	10 %

* Rounding may cause variances.

(1) Exclusive of depreciation and amortization.

	Year Ended				2019 vs 2018	
	December 31, 2019		December 31, 2018			
	\$	%	\$	%	\$	%
Other expenses						
Interest expense, net of interest income	77,844	15 %	83,001	18 %	(5,157)	(6)%
Loss on extinguishment of debt	179	— %	166	— %	13	8 %
Total other expenses	78,023	15 %	83,167	18 %	(5,144)	(6)%
Income before income tax	15,994	3 %	2,646	1 %	13,348	504 %
Income tax benefit	(523)	— %	(9,710)	(2)%	9,187	(95)%
Net income	\$ 16,517	3 %	\$ 12,356	3 %	\$ 4,161	34 %

* Rounding may cause variances.

Total Revenues

Total revenues increased by approximately \$63.7 million, or 14%, to approximately \$533.2 million for the year ended December 31, 2019, as compared to the prior year period. Games revenues increased by approximately \$24.1 million, or 9%, to approximately \$283.1 million for the year ended December 31, 2019, as compared to the prior year period. This was primarily due to an increase in revenue from gaming operations resulting from both a higher average daily win per unit and an increase in the installed base of leased gaming machines, as well as an increase in equipment revenues due to higher gaming machine unit sales and an increase in our digital (formerly called interactive) revenues. FinTech revenues increased by approximately \$39.6 million, or 19%, to approximately \$250.1 million for the year ended December 31, 2019, as compared to the prior year period. This was primarily due to an increase in equipment revenues resulting from higher sales of our equipment and information services and other solutions, which included, among other sources, revenues of approximately \$16.2 million from our loyalty operations acquired during the year, as well as additional cash access services revenues associated with higher dollar and transaction volumes.

Costs and Expenses

Total costs and expenses increased by approximately \$55.5 million, or 14%, to approximately \$439.2 million for the year ended December 31, 2019, as compared to the same period in the prior year. This was primarily due to higher Games and FinTech costs and expenses. Cost of revenues from our Games segment increased by approximately \$3.9 million, or 6%, to approximately \$71.9 million for the year ended December 31, 2019, as compared to the prior year period. This was primarily due to higher variable costs directly related to the increased sales of gaming equipment. Cost of revenues from our FinTech segment increased by approximately \$14.1 million, or 53%, to approximately \$40.5 million for the year ended December 31, 2019, as compared to the prior year period. This was primarily due to the variable costs associated with the higher sales of our equipment and information services solutions, inclusive of the addition of the loyalty business acquired during the year.

Operating expenses increased by approximately \$19.9 million, or 14%, to approximately \$162.2 million for the year ended December 31, 2019, as compared to the prior year period. Our Games segment operating expenses increased primarily due to higher payroll and related expenses, advertising costs related to our digital operations, and additional trade show-related expenses. Our FinTech segment operating expenses increased primarily associated with the loss contingency recorded in connection with the FACTA-related matter and related legal fees, the loyalty operations acquired during the year, and higher payroll and related expenses.

Research and development increased by approximately \$12.0 million, or 59%, to approximately \$32.5 million for the year ended December 31, 2019, as compared to the prior year period. This was primarily due to higher payroll and related expenses incurred by our FinTech and Games segments.

Depreciation increased by approximately \$2.0 million, or 3%, to approximately \$63.2 million for the year ended December 31, 2019, as compared to the prior year period, which was relatively consistent with the prior year.

Amortization increased by approximately \$3.7 million, or 6%, to approximately \$68.9 million for the year ended December 31, 2019, as compared to the prior year period. The increase was primarily driven by the amortization of the intangible assets acquired in connection with the loyalty business for our FinTech segment.

Primarily as a result of the increase in revenue partially offset by the increased costs and expenses described above, operating income increased by approximately \$8.2 million, or 10%, to approximately \$94.0 million for the year ended December 31, 2019, as compared to the prior year. The operating income margin was consistent at 18% for the years ended December 31, 2019 and 2018.

Interest expense, net of interest income, decreased by approximately \$5.2 million, or 6%, to approximately \$77.8 million for the year ended December 31, 2019, as compared to the prior year period. This was primarily due to higher interest income earned during the current reporting period and our lower debt balances.

Loss on extinguishment of debt of approximately \$0.2 million for the year ended December 31, 2019 in connection with the repricing of the Term Loan Facility completed in December 2019 was comparable to approximately \$0.2 million recorded for the year ended December 31, 2018 related to the Term Loan Facility repricing completed in May 2018.

Income tax benefit was approximately \$0.5 million for the year ended December 31, 2019, as compared to an income tax benefit of approximately \$9.7 million in the prior year period. The income tax benefit for the year ended December 31, 2019 reflected an effective income tax rate of negative 3.3%, which was less than the statutory federal rate of 21.0% primarily due to a partial decrease in our valuation allowance for deferred tax assets and a research credit. The tax benefit for the year ended December 31, 2018 reflected an effective income tax rate of negative 367.0% which was less than the statutory federal rate of 21.0%, primarily due to a partial decrease in our valuation allowance for deferred tax assets and a research credit. In addition, for the years ended December 31, 2019 and 2018, the partial decrease in our valuation allowance was primarily due to the book income as well as net operating losses for tax purposes, and the interest deduction limitation (deferred tax assets), which can be offset against our indefinite lived deferred tax liabilities.

Primarily as a result of the foregoing, our net income increased by approximately \$4.2 million, or 34%, to a net income of approximately \$16.5 million for the year ended December 31, 2019, as compared to the prior year period.

Critical Accounting Policies

The preparation of our financial statements in conformity with U.S. generally accepted accounting principles (“GAAP”) requires us to make estimates and assumptions that affect our reported amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities in our Financial Statements. The SEC has defined critical accounting policies as those that are most important to the portrayal of the financial position and results of operations, and which require management to make its most difficult and subjective judgments, often as a result of the need to make estimates about matters that are inherently uncertain. Based on this definition, we have identified our critical accounting policies as those addressed below. We also have other key accounting policies that involve the use of estimates, judgments, and assumptions. Refer to [“Part II — Item 8 — Financial Statements and Supplementary Data — Notes to Consolidated Financial Statements — Note 2 — Basis of Presentation and Summary of Significant Accounting Policies”](#) included elsewhere in this Annual Report on Form 10-K for a summary of these policies. We believe that our estimates and assumptions are reasonable, based upon information presently available; however, actual results may differ from these estimates under different assumptions or conditions.

Goodwill. We had approximately \$682.0 million of goodwill, of which approximately \$449.0 million was generated by our Games reporting unit, on our Balance Sheets at December 31, 2020 resulting from acquisitions of other businesses. We test for impairment annually on a reporting unit basis, at the beginning of our fourth fiscal quarter, or more often under certain circumstances. Our reporting units are identified as operating segments or one level below and we evaluate our reporting units at least annually. Refer to [“Part II — Item 8 — Financial Statements and Supplementary Data — Notes to Consolidated Financial Statements — Note 10 — Goodwill and Other Intangible Assets”](#) included elsewhere in this Annual Report on Form 10-K for a further discussion.

The annual evaluation of goodwill requires the use of different assumptions, estimates, or judgments in the goodwill impairment testing process, such as: the methodology, the estimated future cash flows of our reporting units, the discount rate used to present value such cash flows, and the market multiples of comparable companies. Management performs its annual forecasting process, which, among other factors, includes reviewing recent historical results, company-specific variables, and industry trends. This process is generally fluid throughout each year and considered in conjunction with the annual goodwill impairment evaluation. Changes in forecasted operations can materially affect these estimates, which could materially affect our results of operations. Our estimates of fair value require significant judgment and are based on assumptions we determined to be reasonable; however, they are unpredictable and inherently uncertain, including: estimates of future growth rates, operating margins, results of operations and financial condition, and assumptions about the overall economic climate as well as the competitive environment for our reporting units.

There can be no assurance that our estimates and assumptions made for purposes of our goodwill testing as of the time of testing will prove to be accurate predictions of the future. If our assumptions regarding business plans, competitive environments, anticipated growth rates, or expectations of results of operations and financial condition are not correct, we may be required to record goodwill impairment charges in future periods, whether in connection with our next annual impairment testing process, or earlier, in the event an indicator of impairment is present at such time during the year.

Long-Lived Assets. We review the carrying amount of long-lived assets or asset groups whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. If triggering events are identified, we compare the carrying amount of the asset to future net cash flows expected to be generated by the asset, on an undiscounted basis and without interest or taxes. Any impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Refer to “[Part II — Item 8 — Financial Statements and Supplementary Data — Notes to Consolidated Financial Statements — Note 9 — Property, Equipment and Leased Assets](#)” and “[Part II — Item 8 — Financial Statements and Supplementary Data — Notes to Consolidated Financial Statements — Note 10 — Goodwill and Other Intangible Assets](#)” included elsewhere in this Annual Report on Form 10-K for a further discussion.

Recent Accounting Guidance

For a description of our recently adopted accounting guidance and recent accounting guidance not yet adopted, see “[Part II — Item 8 — Financial Statements and Supplementary Data — Notes to Consolidated Financial Statements — Note 2 — Basis of Presentation and Summary of Significant Accounting Policies — Recent Accounting Guidance](#)” included elsewhere in this Annual Report on Form 10-K.

Liquidity and Capital Resources

Overview

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

	At December 31,	
	2020	2019
Balance sheet data		
Total assets	\$ 1,477,179	\$ 1,629,223
Total borrowings	1,129,253	1,108,078
Total stockholders’ equity (deficit)	(7,898)	53,988
Cash available		
Cash and cash equivalents	\$ 251,706	\$ 289,870
Settlement receivables	60,652	70,282
Settlement liabilities	(173,211)	(234,087)
Net cash position ⁽¹⁾	139,147	126,065
Undrawn revolving credit facility	35,000	35,000
Net cash available ⁽¹⁾	\$ 174,147	\$ 161,065

(1) Non-GAAP measure. In order to enhance investor understanding of our cash balance, we are providing in this Annual Report on Form 10-K, Net Cash Position and Net Cash Available, which are not measures of our financial performance or position with GAAP. Accordingly, these measures should not be considered in isolation, or as a substitute for GAAP measures, and should be read in conjunction with our balance sheets prepared in accordance with GAAP. We define our (i) Net Cash Position as cash and cash equivalents plus settlement receivables less settlement liabilities and (ii) Net Cash Available as Net Cash Position plus undrawn amounts available under our Revolving Credit Facility. Our Net Cash Position and Net Cash Available change substantially based upon the timing of our receipt of funds for settlement receivables and payments we make to customers for our settlement liabilities. We present these non-GAAP measures as we monitor these amounts in connection with forecasting of cash flows and future cash requirements, both on a short-term and long-term basis.

Issuance of Common Stock

In December 2019, we filed with the SEC an automatic shelf registration statement for an undetermined amount of common stock, preferred stock, debt securities, warrants, and/or units that the Company may offer and sell in one or more offerings on terms to be decided at the time of sale, which will expire on December 4, 2022.

In December 2019, we then issued and sold 11,500,000 shares of our common stock pursuant to a prospectus supplement under the automatic shelf registration statement, for which the aggregate net proceeds of approximately \$122.4 million were utilized to pay down and reprice a portion of our existing indebtedness.

Cash Resources

Our cash balance, cash flows and line of credit are expected to be sufficient to meet our recurring operating commitments and to fund our planned capital expenditures on both, a short- and long-term basis. Cash and cash equivalents at December 31, 2020 included cash in non-U.S. jurisdictions of approximately \$11.5 million. Generally, these funds are available for operating and investment purposes within the jurisdiction in which they reside, and we may from time to time consider repatriating these foreign funds to the United States, subject to potential withholding tax obligations, based on operating requirements.

We expect that cash provided by operating activities will be sufficient for our operating and debt servicing needs during the foreseeable future on both a short- and long-term basis. In addition, we have sufficient borrowings available under our senior secured revolving credit facility to meet further funding requirements. We monitor the financial strength of our lenders on an ongoing basis using publicly available information. Based upon available information, we believe our lenders should be able to honor their commitments under the Credit Agreement (defined in [“Note 12 — Long-term Debt”](#)).

Cash Flows

The following table presents a summary of our cash flow activity for the years ended December 31, 2020, 2019 and 2018 (in thousands):

	Year Ended December 31,			\$ Change	
	2020	2019	2018	2020 vs 2019	2019 vs 2018
Cash flow activities					
Net cash provided by operating activities	\$ 36,179	\$ 84,890	\$ 294,286	\$ (48,711)	\$ (209,396)
Net cash used in investing activities	(94,118)	(166,337)	(123,350)	72,219	(42,987)
Net cash provided by financing activities	15,066	77,613	11	(62,547)	77,602
Effect of exchange rates on cash	(1,388)	1,263	(1,370)	(2,651)	2,633
Cash and cash equivalents					
Net (decrease) increase for the period	(44,261)	(2,571)	169,577	(41,690)	(172,148)
Balance, beginning of the period	296,610	299,181	129,604	(2,571)	169,577
Balance, end of the period	<u>\$ 252,349</u>	<u>\$ 296,610</u>	<u>\$ 299,181</u>	<u>\$ (44,261)</u>	<u>\$ (2,571)</u>

Cash flows provided by operating activities were approximately \$36.2 million, \$84.9 million, and \$294.3 million for the years ended December 31, 2020, 2019, and 2018, respectively. Cash flows provided by operating activities decreased by approximately \$48.7 million for the year ended December 31, 2020, as compared to the prior year period, primarily attributable to the impact of COVID-19 on our Games and FinTech segments, as well as changes in working capital and non-cash adjustments from our Games and FinTech segment. Cash flows provided by operating activities decreased by approximately \$209.4 million for the year ended December 31, 2019, as compared to the prior year period. This was primarily attributable to the changes in working capital associated with settlement receivables and settlement liabilities from our FinTech segment.

Cash flows used in investing activities were approximately \$94.1 million, \$166.3 million, and \$123.4 million for the years ended December 31, 2020, 2019, and 2018, respectively. Cash flows used in investing activities decreased by approximately \$72.2 million for the year ended December 31, 2020, as compared to the prior year period, primarily attributable to our response to the impact of COVID-19, for which we reduced our capital expenditures in both our Games and FinTech segments, and the impact of the acquisition of certain loyalty related assets in our FinTech segment in the prior year. Cash flows used in investing activities increased by approximately \$43.0 million for the year ended December 31, 2019, as compared to the prior year period. This was primarily attributable to the acquisition of certain loyalty related assets for our FinTech segment and an increase in capital expenditures.

Cash flows provided by financing activities were approximately \$15.1 million, \$77.6 million, and \$11.0 thousand for the year ended December 31, 2020, 2019, and 2018 respectively. Cash flows provided by financing activities decreased by approximately \$62.5 million in the year ended December 31, 2020, as compared to the prior year period. This was primarily attributable to the repayments of borrowings under our 2017 Unsecured Notes and Senior Secured Credit Facilities during the period and the secondary equity offering in the prior year period, partially offset by the proceeds from the Incremental Term Loan. Cash flows provided by financing activities increased by approximately \$77.6 million in the year ended December 31, 2018, as compared to the prior period, primarily due to issuance and sale of our common stock under the automatic shelf registration statement and proceeds from the exercise of stock options, partially offset by repayments of our credit facility completed in 2019.

Capital Expenditures

For the year ended December 31, 2020, cash spent for capital expenditures totaled \$76.4 million, of which \$62.6 million and \$13.8 million was related to our Games and FinTech segments, respectively. For the year ended December 31, 2019, cash spent for capital expenditures totaled \$114.3 million, of which \$96.0 million and \$18.3 million, was related to our Games and FinTech segments, respectively.

Long-Term Debt

At December 31, 2020, we had approximately \$735.5 million of borrowings outstanding under the Term Loan Facility and there were no borrowings outstanding under the Revolving Credit Facility. We had \$35.0 million of additional borrowing availability under the Revolving Credit Facility as of December 31, 2020. At December 31, 2020, we had approximately \$124.4 million of borrowings outstanding under the Incremental Term Loan Facility and we had approximately \$285.4 million outstanding under our 2017 Unsecured Notes.

For additional information regarding our credit agreement and other debt as well as interest rate risk see “Contractual Obligations” in this Item 7 below, [“Part II, Item 7A Quantitative and Qualitative Disclosures About Market Risk,”](#) and [“Item 8 — Financial Statements and Supplementary Data — Notes to Consolidated Financial Statements — Note 12 — Long-Term Debt.”](#)

Contractual Obligations

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

	At December 31,						
	Total	2021	2022	2023	2024	2025	Thereafter
Contractual obligations							
Debt obligations ⁽¹⁾	\$ 1,145,256	\$ 1,250	\$ 1,250	\$ 1,250	\$ 856,125	\$ 285,381	\$ —
Estimated interest obligations ⁽²⁾	247,712	63,814	63,669	63,523	36,254	20,452	—
Lease obligations ⁽³⁾	24,724	6,782	6,141	4,414	3,456	2,889	1,042
Purchase obligations ⁽⁴⁾	73,321	51,509	10,705	7,865	3,242	—	—
Asset acquisition obligations ⁽⁵⁾	25,000	25,000	—	—	—	—	—
Total contractual obligations	<u>\$ 1,516,013</u>	<u>\$ 148,355</u>	<u>\$ 81,765</u>	<u>\$ 77,052</u>	<u>\$ 899,077</u>	<u>\$ 308,722</u>	<u>\$ 1,042</u>

(1) As part of the Incremental Term Credit Agreement, we are required to make quarterly principle payments with the remaining principal being due on the maturity date. The Term Loan Facility (defined herein) does not require a quarterly principal payment with the final principal repayment installment being due on the maturity date. For additional information see [Part II — Item 8 — Financial Statements and Supplementary Data — Notes to Consolidated Financial Statements — Note 12 — Long-Term Debt”](#)

- (2) Estimated interest payments were computed using the interest rate in effect at December 31, 2020 multiplied by the principal balance outstanding. For our debt obligations, the weighted average rate assumed was approximately 5.53% until May 2024, when the weighted average rate would increase to 7.50% until the remaining debt is fully satisfied in December 2025.
- (3) Our lease obligations primarily consist of real estate arrangements we enter into with third parties. For additional information see [“Part II — Item 8 — Financial Statements and Supplementary Data — Notes to Consolidated Financial Statements — Note 3 — Leases.”](#)
- (4) The Company is a party to certain purchase obligations, which primarily include purchases of raw materials, capital expenditures, and other indirect purchases in connection with conducting our business. The purchase obligations represent open purchase orders with our suppliers that have not yet been received as these agreements generally allow us the option to cancel, reschedule and adjust terms based on our business needs prior to the delivery of goods or performance of services.
- (5) Represents our obligations under the asset purchase agreements with Atrient and MGT discussed in [“Part II — Item 8 — Financial Statements and Supplementary Data — Notes to Consolidated Financial Statements — Note 4 — Business Combinations.”](#) we anticipate paying these obligations during 2021 from our operating funds.

Other Liquidity Needs and Resources

We need cash to support our foreign operations. Depending on the jurisdiction and the treaty between different foreign jurisdictions, our applicable withholding tax rates could vary significantly. If we expand our business into new foreign jurisdictions, we will rely on treaty-favored cross-border transfers of funds, the cash generated by our operations in those foreign jurisdictions or alternate sources of working capital.

Off-Balance Sheet Arrangements

In the normal course of business, we have commercial arrangements with third-party vendors to provide cash for certain of our ATMs. For the use of these funds, we pay a cash usage fee on either the average daily balance of funds utilized multiplied by a contractually defined cash usage rate or the amounts supplied multiplied by a contractually defined cash usage rate. These cash usage fees, reflected as interest expense within the Statements of Operations, were approximately \$3.1 million, \$7.2 million, and \$7.0 million for the years ended December 31, 2020, 2019, and 2018, respectively. As a direct consequence surrounding the circumstances of COVID-19, the cash usage fees in the current reporting period were significantly reduced as compared to prior years. We are exposed to interest rate risk to the extent that the applicable federal funds rate increases.

Under these agreements, the currency supplied by third-party vendors remain their sole property until the funds are dispensed. As these funds are not our assets, supplied cash is not reflected on our Balance Sheets. The outstanding balances of ATM cash utilized by us from the third-party vendors were approximately \$340.3 million and \$292.6 million as of December 31, 2020 and 2019, respectively.

Our primary commercial arrangement, the Contract Cash Solutions Agreement, as amended, with Wells Fargo Bank, N.A. provides us with cash in the maximum amount of \$300.0 million with the ability to increase the amount by \$75.0 million over a 5-day period for special occasions, such as the period around New Year’s Day. The agreement currently expires on June 30, 2023 and will automatically renew for additional one-year periods unless either party provides a 90-day written notice of its intent not to renew. For additional information see [“Part II — Item 8 — Financial Statements and Supplementary Data — Notes to Consolidated Financial Statements — Note 5 — Funding Agreements.”](#)

We are responsible for any losses of cash in the ATMs under this agreement and we self-insure for this risk. We incurred no material losses related to this self-insurance for the years ended December 31, 2020, 2019, and 2018.

Effects of Inflation

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

Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

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

In the normal course of business, we have commercial arrangements with third-party vendors to provide cash for certain of our ATMs. Under the terms of these agreements, we pay a monthly cash usage fee based upon the target federal funds rate. We are, therefore, exposed to interest rate risk to the extent that the applicable federal funds rate increases. The outstanding balance of ATM cash utilized by us from third-party vendors was approximately \$340.3 million as of December 31, 2020; therefore, each 100 basis points increase in the target federal funds rate would have approximately a \$3.4 million impact on income before tax over a 12-month period.

The Term Loan Facility and Revolving Credit Facility and the Incremental Term Loan Credit Facility (collectively, the “Credit Facilities”) bear interest at rates that can vary over time. We have the option of paying interest on the outstanding amounts under the Credit Facilities using a base rate or LIBOR. We have historically elected to pay interest based on LIBOR, and we expect to continue to do so for various maturities.

The weighted average interest on the Term Loan was 3.95% and 5.26% for the year ended December 31, 2020 and 2019, respectively. Based upon the outstanding balance of the Term Loan of \$735.5 million as of December 31, 2020, each 100 basis points increase in the applicable LIBOR would have a combined impact of approximately \$7.4 million on interest expense over a 12-month period.

The weighted average interest rate on the Incremental Term Loan Credit Facility was 11.50% for the year ended December 31, 2020. Based upon the outstanding balance on the Incremental Term Loan Credit Facility of \$124.4 million as of December 31, 2020, each 100 basis points increase in the applicable LIBOR would have an impact of approximately \$1.2 million on interest expense over a 12-month period.

The interest rate for the 7.5% Senior Unsecured Notes due 2025 is fixed; therefore, an increase in LIBOR does not impact the related interest expense. At present, we do not hedge the risk related to the changes in interest rate; however, we continue to evaluate such interest rate exposure.

We continue to evaluate the potential impact of the eventual replacement of the LIBOR benchmark, which is set to phase out by the end of 2021. We expect to utilize the replacement rate commonly referred to as the secured overnight financing rate (“SOFR”), which is the anticipated benchmark in place of LIBOR, and we do not expect the transition to SOFR to have a material impact on our business, financial condition and results of operations.

Item 8. Financial Statements and Supplementary Data.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Everi Holdings Inc. and Subsidiaries (the “Company”) as of December 31, 2020 and 2019, the related consolidated statements of operations and comprehensive (loss) income, stockholders’ (deficit) equity, and cash flows for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) and our report dated March 12, 2021 expressed an unqualified opinion thereon.

Change in Accounting Principle

As discussed in Note 3 to the consolidated financial statements, the Company changed its method of accounting for leases in 2019 due to the adoption of Accounting Standards Codification (“ASC”) Topic 842, *Leases*.

Basis for Opinion

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

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

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

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which it relates.

Goodwill – Interim Impairment Assessment – Games and Central Credit Reporting Units

As discussed in Note 10 to the consolidated financial statements, the Company's consolidated goodwill balance as of December 31, 2020 was approximately \$682 million. The Company tests for impairment annually on a reporting unit basis, at the beginning of the fourth fiscal quarter and performs interim tests if events and circumstances indicate it is more likely than not that the fair value of a reporting unit is less than its carrying amount. At December 31, 2020, the Games and Central Credit reporting units' goodwill balances were \$449.0 million and \$17.1 million, respectively. The Company performed an interim goodwill impairment test as of May 31, 2020 due to the impact of COVID-19, and the closure of most casino properties, on the Company's operations. The Company performed a quantitative impairment analysis, which required a comparison of the carrying amount of each reporting unit to its estimated fair value. The fair value of the Games reporting unit was determined using both an income approach and a market approach that compared market multiples of comparable companies and the fair value of the Central Credit reporting unit was determined using an income approach.

We identified the Company's evaluation of goodwill impairment as of May 31, 2020 for the Games and Central Credit reporting units as a critical audit matter. Certain assumptions used in the Company's estimate of the fair value of each of the reporting units' projected discounted cash flows, including the revenue growth rate, terminal value growth rate, the weighted average cost of capital, and the uncertainty related to the timing and extent of economic recovery and the resulting adverse impacts attributed to the COVID-19 pandemic required significant management judgment. Auditing these assumptions involved subjective and challenging auditor judgements and increased audit effort, including the involvement of individuals with specialized skills and knowledge.

The primary procedures we performed to address this critical audit matter included:

- Testing the design and operating effectiveness of internal controls related to the assessment of the triggering event, developing the Company's forecasts of future cash flows, and review of other valuation assumptions used in the determination of reporting units' fair values
- Evaluating the reasonableness of assumptions used in the Company's estimates of fair values of the reporting units, including the revenue growth rate and terminal value growth rate by comparing the projections to the underlying business strategies, published industry data, and management's growth plans.
- Evaluating the reasonableness of management's assumptions related to the extent of business disruption and timing of recovery by i) comparing management's analysis of the expected business disruption attributed to the pandemic to actual results observed since the pandemic began during the Company's fiscal year 2020, and ii) comparing management's analysis of the timing of economic recovery to published industry forecasts and analyst reports in order to consider contradictory evidence regarding the expected impact of the COVID-19 disruption and timing of recovery.
- Assessing the Company's ability to estimate future cash flows, including projected revenues by comparing the Company's historical cash flow forecasts for the reporting units to actual results.
- Utilizing personnel with specialized knowledge and skills in valuation to assist in assessing the appropriateness of the Company's valuation methodologies including the reasonableness of the weighted average cost of capital and revenue terminal value growth rates used as inputs in developing the Company's estimates of fair values.

/s/ BDO USA, LLP

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

Las Vegas, Nevada
March 12, 2021

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

	Year Ended December 31,		
	2020	2019	2018
Revenues			
Games revenues			
Gaming operations	\$ 156,199	\$ 188,874	\$ 168,146
Gaming equipment and systems	44,006	90,919	87,038
Gaming other	96	3,326	3,794
Games total revenues	<u>200,301</u>	<u>283,119</u>	<u>258,978</u>
FinTech revenues			
Cash access services	112,035	164,741	156,806
Equipment	24,297	37,865	20,977
Information services and other	47,041	47,502	32,754
FinTech total revenues	<u>183,373</u>	<u>250,108</u>	<u>210,537</u>
Total revenues	<u>383,674</u>	<u>533,227</u>	<u>469,515</u>
Costs and expenses			
Games cost of revenues ⁽¹⁾			
Gaming operations	15,192	18,043	17,603
Gaming equipment and systems	25,680	50,826	47,121
Gaming other	456	3,025	3,285
Games total cost of revenues	<u>41,328</u>	<u>71,894</u>	<u>68,009</u>
FinTech cost of revenues ⁽¹⁾			
Cash access services	6,755	14,236	9,717
Equipment	14,724	22,292	12,601
Information services and other	3,029	3,964	4,110
FinTech total cost of revenues	<u>24,508</u>	<u>40,492</u>	<u>26,428</u>
Operating expenses	152,546	162,184	142,298
Research and development	27,943	32,505	20,497
Depreciation	67,459	63,198	61,225
Amortization	75,305	68,937	65,245
Total costs and expenses	<u>389,089</u>	<u>439,210</u>	<u>383,702</u>
Operating (loss) income	<u>(5,415)</u>	<u>94,017</u>	<u>85,813</u>
Other expenses			
Interest expense, net of interest income	74,564	77,844	83,001
Loss on extinguishment of debt	7,457	179	166
Total other expenses	<u>82,021</u>	<u>78,023</u>	<u>83,167</u>
(Loss) income before income tax	<u>(87,436)</u>	<u>15,994</u>	<u>2,646</u>
Income tax benefit	(5,756)	(523)	(9,710)
Net (loss) income	<u>(81,680)</u>	<u>16,517</u>	<u>12,356</u>
Foreign currency translation	(372)	1,179	(1,745)
Comprehensive (loss) income	<u>\$ (82,052)</u>	<u>\$ 17,696</u>	<u>\$ 10,611</u>

(1) Exclusive of depreciation and amortization.

	Year Ended December 31,		
	2020	2019	2018
(Loss) earnings per share			
Basic	\$ (0.96)	\$ 0.23	\$ 0.18
Diluted	\$ (0.96)	\$ 0.21	\$ 0.17
Weighted average common shares outstanding			
Basic	85,379	72,376	69,464
Diluted	85,379	79,235	73,796

See notes to consolidated financial statements.

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

		At December 31,	
		2020	2019
ASSETS			
Current assets			
Cash and cash equivalents	\$	251,706	\$ 289,870
Settlement receivables		60,652	70,282
Trade and other receivables, net of allowances for credit losses of \$3,689 and \$5,786 at December 31, 2020 and December 31, 2019, respectively		74,191	87,910
Inventory		27,742	26,574
Prepaid expenses and other assets		17,348	27,896
Total current assets		431,639	502,532
Non-current assets			
Property and equipment, net		112,323	128,869
Goodwill		681,974	681,635
Other intangible assets, net		214,627	279,187
Other receivables		14,620	16,661
Other assets		21,996	20,339
Total non-current assets		1,045,540	1,126,691
Total assets	\$	1,477,179	\$ 1,629,223
LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY			
Current liabilities			
Settlement liabilities	\$	173,211	\$ 234,087
Accounts payable and accrued expenses		145,029	173,103
Current portion of long-term debt		1,250	—
Total current liabilities		319,490	407,190
Non-current liabilities			
Deferred tax liability, net		19,956	26,401
Long-term debt, less current portion		1,128,003	1,108,078
Other accrued expenses and liabilities		17,628	33,566
Total non-current liabilities		1,165,587	1,168,045
Total liabilities		1,485,077	1,575,235
Commitments and contingencies (Note 13)			
Stockholders' (deficit) equity			
Common stock, \$0.001 par value, 500,000 shares authorized and 111,872 and 109,493 shares issued at December 31, 2020 and December 31, 2019, respectively		112	109
Convertible preferred stock, \$0.001 par value, 50,000 shares authorized and no shares outstanding at December 31, 2020 and December 31, 2019, respectively		—	—
Additional paid-in capital		466,614	445,162
Accumulated deficit		(294,620)	(212,940)
Accumulated other comprehensive loss		(1,191)	(819)
Treasury stock, at cost, 25,190 and 24,996 shares at December 31, 2020 and December 31, 2019, respectively		(178,813)	(177,524)
Total stockholders' (deficit) equity		(7,898)	53,988
Total liabilities and stockholders' (deficit) equity	\$	1,477,179	\$ 1,629,223

See notes to consolidated financial statements.

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

	Year Ended December 31,		
	2020	2019	2018
Cash flows from operating activities			
Net (loss) income	\$ (81,680)	\$ 16,517	\$ 12,356
Adjustments to reconcile net (loss) income to cash provided by operating activities:			
Depreciation	67,459	63,198	61,225
Amortization	75,305	68,937	65,245
Non-cash lease expense	4,880	4,276	—
Amortization of financing costs and discounts	4,283	4,285	4,877
Loss on sale or disposal of assets	450	1,678	869
Accretion of contract rights	7,675	8,710	8,421
Provision for credit losses	8,010	14,647	11,459
Deferred income taxes	(6,579)	(1,594)	(10,343)
Write-down of assets	13,068	1,268	2,575
Reserve for obsolescence	2,166	1,463	1,919
Loss on extinguishment of debt	7,457	179	166
Stock-based compensation	13,036	9,857	7,251
Other non-cash items	456	—	—
Changes in operating assets and liabilities:			
Settlement receivables	9,881	12,961	143,705
Trade and other receivables	8,621	(41,754)	(29,320)
Inventory	(5,650)	(3,067)	(3,848)
Prepaid and other assets	(4,301)	(18,724)	1,672
Settlement liabilities	(61,133)	(100,783)	17,159
Accounts payable and accrued expenses	(27,225)	42,836	(1,102)
Net cash provided by operating activities	36,179	84,890	294,286
Cash flows from investing activities			
Capital expenditures	(76,429)	(114,291)	(103,031)
Acquisitions, net of cash acquired	(15,000)	(35,000)	—
Proceeds from sale of property and equipment	396	56	237
Placement fee agreements	(3,085)	(17,102)	(20,556)
Net cash used in investing activities	(94,118)	(166,337)	(123,350)
Cash flows from financing activities			
Proceeds from incremental term loan	125,000	—	—
Repayments of incremental term loan	(625)	—	—
Proceeds from revolving credit facility	35,000	—	—
Repayments of revolving credit facility	(35,000)	—	—
Repayments of existing term loan	(13,500)	(58,700)	(8,200)
Repayments of unsecured notes	(89,619)	—	—
Fees associated with debt transactions	(11,128)	(707)	(1,276)
Proceeds from issuance of common stock, net	—	122,376	—
Proceeds from exercise of stock options	6,226	15,704	9,610
Treasury stock	(1,288)	(1,060)	(123)
Net cash provided by financing activities	15,066	77,613	11
Effect of exchange rates on cash	(1,388)	1,263	(1,370)
Cash, cash equivalents and restricted cash			
Net (decrease) increase for the period	(44,261)	(2,571)	169,577
Balance, beginning of the period	296,610	299,181	129,604
Balance, end of the period	\$ 252,349	\$ 296,610	\$ 299,181

See notes to consolidated financial statements.

