UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2016

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE TRANSITION PERIOD FROM TO

Commission File Number: 001 — 32622

EVERI HOLDINGS INC.
(Exact name of registrant as specified in its charter)

DELAWARE (State or other jurisdiction of incorporation or organization)	**20-0723270** (I.R.S. Employer Identification No.)
7250 S. TENAYA WAY, SUITE 100 **LAS VEGAS, NEVADA** (Address of principal executive offices)	**89113** (Zip Code)

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

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

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

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

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

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

As of November 1, 2016, there were 66,054,044 shares of the registrant's $0.001 par value per share common stock outstanding.

TABLE OF CONTENTS

PART I: FINANCIAL INFORMATION

Item 1. Financial Statement s.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	**2015**	**2016**	**2015**
Revenues				
Games	$ 56,218	$ 53,983	$ 158,660	$ 163,896
Payments	165,959	154,763	483,286	458,687
Total revenues	222,177	208,746	641,946	622,583
Costs and expenses				
Games cost of revenue (exclusive of depreciation and amortization)	15,467	12,421	36,871	36,745
Payments cost of revenue (exclusive of depreciation and amortization)	127,211	117,396	373,366	347,317
Operating expenses	26,996	26,295	87,735	68,982
Research and development	4,460	5,463	14,499	15,369
Depreciation	12,367	10,943	37,172	32,037
Amortization	24,104	21,512	70,887	62,941
Total costs and expenses	210,605	194,030	620,530	563,391
Operating income	11,572	14,716	21,416	59,192
Other expenses				
Interest expense, net of interest income	24,815	24,696	74,548	75,309
Loss on extinguishment of debt	—	87	—	13,063
Total other expenses	24,815	24,783	74,548	88,372
Loss before income tax	(13,243)	(10,067)	(53,132)	(29,180)
Income tax benefit	(4,989)	(3,957)	(20,930)	(10,798)
Net loss	(8,254)	(6,110)	(32,202)	(18,382)
Foreign currency translation	(394)	(788)	(1,314)	(850)
Comprehensive loss	$ (8,648)	$ (6,898)	$ (33,516)	$ (19,232)
Loss per share				
Basic	$ (0.12)	$ (0.09)	$ (0.49)	$ (0.28)
Diluted	$ (0.12)	$ (0.09)	$ (0.49)	$ (0.28)
Weighted average common shares outstanding				
Basic	66,049	65,941	66,041	65,804
Diluted	66,049	65,941	66,041	65,804

See notes to unaudited condensed consolidated financial statements.

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

	At September 30, 2016	At December 31, 2015
ASSETS		
Current assets		
Cash and cash equivalents	$ 90,488	$ 102,030
Settlement receivables	35,719	44,933
Trade receivables, net of allowances for doubtful accounts of $4.3 million and $3.9 million at September 30, 2016 and December 31, 2015, respectively	48,393	52,382
Other receivables	4,469	4,928
Inventory	20,777	28,738
Prepaid expenses and other assets	18,762	20,772
Total current assets	218,608	253,783
Non-current assets		
Property, equipment and leased assets, net	102,507	106,308
Goodwill	786,859	789,803
Other intangible assets, net	337,798	382,462
Other receivables	1,793	6,655
Other assets	8,648	11,374
Total non-current assets	1,237,605	1,296,602
Total assets	$ 1,456,213	$ 1,550,385
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Settlement liabilities	$ 117,934	$ 139,819
Accounts payable and accrued expenses	98,819	101,512
Current portion of long-term debt	10,000	10,000
Total current liabilities	226,753	251,331
Non-current liabilities		
Deferred tax liability	5,385	27,644
Long-term debt, less current portion	1,112,765	1,129,899
Other accrued expenses and liabilities	3,277	4,091
Total non-current liabilities	1,121,427	1,161,634
Total liabilities	1,348,180	1,412,965
Commitments and contingencies (Note 13)		
Stockholders' equity		
Common stock, $0.001 par value, 500,000 shares authorized and 90,907 and 90,877 shares issued at September 30, 2016 and December 31, 2015, respectively	91	91
Convertible preferred stock, $0.001 par value, 50,000 shares authorized and 0 shares outstanding at September 30, 2016 and December 31, 2015, respectively	—	—
Additional paid-in capital	262,166	258,020
Retained earnings	22,978	55,180
Accumulated other comprehensive (loss) income	(996)	318
Treasury stock, at cost, 24,856 and 24,849 shares at September 30, 2016 and December 31, 2015, respectively	(176,206)	(176,189)
Total stockholders' equity	108,033	137,420
Total liabilities and stockholders' equity	$ 1,456,213	$ 1,550,385

See notes to unaudited condensed consolidated financial statements.

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

	Nine Months Ended September 30, 2016	2015
Cash flows from operating activities		
Net loss	$ (32,202)	$ (18,382)
Adjustments to reconcile net loss to cash provided by operating activities:		
Depreciation and amortization	108,059	94,978
Amortization of financing costs	5,023	5,459
Loss (gain) on sale or disposal of assets	2,554	(3,412)
Accretion of contract rights	6,521	6,006
Provision for bad debts	7,192	6,967
Write-down of assets	4,289	—
Reserve for obsolescence	942	501
Loss on early extinguishment of debt	—	13,063
Stock-based compensation	4,146	6,088
Other non-cash items	(38)	127
Changes in operating assets and liabilities:		
Settlement receivables	9,158	17,672
Trade and other receivables	(1,348)	1,873
Inventory	6,315	1,332
Prepaid and other assets	2,912	(1,662)
Deferred income taxes	(22,259)	(11,899)
Settlement liabilities	(22,000)	(12,120)
Accounts payable and accrued expenses	6,544	(3,228)
Net cash provided by operating activities	85,808	103,363
Cash flows from investing activities		
Capital expenditures	(67,025)	(49,534)
Acquisitions, net of cash acquired	(694)	(10,857)
Proceeds from sale of fixed assets	4,608	2,103
Placement fee agreements	(11,187)	(2,813)
Repayments under development agreements	—	3,104
Changes in restricted cash and cash equivalents	88	(66)
Net cash used in investing activities	(74,210)	(58,063)
Cash flows from financing activities		
Repayments of credit facility	(21,900)	(7,500)
Repayments of secured notes	—	(350,000)
Proceeds from issuance of secured notes	—	335,000
Debt issuance costs	(480)	(1,146)
Proceeds from exercise of stock options	—	1,833
Purchase of treasury stock	(17)	(54)
Net cash used in financing activities	(22,397)	(21,867)
Effect of exchange rates on cash	(743)	(1,055)
Cash and cash equivalents		
Net (decrease) increase for the period	(11,542)	22,378
Balance, beginning of the period	102,030	89,095
Balance, end of the period	$ 90,488	$ 111,473

See notes to unaudited condensed consolidated financial statements.

	Nine Months Ended September 30, 2016	2015
Supplemental cash disclosures		
Cash paid for interest	$ 55,465	$ 59,655
Cash paid for income tax	$ 1,124	$ 1,649
Cash refunded for income tax	$ 92	$ 14,815
Supplemental non-cash disclosures		
Accrued and unpaid capital expenditures	$ 1,427	$ 1,912
Accrued and unpaid contingent liability for acquisitions	$ (3,169)	$ 4,681
Issuance of warrant	$ —	$ 2,246
Transfer of leased gaming equipment to inventory	$ 6,222	$ 4,154

See notes to unaudited condensed consolidated financial statements.

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

1. BUSINESS

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

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

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Our unaudited condensed consolidated financial statements included herein have been prepared by us pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). Some of the information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States have been condensed or omitted pursuant to such rules and regulations, although we believe the disclosures are adequate to make the information presented not misleading. In the opinion of management, all adjustments (which include normal recurring adjustments) necessary for a fair presentation of results for the interim periods have been made. The results for the three and nine months ended September 30, 2016 are not necessarily indicative of results to be expected for the full fiscal year. The condensed financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

There have been no changes to our basis of presentation and significant accounting policies since the most recent filing of our Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

Fair Values of Financial Instruments

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

The carrying amount of cash and cash equivalents, settlement receivables, trade receivables, other receivables, settlement liabilities, accounts payable and accrued expenses approximates fair value due to the short-term maturities of these instruments. The fair value of our borrowings are estimated based on various inputs to determine a market price, such as: market demand and supply, size of tranche, maturity and similar instruments trading in more active markets.

September 30, 2016	Level of Hierarchy		Fair Value		Outstanding Balance
Term loan	1	$	450,546	$	468,100
Senior secured notes	3	$	322,438	$	335,000
Senior unsecured notes	1	$	336,438	$	350,000
December 31, 2015					
Term loan	1	$	445,900	$	490,000
Senior secured notes	3	$	314,900	$	335,000
Senior unsecured notes	1	$	297,500	$	350,000

The senior secured notes were fair valued using a Level 3 input as there was no market activity or observable inputs as of September 30, 2016 and December 31, 2015. During the current period, the fair value of the senior secured notes was derived using the same rate as the term loan given that both were treated similarly. During the prior period, the fair value of the senior secured notes was derived using a Level 3 input by evaluating the trading activities of similar debt instruments.

Reclassification of Prior Year Balances

Reclassifications were made to the prior-period financial statements to conform to the current period presentation.

Recent Accounting Guidance

Recently Adopted Accounting Guidance

In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-03, which provides guidance to simplify the presentation of debt issuance costs. These amendments require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this ASU. The pronouncement is effective for annual periods beginning after December 15, 2015, and interim periods within those fiscal years, and early adoption is permitted for financial statements that have not been previously issued. This guidance was further clarified in ASU No. 2015-15, which addressed the treatment of debt issuance costs related to line-of credit arrangements. It noted that as ASU No. 2015-03 did not provide guidance on debt issuance costs related to line-of credit arrangements, the SEC would not object to an entity deferring and presenting these specific debt issuance costs as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. We adopted the guidance in ASU Nos. 2015-03 and 2015-15 retrospectively to reclassify all debt issuance costs not associated with line-of-credit arrangements from the non-current portion of other assets to contra-liabilities and presented them as reductions to the face amount of each respective long-term debt instrument on our Condensed Consolidated Balance Sheets and related notes during the current period.

In January 2015, the FASB issued ASU No. 2015-01, which eliminates the requirement that an entity separately classify, present and disclose extraordinary events and transactions. The pronouncement is effective for annual periods ending after December 15, 2015. A reporting entity also may apply the amendments retrospectively to all prior periods presented in the financial statements. Early adoption is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption. We adopted this guidance during the current period. There was no impact on our Condensed Consolidated Financial Statements, as we do not have any extraordinary items.

In June 2014, the FASB issued ASU No. 2014-12, which requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. As such, the performance target should not be reflected in estimating the grant-date fair value of the award. The standard is effective for annual reporting periods beginning after December 15, 2015, with early adoption permitted. We adopted this guidance during the current period. There was no impact on our Condensed Consolidated Financial Statements.

Recent Accounting Guidance Not Yet Adopted

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

In August 2016, the FASB issued ASU No. 2016-15, which provides updated guidance on the classification of certain cash receipts and cash payments in the statement of cash flows. The new standard is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. This guidance will be applied using a retrospective approach. If it is impracticable to apply the amendments retrospectively for some of the issues within this ASU, the amendments for those issues would be applied prospectively as of the earliest date practicable. Early adoption is permitted including adoption in an interim period. We are currently evaluating the impact of adopting this guidance on our Condensed Consolidated Financial Statements and disclosures included within Notes to the Condensed Consolidated Financial Statements.

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

In March 2016, the FASB issued ASU No. 2016-09, which simplifies several aspects of the accounting for share-based payment transactions, including the accounting for income taxes, statutory tax withholding requirements and classification on the statement of cash flows. The new standard is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. This guidance will be applied either prospectively, retrospectively or using a modified retrospective transition method, depending on the area covered in this update. Early adoption is permitted. We are currently evaluating the impact of adopting this guidance on our Condensed Consolidated Financial Statements and disclosures included within Notes to the Condensed Consolidated Financial Statements.

In February 2016, the FASB issued ASU No. 2016-02, which provides guidance on the accounting treatment of leases. The ASU establishes a right-of-use ("ROU") model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either financing or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years and early adoption is permitted. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. We are currently evaluating the impact of adopting this guidance on our Condensed Consolidated Financial Statements and disclosures included within Notes to the Condensed Consolidated Financial Statements.

In July 2015, the FASB issued ASU No. 2015-11, which provides guidance on the measurement of inventory value. The amendments require an entity to measure in scope inventory at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Subsequent measurement is unchanged for inventory measured using last-in, first-out ("LIFO") or the retail inventory method. The amendments do not apply to inventory that is measured using LIFO or the retail inventory method. The amendments apply to all other inventory, which includes inventory that is measured using first-in, first-out ("FIFO") or average cost. The pronouncement is effective for annual periods beginning after December 15, 2016, and interim periods within those fiscal years, and early adoption is permitted. We are currently evaluating the impact of adopting this guidance on our Condensed Consolidated Financial Statements and disclosures included within Notes to the Condensed Consolidated Financial Statements.

