
**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 MARCH 31, 2017

OR

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

FOR THE TRANSITION PERIOD FROM TO

Commission File Number: 001 — 32622

EVERI HOLDINGS INC.

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of
incorporation or organization)

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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company)

Smaller reporting company

Emerging growth company

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

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

As of May 1, 2017, there were 66,097,275 shares of the registrant's \$0.001 par value per share common stock outstanding.

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PART I: FINANCIAL INFORMATION

Item 1. Financial Statements.

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

	Three Months Ended March	
	2017	2016
Revenues		
Games	\$ 55,276	\$ 48,178
Payments	182,261	157,591
Total revenues	<u>237,537</u>	<u>205,769</u>
Costs and expenses		
Games cost of revenue (exclusive of depreciation and amortization)	12,444	8,436
Payments cost of revenue (exclusive of depreciation and amortization)	140,799	122,657
Operating expenses	28,993	30,005
Research and development	4,543	5,368
Depreciation	10,830	12,335
Amortization	17,325	23,183
Total costs and expenses	<u>214,934</u>	<u>201,984</u>
Operating income	<u>22,603</u>	<u>3,785</u>
Other expenses		
Interest expense, net of interest income	25,057	24,992
Total other expenses	<u>25,057</u>	<u>24,992</u>
Loss before income tax	<u>(2,454)</u>	<u>(21,207)</u>
Income tax provision (benefit)	1,054	(8,056)
Net loss	<u>(3,508)</u>	<u>(13,151)</u>
Foreign currency translation	272	(485)
Comprehensive loss	<u>\$ (3,236)</u>	<u>\$ (13,636)</u>
Loss per share		
Basic	<u>\$ (0.05)</u>	<u>\$ (0.20)</u>
Diluted	<u>\$ (0.05)</u>	<u>\$ (0.20)</u>
Weighted average common shares outstanding		
Basic	66,090	66,034
Diluted	66,090	66,034

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 March 31, 2017	At December 31, 2016
ASSETS		
Current assets		
Cash and cash equivalents	\$ 127,861	\$ 119,051
Settlement receivables	42,443	128,821
Trade and other receivables, net of allowances for doubtful accounts of \$4,999 million and \$4,701 at March 31, 2017 and December 31, 2016, respectively	47,874	56,651
Inventory	22,386	19,068
Prepaid expenses and other assets	21,555	18,048
Total current assets	262,119	341,639
Non-current assets		
Property, equipment and leased assets, net	97,303	98,439
Goodwill	640,551	640,546
Other intangible assets, net	309,450	317,997
Other receivables	3,453	2,020
Other assets	7,598	7,522
Total non-current assets	1,058,355	1,066,524
Total assets	\$ 1,320,474	\$ 1,408,163
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities		
Settlement liabilities	\$ 127,635	\$ 239,123
Accounts payable and accrued expenses	120,348	94,391
Current portion of long-term debt	10,000	10,000
Total current liabilities	257,983	343,514
Non-current liabilities		
Deferred tax liability	58,238	57,611
Long-term debt, less current portion	1,110,995	1,111,880
Other accrued expenses and liabilities	2,874	2,951
Total non-current liabilities	1,172,107	1,172,442
Total liabilities	1,430,090	1,515,956
Commitments and contingencies (Note 12)		
Stockholders' deficit		
Common stock, \$0.001 par value, 500,000 shares authorized and 90,965 and 90,952 shares issued at March 31, 2017 and December 31, 2016, respectively	91	91
Convertible preferred stock, \$0.001 par value, 50,000 shares authorized and 0 shares outstanding at March 31, 2017 and December 31, 2016, respectively	—	—
Additional paid-in capital	266,175	264,755
Accumulated deficit	(197,806)	(194,299)
Accumulated other comprehensive loss	(1,838)	(2,109)
Treasury stock, at cost, 24,870 and 24,867 shares at March 31, 2017 and December 31, 2016, respectively	(176,238)	(176,231)
Total stockholders' deficit	(109,616)	(107,793)
Total liabilities and stockholders' deficit	\$ 1,320,474	\$ 1,408,163

See notes to unaudited condensed consolidated financial statements.

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

	Three Months Ended March 31,	
	2017	2016
Cash flows from operating activities		
Net loss	\$ (3,508)	\$ (13,151)
Adjustments to reconcile net loss to cash provided by operating activities:		
Depreciation and amortization	28,155	35,518
Amortization of financing costs	1,672	1,672
Loss on sale or disposal of assets	436	611
Accretion of contract rights	2,002	2,097
Provision for bad debts	2,817	2,444
Reserve for obsolescence	408	119
Stock-based compensation	1,412	1,061
Changes in operating assets and liabilities:		
Settlement receivables	86,400	16,634
Trade and other receivables	4,423	5,711
Inventory	(3,739)	(497)
Prepaid and other assets	(3,409)	2,047
Deferred income taxes	626	(8,343)
Settlement liabilities	(111,498)	(29,603)
Accounts payable and accrued expenses	25,161	8,384
Net cash provided by operating activities	31,358	24,704
Cash flows from investing activities		
Capital expenditures	(17,184)	(23,613)
Proceeds from sale of fixed assets	—	10
Placement fee agreements	(3,044)	(1,000)
Changes in restricted cash and cash equivalents	(125)	44
Net cash used in investing activities	(20,353)	(24,559)
Cash flows from financing activities		
Repayments of credit facility	(2,500)	(2,500)
Debt issuance costs	—	(480)
Proceeds from exercise of stock options	5	—
Purchase of treasury stock	(7)	(9)
Net cash used in financing activities	(2,502)	(2,989)
Effect of exchange rates on cash	307	148
Cash and cash equivalents		
Net increase (decrease) for the period	8,810	(2,696)
Balance, beginning of the period	119,051	102,030
Balance, end of the period	\$ 127,861	\$ 99,334

See notes to unaudited condensed consolidated financial statements.

	Three Months Ended March 31,	
	2017	2016
Supplemental cash disclosures		
Cash paid for interest	\$ 8,243	\$ 8,846
Cash paid for income tax	\$ 575	\$ 273
Cash refunded for income tax	\$ 200	\$ —
Supplemental non-cash disclosures		
Accrued and unpaid capital expenditures	\$ 2,789	\$ 12,424
Transfer of leased gaming equipment to inventory	\$ 2,301	\$ 1,039

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

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Our unaudited Condensed Consolidated Financial Statements included herein have been prepared by us pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). Some of the information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States 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 months ended March 31, 2017 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, 2016.

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

Fair Values of Financial Instruments

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

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

	Level of Hierarchy	Fair Value	Outstanding Balance
March 31, 2017			
Term loan	1	\$ 467,731	\$ 463,100
Senior secured notes	3	\$ 338,350	\$ 335,000
Senior unsecured notes	1	\$ 363,125	\$ 350,000
December 31, 2016			
Term loan	1	\$ 451,632	\$ 465,600
Senior secured notes	3	\$ 324,950	\$ 335,000
Senior unsecured notes	1	\$ 350,000	\$ 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 March 31, 2017 and December 31, 2016. 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.

Reclassification of Prior Year Balances

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

Recent Accounting Guidance

Recently Adopted Accounting Guidance

In January 2017, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2017-04, which provides updated guidance on the goodwill impairment test and the method by which an entity recognizes an impairment charge. These amendments eliminate Step 2 from the current goodwill impairment process and require that an entity recognize an impairment charge equal to the amount by which the carrying amount exceeds the reporting unit’s fair value, not to exceed the total amount of goodwill allocated to that reporting unit. Additionally, a company should also take into consideration income tax effects from tax deductible goodwill on the carrying amount of a reporting unit when recording an impairment loss. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. This guidance will be applied using a prospective approach. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. We adopted this guidance in the current period. As no indicators of impairment were identified for our goodwill during the three months ended March 31, 2017, this ASU did not impact our Condensed Consolidated Financial Statements and disclosures included within Notes to Unaudited 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 adopted this guidance in the current quarter on a prospective basis. As of March 31, 2017, the adoption of ASU No. 2016-09 has not impacted our Condensed Consolidated Financial Statements. With respect to forfeitures, the Company will continue to estimate the number of awards expected to be forfeited in accordance with our existing accounting policy. In addition, our Condensed Consolidated Statements of Cash Flows present excess tax benefits as operating activities in the current period, as the prior period was not adjusted.

In July 2015, the FASB issued ASU No. 2015-11, which provides guidance on the measurement of inventory value. The amendments require an entity to measure in scope inventory at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. Subsequent measurement is unchanged for inventory measured using last-in, first-out (“LIFO”) or the retail inventory method. The amendments do not apply to inventory that is measured using LIFO or the retail inventory method. The amendments apply to all other inventory, which includes inventory that is measured using first-in, first-out (“FIFO”) or average cost. The pronouncement is effective for annual periods beginning after December

15, 2016, and interim periods within those fiscal years, and early adoption is permitted. We adopted this guidance in the current period. This ASU did not have a material impact on our Condensed Consolidated Financial Statements and disclosures included within the Notes to Unaudited Condensed Consolidated Financial Statements.