	Year Ended December 31,		
	2020	2019	2018
Supplemental cash disclosures			
Cash paid for interest	\$ 67,562	\$ 77,351	\$ 81,609
Cash paid for income tax, net of refunds	576	694	402
Supplemental non-cash disclosures			
Accrued and unpaid capital expenditures	\$ 2,801	\$ 4,500	\$ 3,657
Accrued and unpaid placement fees added during the year	—	585	—
Accrued and unpaid liabilities for acquisitions added during the year	—	36,940	(550)
Transfer of leased gaming equipment to inventory	5,775	10,980	10,028

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

	Common Stock— Series A		Additional Paid-in Capital	(Accumulated Deficit)	Accumulated Other Comprehensive (Loss) Income	Treasury Stock	Total (Deficit) Equity
	Number of Shares	Amount					
Balance, January 1, 2018	93,120	\$ 93	\$ 282,070	\$ (246,202)	\$ (253)	\$ (176,341)	\$ (140,633)
Net income	—	—	—	12,356	—	—	12,356
Cumulative adjustment related to adoption of ASC 606	—	—	—	4,389	—	—	4,389
Foreign currency translation	—	—	—	—	(1,745)	—	(1,745)
Stock-based compensation expense	—	—	7,251	—	—	—	7,251
Exercise of options	1,962	2	9,608	—	—	—	9,610
Restricted share vesting and withholding	18	—	—	—	—	(123)	(123)
Balance, December 31, 2018	95,100	\$ 95	\$ 298,929	\$ (229,457)	\$ (1,998)	\$ (176,464)	\$ (108,895)
Net income	—	—	—	16,517	—	—	16,517
Foreign currency translation	—	—	—	—	1,179	—	1,179
Issuance of common stock in public offering, net	11,500	11	122,365	—	—	—	122,376
Stock-based compensation expense	—	—	8,167	—	—	—	8,167
Exercise of options	2,595	3	15,701	—	—	—	15,704
Restricted share vesting and withholding	298	—	—	—	—	(1,060)	(1,060)
Balance, December 31, 2019	109,493	\$ 109	\$ 445,162	\$ (212,940)	\$ (819)	\$ (177,524)	\$ 53,988
Net loss	—	—	—	(81,680)	—	—	(81,680)
Foreign currency translation	—	—	—	—	(372)	—	(372)
Stock-based compensation expense	—	—	14,726	—	—	—	14,726
Issuance of warrants	—	—	502	—	—	—	502
Exercise of options	1,474	2	6,224	—	—	—	6,226
Restricted share vesting and withholding	905	1	—	—	—	(1,289)	(1,288)
Balance, December 31, 2020	111,872	\$ 112	\$ 466,614	\$ (294,620)	\$ (1,191)	\$ (178,813)	\$ (7,898)

See notes to consolidated financial statements.

EVERI HOLDINGS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

1. BUSINESS

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

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

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

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

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

Impact of COVID-19 Pandemic

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

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

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

With a majority of our gaming customers reopening properties by the end of September 2020, and our activity rates and results continuing to improve through the third and fourth quarter, we have, among other measures: (i) returned nearly all of our furloughed employees to work on primarily a work-from-home basis; (ii) reinstated base compensation to pre-COVID levels for the employee base; (iii) reversed nearly all compensation reductions for both our Executives and Directors; and (iv) fully paid down the outstanding balance on our revolving line of credit.

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

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements are prepared under US Generally Accepted Accounting Principles (GAAP) and include the accounts of the Company and its subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

Business Combinations

When we acquire a business, we recognize the assets acquired and the liabilities assumed, at their acquisition date fair values. Goodwill is measured and recognized as the excess of consideration transferred over the net of the acquisition date fair values of the assets acquired and the liabilities assumed. Significant estimates and assumptions are required to value assets acquired and liabilities assumed at the acquisition date as well as contingent consideration, where applicable. These estimates are preliminary and typically include the calculation of an appropriate discount rate and projection of the cash flows associated with each acquired asset over its estimated useful life. As a result, up to one year from the acquisition date, the Company may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill (referred to as the measurement period). In addition, deferred tax assets, deferred tax liabilities, uncertain tax positions, and tax related valuation allowances assumed in connection with a business combination are initially estimated as of the acquisition date. We reevaluate these items quarterly based upon facts and circumstances that existed as of the acquisition date and any adjustments to its preliminary estimates are recorded to goodwill, in the period of identification, if identified within the measurement period. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to the Statements of Operations.

Cash and Cash Equivalents

Cash and cash equivalents include cash and balances on deposit in banks and financial institutions. We consider highly liquid investments with maturities of three months or less at the time of purchase to be cash and cash equivalents. Such balances generally exceed the federal insurance limits; however, we periodically evaluate the creditworthiness of these institutions to minimize risk.

ATM Funding Agreements

We obtain all of the cash required to operate our ATMs through various ATM Funding Agreements. Some gaming establishments provide the cash utilized within the ATM ("Site-Funded"). The Site-Funded receivables generated for the amount of cash dispensed from transactions performed at our ATMs are owned by us and we are liable to the gaming establishment for the face amount of the cash dispensed. In our Balance Sheets, the amount of the receivable for transactions processed on these ATM transactions is included within settlement receivables and the amount due to the gaming establishment for the face amount of dispensing transactions is included within settlement liabilities.

For the non-Site-Funded locations, we enter into commercial arrangements with third party vendors to provide us the currency needed for normal operating requirements for our ATMs. For the use of these funds, we pay a cash usage fee based upon the target federal funds rate. Under these agreements, the currency supplied by the third-party vendors remains the sole property of these suppliers until cash is dispensed, at which time the third-party vendors obtain an interest in the corresponding settlement receivable. As the cash is an asset of these suppliers, it is therefore not reflected on our Balance Sheets. The usage fee for the cash supplied in these ATMs is included as interest expense in the Statements of Operations. Our rationale to record cash usage fees as interest expense is primarily due to the similar operational characteristics to a revolving line of credit, the fact that the fees are calculated on a financial index, and the fees are paid for access to a capital resource.

Allowance for Credit Losses

We continually evaluate the collectability of outstanding balances and maintain an allowance for credit losses related to our trade and other receivables and notes receivable that have been determined to have a high risk of uncollectability, which represents our best estimates of the current expected credit losses to be incurred in the future. To derive our estimates, we analyze historical collection trends and changes in our customer payment patterns, current and expected conditions and market trends along with our operating forecasts, concentration, and creditworthiness when evaluating the adequacy of our allowance for credit losses. In addition, with respect to our check warranty receivables, we are exposed to risk for the losses associated with warranted items that cannot be collected from patrons issuing these items. We evaluate the collectability of the outstanding balances and establish a reserve for the face amount of the current expected credit losses related to these receivables. The provision for doubtful accounts receivable is included within operating expenses and the check warranty loss reserves are included within cash access services cost of revenues in the Statements of Operations.

Settlement Receivables and Settlement Liabilities

We provide cash settlement services to gaming establishments related to our cash access services, which involve the movement of funds between various parties involved in these types of transactions. We receive reimbursement from the patron's credit or debit card issuing financial institution for the amount owed to the gaming establishment plus the fee charged to the patron. These activities result in amounts due to us at the end of each business day that we generally recover over the next few business days, which are classified as settlement receivables on our Balance Sheets. In addition, cash settlement services result in amounts due to gaming establishments for the cash disbursed to patrons through the issuance of a negotiable instrument or through electronic settlement for the face amount provided to patrons that we generally remit over the next few business days, which are classified as settlement liabilities on our Balance Sheets.

Warranty Receivables

If a gaming establishment chooses to have a check warranted, it sends a request to our third-party check warranty service provider, asking whether it would be willing to accept the risk of cashing the check. If the check warranty provider accepts the risk and warrants the check, the gaming establishment negotiates the patron's check by providing cash for the face amount of the check. If the check is dishonored by the patron's bank upon presentment, the gaming establishment invokes the warranty, and the check warranty service provider purchases the check from the gaming establishment for the full check amount and then pursues collection activities on its own. In our Central Credit Check Warranty product under our agreement with the third-party service provider, we receive all of the check warranty revenue. We are exposed to risk for the losses associated with any warranted items that cannot be collected from patrons issuing the items. Warranty receivables are defined as any amounts paid by the third-party check warranty service provider to gaming establishments to purchase dishonored checks. Additionally, we pay a fee to the third-party check warranty service provider for its services.

The warranty receivables amount is recorded in trade and other receivables, net on our Balance Sheets. On a monthly basis, the Company evaluates the collectability of the outstanding balances and establishes a reserve for the face amount of the expected losses on these receivables. The warranty expense associated with this reserve is included within cost of revenues (exclusive of depreciation and amortization) on our Statements of Operations.

Inventory

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

Restricted Cash

Our restricted cash primarily consists of: (i) funds held in connection with certain customer agreements; (ii) deposits held in connection with a sponsorship agreement; (iii) wide-area progressive (“WAP”)-related restricted funds; and (iv) internet-related cash access activities. The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the Balance Sheets that sum to the total of the same such amounts shown in the statements of cash flows.

	Classification on our Balance Sheets	Year Ended December 31,		
		2020	2019	2018
Cash and cash equivalents	Cash and cash equivalents	\$ 251,706	\$ 289,870	\$ 297,532
Restricted cash — current	Prepaid expenses and other assets	542	6,639	1,548
Restricted cash — non-current	Other assets	101	101	101
Total		\$ 252,349	\$ 296,610	\$ 299,181

Property and Equipment

Property and equipment, which includes leased assets, are stated at cost, less accumulated depreciation, and are computed using the straight-line method over the lesser of the lease term or estimated life of the related assets, generally one to five years. Player terminals and related components and equipment are included in our rental pool. The rental pool can be further delineated as “rental pool – deployed,” which consists of assets deployed at customer sites under participation arrangements, and “rental pool – undeployed,” which consists of assets held by us that are available for customer use. Rental pool – undeployed also consists of previously deployed units currently back with us to be refurbished awaiting re-deployment. Routine maintenance of property, equipment and leased gaming equipment is expensed in the period incurred, while major component upgrades are capitalized and depreciated over the estimated remaining useful life of the component. Sales and retirements of depreciable property are recorded by removing the related cost and accumulated depreciation from the accounts. Gains or losses on sales and retirements of property are reflected in our Statements of Operations. Property, equipment and leased assets are reviewed for impairment whenever events or circumstances indicate that their carrying amounts may not be recoverable. Impairment is indicated when future cash flows, on an undiscounted basis, do not exceed the carrying value of the asset.

Placement Fee and Development Agreements

We enter into placement fee and, to a certain extent, development agreements to provide financing for the expansion of existing facilities, or for new gaming facilities. Funds provided under placement fee agreements are not reimbursed, while funds provided under development agreements are reimbursed to us, in whole, or in part. In return, the facility dedicates a percentage of its floor space to placement of our player terminals, and we receive a fixed percentage of those player terminals’ hold amounts per day over the term of the agreement, which is generally from 12 to 83 months. Certain of the agreements contain player terminal performance standards that could allow the facility to reduce a portion of our guaranteed floor space. In addition, certain development agreements allow the facilities to buy out floor space after advances that are subject to repayment have been repaid. The agreements typically provide for a portion of the amounts retained by the gaming facility for their share of the operating profits of the facility to be used to repay some or all of the advances recorded as notes receivable.

Goodwill

Goodwill represents the excess of the purchase price over the identifiable tangible and intangible assets acquired plus liabilities assumed arising from business combinations. We test for impairment annually on a reporting unit basis, at the beginning of our fourth fiscal quarter and between annual tests if events and circumstances indicate it is more likely than not that the fair value of a reporting unit is less than its carrying amount. The annual impairment test is completed using either: a qualitative “Step 0” assessment based on reviewing relevant events and circumstances; or a quantitative “Step 1” assessment, which determines the fair value of the reporting unit, using both an income approach that discounts future cash flows based on the estimated future results of our reporting units and a market approach that compares market multiples of comparable companies to determine whether or not any impairment exists. To the extent the carrying amount of a reporting unit is less than its estimated fair value, an impairment charge is recorded.

The evaluation of impairment of goodwill requires the use of estimates about future operating results. Changes in forecasted operations can materially affect these estimates, which could materially affect our results of operations and financial condition. The estimates of expected future cash flows require significant judgment and are based on assumptions we determined to be reasonable; however, they are unpredictable and inherently uncertain, including, estimates of future growth rates, operating margins, and assumptions about the overall economic climate as well as the competitive environment within which we operate. There can be no assurance that our estimates and assumptions made for purposes of our impairment assessments as of the time of evaluation will prove to be accurate predictions of the future. If our assumptions regarding business plans, competitive environments or anticipated growth rates are not correct, we may be required to record non-cash impairment charges in future periods, whether in connection with our normal review procedures periodically, or earlier, if an indicator of an impairment is present prior to such evaluation.

Our reporting units are identified as operating segments or one level below. Reporting units must: (i) engage in business activities from which they earn revenues and incur expenses; (ii) have operating results that are regularly reviewed by our segment management to ascertain the resources to be allocated to the segment and assess its performance; and (iii) have discrete financial information available. As of December 31, 2020, our reporting units included: (i) Games, (ii) Cash Access Services, (iii) Kiosk Sales and Service, (iv) Central Credit Services, (v) Compliance Sales and Services, and (vi) Loyalty Sales and Services.

Other Intangible Assets

Other intangible assets are stated at cost, less accumulated amortization, and are computed primarily using the straight-line method. Other intangible assets consist primarily of: (i) customer contracts (rights to provide Games and FinTech services to gaming establishment customers), developed technology, trade names and trademarks, and contract rights acquired through business combinations; and (ii) capitalized software development costs. Customer contracts require us to make renewal assumptions, which impact the estimated useful lives of such assets. Capitalized software development costs require us to make certain judgments as to the stages of development and costs eligible for capitalization. Capitalized software costs placed in service are amortized over their useful lives, generally not to exceed five years. We review intangible assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Such events or circumstances include, but are not limited to, a significant decrease in the fair value of the underlying business or market price of the asset, a significant adverse change in legal factors or business climate that could affect the value of an asset, or a current period operating or cash flow loss combined with a history of operating or cash flow losses. We group intangible assets for impairment analysis at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Recoverability of definite lived intangible assets is measured by a comparison of the carrying amount of the asset to future net cash flows expected to be generated by the asset, on an undiscounted basis and without interest or taxes. Any impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

Debt Issuance Costs

Debt issuance costs incurred in connection with long-term borrowings are capitalized and amortized to interest expense based upon the related debt agreements using the straight-line method, which approximates the effective interest method. Debt issuance costs related to line-of-credit arrangements are included in other assets, non-current, on our Balance Sheets. All other debt issuance costs are included as contra-liabilities in long-term debt.

Revenue Recognition

Overview

We evaluate the recognition of revenue based on the criteria set forth in Accounting Standards Codification (“ASC”) 606 — Revenue from Contracts with Customers and ASC 842 — Leases, as appropriate. We recognize revenue upon transferring control of goods or services to our customers in an amount that reflects the consideration we expect to receive in exchange for those goods or services. We enter into contracts with customers that include various performance obligations consisting of goods, services, or combinations of goods and services. Timing of the transfer of control varies based on the nature of the contract. We recognize revenue net of any sales and other taxes collected from customers, which are subsequently remitted to governmental authorities and are not included in revenues or operating expenses. We measure revenue based on the consideration specified in a contract with a customer and adjusted, as necessary.

We evaluate the composition of our revenues to maintain compliance with SEC Regulation S-X Section 210.5-3, which requires us to separately present certain categories of revenues that exceed the quantitative threshold on our Statements of Operations.

Collectability

To assess collectability, we determine whether it is probable that we will collect substantially all of the consideration to which we are entitled in exchange for the goods and services transferred to the customer in accordance with the terms and conditions of the contract. In connection with these procedures, we evaluate the customer using internal and external information available, including, but not limited to, research and analysis of our credit history with the customer. Based on the nature of our transactions and historical trends, we determine whether our customers have the ability and intention to pay the amounts of consideration when they become due to identify potentially significant credit risk exposure.

Contract Combinations - Multiple Promised Goods and Services

Our contracts may include various performance obligations for promises to transfer multiple goods and services to a customer, especially since our Games and FinTech businesses may enter into multiple agreements with the same customer that meet the criteria to be combined for accounting purposes under ASC 606. When this occurs, a Stand-Alone Selling Price ("SSP") will be determined for each performance obligation in the combined arrangement, and the consideration will be allocated between the respective performance obligations. The SSP of our goods and services is generally determined based on observable prices, an adjusted market assessment approach, or an expected cost plus margin approach. We utilize a residual approach only when the SSP for performance obligations with observable prices has been established and the remaining performance obligation in the contract with a customer does not have an observable price as it is uncertain or highly variable and, therefore, is not discernible. We use our judgment to analyze the nature of the promises made and determine whether each is distinct or should be combined with other promises in the contract based on the level of integration and interdependency between the individual deliverables.

Disaggregation of Revenues

We disaggregate revenues based on the nature and timing of the cash flows generated by such revenues as presented in ["Note 18 — Segment Information."](#)

Outbound Freight Costs, Installation and Training

Upon transferring control of goods to a customer, the shipping and handling costs in connection with sale transactions are generally accounted for as fulfillment costs and included in cost of revenues.

Our performance of installation and training services relating to the sales of gaming equipment and systems and FinTech equipment does not modify the software or hardware in those equipment and systems. Such installation and training services are generally immaterial in the context of the contract; and therefore, such items do not represent a separate performance obligation.

Costs to Acquire a Contract with a Customer

We typically incur incremental costs to acquire customer contracts in the form of sales commissions; however, because the expected benefit from these contracts is one year or less, we expense these amounts as incurred.

Contract Balances

Since our contracts may include multiple performance obligations, there is often a timing difference between cash collections and the satisfaction of such performance obligations and revenue recognition. Such arrangements are evaluated to determine whether contract assets and liabilities exist. We generally record contract assets when the timing of billing differs from when revenue is recognized due to contracts containing specific performance obligations that are required to be met prior to a customer being invoiced. We generally record contract liabilities when cash is collected in advance of us satisfying performance obligations, including those that are satisfied over a period of time. Balances of our contract assets and contract liabilities may fluctuate due to timing of cash collections.

The following table summarizes our contract assets and contract liabilities arising from contracts with customers (in thousands):

	Year Ended December 31,	
	2020	2019
Contract assets ⁽¹⁾		
Balance at January 1 — current	\$ 8,634	\$ 6,821
Balance at January 1 — non-current	6,774	4,489
Total	15,408	11,310
Balance at December 31 — current	9,240	8,634
Balance at December 31 — non-current	8,321	6,774
Total	17,561	15,408
Increase	\$ 2,153	\$ 4,098
Contract liabilities ⁽²⁾		
Balance at January 1 — current	\$ 28,510	\$ 14,661
Balance at January 1 — non-current	354	809
Total	28,864	15,470
Balance at December 31 — current	26,980	28,510
Balance at December 31 — non-current	289	354
Total	27,269	28,864
(Decrease)/Increase	\$ (1,595)	\$ 13,394

(1) The current portion of contract assets is included within trade and other receivables, net and the non-current portion is included within other receivables in our Balance Sheets.

(2) The current portion of contract liabilities is included within accounts payable and accrued expenses, and the non-current portion is included within other accrued expenses and liabilities in our Balance Sheets.

We recognized approximately \$23.5 million and \$14.2 million in revenue that was included in the beginning contract liability balance during 2020 and 2019, respectively.

Games Revenues

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

Gaming Operations

We primarily provide: (i) leased gaming equipment, both Class II and Class III offerings, on a participation or a daily fixed-fee basis, including standard games and hardware and premium games and hardware, inclusive of local-area progressive, and WAP; (ii) accounting and central determinant systems; and (iii) digital online gaming activities. We evaluate the recognition of lease revenues based on criteria set forth in ASC 842. Under these arrangements, we retain ownership of the machines installed at customer facilities. We recognize recurring rental income over time based on a percentage of the net win per day generated by the leased gaming equipment or a daily fixed-fee based on the timing services are provided. Such revenues are generated daily and are limited to the lesser of the net win per day generated by the leased gaming equipment or the fixed daily fee and the lease payments that have been collected from the lessee. Gaming operations revenues generated by leased gaming equipment deployed at sites under placement fee agreements give rise to contract rights, which are amounts recorded to intangible assets for dedicated floor space resulting from such agreements. The gaming operations revenues generated by these arrangements are reduced by the accretion of contract rights, which represents the related amortization of the contract rights recorded in connection with such agreements. Gaming operations lease revenues accounted for under ASC 842 are generally short-term in nature with payment terms ranging from 30 to 90 days. We recognized \$116.1 million, \$143.2 million, and \$136.6 million in lease revenues for the years ended December 31, 2020, 2019, and 2018, respectively.

Gaming operations revenues include amounts generated by WAP systems, which are recognized under ASC 606. WAP consists of linked slot machines located in multiple casino properties that are connected to a central system. WAP-based gaming machines have a progressive jackpot administered by us that increases with every wager until a player wins the top award combination. Casino operators pay us a percentage of the coin-in (the total amount wagered), a percentage of net win, or a combination of both for services related to the design, assembly, installation, operation, maintenance, administration, and marketing of the WAP offering. The gaming operations revenues with respect to WAP machines represent a separate performance obligation and we transfer control and recognize revenue over time based on a percentage of the coin-in, a percentage of net win, or a combination of both, based on the timing services are provided. These arrangements are generally short-term in nature with a majority of invoices payable within 30 to 90 days. Such revenues are presented in the Statements of Operations, net of the jackpot expense, which are composed of incremental amounts funded by a portion of coin-in from the players. At the time a jackpot is won by a player, an additional jackpot expense is recorded in connection with the base seed amount required to fund the minimum level as set forth in the WAP arrangements with the casino operators.

Gaming operations also include revenues generated under our arrangement to provide the New York State Gaming Commission (the “NYSGC”) with a central determinant monitoring and accounting system for the VLTs in operation at licensed State of New York gaming facilities. Pursuant to our agreement with the NYSGC, we receive a portion of the network-wide net win (generally, cash-in less prizes paid) per day in exchange for provision and maintenance of the central determinant system and recognize revenue over time, based on the timing services are provided. We also provide the central determinant system technology to Native American tribes in other licensed jurisdictions, for which we receive a portion of the revenue generated from the VLTs connected to the system. These arrangements are generally short-term in nature with payments due monthly.

Gaming operations revenues include amounts generated by our digital offering comprised of B2B and B2C activities. Our B2B operations provide games to our business customers, including both regulated real money and social casinos, which offer the games to consumers on their apps. Our B2B arrangements primarily provide access to our game content, and revenue is recognized over time as the control transfers upon our business partners’ daily access to such content based on either a flat fee or revenue share arrangements with the social and regulated real money casinos, based on the timing services are provided. Our B2C operations offer games directly to consumers for play with virtual currency, which can be purchased through our web and mobile applications. Control transfers, and we recognize revenues from player purchases of virtual currency as it is consumed for game play, which is based on a historical data analysis.

Gaming Equipment and Systems

Gaming equipment and systems revenues are derived from the sale of some combination of: (i) gaming equipment and player terminals; (ii) game content; (iii) license fees; and (iv) ancillary equipment, such as signage and lighting packages. Such arrangements are predominately short-term in nature with payment terms ranging from 30 to 180 days, and with certain agreements providing for extended payment terms up to 39 months. Each contract containing extended payment terms over a period of 12 months is evaluated for the presence of a financing component; however, our contracts generally do not contain a financing component that has been determined to be significant to the contract. Distinct and thus, separately identifiable performance obligations for gaming equipment and systems arrangements include gaming equipment, player terminals, content, system software, license fees, ancillary equipment, or various combinations thereof. Gaming equipment and systems revenues are recognized at a point in time when control of the promised goods and services transfers to the customer, which is generally upon shipment or delivery pursuant to the terms of the contract. The performance obligations are generally satisfied at the same time or within a short period of time.

Gaming Other

Gaming other revenues are generated from fees paid by casino customers that participate in our *TournEvent of Champions*® national slot tournament. Casinos, in partnership with Everi, host slot tournaments, in which winners of the local and regional tournaments throughout the year then participate in a national tournament that results in the determination of a final champion. Revenues are recognized as earned over a period of time, based on the timing services are provided. These arrangements are generally short-term in nature with payment terms ranging from 30 to 90 days.

FinTech Revenues

Cash Access Services

Cash access services revenues are generally comprised of the following distinct performance obligations: cash advance, ATM, and check services. We do not control the cash advance and ATM services provided to a customer and, therefore, we are acting as an agent whose performance obligation is to arrange for the provision of these services. Our cash access services involve the movement of funds between the various parties associated with cash access transactions and give rise to settlement receivables and settlement liabilities, both of which are settled in days following the transaction.

Cash advance revenues are primarily comprised of transaction fees assessed to gaming patrons in connection with credit card cash access and POS debit card cash access transactions. Such fees are primarily based on a combination of a fixed amount plus a percentage of the face amount of the credit card cash access or POS debit card cash access transaction amount. In connection with these types of transactions, we report certain direct costs incurred as reductions to revenues on a net basis, which generally include: (i) commission expenses payable to casino operators; (ii) interchange fees payable to the network associations; and (iii) processing and related costs payable to other third-party partners.

ATM revenues are primarily comprised of transaction fees in the form of cardholder surcharges assessed to gaming patrons in connection with ATM cash withdrawals at the time the transactions are authorized and interchange reimbursement fees paid to us by the patrons' issuing banks. The cardholder surcharges assessed to gaming patrons in connection with ATM cash withdrawals are currently a fixed dollar amount and not a percentage of the transaction amount. In connection with these types of transactions, we report certain direct costs incurred as reductions to revenues on a net basis, which generally include: (i) commission expenses payable to casino operators; (ii) interchange fees payable to the network associations; and (iii) processing and related costs payable to other third-party partners.

Check services revenues are principally comprised of check warranty revenues and are generally based upon a percentage of the face amount of checks warranted. These fees are paid to us by gaming establishments.

For cash access services arrangements, since the customer simultaneously receives and consumes the benefits as the performance obligations occur, we recognize revenues as earned over a period of time using an output method depicting the transfer of control to the customer based on variable consideration, such as volume of transactions processed with variability generally resolved in the reporting period.

Equipment

Equipment revenues are derived from the sale of our cash access and loyalty kiosks and related equipment and are accounted for under ASC 606, unless such transactions meet definition of a sales type or direct financing lease which are accounted for under ASC 842. Revenues are recognized at a point in time when control of the promised goods and services transfers to the customer generally upon shipment or delivery pursuant to the terms of the contract. The sales contracts are generally short-term in nature with payment terms ranging from 30 to 90 days, while certain agreements provide for extended payment terms of up to 60 months. Each contract containing extended payment terms over a period of 12 months is evaluated for the presence of a financing component; however, our contracts generally do not contain a financing component that has been determined to be significant to the contract.

Information Services and Other

Information services and other revenues include amounts derived from our cash access, loyalty kiosk, compliance, and loyalty related revenue streams from the sale of: (i) software licenses, software subscriptions, professional services, and certain other ancillary fees; (ii) service-related fees associated with the sale, installation, training, and maintenance of equipment directly to our customers under contracts, which are generally short-term in nature with payment terms ranging from 30 to 90 days, secured by the related equipment; (iii) credit worthiness-related software subscription services that are based upon either a flat monthly unlimited usage fee or a variable fee structure driven by the volume of patron credit histories generated; and (iv) ancillary marketing and database services.

Our software represents a functional right-to-use license, and the revenues are recognized as earned at a point in time. Subscription services are recognized over a period of time using an input method based on time elapsed as we transfer the control ratably by providing a stand-ready service. Professional services, training, and other revenues are recognized over a period of time as services are provided, thereby reflecting the transfer of control to the customer.

Cost of Revenues (Exclusive of Depreciation and Amortization)

The cost of revenues (exclusive of depreciation and amortization) represents the direct costs required to perform revenue generating transactions. The costs included within cost of revenues (exclusive of depreciation and amortization) are inventory and related costs associated with the sale of our fully integrated kiosks, electronic gaming machines and system sale, check cashing warranties, field service, and network operations personnel.

Advertising, Marketing, and Promotional Costs

We expense advertising, marketing, and promotional costs as incurred. Total advertising, marketing, and promotional costs, included in operating expenses in the Statements of Operations, were \$1.3 million, \$5.0 million, and \$3.4 million for the years ended December 31, 2020, 2019, and 2018, respectively.

Research and Development Costs

We conduct research and development activities for both our Games and FinTech segments. Our Gaming research and development activities are primarily to develop gaming systems, game engines, casino data management systems, central determination and other electronic bingo-outcome determination systems, video lottery outcome determination systems, gaming platforms and gaming content, and to enhance our existing product lines. Our FinTech research and development activities are primarily to develop: (i) payments products, systems, and related capabilities such as security, encryption, and business rule engines that deliver differentiated patron experiences and integrate with our other products; (ii) compliance products that increase efficiencies, profitability, enhance employee/patron relationships, and meet regulatory reporting requirements; and (iii) loyalty products, systems, and features that attract, engage, and retain patrons in more intuitive and contextual ways than our competition.

Research and development costs consist primarily of salaries and benefits, consulting fees, certification and testing fees. Once the technological feasibility has been established, the project is capitalized until it becomes available for general release.

Research and development costs were \$27.9 million, \$32.5 million, and \$20.5 million for the years ended December 31, 2020, 2019, and 2018, respectively.

Income Taxes

We are subject to income taxes in the United States as well as various states and foreign jurisdictions in which we operate. Due to the 2017 Tax Act, there is no U.S. federal tax on cash repatriation from foreign subsidiaries; however, we could be subject to foreign withholding tax and U.S. state income taxes. The 2017 Tax Act also subjects our foreign subsidiary earnings to the Global Intangible Low-Taxed Income (“GILTI”) tax provisions. Some items of income and expense are not reported in tax returns and our Financial Statements in the same year. The tax effect of such temporary differences is reported as deferred income taxes.

Our deferred tax assets and liabilities are recognized for the expected future tax consequences of events that have been included in our Financial Statements or income tax returns. Deferred tax assets and liabilities are determined based upon differences between financial statement carrying amounts of existing assets and their respective tax bases using enacted tax rates expected to apply to taxable income in years in which those temporary differences are expected to be recovered or settled. The effect on the income tax provision or benefit and deferred tax assets and liabilities for a change in rates is recognized in the Statements of Operations in the period that includes the enactment date.

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

We also follow generally accepted accounting principles (“GAAP”) to account for uncertainty in income taxes as recognized in our Financial Statements. The accounting standard creates a single model to address uncertainty in income tax positions and prescribes the minimum recognition threshold a tax position is required to meet before being recognized in our Financial Statements. The standard also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

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

Employee Benefits Plan

The Company provides a 401(k) Plan that allows employees to defer up to the lesser of the Internal Revenue Code prescribed maximum amount or 100% of their income on a pre-tax basis through contributions to the plan. As a benefit to employees, the Company matches a percentage of these employee contributions (as defined in the plan document). As a direct result of the circumstances surrounding the global pandemic, we were unable to offer a Company match of employee contributions for a majority of 2020. Expenses related to the matching portion of the contributions to the 401(k) Plan were \$0.6 million, \$2.6 million, and \$2.2 million for the years ended December 31, 2020, 2019, and 2018, respectively.

Fair Values of Financial Instruments

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

The carrying amount of cash and cash equivalents, restricted cash, settlement receivables, short-term trade and other receivables, settlement liabilities, accounts payable, and accrued expenses approximate fair value due to the short-term maturities of these instruments. The fair value of the long-term trade and loans receivable is estimated by discounting expected future cash flows using current interest rates at which similar loans would be made to borrowers with similar credit ratings and remaining maturities. The fair value of long-term accounts payable is estimated by discounting the total obligation using the appropriate interest rates. As of December 31, 2020 and 2019, the fair value of trade and loan receivable approximated the carrying value due to contractual terms generally being slightly over 12 months. The fair value of our borrowings is estimated based on various inputs to determine a market price, such as: market demand and supply, size of tranche, maturity, and similar instruments trading in more active markets.

The estimated fair value and outstanding balances of our borrowings are as follows (dollars in thousands):

	Level of Hierarchy	Fair Value	Outstanding Balance
December 31, 2020			
Term loan	2	\$ 729,138	\$ 735,500
Incremental term loan	2	\$ 129,972	\$ 124,375
Senior unsecured notes	2	\$ 296,083	\$ 285,381
December 31, 2019			
Term loan	2	\$ 753,494	\$ 749,000
Senior unsecured notes	2	\$ 401,738	\$ 375,000

Our borrowings' fair values were determined using Level 2 inputs based on quoted market prices for these securities.

Foreign Currency Translation

Foreign currency denominated assets and liabilities for those foreign entities for which the local currency is the functional currency are translated into U.S. dollars based on exchange rates prevailing at the end of each year. Revenues and expenses are translated at average exchange rates during the year. The effects of foreign exchange gains and losses arising from these translations are included as a component of other comprehensive (loss) income on the Statements of Operations. Translation adjustments on intercompany balances of a long-term investment nature are recorded as a component of accumulated other comprehensive loss on our Balance Sheets.

Use of Estimates

We have made estimates and judgments affecting the amounts reported in these financial statements and the accompanying notes in conformity with GAAP. The actual results may materially differ from these estimates.

Earnings Applicable to Common Stock

Basic earnings per share is calculated by dividing net income by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflect the effect of potential common stock resulting from assumed stock option exercises and vesting of restricted stock unless it is anti-dilutive. To the extent we report a net loss from continuing operations in a particular period, no potential dilution from the application of the treasury stock method would be applicable.