In August 2014, the FASB issued ASU No. 2014-15, which provides guidance on determining when and how reporting entities must disclose going-concern uncertainties in their financial statements. The pronouncement is effective for annual periods ending after December 15, 2016, and interim periods thereafter, and early adoption is permitted. We are currently evaluating the impact of adopting this guidance on our Condensed Consolidated Financial Statements and disclosures included within Notes to the Condensed Consolidated Financial Statements.

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

3. BUSINESS COMBINATIONS

Resort Advantage, LLC

In August 2015, we acquired certain assets of Resort Advantage, LLC ("Resort Advantage") for an aggregate purchase price of approximately $13.3 million, of which we estimated that approximately $4.7 million would be paid under the provisions of the agreement over a period of 40 months. As of September 30, 2016, a payment of approximately $0.7 million was remitted, with a remaining estimate of approximately $1.0 million to be potentially paid under the provisions of the agreement over the remaining term. Resort Advantage is a supplier of comprehensive and integrated solutions for complete Financial Crimes Enforcement Network ("FinCEN") and Internal Revenue Service regulatory compliance to the gaming industry. The Resort Advantage acquisition did not have a material impact on our results of operations or financial condition. We have not provided the supplemental pro forma impact of the Resort Advantage acquisition on the revenue and earnings of the combined entity as if the acquisition date had been January 1, 2014, and the amount of revenue and earnings derived from Resort Advantage have not been presented on a supplemental basis as such amounts are not material for the three and nine months ended September 30, 2016 and 2015, respectively.

We account for business combinations in accordance with ASC 805, which requires that the identifiable assets acquired and liabilities assumed be recorded at their estimated fair values on the acquisition date separately from goodwill, which is the excess of the fair value of the purchase price over the fair values of these identifiable assets and liabilities. We include the results of operations of an acquired business as of the acquisition date. We had no material acquisitions for the three and nine months ended September 30, 2016 and 2015.

4. ATM FUNDING AGREEMENTS

Contract Cash Solutions Agreement

Our Contract Cash Solutions Agreement with Wells Fargo Bank, N.A. ("Wells Fargo") allows us to use funds owned by Wells Fargo to provide the currency needed for normal operating requirements for our ATMs. For the use of these funds, we pay Wells Fargo a cash usage fee on the average daily balance of funds utilized multiplied by a contractually defined cash usage rate. These cash usage fees, reflected as interest expense within the Condensed Consolidated Statements of Loss and Comprehensive Loss, were \$0.7 million and \$2.3 million for the three and nine months ended September 30, 2016, respectively, and \$0.5 million and \$1.6 million for the three and nine months ended September 30, 2015, respectively. We are exposed to interest rate risk to the extent that the applicable London Interbank Offered Rate ("LIBOR") increases.

Under this agreement, all currency supplied by Wells Fargo remains the sole property of Wells Fargo at all times until it is dispensed, at which time Wells Fargo obtains an interest in the corresponding settlement receivable which is recorded on a net basis. As these funds are not our assets, supplied cash is not reflected on the Condensed Consolidated Balance Sheets. The outstanding balance of ATM cash utilized by us from Wells Fargo was \$212.2 and \$364.5 million as of September 30, 2016 and December 31, 2015, respectively.

The Contract Cash Solutions Agreement provides us with cash in the maximum amount of \$425.0 million during the term of the agreement, which expires on June 30, 2018.

We are responsible for any losses of cash in the ATMs under this agreement and we self-insure for this risk. We incurred no material losses related to this self-insurance for the three and nine months ended September 30, 2016 and 2015.

Site-Funded ATMs

We operate ATMs at certain customer gaming establishments where the gaming establishment provides the cash required for the ATM operational needs. We are required to reimburse the customer for the amount of cash dispensed from these Site-Funded ATMs. The Site-Funded ATM liability included within settlement liabilities in the accompanying Condensed Consolidated Balance Sheets was \$76.0 million and \$84.9 million as of September 30, 2016 and December 31, 2015, respectively.

5. TRADE RECEIVABLES

Trade receivables represent short-term credit granted to customers for which collateral is generally not required. The balance of trade receivables consists of outstanding balances owed to us by gaming establishments and casino patrons. The balance of trade receivables consisted of the following (in thousands):

.	At September 30, 2016	At December 31, 2015
Trade receivables, net		
Games trade receivables	\$ 40,724	\$ 38,064
Payments trade receivables	7,669	14,318
Total trade receivables, net	\$ 48,393	\$ 52,382

At least quarterly, we evaluate the collectability of the outstanding balances and establish a reserve for the face amount of the expected losses on our receivables. The allowance for doubtful accounts for trade receivables includes reserves for both Games and Payments receivables. The provision for doubtful accounts is generally included within operating expenses in the Condensed Consolidated Statements of Loss and Comprehensive Loss. We also have a provision for doubtful accounts specifically associated with our outstanding check warranty receivables, which is included within Payments cost of revenues (exclusive of depreciation and amortization) in the Condensed Consolidated Statements of Loss and Comprehensive Loss. The outstanding balances of the check warranty and general reserves were \$2.9 million and \$1.4 million, respectively, as of September 30, 2016 and \$3.0 million and \$0.9 million, respectively, as of December 31, 2015.

6. OTHER RECEIVABLES

Other receivables include the balance of notes and loans receivable on our games and fully integrated kiosk products; and development agreements, which are generated from reimbursable amounts advanced to tribal customers generally used by the customer to build, expand or renovate its facility.

In addition, we had a note receivable with Bee Cave Games, Inc. ("Bee Cave"), which was established prior to our acquisition of Everi Games Holding in December 2014 pursuant to a secured promissory note in the amount of $4.5 million, which bears annual interest at 7%. The note required interest only payments for the first 24 months followed by repayments of principal and interest in 48 equal monthly installments. In association with the promissory note, the Company received a warrant to purchase the common stock of Bee Cave and recorded a discount to the note for the fair value of the warrant received.

In May 2016, Bee Cave failed to pay its scheduled interest-only payment that was due related to its $4.5 million secured promissory note payable to Everi Games, for which we issued a Notice of Default and Acceleration to Bee Cave of our intent to foreclose on its assets in full settlement of the outstanding note obligation under the terms of the promissory note. At such time, we recorded a write-down of approximately $4.3 million related to the Bee Cave note receivable and warrant in operating expenses on the Condensed Consolidated Statements of Loss and Comprehensive Loss. During the three months ended September 30, 2016, we foreclosed on the Bee Cave assets, evaluated its platform, and began to utilize these assets in connection with our social gaming strategy to deliver content from our existing game library. Consequently, we extinguished the note receivable and recorded $0.5 million of developed technology and software within other intangible assets, net on the Condensed Consolidated Balance Sheets as of September 30, 2016.

Other receivables also include income taxes receivable and other miscellaneous receivables. The balance of other receivables consisted of the following (in thousands):

	At September 30, 2016	At December 31, 2015
Other receivables		
Notes and loans receivable, net of discount of $0 and $699 at September 30, 2016 and December 31, 2015, respectively	$ 4,908	$ 9,930
Federal and state income tax receivable	657	421
Other	697	1,232
Total other receivables	6,262	11,583
Less: non-current portion of notes and loans receivable	1,793	6,655
Total other receivables, current portion	$ 4,469	$ 4,928

7. PREPAID AND OTHER ASSETS

Prepaid and other assets include the balance of prepaid expenses, deposits, debt issuance costs on our revolving credit facility, restricted cash and other assets. The current portion of these assets is included in prepaid and other assets and the non-current portion is included in other assets, both of which are contained within the Condensed Consolidated Balance Sheets.

We reclassified $23.7 million of debt issuance costs related to our outstanding debt from the non-current portion of other assets to contra-liabilities included in long-term debt as of December 31, 2015 in connection with our retrospective adoption of ASU No. 2015-03. The remaining debt issuance costs included in the non-current portion of other assets relate to our line-of-credit arrangements and were not reclassified consistent with our adoption of ASU No. 2015-15.

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

	At September 30, 2016	At December 31, 2015
Prepaid expenses and other assets		
Prepaid expenses	$ 6,334	$ 8,255
Deposits	8,680	8,946
Other	3,748	3,571
Total prepaid expenses and other assets	$ 18,762	$ 20,772

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

	At September 30, 2016	At December 31, 2015
Other assets		
Debt issuance costs	$ 747	$ 919
Prepaid expenses and deposits	3,984	4,521
Other	3,917	5,934
Total other assets	$ 8,648	$ 11,374

8. 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 market and accounted for using the FIFO method.

Inventory consisted of the following (in thousands):

	At September 30, 2016	At December 31, 2015
Inventory		
Raw materials and component parts, net of reserves of $937 and $912 at September 30, 2016 and December 31, 2015, respectively	$ 14,667	$ 23,663
Work in progress	2,071	1,495
Finished goods	4,039	3,580
Total inventory	$ 20,777	$ 28,738

9. PROPERTY, EQUIPMENT AND LEASED ASSETS

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

		At September 30, 2016			At December 31, 2015		
	Useful Life (Years)	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Property, equipment and leased assets							
Rental pool - deployed	2 - 4	$ 117,074	$ 52,096	$ 64,978	$ 91,743	$ 29,993	$ 61,750
Rental pool - undeployed	2 - 4	14,680	5,644	9,036	11,950	3,361	8,589
ATM equipment	5	16,786	10,883	5,903	20,601	12,885	7,716
Leasehold and building improvements	Lease Term	9,978	3,263	6,715	7,564	2,038	5,526
Cash advance equipment	3	8,510	3,955	4,555	7,662	2,711	4,951
Machinery, office and other equipment	2 - 5	29,999	18,679	11,320	32,313	14,537	17,776
Total		$ 197,027	$ 94,520	$ 102,507	$ 171,833	$ 65,525	$ 106,308

In the second quarter of 2016, our corporate aircraft was classified as held for sale and sold for $4.8 million during the period. We recognized a $0.9 million loss on the sale of the aircraft, which was included in operating expenses in the Condensed Consolidated Statements of Loss and Comprehensive Loss for the nine months ended September 30, 2016. The aircraft was included in machinery, office and other equipment.

In connection with the sale of certain assets related to our PokerTek products during the three months ended September 30, 2015 for a purchase price of $5.4 million, we recorded a gain of approximately $3.9 million, which was included in the operating expenses in our Condensed Consolidated Statements of Operations and Comprehensive Loss for such period.

Depreciation expense related to other property, equipment and leased assets totaled approximately $12.4 million and $37.2 million for the three and nine months ended September 30, 2016, respectively, and $10.9 million and $32.0 million for the three and nine months ended September 30, 2015, respectively. Our property, equipment and leased assets were not impaired for the three and nine months ended September 30, 2016 and 2015, 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 $786.9 million and $789.8 million at September 30, 2016 and December 31, 2015, respectively.

In accordance with ASC 350, we test goodwill at the reporting unit level, which in certain cases may be a component of an operating segment, for impairment on an annual basis and between annual tests if triggering 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 estimate of fair value requires significant judgment. We based our fair value estimates on assumptions that we believe to be reasonable but that are unpredictable and inherently uncertain, including estimates of future growth rates, operating margins and assumptions about the overall economic climate as well as the competitive environment for our reporting units. There can be no assurance that our estimates and assumptions made for purposes of our goodwill testing as of the time of testing will prove to be accurate predictions of the future. If our assumptions regarding business plans, competitive environments or anticipated growth rates are not correct, we may be required to record goodwill impairment charges in future periods, whether in connection with our next annual impairment testing, or earlier, if an indicator of an impairment is present prior to our next annual evaluation.

No impairment was identified for our goodwill for the three and nine months ended September 30, 2016 and 2015.

Other Intangible Assets

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

		At September 30, 2016			At December 31, 2015		
	Useful Life (years)	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Other intangible assets							
Contract rights under development and placement fee agreements	1 - 7	$ 24,858	$ 11,477	$ 13,381	$ 16,453	$ 7,612	$ 8,841
Customer contracts	7 - 14	50,975	39,019	11,956	50,177	34,755	15,422
Customer relationships	8 - 12	231,100	37,447	193,653	231,100	21,723	209,377
Developed technology and software	1 - 6	218,269	110,998	107,271	197,658	63,591	134,067
Patents, trademarks and other	1 - 17	28,205	16,668	11,537	28,240	13,485	14,755
Total		$ 553,407	$ 215,609	$ 337,798	$ 523,628	$ 141,166	$ 382,462

Amortization expense related to other intangible assets totaled approximately $24.1 million and $70.9 million for the three and nine months ended September 30, 2016, respectively, and $21.5 million and $62.9 million for the three and nine months ended September 30, 2015, respectively. We capitalized and placed into service $6.4 million and $16.0 million of software development costs for the three and nine months ended September 30, 2016, respectively, and $6.7 million and $12.3 million of software development costs for the three and nine months ended September 30, 2015, respectively.