Recent Accounting Guidance Not Yet Adopted

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

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

In October 2016, the FASB issued ASU No. 2016-16, which provides updated guidance on the recognition of the income tax consequences of intra-entity transfers of assets other than inventory when the transfer occurs, and this eliminates the exception for an intra-entity transfer of such assets. The new standard is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. This guidance will be applied using a modified retrospective approach through a cumulative-effective adjustment directly to retained earnings as of the beginning of the period of adoption. Early adoption is permitted during the first interim period of the year this guidance is adopted. We are currently evaluating the impact of adopting this guidance on our Condensed Consolidated Financial Statements and disclosures included within Notes to Unaudited 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 Unaudited 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 any other-than-temporary impairment had been recognized before the effective date. Early adoption is permitted for fiscal years beginning after December 15, 2018. We are currently evaluating the impact of adopting this guidance on our Condensed Consolidated Financial Statements and disclosures included within Notes to Unaudited 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. While we are currently assessing the impact of this ASU on our Condensed Consolidated Financial Statements, we expect the primary impact to our consolidated financial position upon adoption will be the recognition, on a discounted basis, of our minimum commitments under noncancelable operating leases on our Condensed Consolidated Balance Sheets, which will result in the recording of right of use assets and lease obligations and are currently discussed in “Note 12 — Commitments and Contingencies.”

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

We will likely adopt this guidance using the retrospective method beginning in the first quarter of 2018. We performed an initial review of the requirements of the standard and are monitoring the activity of the FASB and the transition resource group as it relates to specific interpretive guidance that may impact us. We are currently completing detailed contract reviews to determine necessary adjustments to existing accounting policies and procedures and to support an evaluation of the standard’s impact on our Condensed Consolidated Financial Statements and disclosures included within Notes to Condensed Consolidated Financial Statements. Based on reviews performed, we do not expect our Payments revenues to be materially impacted by the implementation of this guidance. We are still evaluating our Games revenues and equipment and systems revenues to determine the extent, if any, of changes to the timing and amount of revenue recorded in each reporting period. Additionally, the new guidance will require enhanced disclosures and updates to our revenue recognition policies to identify performance obligations to customers and will also require significant judgment in both measurement and recognition. We may identify other impacts from the implementation of this guidance as we continue our assessment.

3. BUSINESS COMBINATIONS

We account for business combinations in accordance with ASC 805, which requires that the identifiable assets acquired and liabilities assumed be recorded at their estimated fair values on the acquisition date separately from goodwill, which is the excess of the fair value of the purchase price over the fair values of these identifiable assets and liabilities. We include the results of operations of an acquired business as of the acquisition date. We had no material acquisitions for the three months ended March 31, 2017 and 2016.

4. FUNDING AGREEMENTS

Contract Cash Solutions Agreement

Our Contract Cash Solutions Agreement with Wells Fargo Bank, N.A. (“Wells Fargo”) allows us to use funds owned by Wells Fargo to provide the currency needed for normal operating requirements for our ATMs. For the use of these funds, we pay Wells Fargo a cash usage fee on the average daily balance of funds utilized multiplied by a contractually defined cash usage rate. These cash usage fees, reflected as interest expense within the Condensed Consolidated Statements of Loss and Comprehensive Loss, were \$1.1 million and \$0.8 million for the three months ended March 31, 2017 and 2016. 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 balances of ATM cash utilized by us from Wells Fargo were \$270.8 million and \$285.4 million as of March 31, 2017 and December 31, 2016, respectively.

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

We are responsible for any losses of cash in the ATMs under this agreement, and we self-insure for this risk. We incurred no material losses related to this self-insurance for the three months ended March 31, 2017 and 2016.

Site-Funded ATMs

We operate ATMs at certain customer gaming establishments where the gaming establishment provides the cash required for the ATM operational needs. We are required to reimburse the customer for the amount of cash dispensed from these Site-Funded ATMs. The Site-Funded ATM liability included within settlement liabilities in the accompanying Condensed Consolidated Balance Sheets was \$87.3 million and \$151.0 million as of March 31, 2017 and December 31, 2016, respectively.

Prefunded Cash Access Agreements

Due to certain regulatory requirements, some international gaming establishments require prefunding of cash to cover all outstanding settlement amounts in order for us to provide cash access services to their properties. We enter into agreements with these operators for which we supply our cash access services for their properties. Under these agreements, we maintain sole discretion to either continue or cease operations as well as discretion over the amounts prefunded to the properties and may request amounts to be refunded to us, with appropriate notice to the operator, at any time. The initial prefunded amounts and subsequent amounts from the settlement of transactions are deposited into a bank account that is to be used exclusively for cash access services and we maintain the right to monitor all transaction activity in that account. The total amount of prefunded cash outstanding was approximately \$9.8 million and \$8.5 million at March 31, 2017 and December 31, 2016, respectively, and is included in prepaid expenses and other assets on our Condensed Consolidated Balance Sheets.

5. TRADE AND OTHER RECEIVABLES

Trade and loans receivables represent short-term credit granted to customers as well as long-term loans receivable on our games, fully integrated kiosks and compliance products. Trade and loans receivables generally do not require collateral. The balance of trade and loans receivables consists of outstanding balances owed to us by gaming establishments and

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

	<u>At March 31, 2017</u>	<u>At December 31, 2016</u>
Trade and other receivables, net		
Games trade and loans receivables	\$ 38,118	\$ 44,410
Payments trade and loans receivables	12,180	12,337
Other receivables	1,029	1,924
Total trade and other receivables, net	<u>\$ 51,327</u>	<u>\$ 58,671</u>
Less: non-current portion of receivables	3,453	2,020
Total trade and other receivables, current portion	<u>\$ 47,874</u>	<u>\$ 56,651</u>

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 \$2.7 million and \$2.3 million, respectively, as of March 31, 2017 and \$2.7 million and \$2.0 million, respectively, as of December 31, 2016.

6. PREPAID AND OTHER ASSETS

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

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

	<u>At March 31, 2017</u>	<u>At December 31, 2016</u>
Prepaid expenses and other assets		
Deposits	\$ 10,259	\$ 8,622
Prepaid expenses	7,613	5,937
Other	3,683	3,489
Total prepaid expenses and other assets	<u>\$ 21,555</u>	<u>\$ 18,048</u>

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

	<u>At March 31, 2017</u>	<u>At December 31, 2016</u>
Other assets		
Prepaid expenses and deposits	\$ 3,485	\$ 3,399
Debt issuance costs of revolving credit	632	689
Other	3,481	3,434
Total other assets	<u>\$ 7,598</u>	<u>\$ 7,522</u>

7. INVENTORY

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

Inventory consisted of the following (in thousands):

	At March 31, 2017	At December 31, 2016
Inventory		
Raw materials and component parts, net of reserves of \$1,651 and \$2,155 at March 31, 2017 and December 31, 2016, respectively	\$ 14,243	\$ 12,570
Work-in-progress	2,769	1,502
Finished goods	5,374	4,996
Total inventory	\$ 22,386	\$ 19,068

8. PROPERTY, EQUIPMENT AND LEASED ASSETS

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

	Useful Life (Years)	At March 31, 2017			At December 31, 2016		
		Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Property, equipment and leased assets							
Rental pool - deployed	2 - 4	\$ 130,097	\$ 63,582	\$ 66,515	\$ 123,812	\$ 59,188	\$ 64,624
Rental pool - undeployed	2 - 4	13,750	7,058	6,692	13,456	5,721	7,735
ATM equipment	5	16,372	11,671	4,701	16,537	11,189	5,348
Leasehold and building improvements	Lease Term	9,919	4,022	5,897	10,023	3,698	6,325
Cash advance equipment	3	8,127	4,448	3,679	8,590	4,499	4,091
Machinery, office and other equipment	2 - 5	30,989	21,170	9,819	30,424	20,108	10,316
Total		\$ 209,254	\$ 111,951	\$ 97,303	\$ 202,842	\$ 104,403	\$ 98,439

Depreciation expense related to other property, equipment and leased assets totaled approximately \$10.8 million for the three months ended March 31, 2017 and \$12.3 million for the three months ended March 31, 2016. There was no material impairment of our property, equipment and leased assets for the three months ended March 31, 2017 and 2016, respectively.

9. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

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

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

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

No impairment was identified for our goodwill for the three months ended March 31, 2017 and 2016.