Stock-Based Compensation

Stock-based compensation results in a cost that is measured at fair value on the grant date of an award. Generally, we issue grants that are classified as equity awards. However, if we issue grants that are considered liability awards, they are remeasured at fair value at the end of each reporting period until settlement with changes being recognized as stock-based compensation cost and a corresponding adjustment recorded to the liability, either immediately or during the remaining service period depending on the vested status of the award. Generally, with respect to stock option awards granted under our plans, they expire 10 years from the date of grant with the exercise price based on the closing market price of our common stock on the date of the grant.

Our restricted stock awards, restricted stock units, and performance-based stock units are measured at fair value based on the closing stock price on the grant date. Our time-based stock option awards are measured at fair value on the grant date using the Black Scholes model. The stock-based compensation cost is recognized on a straight-line basis over the vesting period of the awards.

Forfeiture amounts are estimated at the grant date for stock awards and are updated periodically based on actual results, to the extent they differ from the estimates.

Acquisition-Related Costs

We recognize a liability for acquisition-related costs when the expense is incurred. Acquisition-related costs include, but are not limited to: financial advisory, legal and debt fees; accounting, consulting, and professional fees associated with due diligence, valuation, and integration; severance; and other related costs and adjustments.

Reclassification of Prior Year Balances

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

Recent Accounting Guidance

Recently Adopted Accounting Guidance

Standard	Description	Date of Adoption	Effect on Financial Statements
Accounting Standards Update (“ASU”) No. 2016-13 , Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments and subsequent amendments	This ASU replaces the incurred loss impairment methodology in current GAAP with a methodology that reflects lifetime expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.	January 1, 2020	This guidance primarily impacts our trade and other receivables, including those related to revenues from contracts with customers that may contain contract assets with respect to performance obligations that are satisfied for which the customers have not yet been invoiced. We adopted this guidance using the modified retrospective method. The adoption of ASC 326 did not have a material effect on our Financial Statements and did not result in a cumulative-effect adjustment. Refer to “Note 6 — Trade and Other Receivables” for further discussion.
ASU No. 2018-15 , Intangibles — Capitalizing Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract	This ASU aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license).	January 1, 2020	The adoption of this ASU did not have a material effect on our Financial Statements or on our disclosures.
ASU No. 2020-04 , Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting	This ASU provides optional guidance for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting for contracts, hedging relationships, and other transactions that reference the London Interbank Offered Rate (“LIBOR”).	March 12, 2020	The adoption of this ASU has not had a material effect on our Financial Statements or on our disclosures through December 31, 2020.

Recent Accounting Guidance Not Yet Adopted

Standard	Description	Date of Planned Adoption	Effect on Financial Statements
ASU No. 2019-12 , Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes	This ASU simplifies the accounting for income taxes by removing certain exceptions for investments, intraperiod allocations, and interim calculations, and adds guidance to reduce the complexity of applying Topic 740.	January 1, 2021	We are currently evaluating the impact of adopting this ASU on our Financial Statements and our disclosures; however, we do not expect the impact to be material.

As of December 31, 2020, other than what has been described above, we do not anticipate recently issued accounting guidance to have a significant impact on our consolidated financial statements.

3. LEASES

On January 1, 2019, we adopted the new lease accounting guidance, ASC 842. We adopted the guidance using a modified retrospective approach utilizing the transition relief expedient method. Information related to leases as of December 31, 2020 and December 31, 2019 is presented under Topic 842, while prior period amounts are not adjusted and continue to be reported under legacy guidance in Topic 840.

We determine if a contract is, or contains, a lease at the inception, or modification, of a contract based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control over the use of an asset is predicated upon the notion that a lessee has both the right to (i) obtain substantially all of the economic benefit from the use of the asset; and (ii) direct the use of the asset.

Operating lease ROU assets and liabilities are recognized based on the present value of minimum lease payments over the expected lease term at commencement date. Lease expense is recognized on a straight-line basis over the expected lease term. Our lease arrangements have both lease and non-lease components, and we have elected the practical expedient to account for the lease and non-lease elements as a single lease.

Certain of our lease arrangements contain options to renew with terms that generally have the ability to extend the lease term to a range of approximately 1 to 10 years. The exercise of lease renewal options is generally at our sole discretion. The expected lease terms include options to extend or terminate the lease when it is reasonably certain that we will exercise such option. The depreciable life of leased assets and leasehold improvements are limited by the expected term of such assets, unless there is a transfer of title or purchase option reasonably certain to be exercised.

Lessee

We enter into operating lease agreements for real estate purposes that generally consist of buildings for office space and warehouses for manufacturing purposes. Certain of our lease agreements consist of rental payments that are periodically adjusted for inflation. Our lease agreements do not contain material residual value guarantees or material restrictive covenants. Our lease agreements do not generally provide explicit rates of interest; therefore, we use our incremental collateralized borrowing rate, which is based on a fully collateralized and fully amortizing loan with a maturity date the same as the length of the lease that is based on the information available at the commencement date to determine the present value of lease payments. Leases with an expected term of 12 months or less (short-term) are not accounted for on our Balance Sheets. Our finance leases are immaterial.

Supplemental balance sheet information related to our operating leases is as follows (in thousands):

	Classification on our Balance Sheets	At December 31, 2020	At December 31, 2019
Assets			
Operating lease ROU assets	Other assets, non-current	\$ 16,104	\$ 12,257
Liabilities			
Current operating lease liabilities	Accounts payable and accrued expenses	\$ 5,649	\$ 5,824
Non-current operating lease liabilities	Other accrued expenses and liabilities	\$ 16,077	\$ 9,628

Supplemental cash flow information related to leases is as follows (in thousands):

	Year Ended December 31,	
	2020	2019
Cash paid for:		
Long-term operating leases	\$ 6,411	\$ 5,893
Short-term operating leases	\$ 1,908	\$ 1,799
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases ⁽¹⁾	\$ 10,356	\$ 16,533 ⁽²⁾

(1) The amounts are presented net of current year terminations and exclude amortization for the period.

(2) The amount includes approximately \$13.6 million of operating lease ROU assets obtained in exchange for existing lease obligations due to the adoption of ASC 842 (net of operating lease terminations occurring in 2019 in the amount of approximately \$0.5 million), and approximately \$2.5 million of operating lease ROU assets obtained in exchange for new lease obligations entered into during the year ended December 31, 2019.

Other information related to lease terms and discount rates is as follows:

	At December 31, 2020	At December 31, 2019
Weighted Average Remaining Lease Term (in years):		
Operating leases	4.16	2.96
Weighted Average Discount Rate:		
Operating leases	5.16 %	5.25 %

Components of lease expense are as follows (in thousands):

	Year Ended December 31,	
	2020	2019
Operating Lease Cost:		
Operating lease cost ⁽¹⁾	\$ 5,770	\$ 4,907
Variable lease cost	\$ 1,682	\$ 1,619

(1) The amount includes approximately \$4.9 million and \$4.3 million in non-cash lease expense for the years ended December 31, 2020 and 2019, respectively.

Maturities of lease liabilities are summarized as follows as of December 31, 2020 (in thousands):

Year ending December 31,	Amount
2021	\$ 6,523
2022	5,892
2023	4,414
2024	3,456
2025	2,889
Thereafter	1,042
Total future minimum lease payments	\$ 24,216
Amount representing interest	2,490
Present value of future minimum lease payments	\$ 21,726
Current operating lease obligations	5,649
Long-term lease obligations	\$ 16,077

Lessor

We generate lease revenues primarily from our gaming operations activities, and the majority of our leases are month-to-month leases. Under these arrangements, we retain ownership of the EGMs installed at customer facilities. We receive recurring revenues based on a percentage of the net win per day generated by the leased gaming equipment or a fixed daily fee. Such revenues are generated daily and are limited to the lesser of the net win per day generated by the leased gaming equipment or the fixed daily fee and the lease payments that have been collected from the lessee. Certain of our leases have terms and conditions with options for a lessee to purchase the underlying assets. Refer to [“Note 2 — Basis of Presentation and Summary of Significant Accounting Policies”](#) for further discussion of lease revenues. The cost of property and equipment the Company is leasing to third-parties as of December 31, 2020 is approximately \$216.8 million, which includes accumulated depreciation of approximately \$137.0 million.

For the year ended December 31, 2020, our sales type leases are immaterial. For the year ended December 31, 2019 we generated lease revenue from sales type leases in the FinTech segment in the amount of approximately \$2.6 million.

Supplemental balance sheet information related to our sales-type leases is as follows (in thousands):

	Classification on our Balance Sheets	At December 31, 2020	At December 31, 2019
Assets			
Net investment in sales-type leases — current	Trade and other receivables, net	\$ 1,397	\$ 874
Net investment in sales-type leases — non-current	Other receivables	\$ 803	\$ 1,288

4. BUSINESS COMBINATIONS

The following is a summary of business combinations completed during the year ended December 31, 2019.

Atrient, Inc.

On March 8, 2019, we acquired certain assets of Atrient, Inc. (“Atrient,” the “Seller”), a privately held company that developed and distributed hardware and software applications to gaming operators to enhance gaming patron loyalty, pursuant to an asset purchase agreement. This acquisition included existing contracts with gaming operators, technology, and intellectual property that allow us to provide gaming operators with self-service enrollment, loyalty and marketing equipment, a mobile application to offer a gaming operator’s patrons additional flexibility in accessing casino promotions, and a marketing platform that manages and delivers a gaming operator’s marketing programs through these patron interfaces. This acquisition expanded our financial technology solutions offerings within our FinTech segment. Under the terms of the asset purchase agreement, we paid the Seller \$20.0 million at the closing of the transaction and an additional \$10.0 million one year following the closing and we will pay another \$10.0 million two years following the date of closing. In addition, we expect that an additional \$10.0 million in contingent consideration will be earned by the Seller based upon the achievement of certain revenue targets over the first two years post-closing. We expect the total consideration for this acquisition, inclusive of the contingent consideration, to be approximately \$50.0 million.

The total purchase consideration for certain assets of Atrient was as follows (in thousands):

	Amount
Purchase consideration	
Cash consideration paid at closing	\$ 20,000
Cash consideration to be paid in subsequent periods (at fair value)	18,528
Total cash consideration	38,528
Contingent consideration (at fair value)	9,028
Total purchase consideration	<u>\$ 47,556</u>

As of December 31, 2019, cash consideration was comprised of a short-term component recorded in accounts payable and accrued expenses and a long-term component payable within two years recorded in other accrued expenses and liabilities in our Balance Sheets. As of December 31, 2020, cash consideration is comprised of a short-term component recorded in accounts payable and accrued expenses.

As of December 31, 2019, the contingent consideration was comprised of a long-term component recorded in other accrued expenses and liabilities in our Balance Sheets. As of December 31, 2020, contingent consideration is comprised of a short-term component recorded in accounts payable and accrued expenses.

The transaction was recorded using the acquisition method of accounting, which requires, among other things, that the assets acquired and liabilities assumed are recognized at their respective fair values as of the closing date of the transaction. The excess of the fair value of the purchase consideration over those fair value amounts was recorded as goodwill, which will be amortized over a period of 15 years for tax purposes. The goodwill recognized is primarily attributable to the income potential from the expansion of our footprint in the gaming space by enhancing our existing financial technology solution portfolio to add new touch-points for gaming patrons at customer locations and a new loyalty and marketing-focused business line, assembled workforce, among other strategic benefits.

The information below summarizes the amounts of identifiable assets acquired and liabilities assumed, which reflects an adjustment of approximately \$0.2 million from the preliminary allocation completed as of the closing date of the transaction. The adjustment related to the provisional amounts recognized for certain receivables, inventory, and liabilities for which we have subsequently obtained and evaluated more detailed information than what existed as of the closing date of the transaction (in thousands):

	Amount
Current assets	\$ 3,146
Property and equipment, net	8
Goodwill	33,126
Other intangible assets, net	14,200
Other assets	239
Total assets	50,719
Accounts payable and accrued expenses	(3,073)
Other accrued expenses and liabilities	(90)
Total liabilities	(3,163)
Net assets acquired	\$ 47,556

Receivables acquired of approximately \$1.8 million were short-term in nature and considered to be collectible, and therefore, the carrying amounts of these assets were determined to represent their fair values. Inventory acquired of approximately \$1.3 million consisted of raw materials and finished goods and was fair valued based on the estimated net realizable value of these assets. Property and equipment acquired were not material in size or scope, and the carrying amounts of these assets represented their fair values. The operating lease ROU assets of approximately \$0.2 million, which are included in other assets in our Balance Sheets, were recorded at their fair values based on the present value of future lease payments discounted in accordance with the policy disclosed in [“Note 3 — Leases.”](#)

Other intangible assets acquired of approximately \$14.2 million were comprised of customer contracts and developed technology. The fair value of customer contracts of approximately \$9.2 million was determined by applying the income approach utilizing the excess earnings methodology using Level 3 inputs in the hierarchy with a discount rate utilized of 17%. The fair value of developed technology of approximately \$5.0 million was determined by applying the income approach utilizing the relief from royalty methodology using Level 3 inputs with a royalty rate of 15% and a discount rate utilized of 18%.

The following table summarizes acquired intangible assets (dollars in thousands):

	Useful Life (Years)	Estimated Fair Value
Other Intangible Assets		
Developed technology	3	\$ 5,000
Customer contracts	5	9,200
Total other intangible assets		\$ 14,200

The financial results included in our Statements of Operations since the acquisition date and for the year ended December 31, 2019 reflected revenues of approximately \$16.0 million and net income of approximately \$3.9 million. We incurred acquisition-related costs of approximately \$0.2 million for the year ended December 31, 2019.

Micro Gaming Technologies, Inc.

On December 24, 2019, we acquired certain assets of Micro Gaming Technologies, Inc. (“MGT”), a privately held company that developed and distributed kiosks and software applications to gaming patrons to enhance patron loyalty, in an asset purchase agreement. The acquired assets consisted of existing contracts with gaming operators, technology, and intellectual property intended to allow us to provide gaming operators with self-service patron loyalty functionality delivered through stand-alone kiosk equipment and a marketing platform that manages and delivers gaming operators marketing programs through these patron interfaces. This acquisition further expanded our financial technology loyalty offerings within our FinTech segment. Under the terms of the asset purchase agreement, we paid MGT \$15.0 million at the closing of the transaction, with an additional \$5.0 million due by April 1, 2020 and a final payment of \$5.0 million due two years following the date of closing. In light of the COVID-19 pandemic, we entered into an amendment to the asset purchase agreement allowing us to remit the additional \$5.0 million by July 1, 2020, which we paid in June 2020, with a final payment of \$5.0 million due by July 1, 2021.

The related liabilities were recorded at fair value on the acquisition date as part of the consideration transferred and were included in accounts payable and accrued expenses and other accrued expenses and liabilities as of December 31, 2020 and 2019 for the current and non-current portions, respectively. The total consideration for this acquisition is expected to be approximately \$25.0 million. The acquisition did not have a significant impact on our results of operations or financial condition.

The total purchase consideration for certain assets of MGT was as follows (in thousands):

	Amount
Purchase consideration	
Cash consideration paid at closing	\$ 15,000
Cash consideration to be paid in subsequent periods (at fair value)	9,514
Total cash consideration	<u>\$ 24,514</u>

As of December 31, 2019, cash consideration was comprised of a short-term component that was recorded in accounts payable and accrued expenses and a long-term component payable within two years recorded in other accrued expenses and liabilities in our Balance Sheets. As of December 31, 2020, cash consideration is comprised of a short-term component recorded in accounts payable and accrued expenses.

The transaction was recorded using the acquisition method of accounting, as described above, and the goodwill will be amortized over a period of 15 years for tax purposes. The goodwill recognized is primarily attributable to the income potential from further expansion of our footprint in the gaming space and from enhancement of our financial technology loyalty offerings and marketing-focused business line, assembled workforce, among other strategic benefits.

The information below summarizes the amount of identifiable assets acquired and liabilities assumed, which reflect an adjustment of approximately \$0.4 million from the preliminary allocation completed as of the closing date of the transaction. The adjustment related to the provisional amounts recognized for certain receivables and liabilities, for which we have subsequently obtained evaluated more detailed information than what existed as of the closing date of the transaction. (in thousands):

	Amount
Current assets	\$ 2,890
Property and equipment, net	25
Goodwill	8,268
Other intangible assets, net	16,600
Other assets	1,853
Total assets	29,636
Accounts payable and accrued expenses	(3,493)
Other accrued expenses and liabilities	(1,629)
Total liabilities	(5,122)
Net assets acquired	<u>\$ 24,514</u>

Receivables acquired of approximately \$2.8 million were short-term in nature and considered to be collectible, and therefore, the carrying amounts of these assets were determined to represent their fair values. We did not acquire a material amount of inventory. Property and equipment and other assets acquired were not material in size or scope, and the carrying amounts of these assets represented their fair values. The operating lease ROU assets of approximately \$1.8 million, which are included in other assets in our Balance Sheets, were recorded at their fair values based on the present value of future lease payments discounted in accordance with the policy disclosed in [“Note 3 — Leases.”](#)

Other intangible assets acquired of approximately \$16.6 million were comprised of customer contracts, developed technology, and non-compete agreements. The fair value of customer contracts of approximately \$11.6 million was determined by applying the income approach utilizing the excess earnings methodology using Level 3 inputs with a discount rate utilized of 23%. The fair value of developed technology of approximately \$4.4 million was determined by applying the income approach utilizing the relief from royalty methodology with a royalty rate of 15% and a discount rate utilized of 24%. The fair value of non-compete agreements of approximately \$0.6 million was determined by applying the income approach utilizing the with and without methodology with a discount rate of 23%.

The following table summarizes acquired intangible assets (dollars in thousands):

	Useful Life (Years)	Estimated Fair Value
Other Intangible Assets		
Customer contracts	8	\$ 11,600
Developed technology	3	4,400
Non-compete agreements	3	600
Total other intangible assets		\$ 16,600

The financial results included in our Statements of Operations since the acquisition date and for the year ended December 31, 2019 reflected revenues of approximately \$0.2 million and a net result that was break even. Acquisition-related costs incurred in the years ended December 31, 2020 and 2019 were immaterial.

The unaudited pro forma financial data with respect to the revenue and earnings on a consolidated basis as if the Atrient and MGT acquisitions occurred on January 1, 2018 included revenues of approximately \$550.8 million and \$496.6 million and net income of approximately \$16.4 million and \$13.0 million for the years ended December 31, 2019 and 2018, respectively.

5. FUNDING AGREEMENTS

Commercial Cash Arrangements

We have commercial arrangements with third-party vendors to provide cash for certain of our ATMs. For the use of these funds, we pay a cash usage fee on either the average daily balance of funds utilized multiplied by a contractually defined cash usage rate or the amounts supplied multiplied by a contractually defined cash usage rate. These cash usage fees, reflected as interest expense within the Statements of Operations, were approximately \$3.1 million, \$7.2 million, and \$7.0 million for the years ended December 31, 2020, 2019, and 2018, respectively. We are exposed to interest rate risk to the extent that the applicable rates increase.

Under these agreements, the currency supplied by third party vendors remain their sole property until the funds are dispensed. As these funds are not our assets, supplied cash is not reflected in our Balance Sheets. The outstanding balances of ATM cash utilized by us from the third parties were approximately \$340.3 million and \$292.6 million as of December 31, 2020 and 2019, respectively.

Our primary commercial arrangement, the Contract Cash Solutions Agreement, as amended, is with Wells Fargo, N.A. (“Wells Fargo”). Wells Fargo provides us with cash in the maximum amount of \$300 million with the ability to increase the amount by \$75 million over a five-day period for holidays, such as the period around New Year’s Day. The term of the agreement expires on June 30, 2023 and will automatically renew for additional one-year periods unless either party provides a ninety-day written notice of its intent not to renew.

We are responsible for losses of cash in the ATMs under this agreement, and we self-insure for this type of risk. There were no material losses for the years ended December 31, 2020, 2019, and 2018.

Site-Funded ATMs

We operate ATMs at certain customers' gaming establishments where the gaming establishment provides the cash required for the ATMs' operational needs. We are required to reimburse the customer for the amount of cash dispensed from these site-funded ATMs. The site-funded ATM liability included within settlement liabilities in the accompanying Balance Sheets was approximately \$125.3 million and \$157.3 million as of December 31, 2020 and 2019, respectively.

Everi-Funded ATMs

We enter into agreements with international customers for certain of our ATMs whereby we provide the cash required to operate the ATMs. We supplied approximately \$0.2 million and \$5.5 million of our cash for these ATMs at December 31, 2020 and 2019, respectively, which represents an outstanding balance under such agreements at the end of the period. Such amounts are reported within settlement receivables line on our Balance Sheets.

Pre-funded Cash Access Agreements

Due to regulatory requirements in certain jurisdictions, some international gaming establishments require pre-funding of cash to cover the outstanding settlement amounts in order for us to provide cash access services to their properties. We enter into agreements with these gaming operators for which we supply our cash access services to their properties. Under these agreements, we maintain sole discretion to either continue or cease operations as well as discretion over the amounts pre-funded to the properties and may request amounts to be refunded to us, with appropriate notice to the operator, at any time. The initial pre-funded amounts and subsequent amounts from the settlement of transactions are deposited into a bank account that is to be used exclusively for cash access services, and we maintain the right to monitor the transaction activity in that account. The total amount of pre-funded cash outstanding was approximately \$2.6 million and \$6.3 million at December 31, 2020 and 2019, respectively, and is included in prepaid expenses and other assets line on our Balance Sheets.

6. TRADE AND OTHER RECEIVABLES

Trade and other receivables represent short-term credit granted to customers and long-term loans receivable in connection with our Games and FinTech equipment and compliance products. Trade and loans receivables generally do not require collateral. The balance of trade and loans receivables consists of outstanding balances owed to us by gaming establishments. Other receivables include income tax receivables and other miscellaneous receivables.

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

	At December 31,	
	2020	2019
Trade and other receivables, net		
Games trade and loans receivables	\$ 44,794	\$ 51,651
FinTech trade and loans receivables	14,683	23,723
Contract assets ⁽¹⁾	17,561	15,408
Insurance settlement receivable ⁽²⁾	7,650	7,650
Other receivables	1,923	3,977
Net investment in sales-type leases	2,200	2,162
Total trade and other receivables, net	88,811	104,571
Non-current portion of receivables		
Games trade and loans receivables	(1,333)	(1,018)
FinTech trade and loans receivables	(4,163)	(7,581)
Contract assets ⁽¹⁾	(8,321)	(6,774)
Net investment in sales-type leases	(803)	(1,288)
Total non-current portion of receivables	(14,620)	(16,661)
Total trade and other receivables, current portion	\$ 74,191	\$ 87,910

(1) Refer to [“Note 2 — Basis of Presentation and Summary of Significant Accounting Policies”](#) for a discussion on the contract assets.

(2) Refer to [“Note 13 — Commitments and Contingencies”](#) for a discussion on the insurance settlement receivable.

Allowance for Credit Losses

As discussed in “[Note 2 — Basis of Presentation and Summary of Significant Accounting Policies](#),” we adopted ASC 326 effective January 1, 2020 using the modified retrospective approach such that the new guidance applies to the reporting periods following the adoption date with prior period presentation not being impacted. The adoption of ASC 326 did not have a material impact on our Financial Statements and did not result in a cumulative-effect adjustment as of the adoption date. Our operations were not significantly impacted, both for short- and long-term accounts receivable, due to the following:

- Our FinTech business acts as a merchant of record for settlement transactions for our cash access related customers wherein cash is held by the Company; therefore, we generally have the ability to withhold the necessary funds from customers to satisfy the outstanding receivables associated with equipment, information and other products and services.
- Our Games business sells EGMs to gaming establishments on a relatively short-term basis and collections are reasonably certain based on historical experience, financial stability of our customers, and lack of concentration of our receivables. The material portion of long-term loans receivable balance is fully collateralized, and therefore, does not represent a risk of credit loss. The risk of credit loss is further reduced by the fact that both segments generally share the same top customers such that sales made by the Games business to the existing FinTech customers are secured by our ability to withhold the necessary funds through the FinTech revenue arrangements.

The activity in our allowance for credit losses for the years ended December 31, 2020 and 2019 is as follows (in thousands):

	At December 31,	
	2020	2019
Beginning allowance for credit losses	\$ (5,786)	\$ (6,425)
Provision	(8,010)	(14,647)
Charge-offs and recoveries	10,107	15,286
Ending allowance for credit losses	<u>\$ (3,689)</u>	<u>\$ (5,786)</u>

7. INVENTORY

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

Inventory consisted of the following (in thousands):

	At December 31,	
	2020	2019
Inventory		
Component parts, net of reserves of \$1,262 and \$2,007 at December 31, 2020 and December 31, 2019, respectively	\$ 21,560	\$ 24,864
Work-in-progress	182	94
Finished goods	6,000	1,616
Total inventory	<u>\$ 27,742</u>	<u>\$ 26,574</u>

8. PREPAID EXPENSES AND OTHER ASSETS

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

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

	At December 31,	
	2020	2019
Prepaid expenses and other assets		
Prepaid expenses	\$ 11,282	\$ 11,272
Deposits	4,133	8,501
Restricted cash ⁽¹⁾	542	6,639
Other	1,391	1,484
Total prepaid expenses and other assets	\$ 17,348	\$ 27,896

(1) Refer to [“Note 2 — Basis of Presentation and Summary of Significant Accounting Policies”](#) for discussion on the composition of the restricted cash balance.

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

	At December 31,	
	2020	2019
Other assets		
Operating lease ROU assets	\$ 16,104	\$ 12,257
Prepaid expenses and deposits	4,952	7,378
Debt issuance costs of revolving credit facility	267	460
Other	673	244
Total other assets	\$ 21,996	\$ 20,339

9. PROPERTY AND EQUIPMENT

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

	Useful Life (Years)	At December 31, 2020			At December 31, 2019		
		Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Property and equipment							
Rental pool - deployed	2-4	\$ 216,775	\$ 136,975	\$ 79,800	\$ 196,571	\$ 106,888	\$ 89,683
Rental pool - undeployed	2-4	21,974	16,680	5,294	31,901	22,970	8,931
FinTech equipment	1-5	33,349	21,947	11,402	29,947	22,114	7,833
Leasehold and building improvements	Lease Term	11,352	8,557	2,795	11,815	8,150	3,665
Machinery, office, and other equipment	1-5	45,085	32,053	13,032	48,860	30,103	18,757
Total		\$ 328,535	\$ 216,212	\$ 112,323	\$ 319,094	\$ 190,225	\$ 128,869

Depreciation expense related to property and equipment totaled approximately \$67.5 million, \$63.2 million, and \$61.2 million for the years ended December 31, 2020, 2019, and 2018, respectively.

10. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

Goodwill represents the excess of the purchase price over the identifiable tangible and intangible assets acquired plus liabilities assumed arising from business combinations. The balance of goodwill was approximately \$682.0 million and \$681.6 million at December 31, 2020 and 2019, respectively. We have the following reporting units: (i) Games; (ii) Cash Access Services; (iii) Kiosk Sales and Services; (iv) Central Credit Services; (v) Compliance Sales and Services; and (vi) Loyalty Sales and Services.

Assessment for Impairment of Goodwill

We test our goodwill for impairment on October 1 each year, or more frequently if events or changes in circumstances indicate that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. The impact of COVID-19 and the closure of most casino properties during the second quarter of 2020 qualified as a triggering event and accordingly, we performed a goodwill impairment test at such time, for which we utilized the quantitative “Step 1” approach that required a comparison of the carrying amount of each reporting unit to its estimated fair value.

In connection with the interim assessment conducted during the second quarter of 2020, we determined that no goodwill impairment adjustments were necessary as a result of the fair value of each reporting unit exceeding its carrying amount. Our Games reporting unit had a carrying amount of approximately \$449.0 million as of May 31, 2020, which represented a majority of the total goodwill balance. The fair value of this reporting unit exceeded the carrying value by approximately 10% as of May 31, 2020.

To estimate the fair value of each reporting unit, we used a combination of an income valuation approach and a market valuation approach. The income valuation approach is based on a discounted cash flow (“DCF”) analysis. This method involves estimating the after-tax net cash flows attributable to a reporting unit and then discounting them to a present value using a risk-adjusted discount rate. Assumptions applied in the DCF to derive our after-tax net cash flows require the use of significant judgment, including, but not limited to: appropriate discount rates and terminal values, growth rates and the amount and timing of expected future cash flows. The projected cash flows are based on our most recent expectations. We believe our assumptions are consistent with the plans and estimates used to manage the underlying businesses. The discount rates, which are intended to reflect the risks inherent in future after-tax net cash flow projections used in the DCF are based on estimates of the weighted average cost of capital (the “WACC”) of market participants relative to each respective reporting unit. The market valuation approach considers comparable market data based on multiples of revenue or earnings before interest, taxes, depreciation and amortization (“EBITDA”). To the extent the carrying amount of a reporting unit is less than its estimated fair value, an impairment charge is recorded.

Since our quantitative goodwill impairment analysis at May 31, 2020, we performed a qualitative assessment of goodwill impairment on October 1, 2020 using a “Step 0” approach by evaluating our economic performance, outlook and other events and circumstances. As a result of the annual assessment of goodwill impairment, we noted there were no indicators that would warrant further quantitative testing of our goodwill.

As additional facts and circumstances evolve, we continue to observe and assess our reporting units with a specific focus on the Games reporting unit, particularly as a direct consequence of the circumstances surrounding COVID-19. To the extent new information becomes available that may impact our results of operations and financial condition, we expect to revise our projections accordingly as our estimates of future net after-tax cash flows are highly dependent upon certain assumptions, including, but not limited to, the amount and timing of the economic recovery globally, nationally and specifically within the gaming industry. More specifically, we may need to further adjust our assumptions and we may be required to perform either a quantitative or qualitative assessment of our goodwill in future periods given the significant degree of uncertainty with respect to: (i) the timing of reopening, and the subsequent reclosing, of certain casino properties; (ii) regulatory and governmental restrictions; and (iii) the demand from patrons that visit gaming establishments.

Furthermore, the evaluation of impairment of goodwill requires the use of estimates about future operating results. Changes in forecasted operations can materially affect these estimates, which could materially affect our results of operations and financial condition. The estimates of expected future cash flows require significant judgment and are based on assumptions we determined to be reasonable; however, they are unpredictable and inherently uncertain, including, estimates of future growth rates, operating margins and assumptions about the overall economic climate as well as the competitive environment within which we operate. There can be no assurance that our estimates and assumptions made for purposes of our impairment assessments as of the time of evaluation will prove to be accurate predictions of the future, especially in light of the uncertainty surrounding the COVID-19 pandemic. If our assumptions regarding business plans, competitive environments, or anticipated growth rates are not correct, we may be required to record non-cash impairment charges in future periods, whether in connection with our normal review procedures periodically, or earlier, if an indicator of an impairment is present prior to such evaluation.

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

	Games	Cash Access Services	Kiosk Sales and Services	Central Credit Services	Compliance Sales and Services	Loyalty Sales and Services	Total
Goodwill							
Balance, December 31, 2018	\$ 449,041	\$ 157,046	\$ 5,745	\$ 17,127	\$ 11,578	\$ —	\$ 640,537
Foreign translation adjustment	—	28	—	—	—	—	28
Acquisitions ⁽¹⁾	—	—	—	—	—	41,070	41,070
Balance, December 31, 2019	\$ 449,041	\$ 157,074	\$ 5,745	\$ 17,127	\$ 11,578	\$ 41,070	\$ 681,635
Foreign translation adjustment	—	14	—	—	—	—	14
Acquisitions ⁽¹⁾	—	—	—	—	—	325	325
Balance, December 31, 2020	\$ 449,041	\$ 157,088	\$ 5,745	\$ 17,127	\$ 11,578	\$ 41,395	\$ 681,974

(1) Refer to [“Note 4 — Business Combinations”](#) for a discussion on the acquisitions.

Other Intangible Assets

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

	Useful Life (Years)	At December 31, 2020			At December 31, 2019		
		Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Other intangible assets							
Contract rights under placement fee agreements	3-7	\$ 60,561	\$ 28,108	\$ 32,453	\$ 58,516	\$ 20,888	\$ 37,628
Customer contracts	3-14	71,975	54,407	17,568	71,975	49,477	22,498
Customer relationships	3-7	231,100	126,549	104,551	231,100	105,584	125,516
Developed technology and software	1-6	313,957	255,771	58,186	314,343	224,274	90,069
Patents, trademarks, and other	2-18	19,682	17,813	1,869	19,682	16,206	3,476
Total		<u>\$ 697,275</u>	<u>\$ 482,648</u>	<u>\$ 214,627</u>	<u>\$ 695,616</u>	<u>\$ 416,429</u>	<u>\$ 279,187</u>

Amortization expense related to other intangible assets totaled approximately \$75.3 million, \$68.9 million, and \$65.2 million for the years ended December 31, 2020, 2019, and 2018, respectively. We capitalized \$21.2 million, \$43.7 million, and \$33.3 million of internally-developed software costs for the years ended December 31, 2020, 2019, and 2018, respectively.

On a quarterly basis, we evaluate our other intangible assets for potential impairment as part of our review process. During 2020, we recorded a full write-down of intangible assets of approximately \$6.3 million, of which \$6.0 million and \$0.3 million, related to our Games and FinTech businesses, respectively, for certain of our internally developed and third-party software projects that were not expected to be pursued. This charge was reflected in Operating Expenses of our Statement of Operations. There was no material impairment identified for any of our other intangible assets for the years ended December 31, 2019 and 2018.

The anticipated amortization expense related to other intangible assets, assuming no subsequent impairment of the underlying assets, is as follows (in thousands):

Anticipated amortization expense	Amount	
2021	\$	61,139
2022		44,507
2023		29,006
2024		23,274
2025		17,328
Thereafter		18,020
Total ⁽¹⁾	\$	193,274

(1) For the year ended December 31, 2020, the Company had \$21.3 million in other intangible assets that had not yet been placed into service.