On a quarterly basis, we evaluate our other intangible assets for potential impairment as part of our quarterly review process. No impairment was identified for our other intangible assets during our assessment for the three and nine months ended September 30, 2016 and 2015.

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

In addition, certain development agreements allow the facilities to buy out floor space after advances that are subject to repayment have been repaid. The development agreements typically provide for a portion of the amounts retained by each facility for its share of the operating profits of the facility to be used to repay some or all of the advances recorded as notes receivable, which are included as part of other receivables current and non-current in the Condensed Consolidated Balance Sheets. There were no receivables related to development agreements at September 30, 2016 and December 31, 2015. Placement fees and amounts advanced in excess of those to be reimbursed by the customer for real property and land improvements are allocated to intangible assets and are generally amortized over the term of the contract, which is recorded as a reduction of revenue generated from the facility. In the past we have, and in the future, we may, by mutual agreement, amend these agreements to reduce our floor space at the facilities. Any proceeds received for the reduction of floor space is first applied against the intangible asset for that particular development or placement fee agreement, if any, and the remaining net book value of the intangible asset is prospectively amortized on a straight-line method over the remaining estimated useful life. We did not enter into any placement fee agreements during the three months ended September 30, 2016 and 2015, respectively. We paid approximately $11.2 million and $2.8 million to extend the term of placement fee agreements with a customer for certain of its locations for the nine months ended September 30, 2016 and 2015, respectively.

During the three months ended September 30, 2016, we foreclosed on the Bee Cave assets, evaluated its platform, and began to utilize these assets in connection with our social gaming strategy to deliver content from our existing game library. Consequently, we extinguished the note receivable and recorded $0.5 million of developed technology and software within other intangible assets, net on the Condensed Consolidated Balance Sheets as of September 30, 2016.

11. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

	At September 30, 2016	At December 31, 2015
Accounts payable and accrued expenses		
Trade accounts payable	$ 47,956	$ 67,139
Accrued interest	15,036	73
Payroll and related expenses	8,600	8,565
Deferred and unearned revenues	9,833	10,836
Cash access processing and related expenses	4,666	4,662
Accrued taxes	3,084	1,654
Other	9,644	8,583
Total accounts payable and accrued expenses	$ 98,819	$ 101,512

12. LONG-TERM DEBT

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

	At September 30, 2016	At December 31, 2015
Long-term debt		
Senior secured term loan	$ 468,100	$ 490,000
Senior secured notes	335,000	335,000
Senior unsecured notes	350,000	350,000
Total debt	1,153,100	1,175,000
Less: debt issuance costs and warrant discount	(30,335)	(35,101)
Total debt after debt issuance costs and discount	1,122,765	1,139,899
Less: current portion of long-term debt	(10,000)	(10,000)
Long-term debt, less current portion	$ 1,112,765	$ 1,129,899

We reclassified $23.7 million of debt issuance costs related to our outstanding debt from the non-current portion of other assets to contra-liabilities included in long-term debt as of December 31, 2015 in connection with our retrospective adoption of ASU No. 2015-03. The remaining debt issuance costs included in the non-current portion of other assets relates to our line-of-credit arrangements and were not reclassified consistent with our adoption of ASU No. 2015-15.

Credit Facilities

In December 2014, Everi Payments, as borrower, and Holdings entered into a credit facility with Bank of America, N.A., as administrative agent, collateral agent, swing line lender and letter of credit issuer; Deutsche Bank Securities Inc., as syndication agent; and Merrill Lynch, Pierce, Fenner & Smith Incorporated and Deutsche Bank Securities, Inc., as joint lead arrangers and joint book managers (the “Credit Agreement”). The Credit Agreement consists of the $500.0 million, six-year senior secured term loan facility that matures in 2020 (the “Term Loan”) and the $50.0 million, five-year senior secured revolving credit facility that matures in 2019 (the “Revolving Credit Facility,” and together with the Term Loan, the “Credit Facilities”). The fees associated with the Credit Facilities included discounts of approximately $7.5 million and debt issuance costs of approximately $13.9 million. All borrowings under the Credit Facilities are subject to the satisfaction of customary conditions, including the absence of a default and compliance with representations and warranties.

We are required to repay the Term Loan in an amount equal to 0.50% per quarter of the initial aggregate principal with the final principal repayment installment on the maturity date. Interest is due in arrears each March, June, September and December and at the maturity date. However, interest may be remitted within one to three months of such dates.

The Term Loan had an applicable interest rate of 6.25% as of September 30, 2016 and December 31, 2015.

The interest rate per annum applicable to the Revolving Credit Facility is, at our option, the base rate or LIBOR plus, in each case, an applicable margin. The interest rate per annum applicable to the Term Loan is also, at our option, the base rate or LIBOR plus, in each case, an applicable margin. LIBOR will be reset at the beginning of each selected interest period based on the LIBOR rate then in effect; provided that, with respect to the Revolving Credit Facility, if LIBOR is below zero, then such rate will be equal to zero plus the applicable margin, and, with respect to the Term Loan, if LIBOR is below 1.0%, then such rate will be equal to 1.0% plus the applicable margin. The base rate is a fluctuating interest rate equal to the highest of (a) the prime lending rate announced by the administrative agent, (b) the federal funds effective rate from time to time plus 0.50%, and (c) LIBOR (after taking account of any applicable floor) applicable for an interest period of one month plus 1.00%. The applicable margins of 4.75% and 5.25% for the Revolving Credit Facility and Term Loan, respectively, are subject to adjustment based on our consolidated secured leverage ratio.

Voluntary prepayments of the Term Loan and the Revolving Credit Facility and voluntary reductions in the unused commitments are permitted in whole or in part, in minimum amounts as set forth in the Credit Agreement, with prior notice but without premium or penalty.

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

The Credit Agreement contains certain covenants that, among other things, limit Holdings' ability, and the ability of certain of its subsidiaries, to incur additional indebtedness; sell assets or consolidate or merge with or into other companies; pay dividends or repurchase or redeem capital stock; make certain investments; issue capital stock of subsidiaries; incur liens; prepay, redeem or repurchase subordinated debt; and enter into certain types of transactions with our affiliates. The Credit Agreement also requires Holdings, together with its subsidiaries, to comply with a consolidated secured leverage ratio as well as an annual excess cash flow payment requirement. Based on our excess cash flow calculation at December 31, 2015, an excess cash flow payment of approximately $14.4 million was made during the nine months ended September 30, 2016.

Events of default under the Credit Agreement include customary events such as a cross-default provision with respect to other material debt (which includes Everi Payments' 7.25% Senior Secured Notes due 2021 and 10.00% Senior Unsecured Notes due 2022). In addition, an event of default will occur if Holdings undergoes a change of control. This is defined to include the case where Holdings ceases to own 100% of the equity interests of Everi Payments, or where any person or group acquires a percentage of the economic or voting interests of Holdings' capital stock of 35% or more (determined on a fully diluted basis), or where a majority of the board of directors of Everi Payments ceases to consist of persons who are directors of Holdings on the closing date of the Credit Facilities or other directors whose nomination for election to the board of directors of Holdings was recommended by a majority of the then continuing directors.

At September 30, 2016, we had approximately $468.1 million of borrowings outstanding under the Term Loan and no borrowings outstanding under the Revolving Credit Facility. We had $50.0 million of additional borrowing availability under the Revolving Credit Facility as of September 30, 2016. The weighted average interest rate on the Credit Facilities was approximately 6.25% for the nine months ended September 30, 2016.

We were in compliance with the terms of the Credit Facilities as of September 30, 2016 and December 31, 2015.

Senior Secured Notes and Refinance of Senior Secured Notes

In December 2014, we issued $350.0 million in aggregate principal amount of 7.75% Secured Notes due 2021 (the "Secured Notes"). The fees associated with the Secured Notes included debt issuance costs of approximately $13.6 million. The Secured Notes were acquired by the initial purchasers pursuant to the terms of a purchase agreement. Under the terms of the purchase agreement, during a one-year period following the closing and upon prior notice from the initial purchasers, the Company was required to use commercially reasonable efforts to aid the purchasers in the resale of the Secured Notes, including by preparing an updated offering memorandum and participating in reasonable marketing efforts including road shows, to the extent required therein. Alternatively, we had the ability to redeem the Secured Notes from the initial purchasers without penalty. On April 15, 2015, the Company entered into a note purchase agreement with Everi Payments, CPPIB Credit Investments III Inc. (the "Purchaser"), and Deutsche Bank Trust Company Americas, as collateral agent (the "Note Purchase Agreement"), and issued $335.0 million in aggregate principal amount of the 7.25% Secured Notes due 2021 (the "Refinanced Secured Notes") to the Purchaser in a private offering. With the proceeds from the issuance of the Refinanced Secured Notes, we redeemed, in full, the Company's then outstanding Secured Notes from the initial purchasers in accordance with the terms of the indenture governing the Secured Notes. In connection with the issuance of the Refinanced Secured Notes during the second quarter of 2015, we expensed $13.0 million of related debt issuance costs and fees to loss on extinguishment of debt associated with the redeemed Secured Notes that were outstanding prior to the refinance transaction.

In connection with the issuance of the Refinanced Secured Notes and pursuant to the terms of the Note Purchase Agreement, the Company issued a warrant to purchase shares of the Company's common stock (the "Warrant") to the

Purchaser. The Warrant expires on the sixth anniversary of the date of issuance. The number of shares issuable pursuant to the Warrant and the warrant exercise price are subject to adjustment for stock splits, reverse stock splits, stock dividends, mergers and certain other events. The Warrant was valued at $2.2 million using a modified Black-Scholes model and was accounted for as a debt discount.

Interest is due quarterly in arrears each January, April, July and October.

We were in compliance with the terms of the Refinanced Secured Notes as of September 30, 2016 and December 31, 2015.

Senior Unsecured Notes

In December 2014, we issued $350.0 million in aggregate principal amount of 10.0% Unsecured Notes due 2022 (the “Unsecured Notes”). The fees associated with the Unsecured Notes included original issue discounts of approximately $3.8 million and debt issuance costs of approximately $14.0 million.

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

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

In connection with the issuance of the Unsecured Notes, the Company entered into a registration rights agreement pursuant to which the Company agreed, for the benefit of the initial holders of the Unsecured Notes, to file with the SEC, and use its commercially reasonable efforts to cause to become effective, a registration statement relating to an offer to exchange the Unsecured Notes for an issue of SEC-registered notes with terms identical to the Unsecured Notes. On October 23, 2015, we filed a registration statement on Form S-4 with the SEC in accordance with the registration rights agreement outlining our offer to exchange the Unsecured Notes for identical notes without transfer restrictions. The registration statement was declared effective on November 3, 2015, and the exchange offer for the Unsecured Notes was completed on December 4, 2015 with 100% percent participation.

We were in compliance with the terms of the Unsecured Notes as of September 30, 2016 and December 31, 2015.

13. COMMITMENTS AND CONTINGENCIES

We are subject to claims and suits that arise from time to time in the ordinary course of business. We do not believe the liabilities, if any, which may ultimately result from the outcome of such matters, individually or in the aggregate, will have a material adverse impact on our financial position, liquidity or results of operations.

Gain Contingency Settlement

In January 2014, we filed a complaint against certain third party defendants alleging conspiracy in restraint of competition regarding interchange fees, monopolization by defendants in the relevant market, and attempted monopolization of the defendants in the relevant market. We demanded a trial by jury of all issues so triable. The defendants filed a motion to dismiss on March 13, 2014. A settlement agreement was reached as of January 16, 2015 and, on January 22, 2015, the settlement agreement was executed and delivered for which we received $14.4 million in cash and recorded the settlement proceeds in the first quarter of 2015. This settlement is included as a reduction of operating expenses in our Condensed Consolidated Statements of Loss and Comprehensive Loss for the nine months ended September 30, 2015.

14. SHAREHOLDERS' EQUITY

Preferred Stock. Our amended and restated certificate of incorporation, as amended, allows our Board of Directors, without further action by stockholders, to issue up to 50,000,000 shares of preferred stock in one or more series and to fix the designations, powers, preferences, privileges and relative participating, optional, or special rights as well as the qualifications, limitations or restrictions of the preferred stock, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences. As of September 30, 2016 and December 31, 2015, we had no shares of preferred stock outstanding.