Other Intangible Assets

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

	Useful Life (years)	At March 31, 2017			At December 31, 2016		
		Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Other intangible assets							
Contract rights under placement fee agreements	1 - 7	\$ 20,334	\$ 7,831	\$ 12,503	\$ 17,742	\$ 6,281	\$ 11,461
Customer contracts	7 - 14	50,975	41,427	9,548	50,975	40,419	10,556
Customer relationships	8 - 12	231,100	47,929	183,171	231,100	42,688	188,412
Developed technology and software	1 - 6	228,392	134,597	93,795	224,265	126,721	97,544
Patents, trademarks and other	1 - 17	29,242	18,809	10,433	27,771	17,747	10,024
Total		\$ 560,043	\$ 250,593	\$ 309,450	\$ 551,853	\$ 233,856	\$ 317,997

Amortization expense related to other intangible assets was approximately \$17.3 million and \$23.2 million for the three months ended March 31, 2017 and 2016, respectively.

We evaluate our other intangible assets for potential impairment in connection with our quarterly review process. There was no material impairment identified for any of our other intangible assets for the three months ended March 31, 2017 and 2016.

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

Placement fees and amounts advanced in excess of those to be reimbursed by the customer for real property and land improvements are allocated to intangible assets and are generally amortized over the term of the contract, which is recorded as a reduction of revenue generated from the facility. In the past we have, and in the future, we may, by mutual agreement, amend these agreements to reduce our floor space at the facilities. Any proceeds received for the reduction of floor space is first applied against the intangible asset for that particular placement fee agreement, if any, and the remaining net book value of the intangible asset is prospectively amortized on a straight-line method over the remaining estimated useful life. We paid approximately \$3.0 million and \$1.0 million to extend the term of placement fee agreements with a customer for certain of its locations for the three months ended March 31, 2017 and 2016, respectively.

10. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

	<u>At March 31, 2017</u>	<u>At December 31, 2016</u>
Accounts payable and accrued expenses		
Trade accounts payable	\$ 66,895	\$ 55,352
Accrued interest	15,175	82
Payroll and related expenses	11,093	12,305
Deferred and unearned revenues	10,766	9,222
Cash access processing and related expenses	4,889	7,001
Accrued taxes	2,442	2,587
Other	9,088	7,842
Total accounts payable and accrued expenses	<u>\$ 120,348</u>	<u>\$ 94,391</u>

11. LONG-TERM DEBT

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

	<u>At March 31, 2017</u>	<u>At December 31, 2016</u>
Long-term debt		
Senior secured term loan	\$ 463,100	\$ 465,600
Senior secured notes	335,000	335,000
Senior unsecured notes	350,000	350,000
Total debt	<u>1,148,100</u>	<u>1,150,600</u>
Less: debt issuance costs and discount	<u>(27,105)</u>	<u>(28,720)</u>
Total debt after debt issuance costs and discount	<u>1,120,995</u>	<u>1,121,880</u>
Less: current portion of long-term debt	<u>(10,000)</u>	<u>(10,000)</u>
Long-term debt, less current portion	<u>\$ 1,110,995</u>	<u>\$ 1,111,880</u>

Credit Facilities

In December 2014, Everi Payments, as borrower, and Holdings entered into a credit agreement 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 weighted average interest rate of 6.28% and 6.25% for the period ended March 31, 2017 and December 31, 2016.

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. We have historically elected to pay interest based on LIBOR, and

we expect to continue to pay interest based on LIBOR. 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, 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, certain 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, including 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 maximum consolidated secured leverage ratio as well as an annual excess cash flow requirement. At March 31, 2017, our consolidated secured leverage ratio was 3.66, with a maximum allowable ratio of 4.25. Our consolidated secured maximum leverage ratio will be 4.00, 3.75 and 3.50 as of December 31, 2017, 2018 and 2019 and thereafter, respectively.

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 (each defined below)). 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 Holdings 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 March 31, 2017, we had approximately \$463.1 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 March 31, 2017. The weighted average interest rate on the Credit Facilities was approximately 6.28% for the three months ended March 31, 2017.

We were in compliance with the terms of the Credit Facilities as of March 31, 2017 and December 31, 2016.

We expect that our cash provided by operating activities will be sufficient for our operating and debt servicing needs during the next 12 months. If not, we have sufficient borrowings available under our Credit Facilities to meet additional funding requirements. We monitor the financial strength of our lenders on an ongoing basis using publicly-available information. Based upon that information, we believe there is not a likelihood that any of our lenders might not be able to honor their commitments under the Credit Agreement.

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 7.25% Senior 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 March 31, 2017 and December 31, 2016.

Senior Unsecured Notes

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

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

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

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

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

12. COMMITMENTS AND CONTINGENCIES

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

13. SHAREHOLDERS' EQUITY

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

Common Stock. Subject to the preferences that may apply to shares of preferred stock that may be outstanding at the time, the holders of outstanding shares of common stock are entitled to receive dividends out of assets legally available at the times and in the amounts as our Board of Directors may from time to time determine. All dividends are non-cumulative. In the event of the liquidation, dissolution or winding up of Everi, the holders of common stock are entitled to share ratably in all assets remaining after the payment of liabilities, subject to the prior distribution rights of preferred stock, if any, then outstanding. Each stockholder is entitled to one vote for each share of common stock held on all matters submitted to a vote of stockholders. Cumulative voting for the election of directors is not provided for. The common stock is not entitled to preemptive rights and is not subject to conversion or redemption. There are no sinking fund provisions applicable to the common stock. Each outstanding share of common stock is fully paid and non-assessable. As of March 31, 2017 and December 31, 2016, we had 90,965,482 and 90,952,185 shares of common stock issued, respectively.

Treasury Stock. Employees may direct us to withhold vested shares of restricted stock to satisfy the minimum statutory withholding requirements applicable to their restricted stock vesting. We repurchased or withheld from restricted stock awards 2,574 shares of common stock for the three months ended March 31, 2017 at an aggregate purchase price of \$7,475 and 2,588 shares of common stock for the three months ended March 31, 2016 at an aggregate purchase price of \$8,933, to satisfy the minimum applicable tax withholding obligations related to the vesting of such restricted stock awards.

14. WEIGHTED AVERAGE COMMON SHARES

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

	Three Months Ended March 31,	
	2017	2016
Weighted average shares		
Weighted average number of common shares outstanding - basic	66,090	66,034
Potential dilution from equity grants ⁽¹⁾	—	—
Weighted average number of common shares outstanding - diluted	<u>66,090</u>	<u>66,034</u>

(1) The Company was in a net loss position for the three months ended March 31, 2017 and 2016. Therefore, no potential dilution from the application of the treasury stock method was applicable. Equity awards to purchase approximately 15.7 million shares of common stock for the three months ended March 31, 2017 and 8.4 million shares of common stock for the three months ended March 31, 2016 were excluded from the computation of diluted net loss per share as this effect would have been antidilutive.

15. 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 incentive plans are administered

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by the Compensation Committee of our Board of Directors, which has the authority to select individuals who are to receive equity incentive awards and to specify the terms and conditions of grants of such awards, including, but not limited to: the vesting provisions and exercise prices.

Generally, we grant the following award types: (a) time-based options, (b) market-based options and (c) restricted stock. These awards have varying vesting provisions and expiration periods. For the three months ended March 31, 2017, we granted time- and market-based options.

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

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

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

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

	Stock Options Granted	Restricted Stock Granted
Outstanding, December 31, 2016	18,233	80
Additional authorized shares	—	—
Granted	4,003	—
Exercised options or vested shares	(4)	(9)
Cancelled or forfeited	(71)	—
Outstanding, March 31, 2017	<u>22,161</u>	<u>71</u>

The maximum number of shares available for future equity awards, both under the 2014 Plan and 2012 Plan, is approximately 1.0 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 in connection with our annual grant that occurred during the first quarter of 2017 was determined as of the date of grant using the Black-Scholes option pricing model with the following assumptions:

	Three months ended March 31, 2017
Risk-free interest rate	2 %
Expected life of options (in years)	6
Expected volatility	54 %
Expected dividend yield	— %

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For the three months ended March 31, 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 our market-based options in connection with the annual grant that occurred during the first quarter of 2017 was determined as of the date of grant using a lattice-based option valuation model with the following assumptions:

	Three months ended March 31, 2017
Risk-free interest rate	3 %
Measurement period (in years)	10
Expected volatility	70 %
Expected dividend yield	— %

For the three months ended March 31, 2016, there were no market-based options granted.

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, 2016	18,233	\$ 6.02	6.4	\$ 2,387
Granted	4,003	3.29		
Exercised	(4)	2.20		
Canceled or forfeited	(71)	5.56		
Outstanding, March 31, 2017	22,161	\$ 5.53	6.9	\$ 20,511
Vested and expected to vest, March 31, 2017	19,149	\$ 5.68	6.7	\$ 16,465
Exercisable, March 31, 2017	9,573	\$ 7.12	4.6	\$ 2,186

There were 4.0 million and 0.6 million options granted for the three months ended March 31, 2017 and 2016, respectively. The weighted average grant date fair value per share of options granted was \$1.81 and \$1.28 for the three months ended March 31, 2017 and 2016, respectively. The total intrinsic value of options exercised was \$6,132 for the three months ended March 31, 2017. No options were exercised during the three months ended March 31, 2016.