Placement fees and amounts advanced in excess of those to be reimbursed by the customer for real property and land improvements are allocated to intangible assets and are generally amortized over the term of the contract, which is recorded as a reduction of revenue generated from the facility. In the past we have, and in the future, we may, by mutual agreement, amend the agreements to reduce our floor space at these facilities. Any proceeds received for the reduction of floor space are first applied against the intangible asset for that particular placement fee agreement, if any, and the remaining net book value of the intangible asset is prospectively amortized on a straight-line method over its remaining estimated useful life.

We paid approximately \$3.1 million, \$17.7 million, and \$22.7 million in placement fees for the years ended December 31, 2020, 2019, and 2018, respectively. The payments made in 2019 and 2018 included approximately \$0.6 million and \$2.1 million of imputed interest, respectively.

11. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

	At December 31,	
	2020	2019
Accounts payable and accrued expenses		
Trade accounts payable	\$ 54,531	\$ 78,627
Contract liabilities	26,980	28,510
Contingent consideration and acquisition-related liabilities ⁽¹⁾	24,674	14,902
Payroll and related expenses	13,357	18,058
Litigation accrual ⁽²⁾	12,727	14,000
Operating lease liabilities	5,649	5,824
Other	3,605	3,893
Accrued taxes	1,329	1,846
Cash access processing and related expenses	1,109	5,511
Accrued interest	1,068	1,347
Placement fees	—	585
Total accounts payable and accrued expenses	\$ 145,029	\$ 173,103

(1) Refer to [“Note 4 — Business Combinations”](#) for discussion on contingent consideration and acquisition-related liabilities.

(2) Refer to [“Note 13 — Commitments and Contingencies”](#) for discussion on this legal matter.

12. LONG-TERM DEBT

The following table summarizes our indebtedness (in thousands):

	Maturity	Interest	At December 31,	
	Date	Rate	2020	2019
Long-term debt				
\$820 million Term Loan Facility	2024	LIBOR+2.75%	\$ 735,500	\$ 749,000
\$125 million Incremental Term Loan Facility	2024	LIBOR+10.50%	124,375	—
\$35 million Revolving Credit Facility	2022	LIBOR+4.50%	—	—
Senior Secured Credit Facilities			859,875	749,000
\$375 million 2017 Unsecured Notes	2025	7.50%	285,381	375,000
Total debt			1,145,256	1,124,000
Debt issuance costs and discount			(16,003)	(15,922)
Total debt after debt issuance costs and discount			1,129,253	1,108,078
Current portion of long-term debt			(1,250)	—
Total long-term debt, net of current portion			\$ 1,128,003	\$ 1,108,078

Senior Secured Credit Facilities

Our Senior Secured Credit Facilities consist of: (i) an \$820.0 million, seven-year senior secured term loan facility (the “Term Loan Facility”); (ii) a \$125.0 million, seven-year senior secured term loan (the “Incremental Term Loan”; and (iii) a \$35.0 million, five-year senior secured revolving credit facility (the “Revolving Credit Facility”) provided for under our credit agreement with Everi Payments, as borrower, and Everi Holdings with the lenders party thereto and Jefferies Finance LLC, as administrative agent, collateral agent, swing line lender, letter of credit issuer, sole lead arranger and sole book manager (the “Credit Agreement”).

In March 2020, we completed the full draw down of our available capacity of \$35.0 million under the Revolving Credit Facility in order to improve our liquidity and preserve financial flexibility in light of the uncertainty in our industry and the global economy as a result of COVID-19. In accordance with the terms of the Revolving Credit Facility, the proceeds from this borrowing were being used for working capital, general corporate purposes and other permitted uses. On September 14, 2020, we repaid in full the \$35.0 million under the Revolving Credit Facility that we had previously drawn at the onset of the global pandemic.

On April 21, 2020, we entered into the Fourth Amendment to our existing Credit Agreement, which among other things: (i) permits the incurrence of incremental equivalent debt subject to a 4.50:1.00 Consolidated Secured Leverage Ratio (as defined in the Credit Agreement) for calculation periods prior to December 31, 2021; and (ii) amends the consolidated secured leverage ratio covenant, including to remove the maximum consolidated secured leverage ratio for the quarters ending June 30, 2020, September 30, 2020 and December 31, 2020 and to change the computation methodology of the consolidated leverage ratio for the quarters ending March 31, 2021, June 30, 2021, and September 30, 2021.

On April 21, 2020 (the “Closing Date”), we entered into a new credit agreement, dated as of April 21, 2020 (the “Incremental Term Loan Credit Agreement”), which provides for a \$125.0 million Incremental Term Loan, which is secured on a pari passu basis with the loans under our existing Credit Agreement. The entire amount of the Incremental Term Loan was borrowed on April 21, 2020.

The Incremental Term Loan matures May 9, 2024. The interest rate per annum applicable to the Incremental Term Loan will be, at Everi Payment’s option, the Eurodollar rate plus 10.50% or the base rate plus 9.50%.

Voluntary prepayments of the Incremental Term Loan prior to the two-year anniversary of the Closing Date will be subject to a make-whole premium, and voluntary prepayments for the subsequent six-month period will be subject to a prepayment premium of 1.00% of the principal amount repaid.

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

The Incremental Term Loan Credit Agreement contains certain covenants that, among other things, limit our ability, and the ability of certain of our subsidiaries, to incur additional indebtedness, sell assets or consolidate or merge with or into other companies, pay dividends or repurchase or redeem capital stock, make certain investments, issue capital stock of subsidiaries, incur liens, prepay, redeem or repurchase subordinated debt, and enter into certain types of transactions with our affiliates. The Incremental Term Loan Credit Agreement also requires us, together with our subsidiaries, to comply with a maximum consolidated secured leverage ratio, except that no such requirement shall apply for the quarter ending December 31, 2020.

In connection with the issuance of the Incremental Term Loan on April 21, 2020, we also issued warrants to Sagard Credit Partners, LP and Sagard Credit Partners (Cayman), LP (collectively, “Sagard”) to acquire 184,670 and 40,330 shares of our common stock, respectively, with an exercise price equal to \$5.37 per share. The warrants were issued in connection with the Incremental Term Loan as further consideration based on the level of participation in the arrangement by Sagard. The warrants expire on the fifth anniversary of the date of issuance. The number of shares issuable pursuant to the warrants and the warrant exercise price are subject to adjustment for stock splits, reverse stock splits, stock dividends, recapitalization, mergers and certain other events.

The weighted average interest rate on the Term Loan was 3.95% and 5.26% for the years ended December 31, 2020 and 2019, respectively. The weighted average interest rate on the Incremental Term Loan Credit Facility was 11.50% for the year ended December 31, 2020.

At December 31, 2020, we had approximately \$735.5 million of borrowings outstanding under the Term Loan Facility and no borrowings outstanding under the Revolving Credit Facility. We had \$35.0 million of additional borrowing availability under the Revolving Credit Facility as of December 31, 2020.

Senior Unsecured Notes

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

In January 2020, we completed a partial redemption payment of approximately \$84.5 million of aggregate principal with respect to the 2017 Unsecured Notes. In March 2020, we completed an open market repurchase of approximately \$5.1 million of aggregate principal with respect to the 2017 Unsecured Notes. The total outstanding balance of the 2017 Unsecured Notes following the redemption and repurchase transactions was approximately \$285.4 million. We incurred a loss on extinguishment of debt of approximately \$7.5 million, which consisted of a \$6.4 million redemption premium related to the satisfaction and redemption of a portion of the 2017 Unsecured Notes, and non-cash charges for the accelerated amortization of the related debt issuance costs of approximately \$1.1 million.

Compliance with Debt Covenants

We were in compliance with the covenants and terms of the Senior Secured Credit Facilities and the 2017 Unsecured Notes as of December 31, 2020.

Principal Repayments

The maturities of our borrowings at December 31, 2020 are as follows (in thousands):

	Amount	
Maturities of borrowings		
2021	\$	1,250
2022		1,250
2023		1,250
2024		856,125
2025		285,381
Total	\$	<u>1,145,256</u>

13. COMMITMENTS AND CONTINGENCIES

We are involved in various legal proceedings in the ordinary course of our business. While we believe resolution of the claims brought against us, both individually and in the aggregate, will not have a material adverse impact on our financial condition or results of operations, litigation of this nature is inherently unpredictable. Our views on these legal proceedings, including those described below, may change in the future. We intend to vigorously defend against these actions, and ultimately believe we should prevail.

Legal Contingencies

We evaluate matters and record an accrual for legal contingencies when it is both probable that a liability has been incurred and the amount or range of the loss may be reasonably estimated. We evaluate legal contingencies at least quarterly and, as appropriate, establish new accruals or adjust existing accruals to reflect: (i) the facts and circumstances known to us at the time, including information regarding negotiations, settlements, rulings, and other relevant events and developments; (ii) the advice and analyses of counsel; and (iii) the assumptions and judgment of management. Legal costs associated with such proceedings are expensed as incurred. Due to the inherent uncertainty of legal proceedings as a result of the procedural, factual, and legal issues involved, the outcomes of our legal contingencies could result in losses in excess of amounts we have accrued.

We accrued approximately \$14.0 million for the legal contingencies in connection with Fair and Accurate Credit Transactions Act (“FACTA”)-related matters based on ongoing settlement negotiations by and among the various plaintiffs described in the FACTA-related matters discussion below and Everi by and on behalf of itself and Everi FinTech. We expect to recover approximately \$7.7 million of the amount accrued from certain of our insurance providers in 2021, for which we had recorded an insurance settlement receivable included within trade and other receivables, net on our Balance Sheets as of December 31, 2020 and 2019, as recovery is deemed to be probable. As a result, we recorded approximately \$6.3 million as a loss contingency in operating expenses on our Statements of Operations for the year ended December 31, 2019. In addition, we are seeking relief from Peleus Insurance Company pursuant to the provisions of our policy. See below for discussion of *Everi Payments Inc. and Everi Holdings Inc. v. Peleus Insurance Company* case. We did not have any new material legal matters that were accrued as of December 31, 2020.

FACTA-related matters:

Geraldine Donahue, et. al. v. Everi FinTech, et. al. (“Donahue”), is a putative class action matter filed on December 12, 2018, in the Circuit Court of Cook County, Illinois, County Division, Chancery Division. The original defendant was dismissed and the Company was substituted as the defendant on April 22, 2019. Plaintiff, on behalf of himself and others similarly situated, alleges that Everi FinTech and the Company (i) have violated certain provisions of FACTA by their failure, as agent to the original defendant, to properly truncate patron credit card numbers when printing cash access receipts as required under FACTA, and (ii) have been unjustly enriched through the charging of service fees for transactions conducted at the original defendant's facilities. Plaintiff seeks an award of statutory damages, attorney's fees, and costs. The parties have reached an agreement in principle for settlement of this matter, which will include the settlement and resolution of all the FACTA-related matters pending against the Company and Everi FinTech. In the third quarter of 2020, the court granted preliminary approval of the settlement agreement between the parties, which will include the settlement and resolution of all the FACTA-related matters pending against Everi. On December 3, 2020, the court approved the final settlement. All claims must be postmarked by February 1, 2021.

Oneeb Rehman, et. al. v. Everi FinTech and Everi Holdings, was a putative class action matter pending in the U.S. District Court for the Southern District of Florida, Ft. Lauderdale Division filed on October 16, 2018. The original defendant was dismissed and the Company was substituted as the defendant on April 22, 2019. Plaintiff, on behalf of himself and others similarly situated, alleged that Everi FinTech and the Company (i) had violated certain provisions of FACTA by their failure, as agent to the original defendant, to properly truncate patron credit card numbers when printing cash access receipts as required under FACTA, and (ii) had been unjustly enriched through the charging of service fees for transactions conducted at the original defendant's facilities. Plaintiff sought an award of statutory damages, attorney's fees, and costs. This case was dismissed and settled as part of the court approved settlement in the Donahue action.

Mat Jessop, et. al. v. Penn National Gaming, Inc., was a putative class action matter filed on October 15, 2018, pending in the U.S. District Court for the Middle District of Florida, Orlando Division. Everi FinTech was added as a defendant on December 21, 2018. Penn National Gaming, Inc. ("Penn National") was dismissed by the Court with prejudice on October 28, 2019, leaving only claims against Everi FinTech. Plaintiff, on behalf of himself and others similarly situated, alleged that Everi FinTech had been unjustly enriched through the charging of service fees for transactions conducted at Penn National facilities. Plaintiff sought injunctive relief against both parties, and an award of statutory damages, attorney's fees, and costs. This case was dismissed and settled as part of the court approved settlement in the Donahue action.

Everi Payments Inc. and Everi Holdings Inc. v Peleus Insurance Company is a civil action filed by the Company on January 28, 2020, in the District Court, Clark County, Nevada alleging defendant breached its contractual obligations under an excess insurance policy when it denied the Company coverage of the FACTA-related matters described above. Everi FinTech and the Company are seeking actual and consequential damages for breach of contract, costs, attorney's fees, and other fees and expenses incurred by Everi FinTech and the Company, up to and including amounts related to the settlement in *Donahue*. On February 16, 2021, the parties entered into a Confidential Settlement Agreement and Release resolving this matter. A final court order dismissing this matter is anticipated in the first quarter of 2021.

NRT matter:

NRT Technology Corp., et. al. v. Everi Holdings Inc., et. al., is a civil action filed on April 30, 2019 against the Company and Everi FinTech in the United States District Court for the District of Delaware by NRT Technology Corp. and NRT Technology, Inc., alleging monopolization of the market for unmanned, integrated kiosks in violation of federal antitrust laws, fraudulent procurement of patents on functionality related to such unmanned, integrated kiosks and sham litigation related to prior litigation brought by Everi FinTech (operating as Global Cash Access Inc.) against the plaintiff entities. Plaintiffs seek compensatory damages, treble damages and injunctive and declaratory relief. This case is in the early stages of discovery. We are currently unable to determine the probability of the outcome or estimate the range of reasonably possible loss, if any, in this matter.

Zenergy Systems, LLC matter:

Zenergy Systems, LLC v. Everi Holdings Inc., is a civil action filed on May 29, 2020 against the Company in the United States District Court for the District of Nevada, Clark County by Zenergy Systems, LLC, alleging breach of contract, breach of a non-disclosure agreement, conversion, breach of the covenant of good faith and fair dealing, and breach of a confidential relationship related to a contract with Everi that expired in November 2019. The plaintiff is seeking compensatory and punitive damages. Everi has counterclaimed against Zenergy alleging breach of contract, breach of implied covenant of good faith and fair dealing, and for declaratory relief. The case is in early stages of discovery process. We are currently unable to determine the probability of the outcome or estimate the range of reasonably possible loss, if any, in this matter.

In addition, we have commitments with respect to certain lease obligations discussed in ["Note 3 — Leases"](#) and installment payments under our asset purchase agreements discussed in ["Note 4 — Business Combinations."](#)

14. SHAREHOLDERS' EQUITY

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

Preferred Stock. Our amended and restated certificate of incorporation, as amended, allows our Board of Directors, without further action by stockholders, to issue up to 50,000,000 shares of preferred stock in one or more series and to fix the designations, powers, preferences, privileges and relative participating, optional, or special rights as well as the qualifications, limitations or restrictions of the preferred stock, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences. As of December 31, 2020 and 2019, we had no shares of preferred stock outstanding.

Common Stock. Subject to the preferences that may apply to shares of preferred stock that may be outstanding at the time, the holders of outstanding shares of common stock are entitled to receive dividends out of assets legally available at the times and in the amounts as our Board of Directors may from time to time determine. All dividends are non-cumulative. In the event of the liquidation, dissolution or winding up of Everi, the holders of common stock are entitled to share ratably in all assets remaining after the payment of liabilities, subject to the prior distribution rights of preferred stock, if any, then outstanding. Each stockholder is entitled to one vote for each share of common stock held on all matters submitted to a vote of stockholders. Cumulative voting for the election of directors is not provided for. The common stock is not entitled to preemptive rights and is not subject to conversion or redemption. There are no sinking fund provisions applicable to the common stock. Each outstanding share of common stock is fully paid and non-assessable. As of December 31, 2020 and 2019, we had 111,872,439 and 109,492,754 shares of common stock issued, respectively.

Treasury Stock. Employees may direct us to withhold vested shares of restricted stock to satisfy the maximum statutory withholding requirements applicable to their restricted stock vesting. We repurchased or withheld from restricted stock awards 193,809 and 95,734 shares of common stock at an aggregate purchase price of approximately \$1.3 million and \$1.1 million for the years ended December 31, 2020 and 2019, respectively, to satisfy the maximum applicable tax withholding obligations related to the vesting of such restricted stock awards.

Issuance of Common Stock. In December 2019, we filed with the Securities and Exchange Commission a registration statement for an undetermined amount of common stock, preferred stock, debt securities, warrants, and/or units that the Company may offer and sell in one or more offerings on terms to be decided at the time of sale, which will expire on December 4, 2022. In December 2019, we issued and sold 11,500,000 shares of our common stock pursuant to a prospectus supplement under the automatic shelf registration statement and used the aggregate net proceeds of approximately \$122.4 million to pay down a portion of the Term Loan Facility and to redeem a portion of the 2017 Unsecured Notes. Refer to [“Note 12 — Long-Term Debt”](#) for further discussion.

15. WEIGHTED AVERAGE SHARES OF COMMON STOCK

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

	At December 31,		
	2020	2019	2018
Weighted average shares			
Weighted average number of common shares outstanding - basic	85,379	72,376	69,464
Potential dilution from equity awards ⁽¹⁾	—	6,859	4,332
Weighted average number of common shares outstanding - diluted ⁽¹⁾	85,379	79,235	73,796

- (1) The Company was in a net loss position for the year ended December 31, 2020; therefore, no potential dilution from the application of the treasury stock method was applicable. Equity awards to purchase approximately 3.3 million shares of common stock for the year ended December 31, 2020 were excluded from the computation of diluted net loss per share, as their effect would have been anti-dilutive. The potential dilution excludes the weighted average effect of equity awards to purchase approximately 0.5 million and 7.5 million shares of common stock for the years ended December 31, 2019, and 2018 as the application of the treasury stock method, as required, makes them anti-dilutive.

16. SHARE-BASED COMPENSATION

Equity Incentive Awards

Our 2014 Equity Incentive Plan (as amended and restated effective May 22, 2018, the “Amended and Restated 2014 Plan”) and our 2012 Equity Incentive Plan (as amended, the “2012 Plan”) are used to attract and retain key personnel, to provide additional incentives to employees, directors, and consultants, and to promote the success of our business. Our equity incentive plans are administered by the Compensation Committee of our Board of Directors, which has the authority to select individuals who are to receive equity incentive awards and to specify the terms and conditions of grants of such awards, including, but not limited to the vesting provisions and exercise prices, as applicable.

Generally, we grant the following types of awards: (i) time-based options; (ii) market-based options; (iii) time-based restricted stock; and (iv) restricted stock units (“RSUs”) with either time- or performance-based criteria. We estimate forfeiture amounts based on historical patterns.

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

	Stock Options Granted	Restricted Stock Awards Granted	Restricted Stock Units Granted
Outstanding, December 31, 2019	11,969	—	3,451
Granted	—	—	2,183
Exercised options or vested shares	(1,474)	—	(905)
Canceled or forfeited	(234)	—	(479)
Outstanding, December 31, 2020	10,261	—	4,250

There are approximately 0.9 million awards of our common stock available for future equity grants under our existing equity incentive plans.

Stock Options

Our time-based stock options granted under our equity plans generally vest at a rate of 25% per year on each of the first four anniversaries of the grant dates, and expire after a ten-year period.

Our market-based options granted in 2017 under our 2014 Plan and 2012 Plan vest at a rate of 25% per year on each of the first four anniversaries of the grant date, provided that as of the vesting date for each vesting tranche, the closing price of the Company’s shares on the New York Stock Exchange is at least a specified price hurdle, defined as a 25% premium for 2017 to the closing stock price on the grant date. If the price hurdle is not met as of the vesting date for a vesting tranche, the vested tranche shall vest and become vested shares on the last day of a period of 30 consecutive trading days during which the closing price is at least the price hurdle. These options expire after a ten-year period.

There were no market-based or time-based option awards granted during the years ended December 31, 2020 and 2019. There were no market-based option awards granted during the year ended December 31, 2018.

The fair values of our standard time-based options granted during the year ended December 31, 2018 were determined as of the date of grant using the Black-Scholes option pricing model with the following assumptions:

	December 31, 2018
Risk-free interest rate	3 %
Expected life of options (in years)	6
Expected volatility	53 %
Expected dividend yield	—

The following table presents the options activity:

	Number of Options (in thousands)	Weighted Average Exercise Price (per Share)	Weighted Average Life Remaining (Years)	Aggregate Intrinsic Value (in thousands)
Outstanding, December 31, 2019	11,969	\$ 5.06	5.5	\$ 100,143
Granted	—			
Exercised	(1,474)	4.22		
Canceled or forfeited	(234)	5.24		
Outstanding, December 31, 2020	10,261	5.18	4.4	88,550
Vested and expected to vest after, December 31, 2020	10,241	5.18	4.4	88,363
Exercisable, December 31, 2020	9,487	\$ 5.32	4.3	\$ 80,576

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

Options Outstanding				Options Exercisable			
Range of Exercise Prices		Number Outstanding (in thousands)	Weighted Average Remaining Contract Life (Years)	Weighted Average Exercise Prices	Number Exercisable (in thousands)	Weighted Average Exercise Price	
\$ 1.46	\$ 1.46	1,517	5.3	\$ 1.46	1,517	\$ 1.46	
1.57	2.78	959	5.3	2.41	959	2.41	
3.29	3.29	2,663	6.0	3.29	1,929	3.29	
3.41	6.59	1,219	2.8	6.21	1,206	6.21	
6.90	7.61	826	2.4	7.35	822	7.35	
7.74	7.74	1,010	4.3	7.74	1,010	7.74	
7.88	7.88	20	7.6	7.88	10	7.88	
8.32	8.32	39	6.8	8.32	26	8.32	
8.92	8.92	2,000	3.1	8.92	2,000	8.92	
9.74	9.74	8	3.0	9.74	8	9.74	
		10,261			9,487		

As stated above, we had no options granted for the years ended December 31, 2020 and 2019. There were 20,000 options granted for the year ended December 31, 2018. The weighted average grant date fair value per share of the options granted was \$4.15 for the year ended December 31, 2018. The total intrinsic value of options exercised was \$6.7 million, \$9.1 million, and \$6.5 million for the years ended December 31, 2020, 2019, and 2018, respectively.

There was approximately \$0.3 million in unrecognized compensation expense related to options expected to vest as of December 31, 2020. This cost was expected to be recognized on a straight-line basis over a weighted average period of 0.2 years. We recorded approximately \$1.4 million in non-cash compensation expense related to options granted that were expected to vest as of December 31, 2020. We received approximately \$6.2 million in cash proceeds from the exercise of options during 2020.

There was approximately \$1.4 million and \$3.4 million in unrecognized compensation expense related to options expected to vest as of December 31, 2019 and 2018, respectively. This cost was expected to be recognized on a straight-line basis over a weighted average period of 1.0 year and 2.8 years for the years ended December 31, 2019 and 2018, respectively. We recorded approximately \$2.4 million and \$5.1 million in non-cash compensation expense related to options granted that were expected to vest as of December 31, 2019 and 2018, respectively. We received approximately \$15.7 million and \$9.6 million in cash proceeds from the exercise of options during 2019 and 2018, respectively.

Restricted Stock Awards

There were no shares of restricted stock granted for the years ended December 31, 2020, 2019, and 2018. The total fair value of restricted stock vested was approximately \$0.1 million, and \$0.5 million for the years ended December 31, 2019, and 2018, respectively.

There was approximately \$31,952 in unrecognized compensation expense related to shares of restricted stock expected to vest as of December 31, 2018. This cost was expected to be recognized on a straight-line basis over a weighted average period of 0.3 years. There were 8,330 and 65,501 shares of restricted stock that vested during 2019 and 2018, respectively, and we recorded approximately \$48,203 and \$0.4 million in non-cash compensation expense related to the restricted stock granted that was expected to vest during 2019 and 2018, respectively.

Restricted Stock Units

The fair value of each RSU grant is based on the market value of our common stock at the time of grant.

The time-based RSUs granted during 2020 vest at a rate of either 33% per year on each of the first three anniversaries of the grant dates, or monthly basis following the first month anniversary of grant date ending after 2 years.

The performance-based RSUs granted during 2020 will be evaluated by the Compensation Committee of our Board of Directors after a performance period, beginning on the date of grant through December 31, 2022, based on total revenue and certain revenue growth rate metrics. If the performance criteria of the metrics are approved, the eligible awards will become vested on the third anniversary of the grant dates.

The time-based RSUs granted during 2020 to independent members of our Board of Directors vest in equal installments on each of the first three anniversary dates of the grant date and settle on the earliest of the following events: (i) May 26, 2030; (ii) death; (iii) the occurrence of a Change in Control (as defined in the Amended and Restated 2014 Plan), subject to qualifying conditions; or (iv) the date that is six months following the separation from service, subject to qualifying conditions.

The performance-based RSUs granted during 2019 will be evaluated by the Compensation Committee of our Board of Directors after a performance period, beginning on the date of grant through December 31, 2021, based on certain revenue and free cash flow growth rate metrics, with achievement of each measure to be determined independently of one another. If the performance criteria of the metrics are approved, the eligible awards will become vested on the third anniversary of the grant dates.

The time-based RSUs granted during 2019 to independent members of our Board of Directors vest in equal installments on each of the first three anniversary dates of the grant date and settle on the earliest of the following events: (i) May 1, 2029 or November 4, 2029; (ii) death; (iii) the occurrence of a Change in Control (as defined in the Amended and Restated 2014 Plan), subject to qualifying conditions; or (iv) the date that is six months following the separation from service, subject to qualifying conditions.

The performance-based RSUs granted during 2018 will be evaluated by the Compensation Committee of our Board of Directors after a performance period, beginning on the date of grant through December 31, 2020, based on certain revenue and Adjusted EBITDA growth rate metrics, with achievement of each measure to be determined independently of one another. If the performance criteria of the metrics are approved, the eligible awards will become vested on the third anniversary of the grant dates.

The time-based RSUs granted during 2018 to independent members of our Board of Directors vest in equal installments on each of the first three anniversary dates of the grant date and settle on the earliest of the following events: (a) March 7, 2028; (b) death; (c) the occurrence of a Change in Control (as defined in the Amended and Restated 2014 Plan), subject to qualifying conditions; or (d) the date that is six months following the separation from service, subject to qualifying conditions.

The following table presents our RSU awards activity:

	Shares Outstanding (in thousands)	Weighted Average Grant Date Fair Value (per Share)	Weighted Average Life Remaining (Years)	Aggregate Intrinsic Value (in thousands)
Outstanding, December 31, 2019	3,451	\$ 9.05	1.7	\$ 46,342
Granted	2,183	6.08		
Vested	(905)	8.26		
Forfeited	(479)	8.49		
Outstanding, December 31, 2020	<u>4,250</u>	7.75	1.2	58,680
Vested and expected to vest after, December 31, 2020	<u>3,569</u>	\$ 7.62	1.1	\$ 49,294

There were approximately 2.2 million shares of RSU awards granted during the year ended December 31, 2020. There were approximately 0.9 million RSUs that vested during the year ended December 31, 2020. There was approximately \$15.3 million in unrecognized compensation expense related to RSU awards expected to vest as of December 31, 2020. This cost is expected to be recognized on a straight-line basis over a weighted average period of 1.8 years. We recorded approximately \$11.6 million in non-cash compensation expense related to RSU awards for the year ended December 31, 2020.

There were approximately 2.0 million and 1.9 million shares of RSU granted for the years ended December 31, 2019 and 2018, respectively. The weighted average grant date fair value per share of the RSU granted was \$10.16 and \$7.49 for the years ended December 31, 2019 and 2018, respectively. There were 0.3 million and no RSUs that vested during the years ended December 31, 2019 and 2018, respectively. There was approximately \$14.1 million and \$6.7 million unrecognized compensation expense related to RSU awards expected to vest as of December 31, 2019 and 2018, respectively. This cost was expected to be recognized on a straight-line basis over a weighted average period of 2.5 years and 3.0 years, respectively. We recorded approximately \$5.7 million and \$1.8 million in non-cash compensation expense related to RSU awards for the years ended December 31, 2019 and 2018, respectively.

In February 2020, the Compensation Committee of our Board of Directors authorized an award of RSUs to be granted to key members of management during the quarter ending March 31, 2020 based on the results of operations for the year ended December 31, 2019. The award met the definition of a liability-classified award with 2019 being the service period. As a result, the Company recorded compensation cost and corresponding share-based liability of approximately \$1.7 million representing the fair value of the award at December 31, 2019 measured using the same valuation technique as for our equity-classified awards. The award was expected to be fully vested 6 months from the grant date and expected to be settled in shares of common stock.

17. INCOME TAXES

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

	Year Ended December 31,		
	2020	2019	2018
Consolidated (loss) income before tax			
Domestic	\$ (87,832)	\$ 11,709	\$ 1,227
Foreign	396	4,285	1,419
Total	<u>\$ (87,436)</u>	<u>\$ 15,994</u>	<u>\$ 2,646</u>

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

	Year Ended December 31,		
	2020	2019	2018
Income tax (benefit) provision			
Domestic	\$ (5,711)	\$ (1,238)	\$ (10,166)
Foreign	(45)	715	456
Total income tax benefit	<u>\$ (5,756)</u>	<u>\$ (523)</u>	<u>\$ (9,710)</u>
Income tax (benefit) provision			
Current	\$ 823	\$ 1,071	\$ 633
Deferred	(6,579)	(1,594)	(10,343)
Total income tax benefit	<u>\$ (5,756)</u>	<u>\$ (523)</u>	<u>\$ (9,710)</u>

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

	Year Ended December 31,		
	2020	2019	2018
Income tax reconciliation			
Federal statutory rate	21.0 %	21.0 %	21.0 %
Foreign provision	(0.2)%	2.5 %	6.8 %
State/province income tax	4.2 %	(1.6)%	12.4 %
Non-deductible compensation cost	0.5 %	(5.3)%	(7.7)%
Adjustment to carrying value	0.2 %	6.8 %	6.2 %
Research credit	1.0 %	(18.8)%	(76.3)%
Valuation allowance	(19.7)%	(11.9)%	(344.9)%
Global intangible low-taxed income ⁽¹⁾	— %	2.7 %	9.1 %
Non-deductible expenses - other	(0.1)%	1.2 %	7.2 %
Other	(0.3)%	0.1 %	(0.8)%
Effective tax rate	<u>6.6 %</u>	<u>(3.3)%</u>	<u>(367.0)%</u>

(1) We had no GILTI inclusion in 2020 due to the high tax exception in some foreign jurisdictions and losses in others.

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

	Year Ended December 31,		
	2020	2019	2018
Deferred income tax assets related to:			
Net operating losses	\$ 109,872	\$ 97,613	\$ 97,190
Stock compensation expense	7,293	6,802	7,264
Accounts receivable allowances	912	1,415	1,582
Accrued and prepaid expenses	8,977	7,869	3,639
Other	2,098	1,880	1,319
Tax credits	12,377	12,116	9,244
Interest limitation	—	3,738	2,738
Valuation allowance	(68,746)	(51,522)	(53,156)
Total deferred income tax assets	\$ 72,783	\$ 79,911	\$ 69,820
Deferred income tax liabilities related to:			
Property and equipment	\$ 18,699	\$ 23,012	\$ 3,855
Other intangible assets	67,996	76,279	89,865
Long-term debt	1,482	2,680	3,614
Other	4,562	4,341	353
Total deferred income tax liabilities	\$ 92,739	\$ 106,312	\$ 97,687
Deferred income taxes, net	\$ (19,956)	\$ (26,401)	\$ (27,867)

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) was enacted and signed into law. The CARES Act contains numerous tax provisions including changes to the limitation on interest deductions for 2019 and 2020. The modification to Section 163(j) significantly increases the allowable interest expense deduction of the Company and results in significantly larger taxable loss for the years ended 2019 and 2020. As a result of the CARES Act, the Company fully utilized all interest expense that was deferred beginning in 2018 with no additional disallowed interest expense in 2020.

The Tax Cuts and Jobs Act of 2017 (“2017 Tax Act”) made significant changes to the federal tax law, including a reduction in the federal income tax rate from 35% to 21% effective January 1, 2018, stricter limits on deduction of interest, an 80% taxable income limitation on the use of a post-2017 net operating loss (“NOL”), and a one-time transition tax on previously deferred earnings of certain foreign subsidiaries. This one-time deemed repatriation of these earnings did not result in a cash tax liability for the Company as the transition tax liability was offset by the utilization of U.S. foreign tax credits generated as a result of the deemed repatriation, as well as additional foreign tax credits carried forward. Any remaining foreign tax credits not utilized by the transition tax were fully offset by a valuation allowance. These foreign tax credits of \$0.5 million expired on December 31, 2020.

In 2020, we repatriated \$9.3 million from our United Kingdom (the “UK”) subsidiary, which was not needed to fund the UK operations and did not require the provision of any associated withholding or other taxes. We had unrepatriated foreign earnings of approximately \$13.8 million as of December 31, 2020. These earnings are considered permanently reinvested, as it is management’s intention to reinvest these foreign earnings in foreign operations. We project sufficient cash flow, or borrowings available under our Senior Secured Credit Facilities in the U.S.; therefore, we do not need to repatriate our remaining foreign earnings to finance U.S. operations at this time. Due to the 2017 Tax Act, there is no U.S. federal tax on cash repatriation from foreign subsidiaries, however, it could be subject to foreign withholding and other taxes.

Deferred tax assets arise primarily because expenses have been recorded in historical financial statement periods that will not become deductible for income taxes until future tax years. We record a valuation allowance to reduce the book value of our deferred tax assets to amounts that are estimated on a more likely than not basis to be realized. This assessment requires judgment and is performed on the basis of the weight of all available evidence, both positive and negative, with greater weight placed on information that is objectively verifiable such as historical performance.