Common Stock. Subject to the preferences that may apply to shares of preferred stock that may be outstanding at the time, the holders of outstanding shares of common stock are entitled to receive dividends out of assets legally available at the times and in the amounts as our Board of Directors may from time to time determine. All dividends are non-cumulative. In the event of the liquidation, dissolution or winding up of Everi, the holders of common stock are entitled to share ratably in all assets remaining after the payment of liabilities, subject to the prior distribution rights of preferred stock, if any, then outstanding. Each stockholder is entitled to one vote for each share of common stock held on all matters submitted to a vote of stockholders. Cumulative voting for the election of directors is not provided for. The common stock is not entitled to preemptive rights and is not subject to conversion or redemption. There are no sinking fund provisions applicable to the common stock. Each outstanding share of common stock is fully paid and non-assessable. As of September 30, 2016 and December 31, 2015, we had 90,907,273 and 90,877,273 shares of common stock issued, respectively.

Treasury Stock. Employees may direct us to withhold vested shares of restricted stock to satisfy the minimum statutory withholding requirements applicable to their restricted stock vesting. We repurchased or withheld from restricted stock awards 2,223 and 7,135 shares of common stock for the three and nine months ended September 30, 2016, respectively, at an aggregate purchase price of $3,879 and $16,894, respectively, and 2,456 and 7,900 shares of common stock for the three and nine months ended September 30, 2015, respectively, at an aggregate purchase price of $14,214 and $54,124, respectively, to satisfy the minimum applicable tax withholding obligations related to the vesting of such restricted stock awards.

15. WEIGHTED AVERAGE COMMON SHARES

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Weighted average shares				
Weighted average number of common shares outstanding - basic	66,049	65,941	66,041	65,804
Potential dilution from equity grants [1]	—	—	—	—
Weighted average number of common shares outstanding - diluted	66,049	65,941	66,041	65,804

(1) The Company was in a net loss position for the three and nine months ended September 30, 2016 and 2015, respectively, and therefore, no potential dilution from the application of the treasury stock method was applicable. Equity awards to purchase approximately 18.5 million and 15.9 million shares of common stock for the three and nine months ended September 30, 2016, respectively, and 16.5 million and 12.3 million shares of common stock for the three and nine months ended September 30, 2015, respectively, were excluded from the computation of diluted net loss per share as this effect would have been antidilutive.

16. SHARE-BASED COMPENSATION

Equity Incentive Awards

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

Generally, we grant the following award types: (a) time-based options, (b) cliff-vesting time-based options, (c) market-based options and (d) restricted stock. These awards have varying vesting provisions and expiration periods. For the three and nine months ended September 30, 2016, we granted time- and market-based options.

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

Our market-based options granted under our equity plans in 2016 vest at a rate of 25% per year on each of the first four anniversaries, 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 fifty percent (50%) premium to the closing stock price on the grant date. If the price hurdle is not met as of the vesting date for a vesting tranche, then the vested tranche shall vest and become vested shares on the last day of a period of thirty (30) consecutive trading days during which the closing price is at least the price hurdle. These options expire after a ten-year period.

Our market-based stock options granted under the 2014 Plan in 2015 vest if our average stock price in any period of 30 consecutive trading days meets certain target prices during a four-year period that commenced on the date of grant for these options. These options expire after a seven-year period.

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

	Stock Options Granted	Restricted Stock Granted
Outstanding, December 31, 2015	17,440	310
Additional authorized shares	—	—
Granted	4,242	—
Exercised options or vested shares	—	(30)
Canceled or forfeited	(3,367)	(155)
Outstanding, September 30, 2016	18,315	125

The maximum number of shares available for future equity awards, both under the 2014 Plan and 2012 Plan, is approximately 5.0 million shares of our common stock. There are no shares available for future equity awards under the 2005 Plan.

Stock Options

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

	Nine months ended September 30,	
	2016	2015
Risk-free interest rate	1 %	1 %
Expected life of options (in years)	5	4
Expected volatility	51 %	43 %
Expected dividend yield	— %	— %

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

The fair value of market-based options granted in connection with the annual grant that occurred during the second quarter of 2016 was determined as of the date of grant using a lattice-based option valuation model with the following assumptions:

	Nine months ended September 30,	
	2016	2015
Risk-free interest rate	2 %	1 %
Measurement period (in years)	10	4
Expected volatility	68 %	43 %
Expected dividend yield	— %	— %

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

The following tables present the options activity:

	Number of Common Shares (in thousands)	Weighted Average Exercise Price (per share)	Weighted Average Life Remaining (years)	Aggregate Intrinsic Value (in thousands)
Outstanding, December 31, 2015	17,440	$ 7.41	6.6	$ 1,212
Granted	4,242	1.65		
Exercised	—	—		
Canceled or forfeited	(3,367)	7.30		
Outstanding, September 30, 2016	18,315	$ 6.09	6.6	$ 3,518
Vested and expected to vest, September 30, 2016	16,201	$ 6.21	6.5	$ 2,770
Exercisable, September 30, 2016	9,335	$ 7.28	5.0	$ 42

There were 0.2 million and 4.2 million options granted for the three and nine months ended September 30, 2016, respectively. There were 0.4 million and 6.5 million options granted for the three and nine months ended September 30, 2015, respectively. The weighted average grant date fair value per share of the options granted was $0.89 and $0.81 for the three and nine months ended September 30, 2016, respectively. The weighted average grant date fair value per share of the options granted was $2.32 and $2.48 for the three and nine months ended September 30, 2015, respectively. No options were exercised during the three and nine months ended September 30, 2016. The total intrinsic value of options exercised was $30,561 and $0.8 million for the three and nine months ended September 30, 2015, respectively.

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

There was $20.4 million in unrecognized compensation expense related to options expected to vest as of September 30, 2015. This cost was expected to be recognized on a straight-line basis over a weighted average period of 2.8 years. We recorded $5.4 million in non-cash compensation expense related to options granted that were expected to vest as of September 30, 2015. We received $1.8 million in cash from the exercise of options for the nine months ended September 30, 2015.

Restricted Stock

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

	Shares Outstanding (in thousands)	Weighted Average Grant Date Fair Value (per share)
Outstanding, December 31, 2015	310	$ 7.11
Granted	—	—
Vested	(30)	7.09
Forfeited	(155)	7.12
Outstanding, September 30, 2016	125	$ 7.12

There were no shares of restricted stock granted for the three and nine months ended September 30, 2016 and 2015. The total fair value of restricted stock vested was $23,393 and $74,100 for the three and nine months ended September 30, 2016, respectively. The total fair value of restricted stock vested was $0.1 million and $0.2 million for the three and nine months ended September 30, 2015, respectively.

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

There was $2.2 million in unrecognized compensation expense related to shares of time-based restricted shares expected to vest as of September 30, 2015. This cost was expected to be recognized on a straight-line basis over a weighted average period of 2.6 years. There were 32,500 shares of time-based restricted shares vested and we recorded $0.6 million in non-cash compensation expense related to the restricted stock granted that was expected to vest for the nine months ended September 30, 2015.

17. INCOME TAXES

The provision for income tax reflected an effective income tax rate benefit of 37.7% and 39.4% for the three and nine months ended September 30, 2016, respectively, which was higher than the statutory federal rate of 35.0% primarily due to state taxes, the lower foreign tax rate applicable to our foreign source income, and the benefit from a research credit, which was partially offset by non-statutory stock options that expired during 2016. The provision for income tax reflected an effective income tax rate expense of 39.3% and 37.0% for the same periods in the prior year, respectively, which was higher than the statutory federal rate of 35.0% primarily due to state taxes and the lower foreign tax rate applicable to our foreign source income, which was partially offset by non-statutory stock options that expired during 2015.

We have analyzed filing positions in all of the federal, state and foreign jurisdictions where we are required to file income tax returns, as well as all open tax years in these jurisdictions. As part of our acquisition of Everi Games Holding in 2014, the Company recorded $0.7 million of unrecognized tax benefits. The Company has not accrued any penalties and interest for its unrecognized tax benefits. Other than the unrecognized tax benefit related to the acquisition of Everi Games Holding, we believe that our income tax filing positions and deductions will be sustained upon audit and we do not anticipate any 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 expense.

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 in deciding how to allocate resources and in assessing performance. Our chief operating decision-making group consists of the Chief Executive Officer and the Chief Financial Officer. This group manages the business, allocates resources and measures profitability based on our operating segments. The operating segments are reviewed separately because each represents products that can be sold separately to our customers.

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

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

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

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

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

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

The following tables present segment information (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2016	2015	2016	2015
Revenues				
Games	$ 56,218	$ 53,983	$ 158,660	$ 163,896
Payments	165,959	154,763	483,286	458,687
Total revenues	$ 222,177	$ 208,746	$ 641,946	$ 622,583
Operating (loss) income				
Games	$ (4,183)	$ 2,368	$ (14,638)	$ 7,180
Payments	15,755	12,348	36,054	52,012
Total operating income	$ 11,572	$ 14,716	$ 21,416	$ 59,192

	At September 30, 2016	At December 31, 2015
Total assets		
Games	$ 1,056,064	$ 1,086,147
Payments	400,149	464,238
Total assets	$ 1,456,213	$ 1,550,385

Major Customers. For the three and nine months ended September 30, 2016 and 2015, no single customer accounted for more than 10% of our revenues. Our five largest customers accounted for approximately 30% and 31% for the three and nine months ended September 30, 2016, respectively, and 29% and 30% for the three and nine months ended September 30, 2015, respectively.

19. CONDENSED CONSOLIDATING FINANCIAL INFORMATION

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

Presented below is condensed consolidating financial information for (a) Parent, (b) Subsidiary Issuer, (c) the Guarantor Subsidiaries and (d) our U.S. subsidiaries that are not Guarantor Subsidiaries and our foreign subsidiaries (collectively, the "Non-Guarantor Subsidiaries") as of September 30, 2016 and December 31, 2015 and for the three and nine months ended September 30, 2016 and 2015. The condensed consolidating financial information has been presented to show the nature of assets held and the results of operations and cash flows of Parent, Subsidiary Issuer, the Guarantor Subsidiaries and the Non-Guarantor Subsidiaries assuming that the guarantee structure of the Unsecured Notes had been in effect at the beginning of the periods presented.

	Three Months Ended September 30, 2016					
	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Revenues						
Games	$ —	$ —	$ 56,218	$ —	$ —	$ 56,218
Payments	—	153,145	7,519	5,417	(122)	165,959
Total revenues	—	153,145	63,737	5,417	(122)	222,177
Costs and expenses						
Games cost of revenue (exclusive of depreciation and amortization)	—	—	15,467	—	—	15,467
Payments cost of revenue (exclusive of depreciation and amortization)	—	122,316	2,206	2,689	—	127,211
Operating expenses	—	16,491	10,148	479	(122)	26,996
Research and development	—	—	4,460	—	—	4,460
Depreciation	—	1,892	10,447	28	—	12,367
Amortization	—	3,128	20,439	537	—	24,104
Total costs and expenses	—	143,827	63,167	3,733	(122)	210,605
Operating income	—	9,318	570	1,684	—	11,572
Other expenses (income)						
Interest expense, net of interest income	—	1,371	23,399	45	—	24,815
Equity in loss (income) of subsidiaries	8,254	(4,306)	—	—	(3,948)	—
Total other expenses (income)	8,254	(2,935)	23,399	45	(3,948)	24,815
(Loss) income before income tax	(8,254)	12,253	(22,829)	1,639	3,948	(13,243)
Income tax provision (benefit)	—	3,849	(9,261)	423	—	(4,989)
Net (loss) income	(8,254)	8,404	(13,568)	1,216	3,948	(8,254)
Foreign currency translation	(394)	—	—	(394)	394	(394)
Comprehensive (loss) income	$ (8,648)	$ 8,404	$ (13,568)	$ 822	$ 4,342	$ (8,648)

	Three Months Ended September 30, 2015					
	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Revenues						
Games	$ —	$ —	$ 53,983	$ —	$ —	$ 53,983
Payments	—	143,031	7,127	4,767	(162)	154,763
Total revenues	—	143,031	61,110	4,767	(162)	208,746
Costs and expenses						
Games cost of revenue (exclusive of depreciation and amortization)	—	—	12,421	—	—	12,421
Payments cost of revenue (exclusive of depreciation and amortization)	—	112,344	2,549	2,503	—	117,396
Operating expenses	—	19,085	6,932	440	(162)	26,295
Research and development	—	—	5,463	—	—	5,463
Depreciation	—	1,881	9,018	44	—	10,943
Amortization	—	2,448	18,487	577	—	21,512
Total costs and expenses	—	135,758	54,870	3,564	(162)	194,030
Operating income	—	7,273	6,240	1,203	—	14,716
Other expense (income)						
Interest expense, net of interest income	—	1,365	23,266	65	—	24,696
Equity in loss (income) of subsidiaries	6,110	(3,365)	—	—	(2,745)	—
Loss on extinguishment of debt	—	87	—	—	—	87
Total other expense (income)	6,110	(1,913)	23,266	65	(2,745)	24,783
(Loss) income before income tax	(6,110)	9,186	(17,026)	1,138	2,745	(10,067)
Income tax provision (benefit)	—	2,356	(6,606)	293	—	(3,957)
Net (loss) income	(6,110)	6,830	(10,420)	845	2,745	(6,110)
Foreign currency translation	(788)	—	—	(788)	788	(788)
Comprehensive (loss) income	$ (6,898)	$ 6,830	$ (10,420)	$ 57	$ 3,533	$ (6,898)