There was \$15.3 million in unrecognized compensation expense related to options expected to vest as of March 31, 2017. This cost is expected to be recognized on a straight-line basis over a weighted average period of 2.5 years. We recorded \$1.3 million in non-cash compensation expense related to options granted that were expected to vest for the three months ended March 31, 2017. We received \$8,554 in cash from the exercise of options for the three months ended March 31, 2017.

There was \$15.0 million in unrecognized compensation expense related to options expected to vest as of March 31, 2016. This cost was expected to be recognized on a straight-line basis over a weighted average period of 2.5 years. We recorded \$1.0 million in non-cash compensation expense related to options granted that were expected to vest as of March 31, 2016. There were no proceeds received from the exercise of options as no exercises occurred during the period.

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, 2016	80	\$ 7.12
Granted	—	—
Vested	(9)	7.09
Forfeited	—	—
Outstanding, March 31, 2017	<u>71</u>	<u>\$ 7.12</u>

There were no shares of restricted stock granted for the three months ended March 31, 2017 and 2016. The total fair value of restricted stock vested was \$45,050 and \$24,267 for the three months ended March 31, 2017 and 2016, respectively.

There was \$0.8 million in unrecognized compensation expense related to shares of time based restricted stock expected to vest as of March 31, 2017. This cost is expected to be recognized on a straight-line basis over a weighted average period of 1.6 years. There were 9,405 shares of restricted stock that vested and we recorded \$0.1 million in non-cash compensation expense related to the restricted stock granted that was expected to vest during the three months ended March 31, 2017.

There was \$1.7 million in unrecognized compensation expense related to shares of time-based restricted shares expected to vest as of March 31, 2016. This cost was expected to be recognized on a straight-line basis over a weighted average period of 2.2 years. There were 10,600 shares of time-based restricted shares vested and we recorded \$0.1 million in non-cash compensation expense related to the restricted stock granted that was expected to vest for the three months ended March 31, 2016.

16. INCOME TAXES

The income tax provision reflected an effective income tax rate of negative 43.0% for the three months ended March 31, 2017, which was less than the statutory federal rate of 35.0% primarily due to an increase in our valuation allowance for deferred tax assets, partially offset by the lower foreign tax rate applicable to our foreign source income, state taxes and the benefit from a research credit. The income tax provision reflected an effective income tax rate of 38.0% for the same period in the prior year, which was higher than the statutory federal rate of 35.0% primarily due to state taxes, the lower foreign tax rate applicable to our foreign source income and the benefit from a research credit, which was partially offset by non-statutory stock options that expired during 2016.

We have analyzed filing positions in all of the federal, state and foreign jurisdictions where we are required to file income tax returns, as well as all open tax years in these jurisdictions. As of March 31, 2017, the Company recorded \$0.8 million of unrecognized tax benefits, all of which would impact our effective tax rate, if recognized. We do not anticipate that our unrecognized tax benefits will materially change within the next 12 months. The Company has not accrued any penalties and interest for its unrecognized tax benefits. Other than the unrecognized tax benefit recorded, we believe that our income tax filing positions and deductions will be sustained upon audit, and we do not anticipate any other adjustments that will result in a material change to our financial position. We may, from time to time, be assessed interest or penalties by tax jurisdictions, although any such assessments historically have been minimal and immaterial to our financial results. Our policy for recording interest and penalties associated with audits and unrecognized tax benefits is to record such items as a component of income tax in our Condensed Consolidated Statements of Loss and Comprehensive Loss.

17. SEGMENT INFORMATION

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

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Our operating segments are managed and reviewed separately, as each represents products that can be sold separately to our customers.

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

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

Corporate overhead expenses have been allocated to the segments either through specific identification or based on a reasonable methodology. In addition, we 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 March 31,	
	2017	2016
Revenues		
Games	\$ 55,276	\$ 48,178
Payments	182,261	157,591
Total revenues	\$ 237,537	\$ 205,769
Operating income (loss)		
Games	\$ 4,792	\$ (3,245)
Payments	17,811	7,030
Total operating income	\$ 22,603	\$ 3,785
	At March 31, 2017	At December 31, 2016
Total assets		
Games	\$ 886,014	\$ 894,213
Payments	434,460	513,950
Total assets	\$ 1,320,474	\$ 1,408,163

Major Customers. For the three months ended March 31, 2017 and 2016, no single customer accounted for more than 10% of our revenues. Our five largest customers accounted for approximately 27% and 32% for the three months ended March 31, 2017 and 2016, respectively.

18. CONDENSED CONSOLIDATING FINANCIAL INFORMATION

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

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

	Three Months Ended March 31, 2017					
	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Revenues						
Games	\$ —	\$ —	\$ 55,518	\$ 440	\$ (682)	\$ 55,276
Payments	—	166,673	7,688	8,050	(150)	182,261
Total revenues	—	166,673	63,206	8,490	(832)	237,537
Costs and expenses						
Games cost of revenue (exclusive of depreciation and amortization)	—	—	12,919	207	(682)	12,444
Payments cost of revenue (exclusive of depreciation and amortization)	—	133,100	2,181	5,518	—	140,799
Operating expenses	—	17,543	11,058	542	(150)	28,993
Research and development	—	—	4,538	5	—	4,543
Depreciation	—	1,763	8,951	116	—	10,830
Amortization	—	2,880	13,962	483	—	17,325
Total costs and expenses	—	155,286	53,609	6,871	(832)	214,934
Operating income	—	11,387	9,597	1,619	—	22,603
Other expenses (income)						
Interest expense, net of interest income	—	1,996	22,896	165	—	25,057
Equity in loss (income) of subsidiaries	3,508	(4,181)	(103)	—	776	—
Total other expenses (income)	3,508	(2,185)	22,793	165	776	25,057
(Loss) income before income tax	(3,508)	13,572	(13,196)	1,454	(776)	(2,454)
Income tax provision (benefit)	—	(1,060)	1,730	384	—	1,054
Net (loss) income	(3,508)	14,632	(14,926)	1,070	(776)	(3,508)
Foreign currency translation	272	—	—	272	(272)	272
Comprehensive (loss) income	<u>\$ (3,236)</u>	<u>\$ 14,632</u>	<u>\$ (14,926)</u>	<u>\$ 1,342</u>	<u>\$ (1,048)</u>	<u>\$ (3,236)</u>

Three Months Ended March 31, 2016						
	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Revenues						
Games	\$ —	\$ —	\$ 48,178	\$ —	\$ —	\$ 48,178
Payments	—	146,386	7,418	4,158	(371)	157,591
Total revenues	—	146,386	55,596	4,158	(371)	205,769
Costs and expenses						
Games cost of revenue (exclusive of depreciation and amortization)	—	—	8,436	—	—	8,436
Payments cost of revenue (exclusive of depreciation and amortization)	—	118,064	2,342	2,251	—	122,657
Operating expenses	—	20,925	8,974	477	(371)	30,005
Research and development	—	—	5,368	—	—	5,368
Depreciation	—	2,519	9,786	30	—	12,335
Amortization	—	3,100	19,503	580	—	23,183
Total costs and expenses	—	144,608	54,409	3,338	(371)	201,984
Operating income	—	1,778	1,187	820	—	3,785
Other expense (income)						
Interest expense, net of interest income	—	1,933	22,998	61	—	24,992
Equity in loss (income) of subsidiaries	13,151	(3,294)	—	—	(9,857)	—
Total other expense (income)	13,151	(1,361)	22,998	61	(9,857)	24,992
(Loss) income before income tax	(13,151)	3,139	(21,811)	759	9,857	(21,207)
Income tax provision (benefit)	—	113	(8,422)	253	—	(8,056)
Net (loss) income	(13,151)	3,026	(13,389)	506	9,857	(13,151)
Foreign currency translation	(485)	—	—	(485)	485	(485)
Comprehensive (loss) income	\$ (13,636)	\$ 3,026	\$ (13,389)	\$ 21	\$ 10,342	\$ (13,636)