We evaluated negative evidence noting that we reported cumulative net losses for the three-year periods ended as of December 31, 2020, 2019, and 2018. Pursuant to accounting guidance, a cumulative loss in recent years is a significant piece of negative evidence that must be considered and is difficult to overcome without sufficient objectively verifiable, positive evidence. As such, certain aspects of our historical results were included in our forecasted taxable income. Although our forecast of future taxable income was a positive indicator, since this form of evidence was not objectively verifiable, its weight was not sufficient to overcome the negative evidence. Based on our current year activity and the changes in the CARES Act, we increased our valuation allowance for deferred tax assets by approximately \$17.2 million during 2020. The increase in our valuation allowance was primarily due to the book loss during the year, partially reduced by certain indefinite-lived deferred tax assets that can be offset against our indefinite-lived deferred tax liabilities. The ultimate realization of deferred tax assets depends on having sufficient taxable income in the future years when the tax deductions associated with the deferred tax assets become deductible. The establishment of a valuation allowance does not impact cash, nor does it preclude us from using our tax credits, loss carry-forwards and other deferred tax assets in the future.

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

	Year Ended December 31,		
	2020	2019	2018
Balance at beginning of period	\$ 51,522	\$ 53,156	\$ 63,303
Charged to provision for income taxes	17,224	(1,634)	(9,125)
Other ⁽¹⁾	—	—	(1,022)
Balance at end of period	<u>\$ 68,746</u>	<u>\$ 51,522</u>	<u>\$ 53,156</u>

(1) For 2018, the amount was recorded as a result of our adoption of ASC 606 effective January 1, 2018.

We had approximately \$453.1 million, or \$95.2 million, tax effected, of accumulated federal NOLs as of December 31, 2020, which may be carried forward and applied to offset taxable income for 20 years and will expire starting in 2025 (for losses incurred prior to 2018). NOLs incurred after 2017 of approximately \$95.1 million, or \$20 million, tax effected, are carried forward indefinitely to offset taxable income. We had approximately \$12.4 million, tax effected, of federal research and development credit carry-forwards as of December 31, 2020. The research and development credits are limited to a 20 year carry-forward period and will expire starting in 2029. We also have a receivable for approximately \$0.3 million related to alternative minimum tax credits for which was received in January 2021. As of December 31, 2020, approximately \$57.5 million of our valuation allowance relates to federal NOL carry-forwards and credits that we estimate are not more likely than not to be realized.

We had tax effected state NOL carry-forwards of approximately \$14.8 million as of December 31, 2020, which will expire between 2021 and 2040. The determination and utilization of these state NOL carry-forwards are dependent upon apportionment percentages and other respective state laws, which may change from year to year. As of December 31, 2020, approximately \$11.2 million of our valuation allowance relates to certain state NOL carry-forwards that we estimate are not more likely than not to be realized.

The following is a tabular reconciliation of the total amounts of unrecognized tax benefits (in thousands):

	Year Ended December 31,		
	2020	2019	2018
Unrecognized tax benefit			
Unrecognized tax benefit at the beginning of the period	\$ 1,435	\$ 1,062	\$ 937
Gross increases - tax positions in prior period	279	373	125
Unrecognized tax benefit at the end of the period	<u>\$ 1,714</u>	<u>\$ 1,435</u>	<u>\$ 1,062</u>

We analyzed filing positions in the federal, state, and foreign jurisdictions in which we are required to file income tax returns, as well as the open tax years in these jurisdictions. As of December 31, 2020, we recorded approximately \$1.7 million of unrecognized tax benefits, all of which would impact our effective tax rate, if recognized. We do not anticipate that our unrecognized tax benefits will materially change within the next 12 months. The Company has not accrued any penalties and interest for its unrecognized tax benefits. Other than the unrecognized tax benefit recorded, we believe that our income tax filing positions and deductions will be sustained upon audit, and we do not anticipate other adjustments that will result in a material change to our financial position. We may, from time to time, be assessed interest or penalties by tax jurisdictions, although any such assessments historically have been minimal and immaterial to our financial results. Our policy for recording interest and penalties associated with audits and unrecognized tax benefits is to record such items as a component of income tax in our Statements of Operations.

We are subject to taxation in the U.S. and various states and foreign jurisdictions. We have a number of federal and state income tax years still open for examination as a result of our net operating loss carry-forwards. Accordingly, we are subject to examination for both U.S. federal and some of the state tax returns for the years 2005 to present. For the remaining state, local, and foreign jurisdictions, with some exceptions, we are no longer subject to examination by tax authorities for years before 2017.

18. SEGMENT INFORMATION

Operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision-making group (the “CODM”). Our CODM consists of the Chief Executive Officer, the President and Chief Operating Officer, and the Chief Financial Officer. Our CODM allocates resources and measures profitability based on our operating segments, which are managed and reviewed separately, as each represents products and services that can be sold separately to our customers. Our segments are monitored by management for performance against our internal forecasts.

We have reported our financial performance based on our segments in both the current and prior periods. Our CODM determined that our operating segments for conducting business are: (i) Games and (ii) FinTech:

- The Games segment provides solutions directly to gaming establishments to offer their patrons gaming entertainment- related experiences including: leased gaming equipment; sales of gaming equipment; gaming systems; digital online solutions; and ancillary products and services.
- The FinTech segment provides solutions directly to gaming establishments to offer their patrons cash access-related services and products, including: access to cash and cashless funding at gaming facilities via debit withdrawals; credit card cash access transactions and POS debit card cash access transactions; check warranty services; kiosks for cash access and other services; self-service enrollment, loyalty and marketing equipment; maintenance services; compliance, audit, and data software; casino credit data and reporting services, and other ancillary offerings.

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

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

The following tables present segment information (in thousands):

	For the Year Ended December 31,		
	2020	2019	2018
Games			
Revenue			
Gaming operations	\$ 156,199	\$ 188,874	\$ 168,146
Gaming equipment and systems	44,006	90,919	87,038
Gaming other	96	3,326	3,794
Total revenues	\$ 200,301	\$ 283,119	\$ 258,978
Costs and expenses			
Cost of revenues ⁽¹⁾			
Gaming operations	15,192	18,043	17,603
Gaming equipment and systems	25,680	50,826	47,121
Gaming other	456	3,025	3,285
Cost of revenues	41,328	71,894	68,009
Operating expenses	63,789	61,522	57,244
Research and development	20,060	24,954	20,497
Depreciation	61,566	56,882	55,058
Amortization	59,926	57,491	55,099
Total costs and expenses	246,669	272,743	255,907
Operating (loss) income	\$ (46,368)	\$ 10,376	\$ 3,071

(1) Exclusive of depreciation and amortization.

	For the Year Ended December 31,		
	2020	2019	2018
FinTech			
Revenues			
Cash access services	\$ 112,035	\$ 164,741	\$ 156,806
Equipment	24,297	37,865	20,977
Information services and other	47,041	47,502	32,754
Total revenues	\$ 183,373	\$ 250,108	\$ 210,537
Costs and expenses			
Cost of revenues ⁽¹⁾			
Cash access services	6,755	14,236	9,717
Equipment	14,724	22,292	12,601
Information services and other	3,029	3,964	4,110
Cost of revenues	24,508	40,492	26,428
Operating expenses	88,757	100,662	85,054
Research and development	7,883	7,551	—
Depreciation	5,893	6,316	6,167
Amortization	15,379	11,446	10,146
Total costs and expenses	142,420	166,467	127,795
Operating income	\$ 40,953	\$ 83,641	\$ 82,742

(1) Exclusive of depreciation and amortization.

	For the Year Ended December 31,		
	2020	2019	2018
Total Games and FinTech			
Total revenues	\$ 383,674	\$ 533,227	\$ 469,515
Costs and expenses			
Cost of revenues ⁽¹⁾	65,836	112,386	94,437
Operating expenses	152,546	162,184	142,298
Research and development	27,943	32,505	20,497
Depreciation	67,459	63,198	61,225
Amortization	75,305	68,937	65,245
Total costs and expenses	389,089	439,210	383,702
Operating (loss) income	\$ (5,415)	\$ 94,017	\$ 85,813

(1) Exclusive of depreciation and amortization.

	At December 31,	
	2020	2019
Total assets		
Games	\$ 811,523	\$ 902,888
FinTech	665,656	726,335
Total assets	\$ 1,477,179	\$ 1,629,223

For the year ended December 31, 2020, cash spent for capital expenditures totaled \$76.4 million, of which \$62.6 million and \$13.8 million was related to our Games and FinTech businesses, respectively. For the year ended December 31, 2019, cash spent for capital expenditures totaled \$114.3 million, of which \$96.0 million and \$18.3 million, was related to our Games and FinTech businesses, respectively.

Major customers. For the years ended December 31, 2020, 2019, and 2018, no single customer accounted for more than 10% of our revenues. Our five largest customers accounted for approximately 16%, 14%, and 22% of our total revenue in 2020, 2019, and 2018, respectively.

19. SELECTED QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

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

	Quarter				Year
	First	Second	Third	Fourth	
2020					
Revenues	\$ 113,308	\$ 38,716	\$ 112,098	\$ 119,552	\$ 383,674
Operating income (loss)	10,426	(52,728)	19,738	17,149	(5,415)
Net (loss) income	(13,454)	(68,481)	(878)	1,133	(81,680)
Basic (loss) earnings per share	\$ (0.16)	\$ (0.80)	\$ (0.01)	\$ 0.01	\$ (0.96)
Diluted (loss) earnings per share	\$ (0.16)	\$ (0.80)	\$ (0.01)	\$ 0.01	\$ (0.96)
Weighted average common shares outstanding					
Basic	84,624	85,122	85,556	86,205	85,379
Diluted	84,624	85,122	85,556	94,256	85,379
2019					
Revenues	\$ 123,775	\$ 129,706	\$ 134,569	\$ 145,177	\$ 533,227
Operating income	25,872	24,879	27,293	15,973	94,017
Net income (loss)	5,860	5,486	9,315	(4,144)	16,517
Basic earnings (loss) per share	\$ 0.08	\$ 0.08	\$ 0.13	\$ (0.05)	\$ 0.23
Diluted earnings (loss) per share	\$ 0.08	\$ 0.07	\$ 0.12	\$ (0.05)	\$ 0.21
Weighted average common shares outstanding					
Basic	70,334	71,477	72,251	75,387	72,376
Diluted	75,256	79,158	79,125	75,387	79,235

* Rounding may cause variances.

20. SUBSEQUENT EVENTS

On February 2, 2021, we entered into the Fifth Amendment to our existing Credit Agreement, which reduced the LIBOR and Base Rate floor components of the interest rate by 25 basis points from 1.00% to 0.75% and from 2.00% to 1.75%, respectively, with the LIBOR and Base Rate margins unchanged at 2.75% and 1.75%, respectively. The First Lien Term Loan under the Credit Agreement will be subject to a prepayment premium of 1.00% of the principal amount repaid for any voluntary prepayment or mandatory prepayment with proceeds of debt that has a lower effective yield than the repriced First Lien Term Loan or any amendment to the repriced First Lien Term Loan that reduces the interest rate thereon, in each case, to the extent occurring within six months of the effective date of the Amendment. The maturity of the First Lien Term Loan remains May 9, 2024, and no changes were made to the financial covenants or other debt repayment terms.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.**Evaluation of Disclosure Controls and Procedures**

The Company's management, with the participation of its Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as December 31, 2020. Based on such evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report on Form 10-K, the Company's disclosure controls and procedures are effective such that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (ii) accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures.

Management's Report of Internal Control over Financial Reporting

The Company's management, including its Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles ("GAAP"). Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Management assessed the effectiveness of internal control over financial reporting as of December 31, 2020, utilizing the criteria described in the "Internal Control — Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management's assessment included evaluation of elements such as the design and operating effectiveness of key financial reporting controls, process documentation, accounting policies, and our overall control environment. Based on this assessment, management has concluded that our internal control over financial reporting was effective at a reasonable assurance level as of December 31, 2020.

Our independent registered public accounting firm, BDO USA, LLP, independently assessed the effectiveness of the Company's internal control over financial reporting, as stated in the firm's attestation report, which is included within Part II, Item 8 of this Form 10-K.

Changes in Internal Control over Financial Reporting

There was no change to our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the fourth quarter ended December 31, 2020 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on Internal Control over Financial Reporting

We have audited Everi Holdings Inc. and Subsidiaries' (the "Company's") internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Company as of December 31, 2020 and 2019, the related consolidated statements of operations and comprehensive (loss) income, stockholders' (deficit) equity, and cash flows for each of the three years in the period ended December 31, 2020, and the related notes and our report dated March 12, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Item 9A, Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of internal control over financial reporting in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ BDO USA, LLP

Las Vegas, Nevada
March 12, 2021

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information regarding our directors, executive officers, and certain corporate governance related matters including our Code of Business Conduct, Standards and Ethics is contained under the headings “Proposal 1,” “Executive Officers,” and “Board and Corporate Governance Matters,” and to the extent applicable, “Delinquent Section 16(a) Reports” in the Company’s definitive proxy statement to be filed with the SEC in connection with our 2021 annual meeting of stockholders (the “2021 Proxy Statement”) is incorporated herein by reference.

Item 11. Executive Compensation.

The information regarding director compensation and executive officer compensation contained under the headings “Board and Corporate Governance Matters — Director Compensation” and “Executive Compensation,” respectively, in the 2021 Proxy Statement is incorporated herein by reference.

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

The information regarding share ownership contained under the heading “Security Ownership of Certain Beneficial Owners and Management” in the 2021 Proxy Statement is incorporated herein by reference.

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

The information regarding director independence and related party transactions under the headings “Board and Corporate Governance Matters — Director Independence” and “Transactions with Related Persons,” respectively, in the 2021 Proxy Statement is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services.

The information regarding audit fees, audit-related fees, tax fees, all other fees, and the Audit Committee’s policies and procedures on pre-approval of audit and permissible non-audit services of independent auditors contained under the heading “Ratification of the Appointment of Independent Registered Public Accounting Firm” in the 2021 Proxy Statement is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) The following documents are filed as part of this Annual Report on Form 10-K:

1. Financial Statements

<u>Report of BDO USA, LLP, Independent Registered Public Accounting Firm</u>	<u>53</u>
<u>Consolidated Statements of Operations and Comprehensive (Loss) Income for the three years ended December 31, 2020, 2019 and 2018</u>	<u>55</u>
<u>Consolidated Balance Sheets as of December 31, 2020 and 2019</u>	<u>57</u>
<u>Consolidated Statements of Cash Flows for the three years ended December 31, 2020, 2019 and 2018</u>	<u>58</u>
<u>Consolidated Statements of Stockholders' (Deficit) Equity for the three years ended December 31, 2020, 2019, and 2018</u>	<u>59</u>
<u>Notes to Consolidated Financial Statements</u>	<u>60</u>

2. Financial Statement Schedules

All schedules have been omitted as they are either not required or not applicable or the required information is included in the Consolidated Financial Statements or notes thereto.

3. See Item 15(b)

(b) Exhibits:

Exhibit Number	Exhibit Description
3.1	<u>Amended and Restated Certificate of Incorporation of Everi Holdings (incorporated by reference to Exhibit 3.1 of Amendment No.1 Everi Holdings' Registration Statement on Form S-1 (Registration No. 333-123514) filed with the SEC on May 26, 2005).</u>
3.2	<u>Certificate of Amendment of Amended and Restated Certificate of Incorporation of Everi Holdings (incorporated by reference to Exhibit 3.1 of Everi Holdings' Current Report on Form 8-K filed with the SEC on April 30, 2009).</u>
3.3	<u>Certificate of Amendment of Amended and Restated Certificate of Incorporation of Everi Holdings (incorporated by reference to Exhibit 3.1 of Everi Holdings' Current Report on Form 8-K filed with the SEC on August 14, 2015).</u>
3.4	<u>Second Amended and Restated Bylaws of Everi Holdings (effective as of August 24, 2015) (incorporated by reference to Exhibit 3.2 of Everi Holdings' Current Report on Form 8-K filed with the SEC on August 14, 2015).</u>
4.1	<u>Indenture (and Form of 7.50% Senior Note due 2025 attached as Exhibit A thereto), dated as of December 5, 2017, by and among Everi FinTech, Everi Holdings, certain of its wholly owned subsidiaries, as guarantors, and Deutsche Bank Trust Company Americas, as trustee (incorporated by reference to Exhibit 4.1 of Everi Holdings' Current Report on Form 8-K filed with the SEC on December 5, 2017).</u>
4.2	<u>First Supplemental Indenture, dated as of December 13, 2019, by and among Everi FinTech, Everi Holdings, certain of its wholly owned subsidiaries, as guarantors, and Deutsche Bank Trust Company Americas, as trustee (incorporated by reference to Exhibit 1.2 of Everi Holdings' Current Report on Form 8-K filed with the SEC on December 17, 2019).</u>
4.3	<u>Description of Securities (incorporated by reference to Exhibit 4.3 of Everi Holdings' Annual Report on Form 10-K filed with the SEC on March 2, 2020).</u>

Exhibit Number	Exhibit Description
10.1	<u>Credit Agreement, dated as of May 9, 2017, among Everi FinTech, Everi Holdings, the lenders party thereto and Jefferies Finance LLC, as administrative agent, collateral agent, swing line lender, letter of credit issuer, sole lead arranger and sole book manager (incorporated by reference to Exhibit 10.1 of Everi Holdings' Current Report on Form 8-K filed with the SEC on May 9, 2017).</u>
10.2	<u>Security Agreement, dated as of May 9, 2017, among Everi FinTech, Everi Holdings, as a guarantor, the subsidiary guarantors party thereto, and Jefferies Finance LLC, as collateral agent, related to the Credit Agreement (incorporated by reference to Exhibit 10.2 of Everi Holdings' Current Report on Form 8-K filed with the SEC on May 9, 2017).</u>
10.3	<u>Guaranty, dated May 9, 2017, by Everi Holdings, as a guarantor, and the subsidiary guarantors party thereto, in favor of the lenders party from time to time to the Credit Agreement and Jefferies Finance LLC, as administrative agent (incorporated by reference to Exhibit 10.3 of Everi Holdings' Current Report on Form 8-K filed with the SEC on May 9, 2017).</u>
10.4	<u>First Amendment to Credit Agreement, dated November 13, 2017, among Everi FinTech, Everi Holdings, the subsidiary guarantors party thereto, the lenders party thereto and Jefferies Finance LLC, as administrative agent (incorporated by reference to Exhibit 10.1 of Everi Holdings' Current Report on Form 8-K filed with the SEC on November 13, 2017).</u>
10.5	<u>American State Bank Sponsorship Agreement, dated February 11, 2011, between Everi FinTech and American State Bank (incorporated by reference to Exhibit 10.54 of Everi Holdings' Annual Report on Form 10-K filed with the SEC on March 14, 2011).</u>
†10.6	<u>Everi Holdings 2005 Stock Incentive Plan (incorporated by reference to Exhibit 10.25 of the Annual Report on Form 10-K of Everi FinTech filed with the SEC on March 10, 2005).</u>
†10.7	<u>Form of Stock Option Award for Performance Price Vesting under the 2005 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to Everi Holdings' Quarterly Report on Form 10-Q filed with the SEC on August 5, 2014).</u>
†10.8	<u>Form of Stock Option Award for Cliff Vesting under the 2005 Stock Incentive Plan (incorporated by reference to Exhibit 10.2 to Everi Holdings' Quarterly Report on Form 10-Q filed with the SEC on August 5, 2014).</u>
†10.9	<u>Form of Stock Option Award for Non-Employee Directors under the 2005 Stock Incentive Plan (incorporated by reference to Exhibit 10.3 to Everi Holdings' Quarterly Report on Form 10-Q filed with the SEC on August 5, 2014).</u>
†10.10	<u>Form of Stock Option Award for Executives under the 2005 Stock Incentive Plan (incorporated by reference to Exhibit 10.4 to Everi Holdings' Quarterly Report on Form 10-Q filed with the SEC on August 5, 2014).</u>
†10.11	<u>Form of Stock Option Award for Employees under the 2005 Stock Incentive Plan (incorporated by reference to Exhibit 10.5 to Everi Holdings' Quarterly Report on Form 10-Q filed with the SEC on August 5, 2014).</u>
†10.12	<u>Everi Holdings Amended and Restated 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to Everi Holdings' Current Report on Form 8-K filed with the SEC on May 25, 2018).</u>
†10.13	<u>Form of Stock Option Agreement under the 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.7 to Everi Holdings' Current Report on Form 8-K filed with the SEC on May 10, 2016).</u>
†10.14	<u>Form of Stock Option Award (Performance-Based) (Double-Trigger Acceleration) for Non-Employee Directors under the 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.2 to Everi Holdings' Current Report on Form 8-K filed with the SEC on May 10, 2016).</u>

Exhibit Number	Exhibit Description
†10.15	<u>Form of Stock Option Award (Performance-Based) (Double-Trigger Acceleration) for Executives under the Equity Incentive Plan (incorporated by reference to Exhibit 10.3 to Everi Holdings' Current Report on Form 8-K filed with the SEC on May 10, 2016).</u>
†10.16	<u>Form of Stock Option Award (Time-Based) (Double-Trigger Acceleration) for Non-Employee Directors under the Equity Incentive Plan (incorporated by reference to Exhibit 10.4 to Everi Holdings' Current Report on Form 8-K filed with the SEC on May 10, 2016).</u>
†10.17	<u>Form of Stock Option Award (Time-Based) (Double-Trigger Acceleration) for Executives under the Equity Incentive Plan (incorporated by reference to Exhibit 10.5 to Everi Holdings' Current Report on Form 8-K filed with the SEC on May 10, 2016).</u>
†10.18	<u>Form of Stock Option Award (Time-Based) (Double-Trigger Acceleration) for Employees under the Equity Incentive Plan (incorporated by reference to Exhibit 10.6 to Everi Holdings' Current Report on Form 8-K filed with the SEC on May 10, 2016).</u>
†10.19	<u>Everi Holdings 2012 Equity Incentive Plan (incorporated by reference to Exhibit 99.1 to Everi Holdings' Current Report on Form S-8 filed with the SEC on March 16, 2015).</u>
†10.20	<u>Amendment to the Everi Holdings 2012 Equity Incentive Plan (incorporated by reference to Exhibit 99.2 to Everi Holdings' Current Report on Form S-8 filed with the SEC on March 16, 2015).</u>
†10.21	<u>Form of Stock Option Agreement under the 2012 Equity Incentive Plan (incorporated by reference to Exhibit 10.13 to Everi Holdings' Current Report on Form 8-K filed with the SEC on May 10, 2016).</u>
†10.22	<u>Form of Stock Option Award (Performance-Based) (Double-Trigger Acceleration) for Non-Employee Directors under the 2012 Equity Incentive Plan (incorporated by reference to Exhibit 10.8 to Everi Holdings' Current Report on Form 8-K filed with the SEC on May 10, 2016).</u>
†10.23	<u>Form of Stock Option Award (Performance-Based) (Double-Trigger Acceleration) for Executives under the 2012 Equity Incentive Plan (incorporated by reference to Exhibit 10.9 to Everi Holdings' Current Report on Form 8-K filed with the SEC on May 10, 2016).</u>
†10.24	<u>Form of Stock Option Award (Time-Based) (Double-Trigger Acceleration) for Non-Employee Directors under the 2012 Equity Incentive Plan (incorporated by reference to Exhibit 10.10 to Everi Holdings' Current Report on Form 8-K filed with the SEC on May 10, 2016).</u>
†10.25	<u>Form of Stock Option Award (Time-Based) (Double-Trigger Acceleration) for Executives under the 2012 Equity Incentive Plan (incorporated by reference to Exhibit 10.11 to Everi Holdings' Current Report on Form 8-K filed with the SEC on May 10, 2016).</u>
†10.26	<u>Form of Stock Option Award (Time-Based) (Double-Trigger Acceleration) for Employees under the 2012 Equity Incentive Plan (incorporated by reference to Exhibit 10.12 to Everi Holdings' Current Report on Form 8-K filed with the SEC on May 10, 2016).</u>
†10.27	<u>Amended and Restated Employment Agreement with Michael Rumbolz (effective May 5, 2017) (incorporated by reference to Exhibit 10.4 of Everi Holdings' Current Report on Form 8-K filed with the SEC on May 9, 2017).</u>
†10.28	<u>Notice of Grant of Stock Option with Michael Rumbolz, dated February 13, 2016 (incorporated by reference to Exhibit 10.1 of Everi Holdings' Current Report on Form 8-K filed with the SEC on February 16, 2016).</u>
†10.29	<u>Form of Notice of Stock Option Award and Stock Option Award Agreement for Michael Rumbolz (effective August 30, 2010) (incorporated by reference to Exhibit 10.3 of Everi Holdings' Current Report on Form 8-K filed with the SEC on September 2, 2010).</u>

Exhibit Number	Exhibit Description
10.30	<u>Second Amendment to Credit Agreement, dated May 17, 2018, among Everi FinTech, Everi Holdings, the subsidiary guarantors party thereto, the lenders party thereto and Jefferies Finance LLC, as administrative agent (incorporated by reference to Exhibit 10.1 of Everi Holdings' Current Report on Form 8-K filed with the SEC on May 17, 2018).</u>
†10.31	<u>First Amendment to Amended and Restated Employment Agreement with Michael Rumbolz (effective February 1, 2019) (incorporated by reference to Exhibit 10.40 of Everi Holdings' Annual Report on Form 10-K filed with the SEC on March 12, 2019).</u>
†10.32	<u>Notice of Grant of Restricted Stock Units (Time-Based) under the 2014 Equity Incentive Plan for Michael Rumbolz (effective February 1, 2019) (incorporated by reference to Exhibit 10.41 of Everi Holdings' Annual Report on Form 10-K filed with the SEC on March 12, 2019).</u>
†10.33	<u>Employment Agreement with Dean A. Ehrlich (effective January 1, 2017) (incorporated by reference to Exhibit 10.1 of Everi Holdings' Quarterly Report on Form 10-Q filed with the SEC on May 9, 2018).</u>
†10.34	<u>Form of Deferred Restricted Stock Units Agreement for Non-Employee Directors under the 2012 Equity Incentive Plan (incorporated by reference to Exhibit 10.2 to Everi Holdings' Quarterly Report on Form 10-Q filed with the SEC on August 7, 2018).</u>
†10.35	<u>Form of Notice of Grant of Deferred Restricted Stock Units for the Non-Employee Directors under the 2012 Equity Incentive Plan (incorporated by reference to Exhibit 10.3 to Everi Holdings' Quarterly Report on Form 10-Q filed with the SEC on August 7, 2018).</u>
†10.36	<u>Form of Deferred Restricted Stock Units Agreement for Non-Employee Directors under the 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.4 to Everi Holdings' Quarterly Report on Form 10-Q filed with the SEC on August 7, 2018).</u>
†10.37	<u>Form of Notice of Grant of Deferred Restricted Stock Units Agreement for Non-Employee Directors under the 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.5 to Everi Holdings' Quarterly Report on Form 10-Q filed with the SEC on August 7, 2018).</u>
†10.38	<u>Form of Restricted Stock Units Agreement under the 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.6 to Everi Holdings' Quarterly Report on Form 10-Q filed with the SEC on August 7, 2018).</u>
†10.39	<u>Form of Notice of Grant of Restricted Stock Units (Performance-Based) for Executives under the 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.7 to Everi Holdings' Quarterly Report on Form 10-Q filed with the SEC on August 7, 2018).</u>
†10.40	<u>Form of Notice of Grant of Restricted Stock Units (Time-Based) under the 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.8 to Everi Holdings' Quarterly Report on Form 10-Q filed with the SEC on August 7, 2018).</u>
†10.41	<u>Form of Notice of Grant of Restricted Stock Units (Time-Based) for Executives under the 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.9 to Everi Holdings' Quarterly Report on Form 10-Q filed with the SEC on August 7, 2018).</u>
†10.42	<u>Form of Indemnification Agreement between Everi Holdings and each of its executive officers and directors (incorporated by reference to Exhibit 10.2 of Everi Holdings' Quarterly Report on Form 10-Q filed with the SEC on May 7, 2019).</u>
†10.43	<u>Form of Notice of Grant of Restricted Stock Units (Performance-Based) for Executives under the Amended and Restated 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to Everi Holdings' Quarterly Report on Form 10-Q filed with the SEC on August 6, 2019).</u>

Exhibit Number	Exhibit Description
10.44	<u>Third Amendment to Credit Agreement, dated December 12, 2019, among Everi FinTech, Everi Holdings, the subsidiary guarantors party thereto, the lenders party thereto and Jefferies Finance LLC, as administrative agent (incorporated by reference to Exhibit 1.1 of Everi Holdings' Current Report on Form 8-K filed with the SEC on December 17, 2019).</u>
†10.45	<u>Fourth Amendment to Credit Agreement, dated April 21, 2020, among Everi Payments Inc., as borrower, Everi Holdings Inc., as parent, the subsidiary guarantors party thereto, the lenders party thereto, and Jefferies Finance LLC, as administrative agent (incorporated by reference to Exhibit 10.1 of Everi Holdings' Current Report on Form 8-K filed with the SEC on April 21, 2020).</u>
†10.46	<u>Term Loan Credit Agreement, dated April 21, 2020, among Everi Payments Inc., as borrower, Everi Holdings Inc., as parent, the lenders party thereto, and Jefferies Finance LLC, as administrative agent and collateral agent (incorporated by reference to Exhibit 10.2 of Everi Holdings' Current Report on Form 8-K filed with the SEC on April 21, 2020).</u>
†10.47	<u>Form of Notice of Grant of Restricted Stock Units (Time-Based) for Cliff Vesting under the Amended and Restated 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.3 of Everi Holdings' Quarterly Report on Form 10-Q filed with the SEC on June 2, 2020).</u>
†10.48	<u>Form of Notice of Grant of Restricted Stock Units (Time-Based) for Cliff Vesting for Executives under the Amended and Restated 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.4 of Everi Holdings' Quarterly Report on Form 10-Q filed with the SEC on June 2, 2020).</u>
†10.49	<u>Form of Notice of Grant of Restricted Stock Units (Time-Based) for Executives under the Amended and Restated 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.5 of Everi Holdings' Quarterly Report on Form 10-Q filed with the SEC on June 2, 2020).</u>
†10.50	<u>Second Amendment to the Amended and Restated Employment Agreement with Michael D. Rumbolz (effective April 1, 2020) (incorporated by reference to Exhibit 10.6 of Everi Holdings' Quarterly Report on Form 10-Q filed with the SEC on June 2, 2020).</u>
†10.51	<u>Notice of Grant of Restricted Stock Units (Time-Based) under the Amended and Restated 2014 Equity Incentive Plan for Michael D. Rumbolz (effective April 1, 2020) (incorporated by reference to Exhibit 10.7 of Everi Holdings' Quarterly Report on Form 10-Q filed with the SEC on June 2, 2020).</u>
†10.52	<u>Amended and Restated Employment Agreement with Randy L. Taylor (effective April 1, 2020) (incorporated by reference to Exhibit 10.8 of Everi Holdings' Quarterly Report on Form 10-Q filed with the SEC on June 2, 2020).</u>
†10.53	<u>Notice of Grant of Restricted Stock Units (Time-Based) under the Amended and Restated 2014 Equity Incentive Plan for Randy L. Taylor (effective April 1, 2020) (incorporated by reference to Exhibit 10.9 of Everi Holdings' Quarterly Report on Form 10-Q filed with the SEC on June 2, 2020).</u>
†10.54	<u>Amended and Restated Employment Agreement with David J. Lucchese (effective April 1, 2020) (incorporated by reference to Exhibit 10.12 of Everi Holdings' Quarterly Report on Form 10-Q filed with the SEC on June 2, 2020).</u>
†10.55	<u>First Amendment to Employment Agreement with Dean A. Ehrlich (effective April 1, 2020) (incorporated by reference to Exhibit 10.13 of Everi Holdings' Quarterly Report on Form 10-Q filed with the SEC on June 2, 2020).</u>
†10.56	<u>Employment Agreement with Mark F. Labay (effective April 1, 2020) (incorporated by reference to Exhibit 10.14 of Everi Holdings' Quarterly Report on Form 10-Q filed with the SEC on June 2, 2020).</u>
†10.57	<u>Employment Agreement with Darren D.A. Simmons (effective January 1, 2019) (incorporated by reference to Exhibit 10.15 of Everi Holdings' Quarterly Report on Form 10-Q filed with the SEC on June 2, 2020).</u>
†10.58	<u>First Amendment to Employment Agreement with Darren D.A. Simmons (effective April 1, 2020) (incorporated by reference to Exhibit 10.16 of Everi Holdings' Quarterly Report on Form 10-Q filed with the SEC on June 2, 2020).</u>
**+10.60	<u>First Amendment to Sponsorship Agreement (effective March 11, 2013) between Prosperity Bank, successor by merger to American State Bank, and Everi FinTech.</u>
**+10.61	<u>Second Amendment to Sponsorship Agreement (effective September 10, 2013) between Prosperity Bank, successor by merger to American State Bank, and Everi Fin Tech.</u>

Exhibit Number	Exhibit Description
**10.62	<u>Third Amendment to the Sponsorship Agreement (effective October 31, 2014) between Prosperity Bank, successor by merger to American State Bank, and Everi FinTech.</u>
**+10.63	<u>Amended and Restated Agreement for Processing Services (effective July 1, 2020) by and between Cardtronics USA, as successor in interest to Columbus Data Services, LLC, and Everi FinTech.</u>
10.64	<u>Fifth Amendment to Credit Agreement, dated February 2, 2021, among Everi Payments Inc., as borrower, Everi Holdings Inc., as parent, the subsidiary guarantors party thereto, and Jefferies Finance LLC, as administrative agent (incorporated by reference to Exhibit 10.1 of Everi Holdings' Current Report on Form 8-K filed with the SEC on February 2, 2021)</u>
*21.1	<u>Subsidiaries of Everi Holdings.</u>
*23.1	<u>Consent of BDO USA, LLP.</u>
*24.1	<u>Power of Attorney (included on signature page).</u>
*31.1	<u>Certification of Michael D. Rumbolz, Chief Executive Officer of Everi Holdings in accordance with Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
*31.2	<u>Certification of Mark F. Labay, Chief Financial Officer of Everi Holdings in accordance with Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
**32.1	<u>Certification of the Chief Executive Officer and Chief Financial Officer of Everi Holdings in accordance with 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
*101.INS	XBRL Instance Document - this instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
*101.SCH	Inline XBRL Taxonomy Extension Schema Document.
*101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
*101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
*101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
*101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
*104	The cover page from the Company's Annual Report on Form 10-K for the year ended December 31, 2020, formatted in Inline XBRL (included as Exhibit 101).