	Nine Months Ended September 30, 2016					
	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Revenues						
Games	$ —	$ —	$ 158,660	$ —	$ —	$ 158,660
Payments	—	447,762	22,622	13,769	(867)	483,286
Total revenues	—	447,762	181,282	13,769	(867)	641,946
Costs and expenses						
Games cost of revenue (exclusive of depreciation and amortization)	—	—	36,871	—	—	36,871
Payments cost of revenue (exclusive of depreciation and amortization)	—	359,265	6,754	7,347	—	373,366
Operating expenses	—	53,912	33,230	1,460	(867)	87,735
Research and development	—	—	14,499	—	—	14,499
Depreciation	—	6,376	30,707	89	—	37,172
Amortization	—	9,370	59,830	1,687	—	70,887
Total costs and expenses	—	428,923	181,891	10,583	(867)	620,530
Operating income (loss)	—	18,839	(609)	3,186	—	21,416
Other expense (income)						
Interest expense, net of interest income	—	4,880	69,500	168	—	74,548
Equity in loss (income) of subsidiaries	32,202	(11,120)	—	—	(21,082)	—
Total other expense (income)	32,202	(6,240)	69,500	168	(21,082)	74,548
(Loss) income before income tax	(32,202)	25,079	(70,109)	3,018	21,082	(53,132)
Income tax provision (benefit)	—	5,785	(27,642)	927	—	(20,930)
Net (loss) income	(32,202)	19,294	(42,467)	2,091	21,082	(32,202)
Foreign currency translation	(1,314)	—	—	(1,314)	1,314	(1,314)
Comprehensive (loss) income	$ (33,516)	$ 19,294	$ (42,467)	$ 777	$ 22,396	$ (33,516)

	Nine Months Ended September 30, 2015					
	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Revenues						
Games	$ —	$ —	$ 163,896	$ —	$ —	$ 163,896
Payments	—	424,259	22,023	12,853	(448)	458,687
Total revenues	—	424,259	185,919	12,853	(448)	622,583
Costs and expenses						
Games cost of revenue (exclusive of depreciation and amortization)	—	—	36,745	—	—	36,745
Payments cost of revenue (exclusive of depreciation and amortization)	—	333,592	6,971	6,754	—	347,317
Operating expenses	—	42,084	26,027	1,319	(448)	68,982
Research and development	—	—	15,369	—	—	15,369
Depreciation	—	5,442	26,440	155	—	32,037
Amortization	—	6,858	54,222	1,861	—	62,941
Total costs and expenses	—	387,976	165,774	10,089	(448)	563,391
Operating income	—	36,283	20,145	2,764	—	59,192
Other expense (income)						
Interest expense, net of interest income	—	5,977	69,089	243	—	75,309
Equity in loss (income) of subsidiaries	18,382	(10,077)	—	—	(8,305)	—
Loss on extinguishment of debt	—	13,063	—	—	—	13,063
Total other expense (income)	18,382	8,963	69,089	243	(8,305)	88,372
(Loss) income before income tax	(18,382)	27,320	(48,944)	2,521	8,305	(29,180)
Income tax provision (benefit)	—	7,378	(19,050)	874	—	(10,798)
Net (loss) income	(18,382)	19,942	(29,894)	1,647	8,305	(18,382)
Foreign currency translation	(850)	—	—	(850)	850	(850)
Comprehensive (loss) income	$ (19,232)	$ 19,942	$ (29,894)	$ 797	$ 9,155	$ (19,232)

	At September 30, 2016					
	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
ASSETS						
Current assets						
Cash and cash equivalents	$ —	$ 62,494	$ 10,964	$ 17,030	$ —	$ 90,488
Settlement receivables	—	31,120	—	4,599	—	35,719
Trade receivables, net	—	4,787	43,606	—	—	48,393
Other receivables	—	3,679	657	133	—	4,469
Inventory	—	7,216	13,561	—	—	20,777
Prepaid expenses and other assets	—	6,360	3,566	8,836	—	18,762
Intercompany balances	—	99,613	183,185	1,879	(284,677)	—
Total current assets	—	215,269	255,539	32,477	(284,677)	218,608
Non-current assets						
Property, equipment and leasehold improvements, net	—	16,891	85,365	251	—	102,507
Goodwill	—	151,417	634,811	631	—	786,859
Other intangible assets, net	—	26,306	306,262	5,230	—	337,798
Other receivables	—	1,784	9	—	—	1,793
Investment in subsidiaries	107,833	168,980	—	86	(276,899)	—
Deferred tax asset	—	55,030	—	—	(55,030)	—
Other assets	—	5,707	2,609	332	—	8,648
Intercompany balances	—	1,141,413	—	—	(1,141,413)	—
Total non-current assets	107,833	1,567,528	1,029,056	6,530	(1,473,342)	1,237,605
Total assets	$ 107,833	$ 1,782,797	$ 1,284,595	$ 39,007	$ (1,758,019)	$ 1,456,213
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current liabilities						
Settlement liabilities	$ —	$ 108,253	$ 169	$ 9,512	$ —	$ 117,934
Accounts payable and accrued expenses	—	73,011	24,165	1,643	—	98,819
Current portion of long-term debt	—	10,000	—	—	—	10,000
Intercompany balances	—	184,872	93,646	6,159	(284,677)	—
Total current liabilities	—	376,136	117,980	17,314	(284,677)	226,753
Non-current liabilities						
Deferred tax liability	—	—	60,415	—	(55,030)	5,385
Long-term debt, less current portion	—	1,112,765	—	—	—	1,112,765
Other accrued expenses and liabilities	—	2,926	351	—	—	3,277
Intercompany balances	—	—	1,141,413	—	(1,141,413)	—
Total non-current liabilities	—	1,115,691	1,202,179	—	(1,196,443)	1,121,427
Total liabilities	—	1,491,827	1,320,159	17,314	(1,481,120)	1,348,180
Stockholders' equity						
Common stock	91	—	—	—	—	91
Convertible preferred stock	—	—	—	—	—	—
Additional paid-in capital	262,166	83,343	4,906	21,101	(109,350)	262,166
Retained earnings	22,978	208,823	(40,670)	3,271	(171,424)	22,978
Accumulated other comprehensive (loss) income	(1,196)	(1,196)	200	(2,679)	3,875	(996)
Treasury stock, at cost	(176,206)	—	—	—	—	(176,206)
Total stockholders' equity	107,833	290,970	(35,564)	21,693	(276,899)	108,033
Total liabilities and stockholders' equity	$ 107,833	$ 1,782,797	$ 1,284,595	$ 39,007	$ (1,758,019)	$ 1,456,213

	At December 31, 2015					
	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
ASSETS						
Current assets						
Cash and cash equivalents	$ 6	$ 87,078	$ 3,900	$ 11,046	$ —	$ 102,030
Settlement receivables	—	42,437	—	2,496	—	44,933
Trade receivables, net	—	10,750	41,634	(2)	—	52,382
Other receivables	—	4,063	833	32	—	4,928
Inventory	—	12,772	15,966	—	—	28,738
Prepaid expenses and other assets	—	6,464	5,160	9,148	—	20,772
Intercompany balances	—	39,810	168,659	1,431	(209,900)	—
Total current assets	6	203,374	236,152	24,151	(209,900)	253,783
Non-current assets						
Property, equipment and leasehold improvements, net	—	26,472	79,514	322	—	106,308
Goodwill	—	154,395	634,811	597	—	789,803
Other intangible assets, net	—	32,000	343,629	6,833	—	382,462
Other receivables	—	3,256	3,399	—	—	6,655
Investment in subsidiaries	137,414	159,735	—	86	(297,235)	—
Deferred tax asset	—	65,577	—	—	(65,577)	—
Other assets	—	7,256	3,667	451	—	11,374
Intercompany balances	—	1,136,505	—	—	(1,136,505)	—
Total non-current assets	137,414	1,585,196	1,065,020	8,289	(1,499,317)	1,296,602
Total assets	$ 137,420	$ 1,788,570	$ 1,301,172	$ 32,440	$ (1,709,217)	$ 1,550,385
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current liabilities						
Settlement liabilities	$ —	$ 136,109	$ 162	$ 3,548	$ —	$ 139,819
Accounts payable and accrued expenses	—	67,736	32,593	1,183	—	101,512
Current portion of long-term debt	—	10,000	—	—	—	10,000
Intercompany balances	—	170,091	32,732	7,077	(209,900)	—
Total current liabilities	—	383,936	65,487	11,808	(209,900)	251,331
Non-current liabilities						
Deferred tax liability	—	—	93,221	—	(65,577)	27,644
Long-term debt, less current portion	—	1,129,899	—	—	—	1,129,899
Other accrued expenses and liabilities	—	3,624	467	—	—	4,091
Intercompany balances	—	—	1,136,505	—	(1,136,505)	—
Total non-current liabilities	—	1,133,523	1,230,193	—	(1,202,082)	1,161,634
Total liabilities	—	1,517,459	1,295,680	11,808	(1,411,982)	1,412,965
Stockholders' equity						
Common stock	91	—	—	—	—	91
Convertible preferred stock	—	—	—	—	—	—
Additional paid-in capital	258,020	80,443	3,670	21,101	(105,214)	258,020
Retained earnings	55,180	190,375	1,797	1,180	(193,352)	55,180
Accumulated other comprehensive income (loss)	318	293	25	(1,649)	1,331	318
Treasury stock, at cost	(176,189)	—	—	—	—	(176,189)
Total stockholders' equity	137,420	271,111	5,492	20,632	(297,235)	137,420
Total liabilities and stockholders' equity	$ 137,420	$ 1,788,570	$ 1,301,172	$ 32,440	$ (1,709,217)	$ 1,550,385

	Nine Months Ended September 30, 2016					
	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Cash flows from operating activities						
Net (loss) income	$ (32,202)	$ 19,294	$ (42,467)	$ 2,091	$ 21,082	$ (32,202)
Adjustments to reconcile net (loss) income to cash provided by operating activities:						
Depreciation and amortization	—	15,746	90,537	1,776	—	108,059
Amortization of financing costs	—	5,023	—	—	—	5,023
Loss on sale or disposal of assets	—	1,349	1,205	—	—	2,554
Accretion of contract rights	—	—	6,521	—	—	6,521
Provision for bad debts	—	18	7,174	—	—	7,192
Write-down of assets	—	—	4,289	—	—	4,289
Reserve for obsolescence	—	484	458	—	—	942
Equity loss (income)	32,202	(11,120)	—	—	(21,082)	—
Stock-based compensation	—	2,910	1,236	—	—	4,146
Other non-cash items	—	—	(38)	—	—	(38)
Changes in operating assets and liabilities:						
Net settlement receivables and liabilities	—	(16,538)	6	3,690	—	(12,842)
Other changes in operating assets and liabilities	1	(16,609)	8,777	(5)	—	(7,836)
Net cash provided by operating activities	1	557	77,698	7,552	—	85,808
Cash flows from investing activities						
Capital expenditures	—	(7,330)	(59,622)	(73)	—	(67,025)
Acquisitions, net of cash acquired	—	(694)	—	—	—	(694)
Proceeds from sale of fixed assets	—	4,608	—	—	—	4,608
Advances under development and placement agreements	—	—	(11,187)	—	—	(11,187)
Changes in restricted cash and cash equivalents	—	88	—	—	—	88
Intercompany Investing Activities	10	499	175	(67)	(617)	—
Net cash provided by (used in) investing activities	10	(2,829)	(70,634)	(140)	(617)	(74,210)
Cash flows from financing activities						
Repayments of credit facility	—	(21,900)	—	—	—	(21,900)
Debt issuance costs	—	(480)	—	—	—	(480)
Purchase of treasury stock	(17)	—	—	—	—	(17)
Intercompany financing activities	—	68	—	(685)	617	—
Net cash used in financing activities	(17)	(22,312)	—	(685)	617	(22,397)
Effect of exchange rates on cash	—	—	—	(743)	—	(743)
Cash and cash equivalents						
Net (decrease) increase for the period	(6)	(24,584)	7,064	5,984	—	(11,542)
Balance, beginning of the period	6	87,078	3,900	11,046	—	102,030
Balance, end of the period	$ —	62,494	10,964	17,030	—	90,488