At March 31, 2017

	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
ASSETS						
Current assets						
Cash and cash equivalents	\$ —	\$ 101,319	\$ 8,597	\$ 17,945	\$ —	\$ 127,861
Settlement receivables	—	38,271	—	4,172	—	42,443
Trade and other receivables, net	—	7,971	37,198	2,705	—	47,874
Inventory	—	6,257	16,129	—	—	22,386
Prepaid expenses and other assets	—	5,800	5,023	10,732	—	21,555
Intercompany balances	—	112,547	196,137	1,452	(310,136)	—
Total current assets	—	272,165	263,084	37,006	(310,136)	262,119
Non-current assets						
Property, equipment and leased assets, net	—	13,674	82,410	1,219	—	97,303
Goodwill	—	151,417	488,512	622	—	640,551
Other intangible assets, net	—	21,829	283,359	4,262	—	309,450
Other receivables	—	1,626	1,827	—	—	3,453
Investment in subsidiaries	(109,582)	176,399	990	86	(67,893)	—
Deferred tax asset	—	36,933	—	—	(36,933)	—
Other assets	—	5,097	2,237	264	—	7,598
Intercompany balances	—	1,144,846	—	—	(1,144,846)	—
Total non-current assets	(109,582)	1,551,821	859,335	6,453	(1,249,672)	1,058,355
Total assets	\$ (109,582)	\$ 1,823,986	\$ 1,122,419	\$ 43,459	\$ (1,559,808)	\$ 1,320,474
LIABILITIES AND STOCKHOLDERS' (DEFICIT) EARNINGS						
Current liabilities						
Settlement liabilities	\$ —	\$ 120,415	\$ 105	\$ 7,115	\$ —	\$ 127,635
Accounts payable and accrued expenses	—	85,324	31,749	3,275	—	120,348
Current portion of long-term debt	—	10,000	—	—	—	10,000
Intercompany balances	—	194,086	107,257	8,793	(310,136)	—
Total current liabilities	—	409,825	139,111	19,183	(310,136)	257,983
Non-current liabilities						
Deferred tax liability	—	—	95,171	—	(36,933)	58,238
Long-term debt, less current portion	—	1,110,995	—	—	—	1,110,995
Other accrued expenses and liabilities	—	2,524	350	—	—	2,874
Intercompany balances	—	—	1,144,846	—	(1,144,846)	—
Total non-current liabilities	—	1,113,519	1,240,367	—	(1,181,779)	1,172,107
Total liabilities	—	1,523,344	1,379,478	19,183	(1,491,915)	1,430,090
Stockholders' (deficit) equity						
Common stock	91	—	—	—	—	91
Additional paid-in capital	266,175	86,498	5,728	21,103	(113,329)	266,175
(Accumulated deficit) retained earnings	(197,806)	215,948	(262,186)	5,832	40,406	(197,806)
Accumulated other comprehensive loss	(1,804)	(1,804)	(601)	(2,659)	5,030	(1,838)
Treasury stock, at cost	(176,238)	—	—	—	—	(176,238)
Total stockholders' (deficit) equity	(109,582)	300,642	(257,059)	24,276	(67,893)	(109,616)
Total liabilities and stockholders' (deficit) equity	\$ (109,582)	\$ 1,823,986	\$ 1,122,419	\$ 43,459	\$ (1,559,808)	\$ 1,320,474

	At December 31, 2016					
	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
ASSETS						
Current assets						
Cash and cash equivalents	\$ —	\$ 88,648	\$ 9,103	\$ 21,300	\$ —	\$ 119,051
Settlement receivables	—	122,222	—	6,599	—	128,821
Trade and other receivables, net	—	9,001	41,743	5,907	—	56,651
Inventory	—	6,009	13,059	—	—	19,068
Prepaid expenses and other assets	—	5,359	3,807	8,882	—	18,048
Intercompany balances	—	106,729	188,028	1,461	(296,218)	—
Total current assets	—	337,968	255,740	44,149	(296,218)	341,639
Non-current assets						
Property, equipment and leased assets, net	—	15,144	81,993	1,302	—	98,439
Goodwill	—	151,417	488,512	617	—	640,546
Other intangible assets, net	—	23,901	289,338	4,758	—	317,997
Other receivables	—	2,019	—	1	—	2,020
Investment in subsidiaries	(107,751)	171,979	1,293	86	(65,607)	—
Deferred tax asset	—	37,578	—	—	(37,578)	—
Other assets	—	4,940	2,286	296	—	7,522
Intercompany balances	—	1,143,115	7,851	—	(1,150,966)	—
Total non-current assets	(107,751)	1,550,093	871,273	7,060	(1,254,151)	1,066,524
Total assets	\$ (107,751)	\$ 1,888,061	\$ 1,127,013	\$ 51,209	\$ (1,550,369)	\$ 1,408,163
LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY						
Current liabilities						
Settlement liabilities	\$ —	\$ 225,170	\$ 268	\$ 13,685	\$ —	\$ 239,123
Accounts payable and accrued expenses	—	64,192	28,970	1,229	—	94,391
Current portion of long-term debt	—	10,000	—	—	—	10,000
Intercompany balances	—	189,488	101,387	5,343	(296,218)	—
Total current liabilities	—	488,850	130,625	20,257	(296,218)	343,514
Non-current liabilities						
Deferred tax liability	—	—	95,189	—	(37,578)	57,611
Long-term debt, less current portion	—	1,111,880	—	—	—	1,111,880
Other accrued expenses and liabilities	—	2,583	368	—	—	2,951
Intercompany balances	—	—	1,143,116	7,850	(1,150,966)	—
Total non-current liabilities	—	1,114,463	1,238,673	7,850	(1,188,544)	1,172,442
Total liabilities	—	1,603,313	1,369,298	28,107	(1,484,762)	1,515,956
Stockholders' deficit						
Common stock	91	—	—	—	—	91
Additional paid-in capital	264,755	85,499	5,314	21,093	(111,906)	264,755
(Accumulated deficit) retained earnings	(194,299)	201,316	(247,273)	5,168	40,789	(194,299)
Accumulated other comprehensive loss	(2,067)	(2,067)	(326)	(3,159)	5,510	(2,109)
Treasury stock, at cost	(176,231)	—	—	—	—	(176,231)
Total stockholders' (deficit) equity	(107,751)	284,748	(242,285)	23,102	(65,607)	(107,793)
Total liabilities and stockholders' (deficit) equity	\$ (107,751)	\$ 1,888,061	\$ 1,127,013	\$ 51,209	\$ (1,550,369)	\$ 1,408,163

Three Months Ended March 31, 2017						
	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Total
Cash flows from operating activities						
Net loss	\$ (3,508)	\$ 14,632	\$ (14,926)	\$ 1,070	\$ (776)	\$ (3,508)
Adjustments to reconcile net loss to cash provided by operating activities:						
Depreciation and amortization	—	4,643	22,913	599	—	28,155
Amortization of financing costs	—	1,672	—	—	—	1,672
Loss on sale or disposal of assets	—	27	409	—	—	436
Accretion of contract rights	—	—	2,002	—	—	2,002
Provision for bad debts	—	27	2,790	—	—	2,817
Reserve for obsolescence	—	140	268	—	—	408
Equity in loss (income) of subsidiaries	3,508	(4,181)	(103)	—	776	—
Stock-based compensation	—	998	414	—	—	1,412
Changes in operating assets and liabilities:						
Net settlement receivables and liabilities	—	(20,802)	(164)	(4,132)	—	(25,098)
Other changes in operating assets and liabilities	4	19,002	4,878	(822)	—	23,062
Net cash provided by (used in) operating activities	4	16,158	18,481	(3,285)	—	31,358
Cash flows from investing activities						
Capital expenditures	—	(1,227)	(15,938)	(19)	—	(17,184)
Placement fee agreements	—	—	(3,044)	—	—	(3,044)
Changes in restricted cash and cash equivalents	—	25	(150)	—	—	(125)
Intercompany investing activities	(2)	179	145	(26)	(296)	—
Net cash used in investing activities	(2)	(1,023)	(18,987)	(45)	(296)	(20,353)
Cash flows from financing activities						
Repayments of credit facility	—	(2,500)	—	—	—	(2,500)
Proceeds from exercise of stock options	5	—	—	—	—	5
Purchase of treasury stock	(7)	—	—	—	—	(7)
Intercompany financing activities	—	36	—	(332)	296	—
Net cash provided by (used in) financing activities	(2)	(2,464)	—	(332)	296	(2,502)
Effect of exchange rates on cash	—	—	—	307	—	307
Cash and cash equivalents						
Net increase (decrease) for the period	—	12,671	(506)	(3,355)	—	8,810
Balance, beginning of the period	—	88,648	9,103	21,300	—	119,051
Balance, end of the period	\$ —	\$ 101,319	\$ 8,597	\$ 17,945	\$ —	\$ 127,861