* Filed herewith.

** Furnished herewith.

† Management contracts or compensatory plans or arrangements.

+ Portions of the exhibit have been omitted pursuant to the rules and regulations of the SEC.

Item 16. Form 10-K Summary.

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: March 12, 2021

EVERI HOLDINGS INC.

By: /s/ TODD A. VALLI

Todd A. Valli
*Chief Accounting Officer (Principal
Accounting Officer)*

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Michael D. Rumbolz, Mark F. Labay, and Todd A. Valli and each of them, his attorneys-in-fact, each with the power of substitution, for him in any and all capacities, to sign any amendments to this Annual Report on Form 10-K and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Signature	Title	Date
/s/ MICHAEL D. RUMBOLZ	Chief Executive Officer	March 12, 2021
Michael D. Rumbolz	(Principal Executive Officer) and Director	
/s/ RANDY L. TAYLOR	President and Chief Operating Officer	March 12, 2021
Randy L. Taylor	(Principal Operating Officer)	
/s/ MARK F. LABAY	Executive Vice President, Chief Financial Officer	March 12, 2021
Mark F. Labay	(Principal Financial Officer) and Treasurer	
/s/ TODD A. VALLI	Chief Accounting Officer	March 12, 2021
Todd A. Valli	(Principal Accounting Officer)	
/s/ E. MILES KILBURN	Chairman of the Board and Director	March 12, 2021
E. Miles Kilburn		
/s/ GEOFFREY P. JUDGE	Director	March 12, 2021
Geoffrey P. Judge		
/s/ RONALD V. CONGEMI	Director	March 12, 2021
Ronald V. Congemi		
/s/ EILEEN F. RANEY	Director	March 12, 2021
Eileen F. Raney		
/s/ LINSTER W. FOX	Director	March 12, 2021
Linster W. Fox		
/s/ MAUREEN T. MULLARKEY	Director	March 12, 2021
Maureen T. Mullarkey		
/s/ ATUL BALI	Director	March 12, 2021
Atul Bali		

Certain information identified by “[***]” has been excluded from the exhibit because it is both not material and would likely cause competitive harm to the registrant if publicly disclosed.

FIRST AMENDMENT TO SPONSORSHIP AGREEMENT

This First Amendment to Sponsorship Agreement (this “Amendment”) is made and entered into this 11th day of March 2013 (the “**Amendment Effective Date**”), by and between **Global Cash Access, Inc.**, a Delaware corporation with its principal place of business at 3525 E. Post Road, Suite 120, Las Vegas, NV 89120 (“**Company**”), and **Prosperity Bank**, a Texas State Banking Association and successor in interest to American State Bank, with a place of business located at 1401 Avenue Q, Lubbock, Texas 79408 (“**Bank**”).

RECITALS

- A. Company and Bank have previously entered into a Sponsorship Agreement effective February 11, 2011 (the “**Agreement**”).
- B. Company and Bank now desire to amend the Agreement, to, among other things, register Company as a Third Party Processor with certain Networks, upon the term and conditions set forth herein.
- C. Capitalized terms not otherwise defined in this Amendment shall have the meanings assigned to them in the Agreement.

AGREEMENT

In consideration of the foregoing recitals, Company and Bank hereby agree as follows:

- 1. This Amendment shall be effective as of the Amendment Effective Date.
- 2. Addendum A attached hereto is hereby incorporated into the Agreement as Addendum A.
- 3. Miscellaneous Provisions.
 - a. Due Authorization. This Amendment has been duly and validly authorized, executed and delivered by each party hereto and no other action by such party is required to the valid and binding execution, delivery and performance of this Amendment by such party, except as otherwise expressly set forth herein. Each person signing this Amendment on behalf of a party hereto represents and warrants that it is duly authorized to do so.
 - b. Conflict. To the extent, if any, that any provision of this Amendment conflicts with or differs from any provision of the Agreement, such provision of this Amendment shall prevail and govern for all purposes and in all respects. Otherwise, all terms and conditions of the Agreement shall likewise apply to this Amendment

- c. Entire Agreement. The Agreement and this Amendment, between the parties, constitutes the entire agreement between the parties hereto regarding the subject matter contained herein and supersedes any and all prior and/or contemporaneous negotiations, agreements, understandings between the parties with respect to the subject matter hereof.
- d. Counterparts. This Amendment may be executed in one or more counterparts, each of which shall be deemed an original and both of which together shall constitute one and the same agreement. This Amendment may be executed by a party's signature transmitted by facsimile or by electronic mail in pdf format, and copies of this Amendment executed and delivered by means of faxed or pdf signatures shall have the same force and effect as copies hereof executed and delivered with original signatures.

IN WITNESS WHEREOF, this Amendment has been duly executed and delivered by the duly authorized officers of the parties set forth below.

Global Cash Access, Inc.

By: /s/ David Lopez
Name: David Lopez
Title: CEO

Prosperity Bank

By: /s/ Jamie Bigley
Name: Jamie Bigley
Title: VP

ADDENDUM A

THIRD PARTY PROCESSOR REGISTRATION REQUIREMENTS

ARTICLE I - DEFINITIONS

- a. **“Key Management”** means the parameter(s) that determines the operation of a cryptographic function such as:
 - (a) The transformation from plain text to cipher-text and vice versa;
 - (b) Synchronized generation of keying material; or
 - (c) Digital signature computation or validation.
- b. **“TR-39”** means the Technical Guide developed by the American National Standards Institute (**“ANSI”**) as part of the X9, Inc. Financial Industry Standards, titled, “X9/TR-39 Retail Financial Services Compliance Guideline Part I: PIN Security and Key Management (formerly TG-3).”

ARTICLE II - DUTIES OF COMPANY

SECTION 2.1 - Processing of Transactions

Company will provide Processing Services pursuant to the terms and conditions of this Addendum and in compliance with the Regulations and the Rules established by the Networks and any applicable Regulatory Authority.

Bank and Company will alert each other within five (5) business days of any notification of an out-of-compliance condition either has received from any Network or Regulatory Authority. A detailed written explanation and proposed action plan will be provided by Company to Bank within ten (10) business days of notification, or as otherwise mutually agreed upon by the Bank and Company. Based on the severity of the out-of-compliance condition and/or the time and programming required to cure, both parties will determine a reasonable time frame to resolve the outstanding issue, except that if the parties cannot agree as to a course of action after using commercially reasonable efforts to resolve the matter, Bank may upon ten (10) days written notice terminate this Addendum.

Company agrees that its non compliance with the Rules or Regulations will be grounds for termination of sponsorship as detailed in Section 5.2(a)(i) of the Agreement.

SECTION 2.2 - Terminal Compliance

Company will establish and maintain commercially reasonable policies and procedures (but no less than industry standard) that will ensure that acquired Transactions are and will be received from Terminals in compliance with time schedules determined by the Network and available to Company. Company will provide all such information

to Bank that is required or reasonably requested by the Bank to assist in the parties' efforts to remain in compliance with all Rules and Regulations of the Networks. Company will not enter into any agreement that would prohibit the disclosure of information that is required by the Network and agrees that the Bank has the right and authority to have and review any information concerning any Transaction, Terminal or equipment it sponsors to ensure compliance with Rules, Regulations, and this Addendum.

SECTION 2.3 - Systems

Company will ensure that commercially reasonable controls, policies and procedures (but not less than industry standard), including redundancy, back up, security, required compliance changes and notification of changes, will be established, maintained, documented and followed and that all policies and procedures comply with the Rules and Regulations.

SECTION 2.4 - Cardholder Security

Company will ensure that commercially reasonable controls, policies and procedures (but not less than industry standard), including redundancy, back up, security, firewalls, sign-on codes, access, servers, required compliance changes and notification of changes, will be established, maintained, documented, and followed to a standard that is at least in compliance with the Rules and Regulations concerning Cardholder security. Company will complete a PCI DSS review and comply with PCI DSS rules and regulations regarding penetration tests network scans and make changes as required by Networks and/or Bank to ensure Cardholder information is protected and secure not more than once on an annual, calendar year basis unless otherwise required by a Network.

SECTION 2.5 - Collection of Bank Fees and Remittance

Company shall be responsible for payment of all the following Network fees associated with this Agreement that are listed in any applicable fee schedule promulgated by a Network, as the Network may amend it from time to time (a "Network Fee Schedule") as TPP or Processor fees:

- a. Network registration fees incurred by Bank at Company's request, which are unique to the Processing Services;
- b. Network penalties, fines, settlements, claims assessed against Bank as a result of Company's breach of this Agreement, Regulations, or the Rules;
- c. Any other charges billed to the Bank and which are specified as the responsibility of Company under this Agreement; and
- d. Memberships, licenses or fees for extensions of the Bank's Membership into additional requested Networks or regions.

Company shall pay directly to Network or reimburse Bank, as appropriate or directed by Bank, in accordance with Bank's or Network's notice of such fees. All payments shall be due and payable in full thirty (30) days from the date of such notice, unless otherwise specified by Bank. All Bank payment notices past due for fees or other amounts owing under this Addendum shall bear interest at a rate of [***] per month or the maximum amount allowed by law if less, until payment in full is made. Payment shall be made in U.S. Dollars.

SECTION 2.6 - Activation of Merchants

Company agrees that Merchants activated under this Agreement and sponsored by the Bank will be activated, provided services by Company, or deactivated in accordance with Network Rules, Regulations, and certain additional procedures established by the Bank and provided to Company by the Bank with respect to "high risk" Merchants that are customers of Company based upon (i) unusually high levels of Charge backs or other fraudulent activity compared to other similarly situated Merchant customers of Company, (ii) Card not present transactions in connection with Telebet Quasi-Cash Transactions; (iii) and other uniquely situated Merchants compared to Company's customary gaming establishment customers that pose a heightened regulatory risk to Bank. If Bank provides Company with written documentation showing a violation of the Rules or Regulations by such Terminal or Merchant and requests deactivation of such Terminal and/or Merchant, Company shall promptly remediate such violation within three (3) days or deactivate any Terminal(s) located at any such Merchant. Company agrees that it has full liability for any Transaction authorized at a Terminal after Company receives instructions from the Bank to discontinue accepting Transactions at such Terminal.

SECTION 2.7 - Network Registration, Certifications and Reviews

Company shall complete any required Network certification, review or processing requirements and provide to the Bank copies of such documentation if requested. Additionally, copies of all audits and reviews completed by any Network or Regulatory Authority will be provided to Bank upon request. Company agrees to complete an annual operational on-site review of procedures, by a qualified company approved by the Bank and provide a copy to Bank of the report promptly upon receipt by Company.

Company agrees that any Transactions identified as being sponsored by Bank will be submitted only after ISO, agent or Merchant has been approved and registered by Bank with the appropriate Networks.

SECTION 2.8 - Cardholder, Systems and PIN Security

Throughout the term of the Agreement, Company will:

- (a) Ensure that its processing systems and procedures are in compliance with all Network security requirements and controls, to include but not be limited to those relating to loss resulting from compromised Cards, data and/or Cardholders.

- (b) Implement Key Management and PIN security systems policies and procedures that comply with the Rules of each Network.
- (c) At its own expense, complete an annual PCI PIN Security Review and/or TR-39 and provide a copy to Bank.
- (d) Remain in compliance with all Network requirements concerning Cardholder security.
- (e) Complete a PCI DSS review of systems and provide a copy of the PCI attestation of compliance of the Company for review by Bank. Only independent qualified security assessors will complete such review and Company will utilize a different qualified security assessor every three years if requested by Bank.
- (f) Complete a SSAE 16 Audit as required by a Network or if requested by Bank and provide the results of such report to Bank on an annual basis or as Bank may otherwise require.
- (g) Company will process Transactions in a manner that is at least consistent with industry standards.

SECTION 2.9 - Insurance

Company will obtain and maintain throughout the Term of this Addendum at its own expense the following insurance:

1. Professional Liability, including Technology Errors and Omissions, insurance covering the effects of errors and omissions in the performance of professional duties and network security/data protection liability insurance (also called cyber liability) covering liabilities for financial loss resulting or arising from acts, errors, or omissions, in connection with the services provided under this Agreement and including without limitation the following:

- a. violation or infringement of any right of privacy, including breach of security/privacy laws or regulations;
- b. data theft, damage, unauthorized disclosure, destruction, or corruption, including without limitation, unauthorized access, unauthorized use, identity theft, theft of personally identifiable information or confidential corporate information in whatever form, transmission of a computer virus or other type of malicious code; and participation in a denial of service attack on third party computer systems;

with a minimum limit of [***] each and every claim and in the aggregate.

2. Commercial General Liability insurance in an amount of not less than [***] per occurrence, subject to a [***] aggregate, covering bodily injury (including death), personal injury, property damage including without limitation, all contractual liability for such injury or damage assumed by Company under this Agreement and including products/completed operations coverage. This policy shall include products/completed operations coverage.
3. Workers Compensation insurance written according to the statutory laws in which Company reports payroll. This policy shall include Employers' Liability in an amount of not less than [***] for Injury by Accident and Bodily Injury by Disease.
4. Commercial Property insurance protecting Company's premises at a minimum against fire, extended coverage (including windstorm), vandalism, and theft. This policy shall include loss adjustment based on replacement value of the damaged property in the event of a loss.
5. Commercial Automobile Liability Insurance to include owned, non-owned, leased and hired vehicles and coverage for Property Damage and Bodily Injury, combined single limit: [***].

Such insurance must explicitly address all of the foregoing without limitation if caused by an employee of the Company or an independent contractor working on behalf of the Company in performing services under this Addendum. Policy must provide coverage for wrongful acts, claims, and lawsuits anywhere in the world. Data protection insurance must include contractual liability coverage for the confidentiality/data breach indemnity requirement in the Agreement Section 6.2 for civil liability, regulatory investigations, and notification costs resulting from a breach of confidentiality or breach of security by or on behalf of the Company.

Insurer must have a Best's rating of A or better. Any material change in the policy or cancellation must be reported to Bank with not less than thirty (30) days prior written notice. The policy must be kept in force during the life of the Addendum and for 1 year after Addendum termination or any pending or existing litigation is settled. Company shall provide a Certificate of Insurance in compliance with these requirements on an annual basis and at the time of renewal, and Bank reserves the right to obtain a copy of the professional liability and data protection liability insurance policy.

SECTION 2.10-Due Diligence

Company will reimburse Bank promptly upon receipt of Bank's notice for Bank's out-of-pocket costs incurred in conducting a due diligence examination of Company in connection with Network or Regulatory Authority requirements including but not limited to, registration as a TPP, annual review of TPP, or any new or ongoing Rules or regulations. Documentation will be provided to Company by Bank in order to facilitate registration requirements of other Members.

SECTION 2.11- Reporting

During the term of the Agreement, and for five years after the termination of this Agreement, Company shall use its best efforts to keep and maintain complete and accurate Transaction processing records, documents, and information, in sufficient detail, and in compliance with the Rules, Regulations and any Regulatory Authority . Upon the written request of Bank for specific reports for accounting, review, audit, litigation, investigation, or other reasonable purpose fully set forth in such request (a "Request"), Company shall promptly make or cause to be made available to Bank and its representatives any and all such reports, records, documents and information in Company possession and shall promptly permit Bank and its representatives to inspect and copy such records, documents and information. All reports, records, documents and information delivered in response to a Request shall be used only for the specific purposes stated in such Request and shall otherwise be kept confidential by each Party.

Should Company cease to operate, or be asked to cease operations by any Network or Regulatory Authority, Company, at its own expense, shall contract with a third party to decommission systems and provide to the Bank information required by the Networks to respond to any dispute or chargeback. Company agrees that any fees owed to the Company by the Bank or the Bank's agents may be held in reserve to off set the cost of a decommission.

SECTION 2.12 - Audits, Inspections, Examinations and Reviews

Company shall promptly comply with any request by the Bank, Network or any Regulatory Authority to perform any audit, inspection, examination or review of Company's performance under this Agreement (an "Audit(s)"), which may include an onsite inspection of Company's facilities and operating practices at the option of the applicable regulator or Bank, including, without limitation, an annual PCI PIN Security Review, a biennial TR-39 review, and an annual penetration test. Within sixty (60) days of the execution hereof, Company must submit a PCI DSS review that indicates an initial review and assessment has been completed within the last 12 calendar months. The costs of any such Audit shall be the responsibility of Company. Additionally, Company will provide copies of any or all such Audits by any Network or Regulatory Authority to the Bank immediately after the receipt of such Audit by Company.

Company shall respond to any findings, recommendations or deficiencies in any such Audit within thirty (30) days following the date of the receipt of the report setting forth the findings, recommendations and deficiencies of such Audit, unless otherwise directed by Bank. Company's response will include, without limitation, its proposal to correct any deficiencies and the status of its correction efforts. Failure of Company to respond to any finding or recommendation or to correct any deficiency identified in such report as described above shall be deemed a material breach of this Agreement.

Within six months after a PCI DSS, TR-39 or PCI PIN Security Review, Bank may require an operational overview completed by a third party qualified auditor confirming that any noted deficiencies have been cured and procedures are being followed as documented in the PCI DSS, TR-39 and PCI PIN Security Review.

If the processing software utilized by Company is marketed and sold on the open market, Company must ensure the software owner has obtained PA-DSS (Payment Application Data Security Standard) validation for the software and it must be on the PCI Security Standards Council's List of Validated Payment Applications located at https://www.pcisecuritystandards.org/security_standards/vpa/vpa_approval_list.html.

ARTICLE III - DUTIES OF BANK

SECTION 3.1 - Sponsorship

Following Bank's review of Company's sponsorship request and completion of any due diligence Bank deems appropriate or as required by the relevant Network(s), if approved by Bank and the relevant Network, Bank shall sponsor/register Company with the Network(s) requested by Company in which Bank holds a Membership. Company has requested and Bank has agreed to provide Sponsorship for the following Networks: [***] (each a "Sponsored Network"), subject to the terms of this Agreement.

SECTION 3.2 - Other Services

Either Party may, but shall be under no obligation to, provide services beyond those Processing Services agreed to in this Agreement.

ARTICLE IV - EXPENSES

SECTION 4.1 - Obligations for Costs and Expenses

Company shall be responsible for the prompt payment of all costs and expenses associated with the Agreement and this Addendum including, but not limited to:

- (a) Reimbursement of any decommission costs including cost of obtaining files of Transactions, data, and other information required to answer chargebacks or disputes.

ARTICLE V - GENERAL PROVISIONS

SECTION 5.1 - Survival

Expiration or termination of this Addendum shall not release either Party of its respective obligations of payment or reimbursement of expenses previously incurred, warranty, intellectual property rights, governing law, notices, disputes and waiver of jury trial, and from the confidentiality and indemnity provisions hereof.

SECTION 5.2-Release

Bank shall not be liable to Company, any other participant or any other person for any loss, cost, damage, claim, demand, cause of action or expense (including, without limitation, the cost of investigating any claim, the cost of litigation and attorneys' fees, whether or not legal proceedings are instituted), or any compensatory, punitive, special, incidental or consequential damages (including loss of profits), arising from any use or operation of the Network system or failure to use or operate the Network system, or otherwise arising under or in connection with this Addendum, except where and only to the extent such loss, cost, damage, claim, demand, cause of action or expense is due wholly to the gross negligence or willful misconduct of Bank. Bank hereby disclaims any and all warranties with respect to the operation of the Network system and the services to be provided by Network under and in connection with this Agreement, whether express or implied, including, without limitation, any implied warranty of merchantability or fitness for a particular purpose.

SECTION 5.3 - Subcontractors and Agents

Company is responsible for the performance of any subcontractors and agents it engages to provide services under this Addendum and shall ensure that any such subcontractors and agents comply with all applicable terms and conditions of the Agreement and this Addendum.

SECTION 5.4-Disaster Recovery Plan

Company maintains and will continue to maintain during the term of this Addendum a disaster recovery plan that will enable it to resume normal business operations with respect to the Processing Services promptly in the event of an unexpected disruption. The plan will address backup and record protection, including equipment, program and data files, and regular testing of the plan no less frequently than required by the Rules and Regulations of the Network(s). At Bank's request, Company will provide Bank a summary of the material terms and conditions of such disaster recovery plan and a summary of the material results of the plan testings. Notwithstanding any other provision in this Addendum, Company will resume providing the Processing Services under this Addendum in accordance with the terms and conditions of its disaster recovery plan.

Certain information identified by “[***]” has been excluded from the exhibit because it is both not material and would likely cause competitive harm to the registrant if publicly disclosed.

SECOND AMENDMENT TO SPONSORSHIP AGREEMENT

This Second Amendment to the Sponsorship Agreement (this “**Second Amendment**”) amends, modifies, and supplements the Sponsorship Agreement between **Global Cash Access, Inc.**, with its principal place of business located at 7250 S. Tenaya Way, Suite 100, Las Vegas, Nevada, 89113 (“**Company**”) and **Prosperity Bank**, successor by merger to **American State Bank**, having a place of business at 1401 Avenue Q, Lubbock, Texas 79401 (“**Bank**”), dated as of February 11, 2011 (the “**Original Agreement**”), which was subsequently amended by that First Amendment to Sponsorship Agreement (the “**First Amendment**”) (the Original Agreement, the First Amendment, and this Second Amendment together, the “**Agreement**”). This Second Amendment is made and entered into as of this 10th day of September 2013 (the “**Amendment Effective Date**”). Company and Bank are each referenced herein as a “Party” and together, the “Parties.” Unless otherwise noted, capitalized terms herein shall have the same meaning as in the Original Agreement.

RECITALS

- A. Company and Bank now desire to amend the Original Agreement again to expand products and services as provided in Section 2.7 “Limited Authority of Company/Use of Terminals” of the Original Agreement and Section 2.1 of Addendum A to the First Amendment to include the facilitation of Gaming Activity, as defined in 1.22 of the Agreement.
- B. Company and Bank have received legal opinions from Company’s attorneys confirming the legality of the contemplated iLottery Transactions (described below), including the legality of such transactions under Minnesota state law, subject to the assumptions and qualifications contained therein.

AGREEMENT

In consideration of the foregoing recitals, Company and Bank hereby agree as follows:

1. The parties agree that the Recitals above constitute contractual provisions of this Agreement and are incorporated herein for all purposes.
2. Company agrees that its execution of this Second Amendment shall evidence its written consent to the assignment of the Original Agreement from American State Bank to Prosperity Bank in satisfaction of any requirement, including without limitation, any requirement in Section 6.17 of the Original Agreement, for such written consent. Prosperity Bank hereby assumes all rights and duties of Bank under the Original Agreement as amended by the First Amendment, and as further modified and supplemented by this Second Amendment.
3. This Second Amendment shall be effective as of the Amendment Effective Date.

4. Section 1.61 of the Original Agreement is deleted in its entirety and replaced with the following:

1.6 “Transaction(s)” means one or more transactions that are initiated by a Cardholder through the use of a Card at a Terminal or Virtual Terminal, which include, but are not limited to, ATM Transactions, Quasi-Cash Transactions, iLottery Transactions, cash withdrawals or disbursements, balance inquiries, and/or such other transactions types approved by the Parties in writing, and performed in accordance with applicable Rules and Regulations; provided, however, that the parties agree that the definition of “Transaction” in the Second Amendment shall continue to apply to the Processing Services described in the Second Amendment but defined in the Original Agreement..

5. The following definition is added to the Original Agreement as item 1.62:

1.62 “iLottery Transaction(s)” means one or more online point of sale transactions that are initiated by a Cardholder through the use of a Card at a Virtual Terminal to fund the iLottery Account(s) (as defined herein) and approved by Bank in accordance with the terms and conditions of this Agreement (as amended).

6. The following definition is added to the Original Agreement as item 1.63:

1.63 “Virtual Terminal” means a computer or other internet accessible device used by a Cardholder to initiate one or more iLottery Transactions.

7. Section 2.7 of the Agreement is deleted in its entirety and replaced with the following:

SECTION 2.7 - Limited Authority of Company/Use of Terminals

(a) Bank has herein agreed to register or sponsor Company as an ISO for the sole purpose of enabling Company to deploy Terminals and conduct Transactions across the Networks. Company agrees to limit the use of the Terminals to the specific functions which are included within the definition of ATM Transactions.

(b) Notwithstanding the ISO registration or sponsorship, Company shall have no authority to act for or on behalf of Bank in any way or manner except for fulfilling the Network requirements for being a sponsored ISO, including the execution of the ATM Operator Agreements for and on behalf of Bank as more particularly described in Section 2.2(a). In all other respects and in dealing with all other Persons and entities, this Agreement shall be construed whereby, (1) Bank has no relationship with nor interest in Company, its business, the Terminals or the Terminal activities of Company, (2) Company has no relationship with nor interest in Bank, its business, its Terminals, or its Terminal activities, and (3) Company shall not be an Agent for Bank and shall have no authority to obligate Bank to any

Person or entity nor to otherwise act for and on behalf of Bank in any way or manner.

(c) Upon execution of the First Amendment, Bank registered Company as a Third Party Processor with certain Networks. Except with respect to ATM Services, Company is not authorized to provide and shall not provide any Processing Services for Transactions. Unless Company is providing Processing Services as provided in the First Amendment, Company shall not conduct Transactions, nor allow Transactions to be conducted at any Terminal except when the Processing Services are being provided by a Processor who is fully approved by and in good standing with Bank and with each Network. Company shall notify Bank in advance of each Processor it plans to use and will authorize the Processor to release Company's Terminal information to Bank.

(d) The relationship between Company and Bank shall be and at all times remain an independent contractor, and nothing herein contained shall be construed or inferred to create the relationship of employer and employee, partnership, joint venture partner, agency, consultant or any other relationship between Bank and Company.

8. Section 3.2 is deleted in its entirety and replaced with the following:

SECTION 3.2 - Terminal Sponsorship

Bank shall sponsor the Company and those Affiliates of the Company approved separately by Bank with respect to each Transaction and each Terminal deployed by Company or such Affiliates for Transactions and ATM Services which are conducted in accordance with this Agreement with each Network in which Bank holds a membership. To the extent Bank engages any Third Party to carry out any of its obligations under this Agreement, Bank shall be fully responsible for all of the acts and omissions of any such Third Party. Bank shall maintain dedicated BINs and ICAs solely for Company and its Affiliates with respect to the sponsorship services being provided under this Agreement.

9. Schedule A of the Agreement is hereby modified to add the following as item G:

G. Per transaction Fee for iLottery Transactions - [***]

10. Company will, upon terms and conditions not inconsistent with the terms and conditions of this Agreement, provide a secure payment solution that will allow a Cardholder to fund one or more accounts maintained by Company or a state lottery approved by Bank, and from which account(s) a Cardholder can purchase lottery tickets or subscriptions (the **"iLottery Account(s)"**). The iLottery Accounts are being established pursuant to agreement between the Company and [***] and pursuant to which the Company is acting as a subcontractor to [***], in turn, will

provide certain technological, infrastructure and operational services to the State of Minnesota's online lottery and other state lotteries as approved below. Company will provide a secure payment solution allowing for identification and authorization of the Cardholder with respect to the iLottery Transactions. Company will only facilitate the funding of the iLottery Accounts. Company will not be involved in the actual placing of the Cardholder's bet or purchase of the lottery ticket or subscriptions.

11. It is anticipated by the parties that from time to time Company may provide its payment facilitation services for additional state lotteries besides the Minnesota state lottery; provided, however, that Company shall not engage to provide its services for any state lottery other than the Minnesota state lottery without prior written consent from Bank. Upon Bank's providing such written consent, this Agreement will be deemed automatically amended to add such additional state lottery-but only that additional state lottery specified in such written consent--to the description of the services provided by Company upon the same terms and conditions of the Agreement without the necessity of a formal amendment to this Agreement.

12. It is anticipated by the parties that Company may at some time following execution of this Second Amendment provide its payment facilitation services for consumer credit card transactions as well as consumer debit card transactions; provided, however, that Company shall not engage in any such consumer credit card transactions without prior written consent from Bank, which for the avoidance of doubt, will take the form of a formal written amendment to this Agreement executed by authorized representatives of both parties.

13. Company specifically agrees that it will not present any iLottery Transaction to any Network until such transactions are approved by both Bank and the applicable Network(s).

14. Insurance. Section 2.6(c)(ii) of the Original Agreement and Section 2.9 of the First Amendment are hereby deleted in their entirety and replaced by the following:

For and during the term of this Agreement, Company shall secure and maintain at its own expense insurance of the type and in the amounts set forth below. Such insurance shall cover all services of whatever type performed by Company under this Agreement, including without limitation, all ATM Services, Processing Services, and all services performed by Company related to the iLottery Transactions and iLottery Accounts.

1) Professional Liability, including Technology Errors and Omissions insurance covering the effects of errors and omissions in the performance of professional duties and network security/data protection liability insurance (also called "cyber liability") covering liabilities for financial loss resulting or arising from acts, errors, or omissions, in connection with the services provided under this Agreement and including without limitation the following:

- a. violation or infringement of any right of privacy, including breach of security/privacy laws or regulations;

b. data theft, damage, unauthorized disclosure, destruction, or corruption, including without limitation, unauthorized access, unauthorized use, identity theft, theft of personally identifiable information or confidential corporate information in whatever form, transmission of a computer virus or other type of malicious code; and participation in a denial of service attack on third party computer systems;

with a minimum limit of [***] for each occurrence and in the aggregate associated with any and all services performed under this Agreement.

2) Commercial General Liability insurance in an amount of not less than [***] per occurrence, subject to a [***] aggregate, covering bodily injury (including death), personal injury, property damage including without limitation, all contractual liability for such injury or damage assumed by Company under this Agreement and including products/completed operations coverage. This policy shall include products/completed operations coverage.

3) Workers Compensation insurance written according to the statutory laws in which Company reports payroll. This policy shall include Employers' Liability in an amount of not less than [***] for Injury by Accident and Bodily Injury by Disease.

4) Commercial Property insurance protecting Company's premises at a minimum against fire, extended coverage (including windstorm), vandalism, and theft. This policy shall include loss adjustment based on replacement value of the damaged property in the event of a loss.

5) Commercial Automobile Liability Insurance to include owned, non-owned, leased and hired vehicles and coverage for Property Damage and Bodily Injury, combined single limit: [***].

Such insurance must explicitly address all of the foregoing without limitation if caused by an employee of the Company or an independent contractor working on behalf of the Company in performing Services under this Agreement. Policy must provide coverage for wrongful acts, claims, and lawsuits anywhere in the world. Data protection insurance must include contractual liability coverage for the confidentiality/data breach indemnity requirement in the Agreement Section 6.2 for civil liability, regulatory investigations, and notification costs resulting from a breach of confidentiality or breach of security by or on behalf of the Company.

Such insurance shall be with an insurance provider/underwriter with at least an A rating as defined by A.M. Best Company. Promptly following execution of this Agreement and annually thereafter, Company shall deliver a Certificate of Insurance evidencing the insurance policy to Prosperity Bank naming Prosperity Bank as an additional insured under (i) the General Liability insurance policy,

and, (ii) Technology Errors and Omissions insurance policy, if permissible under the terms and conditions of such policy.

Such insurance policies shall also contain a covenant by the issuing company that at least 30 days' advance written notice will be provided to Prosperity Bank prior to cancellation, non-renewal, or material modification to limits or coverage and contain a waiver of subrogation in favor of Prosperity Bank, its agents and employees. At Bank's request, Company will provide Bank with a current copy of such policy(ies). Such policy(ies) must be kept in force during the life of this Agreement and until the later of one (1) year after expiration or termination of this Agreement or the final settlement or final determination by any appellate court having jurisdiction of any litigation pending or existing at expiration or termination of this Agreement.

The Parties further agree that as of the execution of this Agreement, Company may not have errors and omissions coverage in the total amount of [***] as required by this Section 14 but instead only have errors and omissions coverage in the amount of [***]. In such event, Company will obtain additional errors and omissions coverage so that its total errors and omissions coverage will amount to [***] by April 1, 2014.

15. The Parties agree that Company is responsible for the performance of any subcontractors or agents it engages to provide services for iLottery Transactions under this Second Amendment, and Company shall ensure that any such subcontractors and agents comply with all applicable terms and conditions of the Agreement, including this Second Amendment. Company agrees that, notwithstanding anything else to the contrary in this Agreement, and for the avoidance of doubt, Company hereby agrees to indemnify, defend, protect, and hold harmless Bank, its shareholders, officers, directors, employees and agents, and each of them, from and against any and all claims, suits, liabilities, and demands, and any and all costs, damages, losses, and expenses of every kind, including but not limited to, interest, penalties, attorneys' fees, accountants' fees, and expert witness fees, and disbursements, known or unknown, contingent or otherwise, arising from or relating to the acts, omissions and representations of its subcontractors and agents in performing their duties and obligations relating to the iLottery Transactions under this Agreement.

16. Miscellaneous Provisions.

- a. Due Authorization. This Second Amendment has been duly and validly authorized, executed and delivered by each Party hereto and no other action by such Party is required to the valid and binding execution, delivery and performance of this Second Amendment by such Party, except as otherwise expressly set forth herein. Each person signing this Second Amendment on behalf of a Party hereto represents and warrants that it is duly authorized to do so.