	Nine Months Ended September 30, 2015					
	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Cash flows from operating activities						
Net (loss) income	$ (18,382)	$ 19,942	$ (29,894)	$ 1,647	$ 8,305	$ (18,382)
Adjustments to reconcile net income to cash provided by operating activities:						
Depreciation and amortization	—	12,300	80,662	2,016	—	94,978
Amortization of financing costs	—	5,459	—	—	—	5,459
Gain on sale or disposal of assets	—	(60)	(3,352)	—	—	(3,412)
Accretion of contract rights	—	—	6,006	—	—	6,006
Provision for bad debts	—	—	6,967	—	—	6,967
Reserve for obsolescence	—	160	341	—	—	501
Loss on early extinguishment of debt	—	13,063	—	—	—	13,063
Equity in loss (income) of subsidiaries	18,382	(10,077)	—	—	(8,305)	—
Stock-based compensation	—	5,144	944	—	—	6,088
Other non-cash items	—	—	127	—	—	127
Changes in operating assets and liabilities:						
Net settlement receivables and liabilities	—	7,510	(9)	(1,949)	—	5,552
Other changes in operating assets and liabilities	(5)	8,003	(20,701)	(881)	—	(13,584)
Net cash (used in) provided by operating activities	(5)	61,444	41,091	833	—	103,363
Cash flows from investing activities						
Capital expenditures	—	(13,688)	(35,512)	(334)	—	(49,534)
Acquisitions, net of cash acquired	—	(10,857)	—	—	—	(10,857)
Proceeds from sale of fixed assets	—	103	2,000	—	—	2,103
Advances under development and placement agreements	—	—	(2,813)	—	—	(2,813)
Repayments under development agreements	—	—	3,104	—	—	3,104
Changes in restricted cash and cash equivalents	—	(66)	—	—	—	(66)
Intercompany investing activities	(4,020)	6,600	—	(58)	(2,522)	—
Net cash used in investing activities	(4,020)	(17,908)	(33,221)	(392)	(2,522)	(58,063)
Cash flows from financing activities						
Repayments of credit facility	—	(7,500)	—	—	—	(7,500)
Repayments of secured notes	—	(350,000)	—	—	—	(350,000)
Proceeds from issuance of secured notes	—	335,000	—	—	—	335,000
Debt issuance costs	—	(1,146)	—	—	—	(1,146)
Issuance of warrant	2,246	(2,246)	—	—	—	—
Proceeds from exercise of stock options	1,833	—	—	—	—	1,833
Purchase of treasury stock	(54)	—	—	—	—	(54)
Intercompany financing activities	—	25	—	(2,547)	2,522	—
Net cash provided by (used in) financing activities	4,025	(25,867)	—	(2,547)	2,522	(21,867)
Effect of exchange rates on cash	—	—	—	(1,055)	—	(1,055)
Cash and cash equivalents						
Net increase (decrease) for the period	—	17,669	7,870	(3,161)	—	22,378
Balance, beginning of the period	—	68,143	6,489	14,463	—	89,095
Balance, end of the period	$ —	$ 85,812	$ 14,359	$ 11,302	$ —	$ 111,473

20. SUBSEQUENT EVENTS

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

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Cautionary Information Regarding Forward-Looking Statements

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

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

This quarterly report should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended December 31, 2015 and the information included in our other press releases, reports and other filings with the Securities and Exchange Commission (the "SEC"). Understanding the information contained in these filings is important in order to fully understand our reported financial results and our business outlook for future periods.

Overview

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

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

Trends and Developments Impacting our Business

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

- Casino gaming is dependent upon discretionary consumer spending, which is typically the first type of spending that is restrained by consumers when they are uncertain about their jobs and income. Global economic uncertainty in the marketplace may have an impact on casino gaming and ultimately the demand for new gaming equipment.

- The total North American installed slot base remained relatively flat to 2015. We expect flat to moderate growth in the forward replacement cycle for electronic gaming machines ("EGMs").

- The volume of new casino openings and new market expansions have slowed from previous years. The reduced demand as a result of fewer new market expansions will reduce the overall demand for slot machines.

- The payments card industry has implemented significant changes in the card acceptance requirements, specifically implementing standards surrounding cash access equipment's ability to accept cards enabled with Europay, MasterCard and Visa jointly developed card security features ("EMV") compliant chips. The effective dates for certain of these requirements will continue for the next couple of years and will impact our ability to accept certain card based transactions in the future, our development efforts surrounding our core processing platform and required capital expenditures to obtain equipment and technology to support EMV.

- There has been a greater use of personal identification number debit transactions by our customers as opposed to signature-based debit transactions.

- We face continued competition from smaller competitors in the gaming cash access market and face additional competition from larger gaming equipment manufacturers and systems providers. This increased competition has resulted in pricing pressure for both our Games and Payments businesses.

- Governmental oversight related to the cost of transaction processing and related fees to the consumer has increased in recent years. We expect the financial services and payments industry to respond to these legislative acts by changing other fees and costs, which may negatively impact our Payments business in the future.

- Casino operators continue to try to broaden their appeal by focusing on investments in the addition of non-gaming amenities to their facilities, which could impact casino operator's capital allocation for games.

Factors Affecting Comparability

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

- In April 2015, we redeemed, in full, $350.0 million in aggregate principal amount of 7.75% Secured Notes due 2021 (the "Secured Notes") and issued $335.0 million in aggregate principal amount of 7.25% Secured Notes due 2021 (the "Refinanced Secured Notes"). As a result, we expensed $13.0 million of debt issuance costs and fees to loss on extinguishment of debt during the three months ended June 30, 2015.

- In January 2015, a settlement agreement was reached in connection with a lawsuit we participated in as plaintiffs for which we received and recorded the settlement proceeds of $14.4 million in the first quarter of 2015. This settlement is included as a reduction of operating expenses in our Condensed Consolidated Statements of Loss and Comprehensive Loss for the year ended December 31, 2015.

As a result of the above transactions and events, the results of operations and earnings per share in the periods covered by the condensed consolidated financial statements may not be directly comparable.

Operating Segments

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

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

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

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

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

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

Results of Operations

Three months ended September 30, 2016 compared to three months ended September 30, 2015

The following table presents our unaudited condensed consolidated results of operations (in thousands)*:

	Three Months Ended September 30, 2016		Three Months Ended September 30, 2015		September 30, 2016 vs 2015	
	$	%	$	%	$ Variance	% Variance
Revenues						
Games	$ 56,218	25 %	$ 53,983	26 %	$ 2,235	4 %
Payments	165,959	75 %	154,763	74 %	11,196	7 %
Total revenues	222,177	100 %	208,746	100 %	13,431	6 %
Costs and expenses						
Games cost of revenue (exclusive of depreciation and amortization)	15,467	7 %	12,421	6 %	3,046	25 %
Payments cost of revenue (exclusive of depreciation and amortization)	127,211	57 %	117,396	56 %	9,815	8 %
Operating expenses	26,996	12 %	26,295	13 %	701	3 %
Research and development	4,460	2 %	5,463	3 %	(1,003)	(18)%
Depreciation	12,367	6 %	10,943	5 %	1,424	13 %
Amortization	24,104	11 %	21,512	10 %	2,592	12 %
Total costs and expenses	210,605	95 %	194,030	93 %	16,575	9 %
Operating income	11,572	5 %	14,716	7 %	(3,144)	(21)%
Other expenses						
Interest expense, net of interest income	24,815	11 %	24,696	12 %	119	— %
Loss on extinguishment of debt	—	— %	87	— %	(87)	— %
Total other expenses	24,815	11 %	24,783	12 %	32	— %
Loss before income tax	(13,243)	(6)%	(10,067)	(5)%	(3,176)	32 %
Income tax benefit	(4,989)	(2)%	(3,957)	(2)%	(1,032)	26 %
Net loss	$ (8,254)	(4)%	$ (6,110)	(3)%	$ (2,144)	35 %

* Rounding may cause variances.

Revenues

Total revenues increased by $13.4 million, or 6%, to $222.2 million for the three months ended September 30, 2016, as compared to the same period in the prior year. This was primarily due to increased Payments revenues.

Games revenues increased by $2.2 million, or 4%, to $56.2 million for the three months ended September 30, 2016, as compared to the same period in the prior year. This was primarily due to increased unit sales and a higher average sales price per unit.

Payments revenues increased by $11.2 million, or 7%, to $166.0 million for the three months ended September 30, 2016, as compared to the same period in the prior year. This was primarily due to higher ATM transaction volume and fees, including an increase in transaction volume from ATM portfolios acquired in late 2015 as well as an increase in revenue from point of sale debit card transactions.

Costs and Expenses

Games cost of revenues (exclusive of depreciation and amortization) increased by $3.0 million, or 25%, to $15.5 million for the three months ended September 30, 2016, as compared to the same period in the prior year. This was primarily due to higher costs associated with the increased unit sales volume.

Payments cost of revenues (exclusive of depreciation and amortization) increased by $9.8 million, or 8%, to $127.2 million for the three months ended September 30, 2016, as compared to the same period in the prior year. This was primarily due to the ATM portfolio acquisitions and higher commission expense on ATM revenues as well as the variable costs associated with the revenue results from point of sale debit card transactions.

Operating expenses increased by $0.7 million, or 3%, to $27.0 million for the three months ended September 30, 2016, as compared to the same period in the prior year. This was primarily due to the recognition of a gain on the sale of assets, which was recorded in the prior period. Excluding this gain, current period operating expenses primarily decreased as a result of lower non-cash stock compensation expense and professional fees.

Research and development decreased by $1.0 million, or 18%, to $4.5 million for the three months ended September 30, 2016, as compared to the same period in the prior year. This was primarily related to a higher capitalization of certain development costs.

Depreciation increased by $1.4 million, or 13%, to $12.4 million for the three months ended September 30, 2016, as compared to the same period in the prior year. This was primarily related to increased fixed assets being placed in service.

Amortization increased by $2.6 million, or 12%, to $24.1 million for the three months ended September 30, 2016, as compared to the same period in the prior year. This was primarily related to an increase in intangible assets being placed in service related to developed technology and software as well as certain intangible assets acquired in the fourth quarter of 2015.

Primarily as a result of the factors described above, operating income decreased by $3.1 million, or 21%, to $11.6 million for the three months ended September 30, 2016, as compared to the same period in the prior year. The operating income margin decreased from 7% for the three months ended September 30, 2015 to 5% for the three months ended September 30, 2016.

Interest expense, net of interest income, was relatively consistent at $24.8 million for the three months ended September 30, 2016, compared to $24.7 for the three months ended September 30, 2015.

Income tax benefit increased by $1.0 million, or 26%, to a benefit of $5.0 million for the three months ended September 30, 2016, as compared to the same period in the prior year. This was primarily due to the increase in loss before income tax expense of $3.2 million. The benefit for income tax reflected an effective income tax rate benefit of 37.7% for the three months ended September 30, 2016, which was higher than the statutory federal rate of 35% primarily due to state taxes, the lower foreign tax rate applicable to our foreign source income, and the benefit from a research credit, which was partially offset by non-statutory stock options that expired during 2016. The provision for income tax reflected an effective income tax rate expense of 39.3% for the same period in the prior year, which was higher than the statutory federal rate of 35% primarily due to state taxes and the lower foreign tax rate applicable to our foreign source income.

Nine months ended September 30, 2016 compared to nine months ended September 30, 2015

The following table presents our unaudited condensed consolidated results of operations (in thousands)*:

	Nine Months Ended					
	September 30, 2016		September 30, 2015		September 30, 2016 vs 2015	
	$	%	$	%	$ Variance	% Variance
Revenues						
Games	$ 158,660	25 %	$ 163,896	26 %	$ (5,236)	(3) %
Payments	483,286	75 %	458,687	74 %	24,599	5 %
Total revenues	641,946	100 %	622,583	100 %	19,363	3 %
Costs and expenses						
Games cost of revenue (exclusive of depreciation and amortization)	36,871	6 %	36,745	6 %	126	— %
Payments cost of revenue (exclusive of depreciation and amortization)	373,366	58 %	347,317	56 %	26,049	8 %
Operating expenses	87,735	14 %	68,982	11 %	18,753	27 %
Research and development	14,499	2 %	15,369	2 %	(870)	(6) %
Depreciation	37,172	6 %	32,037	5 %	5,135	16 %
Amortization	70,887	11 %	62,941	10 %	7,946	13 %
Total costs and expenses	620,530	97 %	563,391	90 %	57,139	10 %
Operating income	21,416	3 %	59,192	10 %	(37,776)	(64) %
Other expenses						
Interest expense, net of interest income	74,548	12 %	75,309	12 %	(761)	(1) %
Loss on extinguishment of debt	—	— %	13,063	2 %	(13,063)	— %
Total other expenses	74,548	12 %	88,372	14 %	(13,824)	(16) %
Loss before income tax	(53,132)	(8) %	(29,180)	(5) %	(23,952)	82 %
Income tax benefit	(20,930)	(3) %	(10,798)	(2) %	(10,132)	94 %
Net loss	$ (32,202)	(5) %	$ (18,382)	(3) %	$ (13,820)	75 %

* Rounding may cause variances.

Revenues

Total revenues increased by $19.4 million, or 3%, to $641.9 million for the nine months ended September 30, 2016, as compared to the same period in the prior year. This was primarily due to increased Payments revenues, partially offset by lower Games revenues.