	Three Months Ended March 31, 2016					
	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Total
Cash flows from operating activities						
Net (loss) income	\$ (13,151)	\$ 3,026	\$ (13,389)	\$ 506	\$ 9,857	\$ (13,151)
Adjustments to reconcile net (loss) income to cash (used in) provided by operating activities:						
Depreciation and amortization	—	5,619	29,289	610	—	35,518
Amortization of financing costs	—	1,672	—	—	—	1,672
Loss on sale or disposal of assets	—	21	590	—	—	611
Accretion of contract rights	—	—	2,097	—	—	2,097
Provision for bad debts	—	—	2,444	—	—	2,444
Reserve for obsolescence	—	60	59	—	—	119
Equity in loss (income) of subsidiaries	13,151	(3,294)	—	—	(9,857)	—
Stock-based compensation	—	699	362	—	—	1,061
Changes in operating assets and liabilities:						
Net settlement receivables and liabilities	—	(17,373)	39	4,365	—	(12,969)
Other changes in operating assets and liabilities	1	3,788	3,408	105	—	7,302
Net cash provided by (used in) operating activities	1	(5,782)	24,899	5,586	—	24,704
Cash flows from investing activities						
Capital expenditures	—	(3,150)	(20,362)	(101)	—	(23,613)
Proceeds from sale of fixed assets	—	10	—	—	—	10
Placement fee agreements	—	—	(1,000)	—	—	(1,000)
Changes in restricted cash and cash equivalents	—	44	—	—	—	44
Intercompany investing activities	2	148	(8)	(52)	(90)	—
Net cash provided by (used in) investing activities	2	(2,948)	(21,370)	(153)	(90)	(24,559)
Cash flows from financing activities						
Repayments of credit facility	—	(2,500)	—	—	—	(2,500)
Debt issuance costs	—	(480)	—	—	—	(480)
Purchase of treasury stock	(9)	—	—	—	—	(9)
Intercompany financing activities	—	54	—	(144)	90	—
Net cash used in financing activities	(9)	(2,926)	—	(144)	90	(2,989)
Effect of exchange rates on cash	—	—	—	148	—	148
Cash and cash equivalents						
Net(decrease) increase for the period	(6)	(11,656)	3,529	5,437	—	(2,696)
Balance, beginning of the period	6	87,078	3,900	11,046	—	102,030
Balance, end of the period	\$ —	\$ 75,422	\$ 7,429	\$ 16,483	\$ —	\$ 99,334

19. SUBSEQUENT EVENTS

On May 9, 2017, we entered into a new credit agreement with Jefferies Finance LLC, as administrative agent, which provides for an \$820.0 million senior secured term B loan facility that is scheduled to mature in May 2024 and a \$35.0 million senior secured revolving loan facility that is scheduled to mature in May 2022. The interest rate per annum applicable to loans under this new credit facility will be, at our option, the base rate or the Eurodollar Rate (defined to be LIBOR or a comparable or successor rate) (the “Eurodollar Rate”) plus, in each case, an applicable margin. The applicable margins are: (i) 4.50% in respect of Eurodollar Rate loans, and (ii) 3.50% in respect of base rate loans, and represent a 0.25% and 0.75% rate reduction compared to the existing Revolving Credit Facility and Term Loan, respectively. The Refinanced Secured Notes were issued at a fixed rate of 7.25%. The net proceeds of the new term loan facility were used to prepay the balances on our existing Credit Facilities of approximately \$462.3 million and to redeem all of our outstanding Refinanced Secured Notes of \$335.0 million, as well as to pay related fees and expenses. The revolving loan facility remained undrawn at closing. We expect to record a non-cash charge related to certain of the unamortized deferred financing fees and discounts related to the extinguished term loan and redeemed Refinanced Secured Notes.

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

Cautionary Information Regarding Forward-Looking Statements

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

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

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

Overview

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

Everi is dedicated to providing video and mechanical reel gaming content and technology solutions, integrated gaming payments solutions and compliance and efficiency software. Everi Games 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 in the State of New York. Everi Payments provides: (a) access to cash at gaming facilities via Automated Teller Machine (“ATM”) cash withdrawals, credit card cash access transactions, point of sale (“POS”) debit card transactions, and check verification and warranty services; (b) fully integrated gaming industry kiosks that provide cash access and related services; (c) products and services that improve credit decision making, automate cashier operations and enhance patron marketing activities for

gaming establishments; (d) compliance, audit and data solutions; and (e) online payment processing solutions for gaming operators in states that offer intrastate, Internet-based gaming and lottery activities.

Trends and Developments Impacting our Business

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

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

Operating Segments

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

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

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

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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 March 31, 2017 compared to three months ended March 31, 2016

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

	Three Months Ended				March 31, 2017 vs 2016	
	March 31, 2017		March 31, 2016		\$ Variance	% Variance
	\$	%	\$	%		
Revenues						
Games	\$ 55,276	23 %	\$ 48,178	23 %	\$ 7,098	15 %
Payments	182,261	77 %	157,591	77 %	24,670	16 %
Total revenues	237,537	100 %	205,769	100 %	31,768	15 %
Costs and expenses						
Games cost of revenue (exclusive of depreciation and amortization)	12,444	5 %	8,436	4 %	4,008	48 %
Payments cost of revenue (exclusive of depreciation and amortization)	140,799	59 %	122,657	60 %	18,142	15 %
Operating expenses	28,993	12 %	30,005	15 %	(1,012)	(3)%
Research and development	4,543	2 %	5,368	2 %	(825)	(15)%
Depreciation	10,830	5 %	12,335	6 %	(1,505)	(12)%
Amortization	17,325	7 %	23,183	11 %	(5,858)	(25)%
Total costs and expenses	214,934	90 %	201,984	98 %	12,950	6 %
Operating income	22,603	10 %	3,785	2 %	18,818	497 %
Other expenses						
Interest expense, net of interest income	25,057	11 %	24,992	12 %	65	— %
Total other expenses	25,057	11 %	24,992	12 %	65	— %
Loss before income tax	(2,454)	(1)%	(21,207)	(10)%	18,753	(88)%
Income tax provision (benefit)	1,054	0 %	(8,056)	(4)%	9,110	(113)%
Net loss	\$ (3,508)	(1)%	\$ (13,151)	(6)%	\$ 9,643	(73)%

* Rounding may cause variances.

Revenues

Total revenues increased by \$31.8 million, or 15%, to \$237.5 million for the three months ended March 31, 2017, as compared to the same period in the prior year. This was attributable to higher Games and Payments revenues.

Games revenues increased by \$7.1 million, or 15%, to \$55.3 million for the three months ended March 31, 2017, as compared to the same period in the prior year. This was primarily related to an increase in unit sales, which were partially offset by a lower daily win per unit on leased games.

Payments revenues increased by \$24.7 million, or 16%, to \$182.3 million for the three months ended March 31, 2017, as compared to the same period in the prior year. This was mostly associated with higher dollar and transaction volumes and fees from our core cash access services.

Costs and Expenses

Games cost of revenues (exclusive of depreciation and amortization) increased by \$4.0 million, or 48%, to \$12.4 million for the three months ended March 31, 2017, as compared to the same period in the prior year. This was primarily due to the costs associated with the increase in unit sales.

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Payments cost of revenues (exclusive of depreciation and amortization) increased by \$18.1 million, or 15%, to \$140.8 million for the three months ended March 31, 2017, as compared to the same period in the prior year. This was mostly related to the costs associated with the increase in core cash access services volumes.

Operating expenses decreased by \$1.0 million, or 3%, to \$29.0 million for the three months ended March 31, 2017, as compared to the same period in the prior year. This was primarily attributable to severance costs related a former executive in the prior year period, partially offset by higher payroll and related expenses and non-cash stock compensation costs.

Research and development decreased by \$0.8 million, or 15%, to \$4.5 million for the three months ended March 31, 2017, as compared to the same period in the prior year. This was primarily due to a higher capitalization of certain development costs.

Depreciation decreased by \$1.5 million, or 12%, to \$10.8 million for the three months ended March 31, 2017, as compared to the same period in the prior year. This was mostly associated with certain fixed assets being fully depreciated.

Amortization decreased by \$5.9 million, or 25%, to \$17.3 million for the three months ended March 31, 2017, as compared to the same period in the prior year. This was mostly associated with certain intangible assets being fully amortized in connection with our acquisition of the Games business.

Primarily as a result of the factors described above, operating income increased by \$18.8 million, or 497%, to \$22.6 million for the three months ended March 31, 2017, as compared to the same period in the prior year. The operating income margin increased from 2% for the three months ended March 31, 2016 to 10% for the three months ended March 31, 2017.

Interest expense, net of interest income, was relatively consistent at \$25.1 million for the three months ended March 31, 2017, compared to \$25.0 for the three months ended March 31, 2016.

Income tax provision was \$1.1 million for the three months ended March 31, 2017, as compared to an income tax benefit of \$8.1 million for the same period in the prior year. This was primarily due to an increase in the valuation allowance for deferred tax assets. The income tax provision reflected an effective income tax rate of negative 43.0% for the three months ended March 31, 2017, which was less than the statutory federal rate of 35.0% primarily due to an increase in our valuation allowance for deferred tax assets, partially offset by the lower foreign tax rate applicable to our foreign source income, state taxes and the benefit from a research credit. The income tax provision reflected an effective income tax rate of 38.0% for the same period in the prior year, which was higher than the statutory federal rate of 35.0% primarily due to state taxes, the lower foreign tax rate applicable to our foreign source income and the benefit from a research credit, which was partially offset by non-statutory stock options that expired during 2016.