- b. Entire Agreement. The Agreement and this Second Amendment, between the parties, constitutes the entire agreement between the parties hereto regarding the subject matter contained herein and supersedes any and all prior and/or contemporaneous negotiations, agreements, understandings between the parties with respect to the subject matter hereof.
- c. Counterparts. This Second Amendment may be executed in one or more counterparts, each of which shall be deemed an original and both of which together shall constitute one and the same agreement. A facsimile or electronic copy of this Agreement properly signed by an authorized representative of each Party shall constitute a valid original for purposes of this Agreement.

17. Survival. Expiration or termination of this Agreement will not release either Party of its respective obligations of payment for products actually delivered or services actually performed prior to date of termination notice, or any applicable warranty, intellectual property rights, governing law, notices, disputes or waiver of jury trial, or from the confidentiality or indemnity provisions of this Agreement.

This Second Amendment is intended to be a modification of the Original Agreement as amended by the First Amendment. Except as expressly modified herein, the Original Agreement as modified by the First Amendment shall remain in full force and effect. In the event of a conflict between the terms of this Second Amendment and the Original Agreement as modified by the First Amendment, this Second Amendment shall control.

IN WITNESS WHEREOF, this Second Amendment has been duly executed and delivered by the duly authorized officers of the parties set forth below.

9/11/13

Date

PROSPERITY BANK
By: _____ /s/ Jamie Bigley
Name: Jamie Bigley
Title: Senior Vice President

9/11/13

Date

Global Cash Access, Inc.
By: _____ /s/ David Lopez
Name: David Lopez
Title: CEO

THIRD AMENDMENT TO SPONSORSHIP AGREEMENT

This Third Amendment to the Sponsorship Agreement (this “**Third Amendment**”) is made between **Global Cash Access, Inc.**, with its principal place of business located at 7250 S. Tenaya Way, Suite 100, Las Vegas, Nevada, 89113 (“**Company**”) and **Prosperity Bank**, successor by merger to **American State Bank**, having a place of business at 1401 Avenue Q, Lubbock, Texas 79401 (“**Bank**”), and is entered into as of this 31 day of October, 2014 (the “**Third Amendment Effective Date**”). Company and Bank are each referenced herein as a “Party” and together, the “Parties.” Unless otherwise noted, capitalized terms herein shall have the same meaning as in the Original Agreement.

RECITALS

WHEREAS, Company and Bank have previously entered into that Sponsorship Agreement dated as of February 11, 2011 (the “**Original Agreement**”), and

WHEREAS, Company and Bank subsequently entered into that First Amendment to Sponsorship Agreement dated March 11, 2013 for the purpose of, among other things, registering Company as a Third Party Processor with certain Networks (the “**First Amendment**”), and

WHEREAS, Company and Bank subsequently entered into that Second Amendment to Sponsorship Agreement dated as of September 10, 2013 for the purpose of, among other things, expanding the products and services provided by Company to include the facilitating of debit card payments for iLottery Transactions, as defined therein (the “**Second Amendment**”), and

WHEREAS, Company and Bank have agreed once again to amend, supplement, and modify the Original Agreement for the purpose of, among other things, expanding the services provided by Company to include credit card payment acceptance for iLottery Transactions,

NOW, THEREFORE, for and in consideration of the promises made herein and other good and valuable consideration, the receipt and sufficiency of which are admitted, the Parties agree as follows:

AGREEMENT

1. The parties agree that the Recitals above constitute contractual provisions of this Agreement and are incorporated herein for all purposes.
 2. This Third Amendment shall be effective as of the Amendment Effective Date.
-

3. Section 12 of the Second Amendment shall be deleted in its entirety and replaced with the following:

12. Credit Card Services. The Company may provide secure payment facilitation services for consumer iLottery Transactions where payment is made using a consumer credit card ("**Credit Card Services**"); provided, however, that Company will only provide Credit Card Services for any particular state iLottery after the following conditions have been satisfied:

- a. Network certification and approval that Company has provided all documentation for transaction processing in compliance with the Rules.
- b. Company will request that its attorneys provide to Bank, at no cost to Bank, and Bank will have received and reviewed and accepted, one or more legal opinions from independent attorney(s) licensed and in good standing in the applicable state and knowledgeable in the field of iLottery Transactions for each state in which Company wishes to provide such Credit Card Services, each of which opinions clearly concludes that the applicable state lottery commission is permitted under the applicable federal and state law to accept payments by means of credit cards for the sale of lottery tickets or for deposits into the subscription account for the pending sale of lottery tickets and that Company's proposal for facilitating such payments is acceptable under applicable law.
- c. Company will provide the Cardholder with a disclosure that will state that both credit and debit cards may be used to complete iLottery Transactions and the Cardholder is subject to the Rules and Regulations (which will be defined and described in the disclosure for the consumer) concerning both debit and credit transactions.

The applicable state lottery website discloses that payment for iLottery Transactions may be made by either debit or credit cards and that Cardholders are subject to the Rules and Regulations (which will be defined and described on the website for the consumer) of each type of transaction.

For the avoidance of doubt, Company will not initiate the Credit Card Services for any particular state iLottery Transactions before Bank has received, reviewed and accepted, legal opinion(s) from GCA's independent attorneys licensed and in good standing in the applicable state and knowledgeable in the field of iLottery Transactions, at no cost to Bank, confirming that accepting consumer credit cards for either ticket sales or subscription accounts is permitted under the federal law and the law of that state and that Company's proposal for facilitating such payments is permissible under applicable law.

4. Legal Opinions. The existing Paragraph No. 11 of the Second Amendment is hereby designated as Paragraph No. 11(a), and the following provision is added as Paragraph No. 11(b):

11(b) At least thirty (30) days prior to Company providing either Credit Card Services or secure payment facilitation services for consumer iLottery Transactions where payment is made using a consumer debit card (“Debit Card Services”) or other services falling within this Agreement for any particular state iLottery Transactions, Company will provide Bank, at no cost to Bank, with one or more legal opinions from Company’s independent attorneys licensed and in good standing in the applicable state and knowledgeable in the field of iLottery Transactions, opining that any payment facilitation services to be provided by Company in that state are permissible under applicable state and federal law. Company will not provide any payment facilitation services for any state’s iLottery before such legal opinions have been accepted by both Bank and any applicable Network across which Company will transmit iLottery Transactions.

5. Miscellaneous Provisions.

- a. Due Authorization. This Third Amendment has been duly and validly authorized, executed and delivered by each Party hereto and no other action by such Party is required to the valid and binding execution, delivery and performance of this Third Amendment by such Party, except as otherwise expressly set forth herein. Each person signing this Third Amendment on behalf of a Party hereto represents and warrants that it is duly authorized to do so.
- b. Entire Agreement. The Agreement, as amended hereby, constitutes the entire agreement between the parties hereto regarding the subject matter contained herein and supersedes any and all prior and/or contemporaneous negotiations, agreements, understandings between the parties with respect to the subject matter hereof.
- c. Counterparts. This Third Amendment may be executed in one or more counterparts, each of which shall be deemed an original and both of which together shall constitute one and the same agreement. A facsimile or electronic copy of this Third Amendment properly signed by an authorized representative of each Party shall constitute a valid original for purposes of this Third Amendment.

This Third Amendment is intended to be a modification of the Original Agreement as amended by the First Amendment and Second Amendment. Except as expressly modified herein, the Original Agreement as previously modified shall remain in full force and effect. In the event of a conflict between the terms of this Third Amendment and the Original Agreement as previously modified, this Third Amendment shall control.

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IN WITNESS WHEREOF, this Amendment has been duly executed and delivered by the duly authorized officers of the parties set forth below.

11/6/14

Date

PROSPERITY BANK
By: /s/ Jamie Bigley
Name: Jamie Bigley
Title: Senior Vice President

11/6/14

Date

GLOBAL CASH ACCESS
By: /s/ Tim Richards
Name: Tim Richards
Title: SVP Interactive

Certain information identified by “[***]” has been excluded from the exhibit because it is both not material and would likely cause competitive harm to the registrant if publicly disclosed.

**CARDTRONICS USA, INC.
AMENDED AND RESTATED
AGREEMENT FOR PROCESSING SERVICES**

This Amended and Restated Agreement for Processing Services (the “Agreement”) is entered into as or the 1st day of July, 2020, (“Effective Date”) by and between Cardtronics USA, Inc. (“Cardtronics”) and Everi Payments Inc. (“Customer”).

WHEREAS, Customer desires to place or has placed at Sites (as defined herein) automated teller machines, full-service kiosks, point of sale terminals, Granite Devices (as defined herein), Virtual Terminals (as defined herein) or other electronic cash or cash-equivalent dispensing machines (whether or not owned by Customer) (collectively, the “Terminals”) and desires to engage Cardtronics as a processor of transactions initiated at Terminals located at the Sites;

WHEREAS, Cardtronics is a processor that has access to one or more Networks (as defined herein) that transmit and settle electronic funds transfers and is willing to provide the Services set forth in this Agreement to Customer on the terms and conditions set forth herein;

WHEREAS, Cardtronics (as successor in interest to Columbus Data Services, LLC) and Customer executed that certain Agreement for Processing, dated as of August 20, 2013, as amended (the “Original Processing Agreement”); and

WHEREAS, the parties desire to amend and restate in its entirety the Original Processing Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual agreements contained herein, the parties, intending to be legally bound, agree as follows:

I. DEFINITIONS

Capitalized terms used in this Agreement that are not otherwise defined herein shall have the meanings set forth on Exhibit “A.”

II. SERVICES PROVIDED BY Cardtronics

2.1 Services. Subject to the terms and conditions of this Agreement, and provided that Customer fulfills all of its obligations hereunder, Cardtronics shall provide Services as requested by Customer to drive the Terminals located at the Sites, to link such Terminals with one or more networks, to transmit Transactions initiated at such Terminals through a Network, to transmit electronic messages to such Terminals and to provide to Customer periodic electronic reports of Transactions generated at such Terminals or to switch Transactions to/from Terminals and Networks (the “Processing Services”). Cardtronics acknowledges and agrees that the rights and benefits granted to Customer hereunder



(including the right to receive the Processing Services and the Deconversion Services) include the right for such rights and benefits to be exercised and received by Customer's Affiliates, it being understood that Customer hereby assumes all liability for any actions of its Affiliates in breach of this Agreement



2.2 Non-Exclusive. During the term of this Agreement, Cardtronics shall on a non-exclusive basis, be a provider of Customer's requirements for the Processing Services at Terminals located at the Sites.

2.3 Availability. Cardtronics will use commercially reasonable efforts to provide the Services on a 24-hour per day basis, seven days a week, in accordance with the service levels set forth in Exhibit C, Service Levels, except for down time (a) for maintenance or equipment installation, (b) facility or system modifications or upgrades, or (c) resulting from Network unavailability, power failures, or other events beyond the control of Cardtronics. In performing the Services and in the selection and use of facilities, equipment, machines, and personnel required for such performance, Cardtronics shall exercise reasonable and appropriate care and diligence and conduct such activities in a professional manner consistent with industry standards. Cardtronics shall, without additional charge to Customer, make such replacements or corrections as may be required.

2.4 Suspension of Services. Cardtronics may at any time suspend or terminate its Services with respect to any one or more of the Terminals if (a) Customer has violated any Network Rule, any procedure or requirement set forth by Cardtronics or the Sponsoring Bank, or any federal, state or local laws, rules or ordinances then in effect (b) Customer has breached any covenant or obligation under this Agreement, (c) the Terminal is defective, does not dispense cash correctly or does not meet the requirements of any Network Rules, (d) any debit or credit initiated by Cardtronics for Settlement, the payment of Fees or an Adjustment is rejected for any reason, (e) the Sponsoring Bank withdraws or terminates the sponsorship or Customer, (f) the Terminal is not audited on a routine basis by Customer, or (g) the Terminal is moved from the Site set forth on the applicable approval Terminal Set-up Form. Cardtronics' right to suspend Services as set forth herein shall be in addition to any other remedies Cardtronics may have with respect to the matters described in this Section 2.4, whether pursuant to this Agreement or otherwise. Cardtronics shall have no liability to Customer for any suspension of Services pursuant to this Section 2.4.

2.5 Acceptance of Terminal Set-up Forms. Cardtronics may accept or reject any Terminal Set-up Form and will provide written notice to Customer of the details of any rejection and corrections required to reach acceptance.

2.6 Changes to Services. Cardtronics reserves the right to modify the Services provided during the term of this Agreement, after appropriate testing to confirm that such modification will operate in accordance with its specifications in a reliable manner compatible with the applicable information technology environment. Cardtronics will provide Customer with at least 30-day prior written notice (or any shorter period to the extent mandated by a Network) of any material modifications adequately describing such modifications with respect to any modifications that involve a change to any protocol, network configuration, infrastructure or other hardware used in providing the Processing Services if such modifications will have an adverse impact on, degrade or interfere with Customer's ability to obtain the Processing Services (including any modification that requires a change to Customer's or its merchants, customers or partners, facilities, systems,



software or equipment, with such modifications described in this parenthetical being subject to Customer's reasonable consent). Customer acknowledges that (a) Cardtronics regularly performs enhancements to its products and services for the benefit of all its customers, and (b) Cardtronics is required to maintain, update, and upgrade its connections to Networks and third party gateways in accordance with the requirements of a Network, it being understood that any such actions will not constitute a material modification to a Processing Service. If any such modification constitutes a material change, Customer may cancel the modified Service, without penalty, by delivering to Cardtronics written notice of termination within 30 days after Customer's receipt of updated documentation describing the changes, such termination to be effective 30 days after receipt by Cardtronics of timely written notice of termination from Customer. Such termination shall not affect the parties' rights and obligations under this Agreement with respect to any other Services.

2.7 Additional Products Offered by Cardtronics. Cardtronics may, but is not obligated to, offer to provide Customer with equipment or other services (such as vault cash and vault cash management services) either through itself or through third parties. The sale of such equipment or services to Customer shall be effected through separate agreements with Customer. Cardtronics will have no responsibility or liability with regard to equipment purchases or services from or through third parties. Customer will indemnify and hold Cardtronics harmless from and against any and all claims, losses, expenses, liabilities, actions or damages arising from or in connection with such equipment sales or services, including without limitation, reasonable fees and expenses of attorneys engaged by either party in the defense of such claims.

2.8 Additional Requested Services. Upon the written request of Customer for Cardtronics to provide additional services to further the integration of various Customer products and services for Customer's customers (e.g., with respect to gateways, networks, and platforms to allow Customer to do preferential routing transactions), Cardtronics and Customer will mutually agree upon a separate statement of work as provided for under the Professional Services Agreement by and between the parties.

2.9 Dedicated Relationship Manager. Cardtronics will designate a "Relationship Manager" who will be the principal point of contact with Customer for all matters relating to this Agreement. Cardtronics may designate a new Relationship Manager from time-to-time by written notice to Customer. The Relationship Manager will serve as the initial and continued point of contact for resolution and escalation of critical matters. The parties agree to participate in quarterly, informal business reviews.

III. CUSTOMER OBLIGATIONS AND OTHER MATTERS

3.1 Network Rules; Applicable Law. Customer shall strictly comply with (a) all requirements and procedures set forth in the Network Rules then in effect and as established from time to time by Cardtronics or the Sponsoring Bank, and (b) all applicable federal, state and local laws, rules, regulations, orders and ordinances governing or relating to the placement or operation of the Terminals. Customer will also ensure that the Terminal owner, the party or parties responsible for cash replenishment of the Terminals, the owner or operator and employees of the business at which the Terminals are placed and all other persons (other than Cardtronics) related



to the ownership of the Terminals (collectively, the “Terminal Related Parties”) are trained and will comply with the Network Rules, the requirements of any banking systems or other third parties whose services are used in connection with the placement or operation of the Terminals, and any other legal or regulatory requirements that may be imposed, including those relating to the placement, lighting and other safety or security requirements that relate to the Terminals.

3.2 Sponsoring Bank. Customer shall maintain a Sponsoring Bank or Banks to provide all Terminals with Network access and shall comply with all requirements of the Sponsoring Bank with respect thereto.

3.3 Prerequisites for Terminal Service. Cardtronics shall not be required to provide Services with respect to a Terminal until (a) Customer has obtained a Sponsoring Bank providing Network access for such Terminal, (b) Customer has completed and delivered to Cardtronics a Terminal Set-up Form and an ACH Authorization, which may be required, for the applicable Account and (c) Cardtronics has, by notice to Customer or commencement of Services to such Terminal, accepted such Terminal Set-up Form and ACH Authorization.

3.4 Intentionally deleted.

3.5 Sites. Customer will operate each of its Terminals at the Site designated for such Terminal on the Terminal Set-Up Form.

3.6 Maintenance of Accounts. During the term of the Agreement and for at least 180 days after any termination or expiration hereof, Customer will maintain all necessary Accounts with such financial institutions as may be required for Network sponsorship and will maintain in such Accounts such balances as may be required for Settlement of transaction activity, Adjustments and any other financial obligations arising under this Agreement or the performance of the Services, including amounts necessary to satisfy all obligations.

3.7 Responsibility for Terminal Related Parties. Cardtronics shall not be responsible for servicing, training, or communicating with any Terminal Related Party (other than Customer). Any inquiries from such a Terminal Related Party must be directed through Customer. If Customer fails to have such inquiries directed through it, Cardtronics may, but shall not be obligated to, perform services requested by such Terminal Related Party. If Cardtronics performs any such services for a Terminal Related Party, Customer shall upon demand, reimburse Cardtronics for the expenses and time spent performing such services.

3.8 All network application and annual fees for ISOs and ISO financial sponsorship fees are the responsibility of the Customer. Customer’s financial sponsor must verify that Customer is registered as an ISO with the networks in which the Customer participates and notify networks that Customer utilizes Cardtronics as a processor before terminals may be activated at Cardtronics.

IV. ACH AUTHORIZATION AND SETTLEMENT

4.1 Delivery. Customer shall provide Cardtronics with a fully and accurately completed



Terminal Set-up Form and ACH Authorization, which may be required, for each Terminal subject to this Agreement prior to the date on which Services are to commence being provided by Cardtronics with respect to transactions initiated at such Terminal. Customer represents and warrants that all information in each Terminal Set-up Form and each ACH Authorization shall be correct and complete. Customer must immediately notify Cardtronics in writing of any change in the information set forth in a Terminal Set-up Form or ACH Authorization.

4.2 Settlement. All Settlements shall be effected through automated clearing house transfers. IT IS THE RESPONSIBILITY OF CUSTOMER TO VERIFY THAT ALL INFORMATION CONTAINED IN A TERMINAL SET-UP FORM, ACH AUTHORIZATION, OR ANY MODIFICATION THEREOF IS CORRECT AND COMPLETE. CARDTRONICS HAS NO RESPONSIBILITY TO VERIFY ANY SUCH INFORMATION. CUSTOMER SHALL INDEMNIFY AND HOLD CARDTRONICS HARMLESS FROM ANY AND ALL COSTS (INCLUDING REASONABLE ATTORNEYS' FEES), CLAIMS, FINES, DAMAGES, LIABILITY, LOSS, DEMANDS, AND CAUSES OF ACTION (INCLUDING WITHOUT LIMITATION COSTS OF INVESTIGATION AND LITIGATION) ARISING OUT OF OR RELATED TO ANY IN CORRECT INFORMATION SUBMITTED ON A TERMINAL SET UP FORM OR ACH AUTHORIZATION OR ANY NOTICE OF CHANGE RELATED THERETO.

4.3 Settlement Disputes. As of the date of this Agreement, it is the intention of the parties that the Networks will be performing Settlements directly ("direct settling") to an Account established by Customer, and as such Cardtronics shall not be responsible for Settlements; provided, however, to the extent the parties agree that Cardtronics will maintain a Settlement Account on behalf of Customer, the provisions of this Section 4.3 shall apply. (For the avoidance of doubt, to the extent any other provisions of this Agreement contemplate Cardtronics effecting Settlements, such specific provisions shall only be applicable at such time, if any, the parties agree Cardtronics will assume such responsibility.) Cardtronics shall deliver all Settlement and capture reports to Customer as promptly as possible after such reports were received by Cardtronics, but in no event later than four (4) hours after such reports were received by Cardtronics. Customer shall audit and balance the data contained in the periodic statements and reports provided by Cardtronics and shall promptly, but in no event more than 30 days after the date of the disputed item, notify Cardtronics in writing (the "Notice Date") of any disputed item or items on such periodic statements and reports. If Cardtronics determines that the disputed item was credited or debited in error by Cardtronics, Cardtronics shall correct the error. Notwithstanding, Cardtronics shall not be liable for any recovery, reimbursement, or otherwise of any amounts over 45 days from the Notice Date. Cardtronics will, however, use its commercially reasonable efforts to recover any amounts over such 45-day period. Cardtronics shall not be liable for any damages, interest, or costs associated with the error other than correcting the error.

V. FEES

5.1 Fees. Customer shall pay servicing fees to Cardtronics for the Services provided under this Agreement in accordance with the Pricing Schedule attached as Exhibit "B", as such Pricing Schedule may be amended by Cardtronics from time to time in accordance with this



Section 5.1 and Section 5.2 below. Payments shall be made on a monthly basis by electronic fund transfer to Cardtronics from the Account or Accounts of Customer, Cardtronics' debit of such Accounts by electronic fund transfers being hereby authorized by Customer or by Cardtronics deducting the amount of such fees from the fee income due Customer. All ISO Network fees, ISO financial sponsorship fees and other pass-through fees relating to a Network or transactions initiated at the Terminals shall be the responsibility of Customer. Set-up fees and other amounts due by Customer hereunder may be invoiced by Cardtronics. Invoiced amounts shall be due and payable 30 days after the date of invoice. Amounts outstanding after the due date shall bear interest from the due date to the date of payment at a rate equal to the lesser of [***] per annum or the highest legally allowable rate.

5.2 Fee Changes. All fees and other amounts due by Customer hereunder shall be guaranteed during the term of this Agreement, except that Cardtronics may adjust (a) pass through expenses to directly reflect any increase or decrease in the pass-through expense charged to Cardtronics by an applicable third party; (b) amounts due to Cardtronics to incorporate as a pass-through expense any new variable charge to Cardtronics by reason of a change to any Network rule or any Applicable Law; and (c) increased administrative costs directly attributable to changes in Customer's business processes affecting this Agreement. Cardtronics shall provide Customer with at least 60 days' prior written notice to Customer of any such adjustments (when available, or any shorter time period so long as Cardtronics promptly notifies Customer of such adjustment as soon as Cardtronics itself is notified of such adjustment).

5.3 Taxes. All charges hereunder are exclusive of applicable federal, state and local taxes, and Customer shall pay, or reimburse Cardtronics for, any such taxes that may be levied on the Services rendered under this Agreement, other than taxes levied on or based on Cardtronics' ownership of property or net income. In no event, shall Customer be liable for the payment of any interest or penalties relating to any taxes that arise due to the failure of Cardtronics to properly invoice, pay or administer such taxes.

5.4 Billing Disputes. Either party may dispute in good faith any of the fees and charges invoiced or billed by Cardtronics hereunder by providing a written dispute notice to the other party ("Billing Dispute Notice"). Any Billing Dispute Notice shall include a reasonably detailed description of the exact items and amounts disputed and the nature of the dispute and shall be received no later than 90 days after Customer first became aware of such billing error, and in no event shall a Billing Dispute Notice be received later than 12 months after the date of the applicable invoice or bill. Customer may withhold from payment hereunder any disputed amounts under a Billing Dispute Notice until the dispute is resolved, provided that any undisputed amounts in an invoice will be paid by Customer pursuant to Section 5.1.

5.5 Form 1099s. If applicable, Customer has the responsibility for Form 1099 reporting obligations for the Sites where Cardtronics is providing Services.

VI. TERM; TERMINATION

6.1 Term. The term of this Agreement shall commence on the Effective Date and shall



continue for a period of 48 months (the “Initial Term”) and shall automatically renew thereafter for successive 12 month terms (each a “Renewal Term”) unless either party gives the other at least [***] days prior written notice of its intent to terminate this Agreement at the end of the Initial Term or any Renewal Term .

6.2 Termination Prior to End of Term. This Agreement may be terminated prior to the end of the Initial Term or any Renewal Term only as follows:

(a) Either party may terminate this Agreement immediately upon written notice to the other party upon the occurrence of a material breach or default by such other party of any of its representations, warranties or covenants set forth in this Agreement that is not cured within 30 days after delivery of written notice to such other party specifying the breach or default claimed.

(b) Cardtronics may terminate this Agreement effective immediately upon written notice to Customer if:

(i) Customer does not pay any undisputed fee or charge when due hereunder and such failure continues for a period of 20 days after Cardtronics gives written notice thereof;

(ii) Customer (A) makes a general assignment for the benefit of creditors, (B) applies for the appointment of a trustee, liquidator or receiver for its business or property, or one is assigned involuntarily, (C) is subject to a proceeding for bankruptcy, receivership, insolvency or liquidation, or (D) is adjudicated insolvent or bankruptcy;

(iii) the Sponsoring Bank withdraws its sponsorship of Customer for any reason and the Customer fails to secure a replacement Sponsoring Bank within 30 days thereof,

(iv) Customer (A) engages in activities which violate any Network Rule, any procedure or requirement set forth by Cardtronics or the Sponsoring Bank, or any federal, state or local law, rule or ordinance, or which cause Cardtronics to violate any Network Rule or any federal, state or local law, rule or ordinance; (B) participates in fraudulent activity, including, without limitation, making misrepresentations regarding the business operations of Customer; or (C) any representation or warranty made to Cardtronics is false or misleading in any material respect as of the date made, or becomes false or misleading at any time.

(c) Cardtronics may terminate this Agreement or curtail or restrict the provision of Services hereunder at any time or times, without liability, upon written notice to Customer following the issuance of any order, rule or regulation, the enactment of any law or the decision of any court of competent jurisdiction over Cardtronics that prohibits Cardtronics from providing the Services or restricts the provision of such Services so as to make the continued provision thereof unprofitable or undesirable, or would be unduly restrictive to Cardtronics’ business or would require burdensome capital contributions or expenditures.

(d) Customer may terminate this Agreement immediately upon written notice



to Cardtronics if Customer or any of its Affiliates receive written notice at any time from any governmental or quasi-governmental authorities responsible for or involved in the regulation of gaming or gaming activities ("Gaming Authority"), this Agreement or the association between the parties within the applicable jurisdiction is in violation of Applicable Laws related to gaming or is otherwise reasonably likely to jeopardize any of the privileged licenses (including gaming licenses) held by Customer and its Affiliates; provided, however, that any termination under this Section shall only apply to those Terminals under the jurisdiction of the specific Gaming Authority issuing the written notice described in this Section (with an equitable adjustment to the Monthly Fees; and provided, further, that such termination described in this Section shall only be effective after 90 days' notice given by Customer to Cardtronics if such condition is not cured within such 90-day period (or such shorter period to the extent required by such notice from the applicable Gaming Authority or as otherwise required to protect any of the privileged licenses (including gaming licenses) held by Customer and its Affiliates, as contemplated by this Section 6.2(d).

(e) Customer may terminate this Agreement upon 180-day prior written notice to Cardtronics for any reason; provided, however, that Customer agrees to pay Cardtronics an early termination fee in accordance with Section 6.4.

6.3 Continuing Obligations. Termination or expiration of this Agreement shall not relieve either party from any obligations accrued through the date of termination. In addition, the terms and conditions set forth in this Agreement that by their terms or nature would continue beyond termination or expiration hereof (including, by way of illustration only and not in limitation, the provisions hereof relating to confidentiality, the maintenance of Accounts and amounts therein as set forth in Section 3.5, and the payment of amounts due under Section 6.4) shall survive termination or expiration of this Agreement.

6.4 Charges Upon Termination. If this Agreement is terminated by Customer in accordance with Section 6.2(e) or is terminated by Cardtronics pursuant to Section 6.2(a) or 6.2(b), Customer shall, within 45 days of such termination, pay to Cardtronics termination fee in an amount equal to a percentage of the product of (a) the Minimum Monthly Fee multiplied by (b) the number of full calendar months remaining in the then-current term of this Agreement. Such percentage shall be [***] if such notice was provided during the first 12 months of the Initial Term, [***] if such notice was provided during the second 12 months of the Initial Term, [***] if such notice was provided during the third 12 months of the Initial Term, [***] if such notice was provided at any time thereafter. Customer and Cardtronics agree that such termination fee is a reasonable estimation, as of the date of this Agreement, of the actual damages that Cardtronics would suffer if it failed to receive the processing business contemplated by this Agreement for the full term of this Agreement.

6.5 Deconversion Services. Beginning upon either party's issuance of any notice of termination (regard less of the basis for termination) and during the term of this Agreement and thereafter (the "Deconversion Period"), Cardtronics shall provide deconversion services as requested by Customer in transferring processing promptly and smoothly to any other processor designated by Customer (the "Deconversion Services"), provided that (a) all amounts due Cardtronics under this Agreement being paid in full and (b) such transfer complies with Network Rules and Applicable Law. Customer will pay all of Cardtronics's reasonable costs for Deconversion Services.



VII. CONFIDENTIALITY; INTELLECTUAL PROPERTY

7.1 Confidentiality Obligations. Confidential Information means a party's proprietary or confidential information designated in writing as such or that by nature of the circumstances surrounding the disclosure ought to, in good faith, be treated as proprietary or confidential, including the Services and any trade secrets contained therein. Each party agrees (a) that during the course or its performance of its Agreement it may have access to or be provided with Confidential Information of the other party; (b) that the Confidential Information of the other shall remain the property of the other, that such Confidential Information is made available on a limited use basis solely in connection with this Agreement and that such Confidential Information shall be disclosed only to authorized employees and agents; (c) that it will advise its employees to whom the information is disclosed of their obligations under this agreement (d) that it will not sell, disclose or otherwise make available any such Confidential Information, in whole or in part, to any third party without the prior written consent of the other party; (e) that it will not use such Confidential Information except pursuant to this Agreement; and (f) that it will use the same degree of care it uses for its own confidential information, but in no case less than a reasonable degree of care, to prevent disclosure of such Confidential Information to any unauthorized person. Furthermore, Customer acknowledges and agrees that the existence of this Agreement (including any Exhibits attached hereto) and its terms and conditions shall be considered Confidential Information. At no time and for any reason shall the terms and conditions of this Agreement (including any Exhibits attached hereto) be revealed to any third party without the express prior written consent of Cardtronics. Upon termination of this Agreement, all copies of Confidential Information shall be returned to the owner thereof. The restrictions under this Section shall not apply to information that: (i) is or becomes publicly known through no wrongful act of the party receiving the Confidential Information; or (ii) becomes known to a party without confidential or proprietary restriction from a source other than the disclosing party; or (iii) a party can show by written records was in its possession prior to disclosure by the other party. If a party is legally compelled to disclose any Confidential Information it will be entitled to do so provided it gives the other party prompt notice.

7.2 Ownership of Inventions. All inventions and improvements, whether patentable or not, developed projects, technical or other information, computer designs and materials for Terminal(s) and Services, policies, processes, formulae, techniques, know-how and other knowledge, information, trade secrets, trade practices and/or facts relating to design, construction, or implementation of the Services or relating to devices, computer programs (whether embodied in source or object code), policies, processes, formulae, techniques, know how, and other knowledge, information, trade secrets, trade practices (collectively "inventions") Cardtronics makes during the period of Services provided to Customer. including any inventions made in connect ion with this Agreement, shall be the sole and exclusive property of Cardtronics.

7.3 Software and Hardware. If Cardtronics provides software to Customer, Cardtronics hereby grants to Customer a personal, non-exclusive, non-transferable license to use that software during the term of this Agreement (including any renewal term) solely in connection with the Services. Cardtronics' sole obligation with respect to any such software is to replace it no charge



to Customer. If Customer purchases from Cardtronics equipment (including terminals) related to the delivery of the Services, such equipment shall be delivered FOB Cardtronics and shall carry with it the manufacturer's warranty, if any. Cardtronics disclaims all other warranties, express or implied, with respect to any equipment supplied or sold. Cardtronics shall reserve a purchase money security interest in the equipment until all payments for the equipment are received. Customer agrees to cooperate with Cardtronics and to execute such documents as Cardtronics may request to protect Cardtronics' security interest in any such equipment.

7.4 Gramm-Leach-Bliley Act. The parties intend that this Agreement comply, if and to the extent necessary and applicable, with the applicable provisions of the Gramm-Leach-Bliley Act and any rules and regulations promulgated thereunder, as the same may be amended from time to time (the "Act"), and any other Applicable Laws relating to the privacy and security of personal information and cardholder/Transaction data (together with the Act, "Data Laws"). In connection with such compliance, with regard to any information that is provided to Cardtronics by Customer under this Agreement, Cardtronics is prohibited from disclosing or using such information in any manner which is in violation of Data Laws protecting the confidentiality of nonpublic personal information. Both parties agree to otherwise comply with Data Laws to the extent applicable to them in connection with this Agreement. Without limiting the foregoing, Cardtronics agrees that it shall: (a) not disclose or use any nonpublic personal information except to the extent necessary to carry out its obligations under this Agreement and for no other purpose; (b) not disclose nonpublic personal information to any third party (including its third party service providers) without an agreement in writing from the third party to use or disclose such nonpublic personal information only to the extent necessary to carry out Cardtronics' obligations under this Agreement and for no other purposes; (c) maintain, and shall require all third parties receiving any nonpublic personal information pursuant to the immediately preceding clause to maintain, effective information security measures to protect nonpublic personal information from unauthorized disclosure or use; and (d) promptly provide Customer with information regarding any known failure of such security measures or any security breach related to nonpublic personal information and, thereafter, diligently keep Customer advised as to the status and processor such failure or security breach (including any claims arising therefrom) and cooperate with Customer as required by the circumstances arising therefrom (including by promptly providing information known by it that is reasonably requested by Customer with respect thereto). Notwithstanding the foregoing or any other provision set forth herein, nothing herein prohibits Cardtronics from responding to and/or disclosing nonpublic personal information or other Confidential Information in response to or in connection with a governmental inquiry or subpoena provided it can Customer prompt notice thereof.