Games revenues decreased by $5.2 million, or 3%, to $158.7 million for the nine months ended September 30, 2016, as compared to the same period in the prior year. This was primarily due to a lower win per day per unit on leased games.

Payments revenues increased by $24.6 million, or 5%, to $483.3 million for the nine months ended September 30, 2016, as compared to the same period in the prior year. This was primarily due to higher ATM transaction volume and fees, including an increase in transaction volume from ATM portfolios acquired in late 2015.

Costs and Expenses

Games cost of revenues (exclusive of depreciation and amortization) was relatively consistent at $36.9 million for the nine months ended September 30, 2016, compared to $36.7 million for the nine months ended September 30, 2015.

Payments cost of revenues (exclusive of depreciation and amortization) increased by $26.0 million, or 8%, to $373.4 million for the nine months ended September 30, 2016, as compared to the same period in the prior year. This was primarily due to the ATM portfolio acquisitions and higher commission expense on ATM revenues.

Operating expenses increased by $18.8 million, or 27%, to $87.7 million for the nine months ended September 30, 2016, as compared to the same period in the prior year. This was primarily due to the impact of a gain contingency settlement during the prior year and the write-down of a note receivable and warrant associated with Bee Cave.

Research and development decreased by $0.9 million, or 6%, to $14.5 million for the nine months ended September 30, 2016, as compared to the same period in the prior year. This was primarily related to a higher capitalization of certain development costs.

Depreciation increased by $5.1 million, or 16%, to $37.2 million for the nine months ended September 30, 2016, as compared to the same period in the prior year. This was primarily related to increased fixed assets being placed in service.

Amortization increased by $7.9 million, or 13%, to $70.9 million for the nine months ended September 30, 2016, as compared to the same period in the prior year. This was primarily related to an increase in intangible assets being placed in service related to developed technology and software as well as certain intangible assets acquired in the fourth quarter of 2015.

Primarily as a result of the factors described above, operating income decreased by $37.8 million, or 64%, to $21.4 million for the nine months ended September 30, 2016, as compared to the same period in the prior year. The operating income margin decreased from 10% for the nine months ended September 30, 2015 to 3% for the nine months ended September 30, 2016.

Interest expense, net of interest income, decreased by $0.8 million, or 1%, to $74.5 million for the nine months ended September 30, 2016, as compared to the same period in the prior year. The decrease is related to lower outstanding debt balances, the lower interest rate and write-off of debt issuance costs related to our Refinanced Secured Notes, partially offset by a higher interest rate under the Contract Cash Solutions agreement with Wells Fargo.

Income tax benefit increased by $10.1 million, or 94%, to a benefit of $20.9 million for the nine months ended September 30, 2016, as compared to the same period in the prior year. This was primarily due to the increase in loss before income tax expense of $24.0 million. The benefit for income tax reflected an effective income tax rate benefit of 39.4% for the nine months ended September 30, 2016, which was higher than the statutory federal rate of 35% primarily due to state taxes, the lower foreign tax rate applicable to our foreign source income, and the benefit from a research credit, which was partially offset by non-statutory stock options that expired during 2016. The provision for income tax reflected an effective income tax rate expense of 37.0% for the same period in the prior year, which was higher than the statutory federal rate of 35% primarily due to state taxes and a lower foreign tax rate applicable to certain foreign source income, partially offset by non-statutory stock options that expired during 2015.

Games Revenues and Participation Units

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

	Three Months Ended September 30, 2016			Three Months Ended September 30, 2015			
	Total EGMs	Revenue	% of Games Revenue	Total EGMs	Revenue	% of Games Revenue	% Variance
Games revenues and participation units							
Contractual agreement	5,249	$ 8,649	15 %	5,671	$ 10,543	20 %	(18)%
Participation revenue	8,038	24,789	44 %	7,477	24,532	45 %	1 %
Sales	—	14,795	27 %	—	10,775	20 %	37 %
NY Lottery	—	4,594	8 %	—	4,474	8 %	3 %
Other	—	3,391	6 %	—	3,659	7 %	(7)%
Total	13,287	$ 56,218	100 %	13,148	$ 53,983	100 %	4 %

	Nine Months Ended September 30, 2016			Nine Months Ended September 30, 2015			
	Total EGMs	Revenue	% of Games Revenue	Total EGMs	Revenue	% of Games Revenue	% Variance
Games revenues and participation units							
Contractual agreement	5,249	$ 27,694	17 %	5,671	$ 32,108	20 %	(14)%
Participation revenue	8,038	74,135	47 %	7,477	73,256	45 %	1 %
Sales	—	38,718	24 %	—	38,872	23 %	(0)%
NY Lottery	—	13,788	9 %	—	13,183	8 %	5 %
Other	—	4,325	3 %	—	6,477	4 %	(33)%
Total	13,287	$ 158,660	100 %	13,148	$ 163,896	100 %	(3)%

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 condensed consolidated financial statements. The SEC has defined critical accounting policies as the ones that are most important to the portrayal of the financial condition and results of operations, and which require management to make its most difficult and subjective judgments, often as a result of the need to make estimates about matters that are inherently uncertain.

For the three and nine months ended September 30, 2016, there were no material changes to the critical accounting policies and estimates discussed in our audited Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

Recent Accounting Guidance

See Note 2, “Basis of Presentation and Summary of Significant Accounting Policies – Recent Accounting Guidance” to the Company's condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for a description of recent accounting guidance.

LIQUIDITY AND CAPITAL RESOURCES

Overview

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

	At September 30, 2016	At December 31, 2015
Balance sheet data		
Total assets	$ 1,456,213	$ 1,550,385
Total borrowings	$ 1,122,765	$ 1,139,899
Stockholders' equity	$ 108,033	$ 137,420
Cash available		
Cash and cash equivalents	$ 90,488	$ 102,030
Settlement receivables	35,719	44,933
Settlement liabilities	(117,934)	(139,819)
Net cash position *	8,273	7,144
Undrawn revolving credit facility	50,000	50,000
Net cash available *	$ 58,273	$ 57,144

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

Cash Resources

Our cash balance, cash flows and line of credit are expected to be sufficient to meet our recurring operating commitments and to fund our planned capital expenditures for the foreseeable future. Cash and cash equivalents at September 30, 2016 included cash in non-U.S. jurisdictions of approximately $17.9 million. Generally, these funds are available for operating and investment purposes within the jurisdiction in which they reside, but are subject to taxation in the U.S. upon repatriation.

We provide cash settlement services to our customers. These services involve the movement of funds between the various parties associated with cash access transactions. These activities result in a balance due to us at the end of each business day that we recoup over the next few business days and classify as settlement receivables. These activities also result in a balance due to our customers at the end of each business day that we remit over the next few business days and classify as settlement liabilities. As of September 30, 2016, we had $35.7 million in settlement receivables for which we generally receive payment within the next month. As of September 30, 2016, we had $117.9 million in settlement liabilities due to our customers for these settlement services that are generally paid within the next month. As the timing of cash received from settlement receivables and payment of settlement liabilities may differ, the total amount of cash held by us will fluctuate throughout the year.

Cash and cash equivalents was $90.5 million and $102.0 million as of September 30, 2016 and December 31, 2015, respectively. Net cash position after considering the impact of settlement receivables and settlement liabilities was $8.3

million and $7.1 million as of September 30, 2016 and December 31, 2015, respectively. Net cash available after considering our net cash position and undrawn amounts available under our Revolving Credit Facility was approximately $58.3 million and $57.1 million as of September 30, 2016 and December 31, 2015, respectively.

Sources and Uses of Cash

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

	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015	September 30, 2016 vs 2015 Increase/(Decrease)
Cash flow activities			
Net cash provided by operating activities	$ 85,808	$ 103,363	$ (17,555)
Net cash used in investing activities	$ (74,210)	$ (58,063)	$ (16,147)
Net cash used in financing activities	$ (22,397)	$ (21,867)	$ (530)
Effect of exchange rates on cash	$ (743)	$ (1,055)	$ 312
Cash and cash equivalents			
Net (decrease) increase for the period	(11,542)	22,378	(33,920)
Balance, beginning of the period	102,030	89,095	12,935
Balance, end of the period	$ 90,488	$ 111,473	$ (20,985)

Cash flows provided by operating activities decreased by $17.6 million for the nine months ended September 30, 2016, as compared to the same period in the prior year. This was primarily due to the Company's change in net loss position.

Cash flows used in investing activities increased by $16.1 million for the nine months ended September 30, 2016, as compared to the same period in the prior year. This was primarily due to an increase in capital expenditures and placement fee agreements, partially offset by higher cash payments for business acquisitions in the prior year.

Cash flows used in financing activities increased by $0.5 million for the nine months ended September 30, 2016, as compared to the same period in the prior year. This was due to a decrease in proceeds from the exercise of stock options, partially offset by a decrease in the payment of debt issuance costs and payments on outstanding debt principal.

Long-Term Debt

The following table summarizes our indebtedness (in thousands):

	At September 30, 2016	At December 31, 2015
Long-term debt		
Senior secured term loan	$ 468,100	$ 490,000
Senior secured notes	335,000	335,000
Senior unsecured notes	350,000	350,000
Total long-term debt	1,153,100	1,175,000
Less: original issue and warrant discount	(30,335)	(35,101)
Total long-term debt after debt issuance costs and discount	1,122,765	1,139,899
Less: current portion of long-term debt	(10,000)	(10,000)
Long-term debt, less current portion	$ 1,112,765	$ 1,129,899

We reclassified $23.7 million of debt issuance costs related to our outstanding debt from the non-current portion of other assets to contra-liabilities included in long-term debt as of December 31, 2015 in connection with our retrospective adoption of ASU No. 2015-03. The remaining debt issuance cost included in the non-current portion of other assets relates to line-of-credit arrangements and was not reclassified consistent with ASU No. 2015-15.

Credit Facilities

In December 2014, Everi Payments, as borrower, and Holdings entered into the Credit Agreement with Everi Payments, Holdings, Bank of America, N.A., as administrative agent, collateral agent, swing line lender and letter of credit issuer; Deutsche Bank Securities Inc., as syndication agent; and Merrill Lynch, Pierce, Fenner & Smith Incorporated and Deutsche Bank Securities, Inc., as joint lead arrangers and joint book managers (the "Credit Agreement"). The Credit Agreement consists of the \$500.0 million six-year senior secured term loan facility that matures in 2020 (the "Term Loan") and the \$50.0 million, five-year senior secured revolving credit facility that matures in 2019 (the "Revolving Credit Facility" and together with the Term Loan, the "Credit Facilities"). The fees associated with the Credit Facilities included discounts of approximately \$7.5 million and debt issuance costs of approximately \$13.9 million. All borrowings under the Credit Facilities are subject to the satisfaction of customary conditions, including the absence of a default and compliance with representations and warranties.

We are required to repay the Term Loan in an amount equal to 0.50% per quarter of the initial aggregate principal with the final principal repayment installment on the maturity date. Interest is due in arrears each March, June, September and December and at the maturity date. However, interest may be remitted within one to three months of such dates.
The Term Loan had an applicable interest rate of 6.25% as of September 30, 2016 and December 31, 2015.

The interest rate per annum applicable to the Revolving Credit Facility is, at our option, the base rate or London Interbank Offered Rate ("LIBOR") plus, in each case, an applicable margin. The interest rate per annum applicable to the Term Loan is also, at our option, the base rate or LIBOR plus, in each case, an applicable margin. LIBOR will be reset at the beginning of each selected interest period based on the LIBOR rate then in effect; provided that, with respect to the Revolving Credit Facility, if LIBOR is below zero, then such rate will be equal to zero plus the applicable margin, and, with respect to the Term Loan, if LIBOR is below 1.0%, then such rate will be equal to 1.0% plus the applicable margin. The base rate is a fluctuating interest rate equal to the highest of (a) the prime lending rate announced by the administrative agent, (b) the federal funds effective rate from time to time plus 0.50%, and (c) LIBOR (after taking account of any applicable floor) applicable for an interest period of one month plus 1.00%. The applicable margins of 4.75% and 5.25% for the Revolving Credit Facility and Term Loan, respectively, are subject to adjustment based on our consolidated secured leverage ratio.

Voluntary prepayments of the Term Loan and the Revolving Credit Facility and voluntary reductions in the unused commitments are permitted in whole or in part, in minimum amounts as set forth in the Credit Agreement, with prior notice but without premium or penalty.

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

The Credit Agreement contains certain covenants that, among other things, limit Holdings' ability, and the ability of certain of its subsidiaries, to incur additional indebtedness; sell assets or consolidate or merge with or into other companies; pay dividends or repurchase or redeem capital stock; make certain investments; issue capital stock of subsidiaries; incur liens; prepay, redeem or repurchase subordinated debt; and enter into certain types of transactions with our affiliates. The Credit Agreement also requires Holdings, together with its subsidiaries, to comply with a consolidated secured leverage ratio as well as an annual excess cash flow requirement. Based on our excess cash flow calculation at December 31, 2015, an excess cash flow payment of approximately \$14.4 million was made during the nine months ended September 30, 2016.