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):

	<u>Three Months Ended March 31, 2017</u>			<u>Three Months Ended March 31, 2016</u>				
	<u>Total</u>		<u>% of Games</u>	<u>Total</u>		<u>% of Games</u>		<u>% Variance</u>
	<u>EGMs</u>	<u>Revenue</u>		<u>EGMs</u>	<u>Revenue</u>	<u>Revenue</u>	<u>Revenue</u>	
Games revenues and participation units								
Contractual agreement ⁽¹⁾	4,795	\$ 7,111	13 %	5,326	\$ 10,364	21 %	(31)%	
Participation revenue ⁽²⁾	8,227	24,896	45 %	7,631	24,607	51 %	1 %	
Sales	—	18,725	34 %	—	8,440	18 %	122 %	
NY Lottery ⁽³⁾	—	4,371	8 %	—	4,515	9 %	(3)%	
Other	—	173	0 %	—	252	1 %	(31)%	
Total	<u>13,022</u>	<u>\$ 55,276</u>	<u>100 %</u>	<u>12,957</u>	<u>\$ 48,178</u>	<u>100 %</u>	<u>15 %</u>	

- (1) We enter into placement fee agreements for our EGMs to secure floor space for a contracted period of time.
- (2) In general, under participation arrangements, we secure floor space for our EGMs on a month-to-month basis.
- (3) We provide the New York Lottery with an accounting and central determinant system for the video lottery terminals in operation at licensed New York State racetracks.

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

Recent Accounting Guidance

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

LIQUIDITY AND CAPITAL RESOURCES

Overview

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

	<u>At March 31,</u> <u>2017</u>	<u>At December</u> <u>31,</u> <u>2016</u>
Balance sheet data		
Total assets	\$ 1,320,474	\$ 1,408,163
Total borrowings	\$ 1,120,995	\$ 1,121,880
Total stockholders' deficit	\$ (109,616)	\$ (107,793)
Cash available		
Cash and cash equivalents	\$ 127,861	\$ 119,051
Settlement receivables	42,443	128,821
Settlement liabilities	(127,635)	(239,123)
Net cash position ⁽¹⁾	<u>42,669</u>	<u>8,749</u>
Undrawn revolving credit facility	50,000	50,000
Net cash available ⁽¹⁾	<u>\$ 92,669</u>	<u>\$ 58,749</u>

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

Cash Resources

Our cash balance, cash flows and line of credit are expected to be sufficient to meet our recurring operating commitments and to fund our planned capital expenditures for the foreseeable future. Cash and cash equivalents at March 31, 2017 included cash in non-U.S. jurisdictions of approximately \$18.2 million. Generally, these funds are available for operating and investment purposes within the jurisdiction in which they reside, but are subject to taxation in the U.S. upon repatriation.

We provide cash settlement services to our customers related to our cash access products. These services involve the movement of funds between the various parties associated with cash access transactions. These activities result in a balance due to us at the end of each business day for the face amount provided to patrons plus the service fee charged to those patrons that we recoup over the next few business days and classify as settlement receivables. These activities also result in a balance due to our customers at the end of each business day for the face amount provided to patrons that we remit over the next few business days and classify as settlement liabilities. As of March 31, 2017, we had \$42.4 million in settlement receivables, for which we generally receive payment within one week. As of March 31, 2017, we had \$127.6 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.

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Our cash and cash equivalents was \$127.9 million and \$119.1 million as of March 31, 2017 and December 31, 2016, respectively. Our net cash position after considering the impact of settlement receivables and settlement liabilities was \$42.7 million and \$8.7 million as of March 31, 2017 and December 31, 2016, respectively. Our net cash available after considering the net cash position and undrawn amounts available under our Revolving Credit Facility was approximately \$92.7 million and \$58.7 million as of March 31, 2017 and December 31, 2016, respectively.

Sources and Uses of Cash

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

	Three Months Ended March 31,		March 31, 2017 vs
	2017	2016	2016
			Increase/(Decrease)
Cash flow activities			
Net cash provided by operating activities	\$ 31,358	\$ 24,704	\$ 6,654
Net cash used in investing activities	\$ (20,353)	\$ (24,559)	\$ 4,206
Net cash used in financing activities	\$ (2,502)	\$ (2,989)	\$ 487
Effect of exchange rates on cash	\$ 307	\$ 148	\$ 159
Cash and cash equivalents			
Net increase (decrease) for the period	8,810	(2,696)	11,506
Balance, beginning of the period	119,051	102,030	17,021
Balance, end of the period	\$ 127,861	\$ 99,334	\$ 28,527

Cash flows provided by operating activities increased by \$6.7 million for the three months ended March 31, 2017, as compared to the same period in the prior year. This was primarily due to the change in net loss.

Cash flows used in investing activities decreased by \$4.2 million for the three months ended March 31, 2017, as compared to the same period in the prior year. This was primarily due to a decrease in capital expenditures, partially offset by higher cash payments associated with placement fee agreements.

Cash flows used in financing activities decreased by \$0.5 million for the three months ended March 31, 2017, as compared to the same period in the prior year. This was due the payment of debt issuance costs in the prior year period.

Long-Term Debt

The following table summarizes our indebtedness (in thousands):

	At March 31,	At December 31,
	2017	2016
Long-term debt		
Senior secured term loan	\$ 463,100	\$ 465,600
Senior secured notes	335,000	335,000
Senior unsecured notes	350,000	350,000
Total debt	1,148,100	1,150,600
Less: debt issuance costs and discount	(27,105)	(28,720)
Total debt after debt issuance costs and discount	1,120,995	1,121,880
Less: current portion of long-term debt	(10,000)	(10,000)
Long-term debt, less current portion	\$ 1,110,995	\$ 1,111,880

Credit Facilities

In December 2014, Everi Payments, as borrower, and Holdings entered into a 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

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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 weighted average interest rate of 6.28% and 6.25% for the period ended March 31, 2017 and December 31, 2016, respectively.

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. We have historically elected to pay interest based on LIBOR, and we expect to continue to pay interest based on LIBOR. 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, 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, certain 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, including 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 maximum consolidated secured leverage ratio as well as an annual excess cash flow requirement. At March 31, 2017, our consolidated secured leverage ratio was 3.66, with a maximum allowable ratio of 4.25. Our consolidated secured maximum leverage ratio will be 4.00, 3.75 and 3.50 as of December 31, 2017, 2018 and 2019 and thereafter, respectively.

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 Holdings 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 March 31, 2017, we had approximately \$463.1 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 March 31, 2017. The weighted average interest rate on the Credit Facilities was approximately 6.28% for the three months ended March 31, 2017.

We were in compliance with the terms of the Credit Facilities as of March 31, 2017 and December 31, 2016.

We expect that our cash provided by operating activities will be sufficient for our operating and debt servicing needs during the next 12 months. If not, we have sufficient borrowings available under our Credit Facilities to meet additional funding requirements. We monitor the financial strength of our lenders on an ongoing basis using publicly-available information. Based upon that information, we believe there is not a likelihood that any of our lenders might not be able to honor their commitments under the Credit Agreement.

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 7.25% Senior 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 March 31, 2017 and December 31, 2016.

Senior Unsecured Notes

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

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

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

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

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

Refinancing and New Credit Facilities

On May 9, 2017, we entered into a new credit agreement with Jefferies Finance LLC, as administrative agent, which provides for an \$820.0 million senior secured term B loan facility that is scheduled to mature in May 2024 and a \$35.0 million senior secured revolving loan facility that is scheduled to mature in May 2022. The interest rate per annum applicable to loans under this new credit facility will be, at our option, the base rate or the Eurodollar Rate (defined to be LIBOR or a comparable or successor rate) (the “Eurodollar Rate”) plus, in each case, an applicable margin. The applicable margins are: (i) 4.50% in respect of Eurodollar Rate loans, and (ii) 3.50% in respect of base rate loans, and represent a 0.25% and 0.75% rate reduction compared to the existing Revolving Credit Facility and Term Loan, respectively. The Refinanced Secured Notes were issued at a fixed rate of 7.25%. The net proceeds of the new term loan facility were used to prepay the balances on our existing Credit Facilities of approximately \$462.3 million and to redeem all of our outstanding Refinanced Secured Notes of \$335.0 million, as well as to pay related fees and expenses. The revolving loan facility remained undrawn at closing. We expect to record a non-cash charge related to certain of the unamortized deferred financing fees and discounts related to the extinguished term loan and redeemed Refinanced Secured Notes.

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, 2016.