VIII. UNAUTHORIZED USE

Customer shall ensure that procedures are maintained that are reasonably designed to avoid an Unauthorized Use of the Terminals and the Services provided by Cardtronics. Cardtronics shall have no liability, whether to the Customer, to a cardholder, or to any other person, for any Unauthorized Use of any Terminal, any card, any Network, or the Services. Customer agrees to indemnify and hold Cardtronics harmless from and against any and all claims, losses, expenses, liabilities, actions, fines, or damages arising from any Unauthorized Use, including without limitation, reasonable fees and expenses of attorneys engaged by either party



in the defense of the claims. Customer shall be liable for any loss or damage that results from the Unauthorized Use of any Terminal.

IX. CARDTRONICS WARRANTY; LIMITATION OF LIABILITY

9.1 Ordinary Care; Limitation of Liability; No Other Warranty. Cardtronics warrants that it will use ordinary care in providing the Services and will, at Cardtronics' expense, correct any errors that are due solely to Cardtronics personnel or the computer programs developed and implemented by Cardtronics. Cardtronics' sole liability to Customer for breach of this warranty shall be, without additional charge to Customer, to make such corrections as may be necessary to keep the Services in operating order in accordance with Cardtronics' specifications, and Customer agrees to accept the correction of errors by Cardtronics as its sole and exclusive remedy. CUSTOMER ACKNOWLEDGES THAT IT HAS INDEPENDENTLY EVALUATED THE SERVICES AND THE APPLICATION OF THE SERVICES TO ITS NEEDS AND THAT, EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, CARDTRONICS MAKES NO WARRANTIES, EXPRESS, IMPLIED OR STATUTORY, INCLUDING WITHOUT LIMITATION ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR THAT THE SERVICES WILL BE UNINTERRUPTED OR ERROR FREE, FROM A COURSE OF DEALING OR USAGE OR TRADE OR ARISING OTHERWISE BY LAW.

9.2 Third Parties. Cardtronics shall have no liability to third parties, including without limitation for theft, vandalism, assault, or any other misconduct of any person that occurs in the proximity of a Terminal or at a Site, arising out of the performance or non-performance of Services or the use or operation of the Terminals, and Customer shall indemnify and hold Cardtronics harmless from any and all liability or expenses or claims of third parties relating there to.

9.3 No Consequential Damages. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS AGREEMENT, IN NO EVENT SHALL CARDTRONICS BE LIABLE FOR LOSS OF REVENUE OR PROFITS, EXPENSE OR INCONVENIENCE, OR ANY OTHER SPECIAL, INCIDENTAL, CONSEQUENTIAL, OR PUNITIVE DAMAGES OF ANY KIND (WHETHER ARISING IN CONTRACT, TORT, OR OTHERWISE) IN CONNECTION WITH OR ARISING OUT OF CARDTRONICS' PERFORMANCE OR NON PERFORMANCE (INCLUDING BREACH) UNDER, OR OTHERWISE ARISING IN CONNECTION WITH, THIS AGREEMENT, OR CAUSED BY THE USE, MISUSE, OR INABILITY TO BENEFIT FROM ANY OF THE SERVICES, WHETHER ON ACCOUNT OF NEGLIGENCE OR OTHERWISE, EACH OF WHICH IS HEREBY PRECLUDED AND WAIVED BY AGREEMENT OF THE PARTIES, EVEN IF CARDTRONICS HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. IN NO EVENT SHALL CARDTRONICS' AGGREGATE AND CUMULATIVE LIABILITY FOR DAMAGES HEREUNDER EXCEED THE AMOUNT OF FEES PAID TO CARDTRONICS UNDER THIS AGREEMENT FOR THE SIX MONTH PERIOD PRIOR TO THE EVENT GIVING RISE TO DAMAGES.

9.4 Customer's Remedies. Cardtronics and Customer acknowledge that circumstances could arise entitling Customer to damages or rescission arising from a failure by Cardtronics to



perform its obligations and have agreed in all such circumstances that Customer's remedies and Cardtronics' liabilities will be limited to those set forth in this Agreement. Such limitation will survive termination of this Agreement notwithstanding Customer's election to rescind or otherwise be discharged from this Agreement. Except as expressly provided in this Agreement, Customer agrees that Cardtronics shall have no duty of indemnity or contribution for a third party claim against Customer arising from the use of the Services or Cardtronics' performance of any Services hereunder. Customer and Cardtronics agree that the remedy and damage limitation provisions contained in this Agreement are reasonable in light of all present and predictable circumstances, including, but not limited to, the amount of fees charged by Cardtronics under this Agreement and the possible amount of actual damages to Customer. Customer acknowledges that it has read and understands the preceding limitation, and that it serves as part of the consideration for Cardtronics providing Services as specified herein.

X. GENERAL INDEMNITIES

10.1 Customer Indemnification. Customer understands that Cardtronics will provide Services to Customer based on information generated by the Terminals and that Customer assumes the sole responsibility of the information and shall indemnify Cardtronics from any damages with respect thereto and arising as a result thereof. Customer will indemnify, save, and hold Cardtronics harmless from any and all loss, damage, claim, fine, or expense (including reasonable attorneys' fees and court costs) that Cardtronics may incur, suffer, or become liable for, directly or indirectly, arising from, or related to: (a) Customer's breach of any of its representations, warranties, covenants, or agreements under this Agreement; (b) Customer's breach of any Network Rule, any procedure or requirement set forth by Cardtronics or the Sponsoring Bank, or any federal, state or local law, rule or ordinance; (c) acts or omissions of Customer, its directors, officers, employees, agents, contractors, or subcontractors; (d) any fines or other penalties assessed against Cardtronics or the Sponsor Bank or any Network, card association, or governmental agency to the extent attributable to or caused by the actions or omissions of Customer, its directors, officers, employees, agents, contractors, or subcontractors; (e) any Terminal or cardholder adjustment routed through Cardtronics arising from any Transaction generated at one of the Terminals; (f) the taking or failure to take by Cardtronics of any action based in whole or in part on transactional information provided by a Terminal or documents provided to Cardtronics by or on behalf of a Customer; (g) Transactions generated at the Terminals; (h) fraud, intentional misconduct, or negligence of Customer or its directors, officers, employees, agents, contractors, or subcontractors; or (i) the fraudulent or unauthorized use of cardholder data by Customer, its officers, employees, agents, contractors, subcontractors, or any third party who gained access to the cardholder data from or through the Customer, including any security breach of Customer's systems or data bases or any breach of Cardtronics' systems or databases effected through Customer's use of Cardtronics' systems or databases, to the extent attributable to or caused by Customer, including any fines or other penalties assessed against Cardtronics or the Sponsor Bank or any Network, card association, or governmental agency as a result thereof.

10.2 Cardtronics Indemnification. Cardtronics shall indemnify, defend and hold Customer harmless for, from and against any and all third party loss, damage, claim or expense (including reasonable attorneys' fees and court costs) that Customer may incur, suffer or become



liable for, directly or indirectly, arising from or related to: (a) Cardtronics' breach of any of its representations, warranties, covenants or agreements under this Agreement; (b) fraud, intentional misconduct or negligence of Cardtronics or its directors, officers, employees, agents, contractors or subcontractors; or (c) a claim that the use of a Service or related software or equipment infringes or misappropriates any patent, copyright or trade secret of a third party, except to the extent that the alleged infringement or misappropriation is based upon: (i) any modification of a Service or to related software or equipment by a person or entity other than Cardtronics or any of its Affiliates; (ii) any use or combination of a Service or related software or equipment with any service, software or equipment not supplied or approved in writing by Cardtronics or any of its Affiliates; (iii) any use of a Service or related software or equipment not permitted by this Agreement; or (iv) products or processes developed pursuant to Customer's direction design or specification. If any allegation of infringement or misappropriation is made or Cardtronics believes that such an allegation is likely, then Cardtronics may, at its option: (A) procure the right for Customer to continue to use the applicable Service or related software or equipment; (B) replace the applicable Service or related software or equipment with a functionally-equivalent, non-infringing service; or (C) modify the applicable Service or related software or equipment to be non-infringing but otherwise functionally equivalent.

10.3 Indemnification Procedures. The indemnified party shall notify the indemnifying party within 10 days of receiving notice of any claim covered by this Section 10; provided, however, that the right of indemnification hereunder shall not be adversely affected by a failure to timely provide such notice unless, and only to the extent that, the indemnifying party is materially prejudiced thereby. The indemnifying party may assume sole control of the defense of any such claim if (a) the indemnifying party acknowledges its obligation to indemnify the indemnified party for any losses resulting from such claim and (b) such claim does not seek to impose any liability on the indemnified party other than money damages, it being understood that the indemnified party may, at its own cost and expense, participate through its own counsel or otherwise in such defense. The indemnifying party shall not settle any such claim without the indemnified party's prior written consent (which consent shall not be unreasonably withheld, conditioned or delayed), unless such settlement is solely for monetary damages for which the indemnified party is fully indemnified under this Agreement and does not result in or require any admission or other liability of the indemnified party. If the indemnifying party does not assume full control over the defense of any such claim within 30 days of receiving notice from the indemnified party, then the indemnified party shall have the sole right to defend or settle such claim at the cost and expense of the indemnifying party in such manner as the indemnified party deems appropriate, it being understood that the indemnifying party may, at its own cost and expense, participate through its own counsel or otherwise in such defense.

XI.MISCELLANEOUS

11.1 Regulatory Access. Cardtronics and Customer agree to provide reasonable access for audit purposes to any state or federal agencies with jurisdiction over Customer or Cardtronics (including federal bank examiners and representatives of other federal and state regulatory agencies). Without limiting the foregoing, if Cardtronics is requested by any Gaming Authority to provide any information or obtain any approval from any Gaming Authority, then Cardtronics shall provide all requested information and apply for and obtain all reasonably necessary



approvals required or requested or Cardtronics by such Gaming Authority, at the cost of Customer. If Cardtronics thereafter fails to provide such requested information or apply for and obtain such necessary approvals or if Customer or any of Customer's Affiliates is directed to cease business with Cardtronics by a Gaming Authority, then Cardtronics shall exercise its best efforts, in good faith, to remedy such issues. During the term of this Agreement and for 4 years thereafter (or such longer period as may be required by the Network Rules or any Applicable Law), Cardtronics shall maintain complete and accurate records or and supporting documentation for the Settlements, Adjustments and the amounts billable to and payments made by Customer hereunder in accordance with generally accepted accounting principles applied on a consistent basis.

11.2 Insurance. Customer agrees to obtain all insurance coverage that is required by state or federal law or regulations and such additional insurance as may be dictated by prudent business practices in connection with the operation of the Terminals and the use of the Services.

Cardtronics agrees to obtain and maintain throughout the term of this Agreement: (a) insurance on its property for the replacement value of such property and to retain general liability insurance (including broad form contractual insurance), each in an amount not less than [***] per occurrence and [***] in the aggregate; (b) excess liability insurance in an amount not less than [***] per occurrence or in the aggregate; (c) fidelity/crime insurance in an amount not less than [***] per occurrence and [***] in the aggregate; (d) errors and omissions insurance in an amount not less than [***] per occurrence and [***] in the aggregate; and (e) data breach and privacy insurance in an amount not less than [***] per occurrence and [***] in the aggregate. The insurers for such insurance shall have an A.M. Best rating of A- or better or, if such ratings are no longer available, with a comparable rating from a recognized insurance rating agency. Cardtronics shall furnish Customer, prior to commencing the Services under this Agreement and at any time upon Customer's request, with certificate(s) of insurance (in form and substance reasonably satisfactory to Customer) evidencing such coverage and Cardtronics shall notify Customer at least 30 days prior to any cancellation or material change in coverage. Upon any cancellation of any insurance required hereby, and prior to the effective date thereof, Cardtronics shall provide Customer with certificate(s) regarding any replacement insurance. The property, general liability, excess liability policies to be obtained and maintained hereunder shall be endorsed to provide that such policies provide primary coverage on all claims arising from or in connection with the Services performed for or on behalf of Customer.

11.3 Force Majeure. Neither party shall be in default of this Agreement or liable for any loss or damage, other than an obligation to pay all amounts due, of any kind resulting from any delay or failure to perform its responsibilities under this Agreement due to causes beyond its reasonable control, including without limitation any shortage of material, labor dispute or strike, act of God, weather conditions, war, embargo, fire, riot, pandemic, governmental ordered shutdown, failures or fluctuations in electrical power, heat, light, air conditioning, or telecommunications equipment. All Terminals with respect to which Cardtronics provides Services hereunder as of the Effective Date shall be defined as Covered Terminals ("Covered Terminals"). Notwithstanding the foregoing, in the event of a shutdown or Customer's locations containing Covered Terminals due to a pandemic force majeure event only, the Monthly



Minimum shall be replaced with a monthly minimum equal to the total amounts due for Covered Terminals that are transacting in a given month covered during this time period (total amounts due shall be the cumulative of the fees stated in Exhibit B) to Cardtronics or, if there are no transactions for any given month during this time period, then [***] ("Pandemic Monthly Minimum"). A pandemic force majeure event shall be defined as the shutdown of Customer's locations containing Covered Terminals due to a pandemic, the duration of which will be the period of time in which the Pandemic Monthly Minimum is less than the Monthly Minimum. During a pandemic force majeure event, Customer shall not convert a Covered Terminal to any other processor. Notwithstanding the foregoing, the foregoing shall not apply with respect to Cardtronics' failure to comply with its obligations under Section 11. 12.

11.4 Binding Effect; Assignment. This Agreement is binding on the parties hereto and their respective successors and permitted assigns. Customer may not assign this Agreement, in whole or in part, without the prior written consent of Cardtronics, which consent shall not be unreasonably withheld, conditioned or delayed. However, Cardtronics may assign this Agreement to a wholly owned affiliated entity without Customer's written consent. Cardtronics may not assign its rights and obligations hereunder to a purchaser of all or substantially all of its assets or direct or indirect successor entity of such party (whether by merger, stock or asset purchase, business combination, consolidation restructuring, exchange offer or otherwise) without Customer's prior written consent which may be withheld only in the event (i) the assignee is a direct competitor of Customer, or (ii) the Agreement would put Customer in violation of 1) Applicable Laws related to gaming or 2) any of the privileged licenses (including gaming licenses) held by Customer and its Affiliates.

11.5 Construction. If any provision of this Agreement shall be held to be invalid, illegal or unenforceable, the validity, legality, or enforceability of the remainder shall not in any way be affected. Neither party shall be deemed the agent, partner, or co-venturer of the other by reason of this Agreement or Customer's use of the Services. The failure of either party to enforce at any time any provision of this Agreement or to exercise any right provided herein shall not in any way be construed to be a waiver of the provision or right and shall not in any way affect the validity of this Agreement or limit, prevent, or impair the right of either party to subsequently enforce the provision or exercise the right.

11.6 Governing Law; Consent to Jurisdiction; Legal Fees. This Agreement shall be governed by the laws of the State of Delaware applicable to contracts made and to be performed wholly within such state, without regard to principles of conflicts of laws. Customer hereby irrevocably and unconditionally consents and submits to the in personam jurisdiction of any court in Dallas County, State of Texas having jurisdiction over matters relating to this Agreement. Such courts shall be the exclusive forum for the resolution of any and all disputes between the parties, unless otherwise agreed in writing. Customer agrees that service of process in any action or proceeding hereunder may be made upon such party by certified mail, return receipt requested, to the address for notice set forth herein. Customer irrevocably waives any objection it may have to the venue of any action, suit or proceeding brought in such courts or to the convenience of the forum, and waives the right to proceed in any other jurisdiction. If it becomes necessary for any party to commence any proceeding or action to enforce the provisions of this Agreement, either seeking injunctive relief or damages, the prevailing party shall also be entitled to recover all



reasonable attorneys' fees, court costs and other expenses incurred in connection therewith.

11.7 Intentionally deleted.

11.8 Entire Agreement. This Agreement (including all exhibits attached hereto) constitutes the entire agreement of the parties with respect to the subject matter hereof and supersedes all existing agreements and all other communications, written or oral. This Agreement may not be released, discharged or modified in any manner except in writing signed by both parties. No purchase order or other form of the Customer will modify, supersede, add to or in any way vary the terms of this Agreement. Any acknowledgment by an employee of Cardtronics of such a Customer form shall be solely for informational purposes. Notwithstanding the foregoing, Cardtronics may modify this Agreement as provided herein or as needed to meet any requirements or rules of applicable Networks, provided, however, no such modifications shall affect the obligations of the parties prior to the modification. Cardtronics shall provide all modifications of this Agreement in writing to the Customer. Customer may not modify this Agreement without the prior written consent of Cardtronics.

11.9 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one in the same agreement.

11.10 Notice. Any notice required or permitted hereunder shall be in writing and may be given by personal service or by depositing same in the United States mail, first class postage prepaid, to the address of the party receiving notice as it appears on the signature page hereto, as such address may be changed through like written notice to the other party.

11.11 PCI DSS Compliance. If Customer stores, processes, transmits or otherwise uses cardholder data, Customer agrees to comply with the requirements of the Payment Card Industry (PCI) Data Security Standard (DSS), as well as any other security guidelines or requirements established by the card associations. Customer shall periodically perform an internal audit, at its sole expense, of its security practices, and provide a copy of the results of such audit to Cardtronics upon request. Should the card associations require an audit of Customer's security practices, Customer shall cooperate in such audit. Customer will be solely liable for any fines, fees, or other penalties assessed against Cardtronics resulting from Customer's practices or conduct in such audit. Each party will immediately notify the other of any security breach or its systems or data bases.

(a) Without limiting the foregoing, Cardtronics shall use commercially reasonable (but no less than industry standard) security measures for its computer systems and physical facilities designed to safeguard against the unauthorized destruction, loss, alteration of or access to Customer's Confidential Information and Customer's data file, whether such information is at or on Cardtronics' systems or facilities or in transit. During the term of this Agreement on an annual basis (and prior to the completion of Customer's fiscal year), or as otherwise required by a Network or a Sponsoring Bank, Cardtronics shall (x) conduct a "SSAE 16 SOC 2" audit which shall cover, at a minimum, security policies and procedures and controls (including system security and physical security) Cardtronics shall allow Customer to come to Cardtronics site to



view a copy of such SSAE 16SOC 2 audit report.

(b) Cardtronics shall conduct background checks and maintain records on all employees or contractors who may have access to any of Customer's Confidential Information or Customer's data file or who will otherwise be performing services contemplated by this Agreement. Individuals who have been convicted of a crime involving dishonesty, breach of trust, or money laundering are prohibited from having any such access and otherwise providing services to Customer unless Customer has expressly granted permission in writing. Cardtronics shall use commercially reasonable efforts to determine whether its employees or contractors who may have access to any of Customer's Confidential Information or Customer's data file or who will otherwise perform services have been convicted of any such crime.

11.12 Business Continuity. Cardtronics shall maintain a business continuity plan (a "BCP") for the continuation of business so that despite any disruption in Cardtronics' ability to provide the Services or to perform its other obligations hereunder from any particular location or through the efforts of any particular individuals, Cardtronics may promptly be able to provide the Services and perform its obligations from an alternate location or with replacement personnel. Without limiting the foregoing, Cardtronics' BCP will include, at a minimum, annual testing, as well as a process to promptly notify Cardtronics' customers in the event any BCP must be put into effect.

[Signature Page Follows]



IN WITNESS WHEREOF, the parties hereto have duly caused this Agreement to be executed by their undersigned representatives, thereunto duly authorized.

EVERI PAYMENTS INC.

By: /s/ Mark Labay
Name: Mark Labay
Title: Executive Vice President and Chief Financial Officer

CARDTRONICS USA, INC.

By: /s/ Edward H. West
Name: Edward H. West
Title: Chief Executive Officer

Address For Notice Purposes:

7250 S. Tenaya Road
Suite 100
Las Vegas, NV 89113
Attention: General Counsel

Address For Notice Purposes:

2050 W. Sam Huston Pkwy, S.
Suite 1300
Huston, Texas 77042
Attention: General Counsel

LIST OF EXHIBITS

Exhibit A	Definitions
Exhibit B	Pricing Schedule
Exhibit C	Service Levels
Exhibit D	Other Services

ATTACHMENTS

1. ACH Authorization Form



EXHIBIT A

DEFINITIONS

“ACH Authorization” means an authorization signed by Customer authorizing Cardtronics to debit or credit the applicable Account for Settlement and Adjustments and any Fees due Cardtronics.

“Account” means a deposit account maintained by Customer with a clearing institution acceptable to Cardtronics to facilitate the Settlement of monetary Transactions and the payment of all fees and other amounts due hereunder.

“Adjustment” means an electronic credit or debit initiated by Cardtronics for the purpose of (a) correcting Network errors, (b) correcting inaccurate records of monetary Transactions, (c) correcting Settlement errors or (d) settling a disputed monetary Transaction.

“Affiliate” means, with respect to a specified person or entity, any person or entity that directly or indirectly controls, is controlled by or is under common control with the specified person or entity. A person or entity shall be deemed to control another person or entity if such first person or entity has the power to direct or cause the direction of the management and policies of such other person or entity, whether through ownership of voting securities, by contract or otherwise.

“Fees” means the fees charged by Cardtronics to Customer for Services provided pursuant to this Agreement.

“Granite Device” means an unattended point-of-sale device deployed by Customer within the gaming cash access environment that connects to the Cardtronics platform to deliver debit card and credit card quasi cash advances and point-of-sale debit transactions for authorization. The word is a Customer specific description of the physical appearance of the device as deployed.

“Network” means an organization to which Cardtronics has access that operates computer hardware and software and telecommunications facilities in order to transmit electronic messages and settle electronic funds transfers between its members.

“Network Rules” means the operating rules and procedures of each applicable Network as adopted by such Network’s board of directors or equivalent body, as amended from time to time, including all exhibits and addenda thereto.

“Services” means the terminal driving, electronic authorization, links to Networks, transaction switching, computer data processing, Settlement and reporting services provided by Cardtronics to Customer in accordance with this Agreement.



“Settlement” means the crediting and/or debiting of an Account (or a third party deposit account designated in writing by Customer with a clearing institution acceptable to Cardtronics for settlement) with the transaction settlement amount, interchange income, surcharge income, or each (or none), if applicable, arising out of Transactions.

“Sites” means the locations at which Customer has sold to or placed (or sells to or places) Terminals for which Cardtronics provides Services in accordance with this Agreement.

“Sponsoring Bank” means the bank that sponsors a Terminal on behalf of Customer pursuant to the applicable Network Rules.

“Terminal Set-up Form” means the application and profile (on the form provided by Cardtronics) or an electronic terminal set-up request via the approved Cardtronics developed API to be completed by Customer for each Terminal to be covered by this Agreement.

“Transaction” means any function that (a) can be initiated at the Terminal, (b) is processed by Cardtronics and (c) complies with the Network Rules and all applicable federal, state and local laws, rules, regulations and ordinances.

“Unauthorized Use” (a) with respect to credit cards, has the same meaning as such term has under Federal Reserve Board Regulation Z, 12 C.F.R. (section) 226.12(b)(1), footnote 22, and the commentary thereto; and (b) with respect to debit cards, has the same meaning as “unauthorized electronic fund transfer” under Federal Reserve Board Regulation E, 12 C.F.R. (section) 205.2(1) and the commentary thereto.



EXHIBIT B
PRICING SCHEDULE

TRANSACTION PROCESSING FEES

Transaction Type	Monthly Volume Tier**	Rate per Transaction
[***]	[***]	[***]
	[***]	[***]
[***]	[***]	
[***]		
[***]		
[***]		

SERVICE FEES

Description	Monthly Volume Tier	Fee
[***]	[***]	[***]
	[***]	[***]
[***]	[***]	[***]
	[***]	[***]
[***]		[***]
[***]		[***]
[***]		[***]

OTHER FEES

Description	Fee
[***]	[***]
[***]	[***]



[**]
[**]

[**]
[**]

[**]

OPTIONAL SERVICES

[**]
[**]
[**]
[**]

[**]
[**]

[**]

[**]
[**]

[**]
[**]



EXHIBIT C- SERVICE LEVELS

Service Level: Transaction Processing

Service	Measurement	Target	Comments
Switch Availability (Defined as the ability for the platform to receive, route and authorize transactions)	<u>Switch Availability-Switch Downtime X100%</u> Switch Availability 3. Switch Availability = # Days in Months X 1440 Minutes 4. Switch Downtime = # minutes switch unavailable 5. Switch Downtime Excludes Scheduled Maintenance	[***]	<ul style="list-style-type: none">• Critical Service Level• Subject to Reimbursements• Subject to Termination

In the event Cardtronics fails to achieve the Switch Availability target during any SLA Period, Customer shall be entitled to receive a Service Level Reimbursement as follows:

- for Switch Availability of less than [***] but equal to or greater than [***], Customer shall be entitled to a reimbursement credit on the following month's invoice of [***];
- for Switch Availability of less than [***] but equal to or greater than [***], Customer shall be entitled to a reimbursement credit on the following month's invoice of [***];
- for Switch Availability of less than [***], Customer shall be entitled to a reimbursement credit on the following month's invoice of [***].

If Cardtronics fails to attain Switch Availability monthly average of [***] during [***] consecutive months or [***] months in an [***] rolling 12-month period, Customer may subsequently either (in Customer's sole discretion) (i) terminate the Agreement with 30-day advance written notice and without penalty or (ii) terminate the obligation to pay the Minimum Monthly Fee as contemplated by Section 5.1.

Service Level: Device Driver Availability - Terminal Availability

Service	Measurement	Target	Comments
Device Driver Availability (Defined as terminal driver that allows terminals to connect and route transactions)	Drive Availability-Driver Downtime X 100% Driver Availability <ul style="list-style-type: none">• Driver Availability = # Days in Month X 1440 Minutes• Driver Downtime = # minutes switch unavailable• Driver Downtime Excludes Scheduled Maintenance	[***]	<ul style="list-style-type: none">• Critical Service Level• Subject to Reimbursements• Subject to Termination

In the event Cardtronics fails to achieve the Terminal Device Driver availability target during any SLA Period, Customer shall be entitled to receive a Service Level Reimbursement as follows:

- for Terminal Device Driver availability of less than [***] but equal to or greater than [***], Customer shall be entitled to a reimbursement credit on the following month's invoice of [***];



- for Terminal Device Driver availability of less than [***] but equal to or greater than [***], Customer shall be entitled to a reimbursement credit on the following month's invoice of [***];
- for Terminal Device Driver availability of less than [***], Customer shall be entitled to a reimbursement credit on the following month's invoice of [***] or
- Device driver availability reimbursements are applicable only in cases where greater than [***] of the Customer device portfolio is impacted as a result of the failure or service degradation.

If Cardtronics fails to attain Terminal Device Driver availability monthly average of [***] during [***] consecutive months, [***] months in any rolling [***] month period or [***] months in any rolling [***] month period, Customer may subsequently either (in Customer's sole discretion) (i) terminate the Agreement with 30-day advance written notice and without penalty or (ii) terminate the obligation to pay the Minimum Monthly Fee as contemplated by Section 5.1.

Service Levels: Batch File & Report Delivery

Service	Measurement	Target	Comments
Batch File & Network Report Availability	<p>Critical files used to facilitate settlement and funds movement such as the .DETfile.</p> <p>Critical reports that are required to support network settlement, authorization and reconciliation</p>	<p>Critical files - to be available within [***] hours of end of day.</p> <p>Critical reports - to be available within [***] hours of end of day</p>	<p>3. Non-Critical Service Level</p> <p>4. Subject to Reimbursements</p>

In the event of a service level issue that causes a delay in delivering tiles to Customer, Cardtronics will notify Customer in advance with updated delivery timeframes as information becomes available. Furthermore, in the event of file delivery delays or errors:

- When a file/report is delayed and is within Cardtronics' system or control and occurs more than [***] times in a calendar month
 - An invoice credit of [***] will be applied to the next Customer invoice
 - An incident report and action plan for re mediation if required will be delivered to Customer within [***] business days



EXHIBIT D

OTHER SERVICES

Additional Professional Services - Based on specifications from Customer and at an additional cost to Customer, to be mutually agreed upon and documented in writing, Cardtronics will provide additional support or development services under a separate statement of work as provided for under the Professional Services Agreement by and between the parties.



ACH AUTHORIZATION RELEASE

Everi Payments Inc. ("Customer") authorizes Cardtronics USA, Inc., ("Cardtronics") to initiate ACH transfer entries and to debit and/or credit the account identified herein for all Processing Services. Cardtronics shall have the right to credit or debit account on behalf of the Customer, for settlement of transactions, settlement error corrections, transaction adjustments and any amounts or fees due Cardtronics by Customer. Customer agrees to keep account funded to the extent needed to reasonably support transaction adjustments. All shortages and adjustments are the full responsibility of the Customer. Customer agrees to comply with all electronic fund transfer regulations, requirements and rules. This Authorization shall remain in effect unless cancelled by Customer by providing written **notice of cancellation to Cardtronics and after such time as all settlements and adjustments have been** processed/cleared through the account. Any debits and credits pursuant to this Authorization will be effected through the Federal Reserve System automated clearing house (ACH) system.

Settlement Disputes. Customer shall audit and balance the data contained in the periodic statements and reports provided by Cardtronics and shall promptly, but in no event more than 30 days after the date of the disputed item, notify Cardtronics in writing (the "Notice Date") of any disputed item or items on such periodic statements and reports. If Cardtronics determines that the disputed item was credited or debited in error by Cardtronics, Cardtronics shall correct the error. Notwithstanding, Cardtronics shall not be liable for any recovery, reimbursement or otherwise of any amounts over 30 days from the Notice Date. Cardtronics will, however, use its commercially reasonable efforts to recover any amounts over such 30-day period. Cardtronics shall not be liable for any damages, interest or costs associated with the error other than correcting the error.

The undersigned represents and warrants to Cardtronics that(a) the person executing the Authorization is authorized signatory on the Account referenced above and all information regarding the Account and the Account Holder is true and correct

Authorized by: /s/ Mark Labay **Date:** 08/03/2020

Print Name and Title: Mark Labay Executive Vice President and Chief Financial Officer

Daily Cash Settlement Account Information • •

*** This form **MUST** be accompanied by a printed voided check or a letter from the Bank to which the funds are settling referencing the Customer's name, routing number and account number.

Financial Institution: _____

Address: _____

City: _____ **State:** _____ **Zip** _____

Contact Name: _____

Phone Number: _____

Routing/Transit Number (9 digits): _____

Account Number: _____

Business Name as it Appears on the Account

Cardtronics use only

Date received:___

Date entered:_____ Entered by:___



SUBSIDIARIES OF EVERI HOLDINGS INC.

Name	Jurisdiction of Incorporation or Organization
Everi Payments Inc.	Delaware
Everi Logistics LLC	Nevada
Everi Payments (Canada) Inc.	Ontario, Canada
Global Cash Access (Panama), Inc.	Panama
Game Financial Caribbean N.V.	Netherlands, Antilles
Global Cash Access (Belize) Ltd	Belize
Central Credit, LLC	Delaware
Global Cash Access (BVI), Inc.	British Virgin Islands
Arriva Card, Inc.	Delaware
Global Cash Access Switzerland AG	Switzerland
Global Cash Access (HK) Limited	Hong Kong
GCA (Macau) S.A.	Macau SAR
Global Cash Access (Belgium) SA	Belgium
Global Cash Access (UK) Limited	United Kingdom
Everi India Private Limited	India
GCA MTL, LLC	Delaware
Everi Games Holding Inc.	Texas
Everi Games Inc.	Delaware
Everi Games (Canada) Inc.	British Columbia
Everi Interactive LLC	Delaware
MegaBingo International, LLC	Delaware
Multimedia Games de Mexico S. de R.L. de C.V.	Mexico
Multimedia Games de Mexico 1 S. de R.L. C.V.	Mexico
Servicios de Wild Basin S. de R.L. de C.V.	Mexico

Consent of Independent Registered Public Accounting Firm

Everi Holdings Inc.
Las Vegas, Nevada

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-235347) and Form S-8 (Nos. 333-131904, 333-140878, 333-149496, 333-157512, 333-165264, 333-172358, 333-187199, 333-197860, 333-202798, and 333-218302) of Everi Holdings Inc. of our reports dated March 12, 2021, relating to the consolidated financial statements, and the effectiveness of Everi Holdings Inc.'s internal control over financial reporting, which appear in this Form 10-K.

/s/ BDO USA, LLP

Las Vegas, Nevada
March 12, 2021

**Certification of Principal Executive Officer
Pursuant to Exchange Act Rule 13a-14(a) and 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 Annual Report on Form 10-K 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 Annual 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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of a 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(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 12, 2021

/s/ Michael D. Rumbolz

Michael D. Rumbolz
Chief Executive Officer

**Certification of Principal Financial Officer
Pursuant to Exchange Act Rule 13a-14(a) and 15d-14(a)
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Mark F. Labay, certify that:

1. I have reviewed this Annual Report on Form 10-K 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 Annual 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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of a 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(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 12, 2021

/s/ Mark F. Labay

Mark F. Labay
Chief Financial Officer

EVERI HOLDINGS INC.
CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER AND 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 Annual Report of Everi Holdings Inc. (the “Company”) on Form 10-K for the period ended December 31, 2020 filed with the Securities and Exchange Commission (the “Report”), Michael D. Rumbolz, Chief Executive Officer of the Company, and Mark F. Labay, Chief Financial Officer of the Company, each hereby certifies as of the date hereof, solely for the purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of his knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company 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: March 12, 2021

By: /s/ Michael D. Rumbolz

Michael D. Rumbolz
Chief Executive Officer

Dated: March 12, 2021

By: /s/ Mark F. Labay

Mark F. Labay
Chief Financial Officer