Events of default under the Credit Agreement include customary events such as a cross-default provision with respect to other material debt (which includes the Refinanced Secured Notes and the Unsecured Notes). In addition, an event of default will occur if Holdings undergoes a change of control. This is defined to include the case where Holdings ceases to own 100% of the equity interests of Everi Payments, or where any person or group acquires a percentage of the economic or voting interests of Holdings' capital stock of 35% or more (determined on a fully diluted basis), or where a majority of the board of directors of Everi Payments ceases to consist of persons who are directors of Holdings on the closing date of the Credit Facilities or other directors whose nomination for election to the board of directors of Holdings was recommended by a majority of the then continuing directors. At September 30, 2016, we had approximately $468.1 million of borrowings outstanding under the Term Loan and no borrowings outstanding under the Revolving Credit Facility. We had $50.0 million of additional borrowing availability under the Revolving Credit Facility as of September 30, 2016. The weighted average interest rate on the Credit Facilities was approximately 6.25% for nine months ended September 30, 2016.

We were in compliance with the terms of the Credit Facilities as of September 30, 2016 and December 31, 2015.

Senior Secured Notes and Refinance of Senior Secured Notes

In December 2014, we issued $350.0 million in aggregate principal amount of the Secured Notes. The fees associated with the Secured Notes included debt issuance costs of approximately $13.6 million. The Secured Notes were acquired by the initial purchasers pursuant to the terms of a purchase agreement. Under the terms of the purchase agreement, during a one year period following the closing and upon prior notice from the initial purchasers, the Company was required to use commercially reasonable efforts to aid the purchasers in the resale of the Secured Notes, including by preparing an updated offering memorandum and participating in reasonable marketing efforts including road shows, to the extent required therein. Alternatively, we had the ability to redeem the Secured Notes from the initial purchasers without penalty. On April 15, 2015, the Company entered into the Note Purchase Agreement, and issued $335.0 million in aggregate principal amount of the Refinanced Secured Notes to the Purchaser. With the proceeds from the issuance of the Refinanced Secured Notes, we redeemed, in full, the Company's then outstanding Secured Notes from the initial purchasers in accordance with the terms of the indenture governing the Secured Notes. In connection with the issuance of the Refinanced Secured Notes during the second quarter of 2015, we expensed $13.0 million of related debt issuance costs and fees to loss on extinguishment of debt associated with the redeemed Secured Notes that were outstanding prior to the refinance transaction.

In connection with the issuance of the Refinanced Secured Notes and pursuant to the terms of the Note Purchase Agreement, the Company issued a warrant to purchase shares of the Company's common stock (the "Warrant") to the Purchaser. The Warrant expires on the sixth anniversary of the date of issuance. The number of shares issuable pursuant to the Warrant and the warrant exercise price are subject to adjustment for stock splits, reverse stock splits, stock dividends, mergers and certain other events. The Warrant was valued at $2.2 million using a modified Black-Scholes model and was accounted for as a debt discount.

Interest is due quarterly in arrears each January, April, July and October.

We were in compliance with the terms of the Refinanced Secured Notes as of September 30, 2016 and December 31, 2015.

Senior Unsecured Notes

In December 2014, we issued $350.0 million in aggregate principal amount of 10% Unsecured Notes due 2022 (the "Unsecured Notes"). The fees associated with the Unsecured Notes included original issue discounts of approximately $3.8 million and debt issuance costs of approximately $14.0 million.

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

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

In connection with the issuance of the Unsecured Notes, the Company entered into a registration rights agreement pursuant to which the Company agreed, for the benefit of the initial holders of the Unsecured Notes, to file with the SEC, and use its commercially reasonable efforts to cause to become effective, a registration statement relating to an offer to exchange the Unsecured Notes for an issue of SEC-registered notes with terms identical to the Unsecured Notes. On October 23, 2015, we filed a registration statement on Form S-4 with the SEC in accordance with the registration rights agreement outlining our offer to exchange the Unsecured Notes for identical notes without transfer restrictions. The registration statement was declared effective on November 3, 2015, and the exchange offer for the Unsecured Notes was completed on December 4, 2015 with 100% percent participation.

We were in compliance with the terms of the Unsecured Notes as of September 30, 2016 and December 31, 2015.

Contractual Obligations

There were no material changes in our commitments under contractual obligations to those disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

Deferred Tax Asset

The Company recognized a deferred tax asset upon its conversion from a limited liability company to a corporation on May 14, 2004. Prior to that time, all tax attributes flowed through to the members of the limited liability company. The principal component of the deferred tax asset is a difference between our assets for financial accounting purposes and tax purposes. This difference results from a significant balance of acquired goodwill of approximately $687.4 million that was generated as part of the conversion to a corporation plus approximately $97.6 million in preexisting goodwill carried over from periods prior to the conversion. Both of these assets are recorded for tax purposes but not for accounting purposes. This asset is amortized over 15 years for tax purposes, resulting in annual pretax income being $52.3 million lower for tax purposes than for financial accounting purposes. At an estimated blended domestic statutory tax rate of 37.2%, this results in tax payments being approximately $19.5 million less than the annual provision for income taxes shown on the Condensed Consolidated Statements of Operations and Comprehensive Loss for financial accounting purposes, or the amount of the annual provision, if less. There is an expected aggregate of $50.3 million in cash savings over the remaining life of the portion of the deferred tax asset related to the conversion. This deferred tax asset may be subject to certain limitations. We believe that it is more likely than not that we will be able to utilize the deferred tax asset. However, the utilization of this tax asset is subject to many factors including our earnings, a change of control of the Company and future earnings.

Other Liquidity Needs and Resources

We need cash to support our foreign operations. For some foreign jurisdictions, such as the United Kingdom, applicable law and cross-border treaties allow us to transfer funds between our domestic and foreign operations efficiently. For other foreign jurisdictions, we must rely on the cash generated by our operations in those foreign jurisdictions, and the cost of repatriation is prohibitive. For example, Global Cash Access (Canada), Inc. (“GCA Canada”), the subsidiary through which we operate in Canada, generates cash that is sufficient to support its operations. If we expand our Payments business into new foreign jurisdictions, we must rely on treaty-favored cross-border transfers of funds, the cash generated by our operations in those foreign jurisdictions or alternate sources of working capital.

Off-Balance Sheet Arrangements

Our Contract Cash Solutions Agreement with Wells Fargo Bank, N.A. (“Wells Fargo”) allows us to use funds owned by Wells Fargo to provide the currency needed for normal operating requirements for our ATMs. For the use of these funds, we pay Wells Fargo a cash usage fee on the average daily balance of funds utilized multiplied by a contractually defined cash usage rate. These cash usage fees, reflected as interest expense within the Condensed Consolidated Statements of Loss and Comprehensive Loss, were $0.7 million and $2.3 million for the three and nine months ended September 30, 2016, respectively, and $0.5 million and $1.6 million for the three and nine months ended September 30, 2015, respectively. We are exposed to interest rate risk to the extent that the applicable LIBOR increases.

Under this agreement, all currency supplied by Wells Fargo remains the sole property of Wells Fargo at all times until it is dispensed, at which time Wells Fargo obtains an interest in the corresponding settlement receivable which is recorded on a net basis. As these funds are not our assets, supplied cash is not reflected on the Condensed Consolidated Balance

Sheets. The outstanding balances of ATM cash utilized by us from Wells Fargo were $212.2 million and $364.5 million as of September 30, 2016 and December 31, 2015, respectively.

The Contract Cash Solutions Agreement provides us with cash in the maximum amount of $425.0 million during the term of the agreement, which expires on June 30, 2018.

We are responsible for any losses of cash in the ATMs under this agreement and we self-insure for this risk. We incurred no material losses related to this self-insurance for the three and nine months ended September 30, 2016 and 2015.

Effects of Inflation

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

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

Wells Fargo supplies us with currency needed for normal operating requirements of our domestic ATMs pursuant to the Contract Cash Solutions Agreement. Under the terms of this agreement, we pay a monthly cash usage fee based upon the product of the average daily dollars outstanding in all such ATMs multiplied by a margin that is tied to LIBOR. We are, therefore, exposed to interest rate risk to the extent that the applicable LIBOR increases. The currency supplied by Wells Fargo was $212.2 million as of September 30, 2016. Based upon this outstanding amount of currency supplied by Wells Fargo, each 1% increase in the applicable LIBOR would have a $2.1 million impact on income before taxes over a 12-month period. Foreign gaming establishments supply the currency needs for the ATMs located on their premises.

The Credit Facilities bear interest at rates that can vary over time. We have the option of having interest on the outstanding amounts under the Credit Facilities paid based on a base rate or based on LIBOR and we have historically elected to pay interest based on LIBOR, and we expect to continue to pay interest based on LIBOR of various maturities. The weighted average interest rate on the Credit Facilities was approximately 6.25% for the nine months ended September 30, 2016. Based upon the outstanding balance on the Credit Facilities of $468.1 million as of September 30, 2016, each 1% increase in the applicable LIBOR would have a $4.7 million impact on interest expense over a 12 month period. The interest rates on the Refinanced Secured Notes and the Unsecured Notes are fixed and therefore an increase in LIBOR does not impact the interest expense associated with the Notes.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

The Company's management, including its Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of September 30, 2016. Based on such evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of September 30, 2016, the Company's disclosure controls and procedures are effective such that material information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified by the SEC's rules and forms and is accumulated and communicated to management, including the Company's principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting during the Quarter Ended September 30, 2016

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the third quarter ended September 30, 2016 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

We are subject to claims and suits that arise from time to time in the ordinary course of business. We do not believe the liabilities, if any, which may ultimately result from the outcome of such matters, individually or in the aggregate, will have a material adverse impact on our financial position, liquidity or results of operations.

Item 1A. Risk Factors.

We refer you to documents filed by us with the SEC, specifically “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015, which identify important risk factors that could materially affect our business, financial condition and future results. We also refer you to the factors and cautionary language set forth in the section entitled “Cautionary Statements Regarding Forward-looking Statements” in “Item 2. Management’s Discussion and Analysis of Financial Conditions and Results of Operations” of this Quarterly Report on Form 10-Q. This Quarterly Report on Form 10-Q, including the accompanying condensed consolidated financial statements and related notes, should be read in conjunction with such risks and other factors for a full understanding of our operations and financial condition. The risks described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015 and herein are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or operating results. The risk factors included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015 have not materially changed.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Issuer Purchases and Withholding of Equity Securities

	Total Number of Shares Purchased [1] (in thousands)	Average Price per Share [2]
Tax Withholdings		
7/1/16 - 7/31/16	0.8	$ 1.25
8/1/16 - 8/31/16	0.7	$ 1.77
9/1/16 - 9/30/16	0.7	$ 2.23
Total	2.2	$ 1.75

(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 awards. There are no limitations on the number of shares of the Company’s common stock that may be withheld from restricted stock awards to satisfy the minimum tax withholding obligations incident to the vesting of such awards. The Company does not have a share repurchase program in effect.

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

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits

Exhibit Number	Description
31.1*	Certification of Michael D. Rumbolz, President and Chief Executive Officer of Everi Holdings Inc. in accordance with Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Randy L. Taylor, Chief Financial Officer of Everi Holdings Inc. in accordance with Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Michael D. Rumbolz, President and Chief Executive Officer of Everi Holdings Inc. in accordance with 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Randy L. Taylor, Chief Financial Officer of Everi Holdings Inc. in accordance with 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document.
101.SCH*	XBRL Taxonomy Extension Schema Document.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.

* Filed herewith.
** Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

November 9, 2016	**EVERI HOLDINGS INC.**
(Date)	(Registrant)

By: /s/ Todd A. Valli
Todd A. Valli
Senior Vice President, Corporate Finance and Chief Accounting Officer
(For the Registrant and as Principal Accounting Officer)

EXHIBIT INDEX

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* Filed herewith.
** Furnished herewith.

Exhibit 31.1

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

I, Michael D. Rumbolz, certify that:

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

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 9, 2016

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

Exhibit 31.2

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

I, Randy L. Taylor, certify that:

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

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 9, 2016

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

Exhibit 32.1

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

In connection with the periodic report of Everi Holdings Inc. (the "Company") on Form 10-Q for the period ended September 30, 2016 as filed with the Securities and Exchange Commission (the "Report"), I, Michael D. Rumbolz, President and Chief Executive Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

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

Dated: November 9, 2016

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

Exhibit 32.2

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

In connection with the periodic report of Everi Holdings Inc. (the "Company") on Form 10-Q for the period ended September 30, 2016 as filed with the Securities and Exchange Commission (the "Report"), I, Randy L. Taylor, Chief Financial Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

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

Dated: November 9, 2016

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