Other Liquidity Needs and Resources

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

Off-Balance Sheet Arrangements

Our Contract Cash Solutions Agreement with Wells Fargo Bank, N.A. (“Wells Fargo”) allows us to use funds owned by Wells Fargo to provide the currency needed for normal operating requirements for our ATMs. For the use of these funds, we pay Wells Fargo a cash usage fee on the average daily balance of funds utilized multiplied by a contractually defined cash usage rate. These cash usage fees, reflected as interest expense within the Condensed Consolidated Statements of Loss and Comprehensive Loss, were \$1.1 million and \$0.8 million the three months ended March 31, 2017 and 2016, respectively. We are exposed to interest rate risk to the extent that the applicable LIBOR increases.

Under this agreement, all currency supplied by Wells Fargo remains the sole property of Wells Fargo at all times until it is dispensed, at which time Wells Fargo obtains an interest in the corresponding settlement receivable which is recorded on a net basis. As these funds are not our assets, supplied cash is not reflected on the Condensed Consolidated Balance Sheets. The outstanding balances of ATM cash utilized by us from Wells Fargo were \$270.8 million and \$285.4 million as of March 31, 2017 and December 31, 2016, respectively.

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

We are responsible for any losses of cash in the ATMs under this agreement and we self-insure for this risk. We incurred no material losses related to this self-insurance for the three months ended March 31, 2017 and 2016.

Effects of Inflation

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

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

Wells Fargo supplies us with currency needed for normal operating requirements of our domestic ATMs pursuant to the Contract Cash Solutions Agreement. Under the terms of this agreement, we pay a monthly cash usage fee based upon the product of the average daily dollars outstanding in all such ATMs multiplied by a margin that is tied to LIBOR. We are, therefore, exposed to interest rate risk to the extent that the applicable LIBOR increases. The currency supplied by Wells Fargo was \$270.8 million as of March 31, 2017. Based upon this outstanding amount of currency supplied by Wells Fargo, each 1% increase in the applicable LIBOR would have a \$2.7 million impact on income before taxes over a 12-month period. Foreign gaming establishments or third-party vendors supply the currency needs for the ATMs located on their premises.

The 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. 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 6.28% for the three months ended March 31, 2017. Based upon the outstanding balance on the Credit Facilities of \$463.1 million as of March 31, 2017, each 1% increase in the applicable LIBOR would have a \$4.6 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 March 31, 2017. Based on such evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of March 31, 2017, the Company's disclosure controls and procedures are effective such that material information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported, within the time periods specified by the SEC's rules and forms and (ii) accumulated and communicated to management, including the Company's principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting during the Quarter Ended March 31, 2017

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the first quarter ended March 31, 2017 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

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

Item 1A. Risk Factors.

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

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

Issuer Purchases and Withholding of Equity Securities

	<u>Total Number of Shares Purchased</u> (in thousands)	<u>Average Price per Share⁽²⁾</u>
Tax Withholdings		
1/1/17 - 1/31/17	0.8	\$ 2.35
2/1/17 - 2/28/17	0.9	\$ 2.99
3/1/17 - 3/31/17	0.9	\$ 3.37
Total	<u>2.6</u>	<u>\$ 2.90</u>

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

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

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits

Exhibit Number	Description
10.1*	Settlement Agreement and Mutual Release with Ram V. Chary (effective as of March 15, 2017).
10.2	First Amendment to Employment Agreement with Juliet A. Lim (effective as of January 3, 2017) (incorporated by reference to Exhibit 10.45 of Everi Holdings Inc.'s Annual Report on Form 10-K filed with the SEC on March 14, 2017).
10.3	First Amendment to Employment Agreement with David Lucchese (effective as of January 3, 2017) (incorporated by reference to Exhibit 10.47 of Everi Holdings Inc.'s Annual Report on Form 10-K filed with the SEC on March 14, 2017).
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.

May 9, 2017

(Date)

EVERI HOLDINGS INC.

(Registrant)

By: /s/ Todd A. Valli

Todd A. Valli

Senior Vice President, Corporate Finance and Chief Accounting Officer

(For the Registrant and as Principal Accounting Officer)

EXHIBIT INDEX

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* Filed herewith.

** Furnished herewith.

SETTLEMENT AGREEMENT AND MUTUAL RELEASE

This Settlement Agreement and Mutual Release (the "Settlement Agreement" or the "Agreement") is entered into by and between Everi Holdings Inc., including its parents, subsidiaries, affiliated entities and agents ("Everi") and Ram v. Chary ("Chary") (individually a "Party" or collectively the "Parties"), and shall be effective on the day on which it is signed by all Parties (the "Effective Date").

RECITALS

- A. Chary previously served as Everi's President and Chief Executive Officer and a Director on Everi's Board.
- B. On January 27, 2014, Chary and Everi entered an Employment Agreement, a Stock Option Agreement, Indemnification Agreement, and a Proprietary Information and Inventions Agreement.
- C. On February 13, 2016, Chary was terminated from his position as Everi's President and Chief Executive Officer and removed from Everi's Board of Directors.
- D. Subsequent to his termination, disputes arose among the Parties, and on April 12, 2016, Chary filed a Demand for Arbitration and Statement of Claim against Everi with the American Arbitration Association, captioned *Ram V. Chary v. Everi Holdings, Inc. and Everi Payments, Inc.*, No. 01-16-0001-2899 ("the Arbitration"). Everi filed an Answering Statement and Counterclaim on May 13, 2016. On June 2, 2016, Everi filed an Answer and Counterclaim in the Eighth Judicial District Court, District Court of Nevada, in the matter captioned *Kevin Kealy v. Everi Holdings, Inc.*, Case No. A-16-745012-C (the "Kealy Action"), asserting affirmative claims and naming Chary as counterclaim defendant. Those claims in the Kealy Action were subsequently compelled to arbitration. The claims and allegations asserted by the Parties in each and all of the above proceedings are collectively referred to hereafter as the "Lawsuit."
- E. The Parties now desire to settle and resolve any and all disputes, claims or disagreements that any Party has or may have against any other Party, including, but not limited to, all Claims (as defined below) that the Parties asserted, threatened to assert, or could have asserted in the Lawsuit, or related to or arising from the Lawsuit or any act or omission by any Party prior to the Effective Date of this Settlement Agreement.

NOW, THEREFORE, in consideration of the mutual promises and undertakings set forth below, the sufficiency of which is acknowledged by the Parties, the Parties agree as follows:

ARGEEMENT

1. **Affirmation of Recitals; Defined Terms.** The recitals set forth above are true and correct in all respects and are hereby incorporated herein as specific agreements. Capitalized terms used herein that are not defined shall have the meanings assigned to such terms in this Section 1:

"Claims" means any and all claims, demands, suits, liabilities, charges, actions, causes of action, costs, expenses, judgments, damages and liabilities of any kind or nature, known or unknown, at law or in equity, choate or inchoate, arising under contract, tort, common law, state or federal statute or otherwise, whether suspected or unsuspected, asserted or unasserted, fixed or contingent, liquidated or unliquidated, in any form or nature and including, without limitation, any

form or type of relief or remedy arising from or relating thereto, that the Parties have or may have up to and including the Effective Date including specifically, but not limited to claims made, threatened, or that could have been made relating to or that otherwise arise from or relate to the subject matter of, the Lawsuit.

"Group" means, with respect to a particular Person, such Person's present or former direct or indirect parents, subsidiaries, companies or entities under common control with any of the foregoing, affiliates, divisions or other business units, management or advisory or investment services providers, officers, directors, managers, members, employees, agents, partners, joint venturers, co-ventures, shareholders, interest holders, owners, licensees or licensors, insurers, reinsurers, consultants, representatives, accountants, attorneys, predecessors, successors, assigns, trustees or fiduciaries affiliated with them, and each of their successors and assigns.

"Person" means an individual, partnership, corporation (including a business trust), joint stock company, limited liability company, trust, association, joint venture, governmental authority or any other entity of whatever nature.

"Representatives" means, with respect to a Party, such Party's controlled affiliates and its and their respective officers, directors, members, managers, partners, shareholders, interest holders, agents, accountants, attorneys and other representatives.

2. **Settlement Payment.** Not later than fourteen (14) days following the Effective Date, but subject to Section 7, herein, Everi shall cause to be delivered to Chary's counsel all of the amounts set forth below in this Section 2 (the "Settlement Payments"). The Settlement Payments constitute full and complete satisfaction of any and every monetary obligation of Everi under this Agreement and shall be made as follows:

(a) \$3,200,000.00 for severance, from which the required FICA, Medicare tax, income tax, and other required withholdings will be withheld (the "Withholdings"), and for which an IRS Form W-2 will be issued to Chary;

(b) \$444,000.00 as compensation for canceled restricted shares, less all Withholdings and for which an IRS Form W-2 will be issued to Chary;

(c) \$948,000.00 to Chary as reimbursement for attorneys' fees and costs. This payment shall be reported to the IRS on a Form 1099.

3. **Taxes.** Everi has not made, nor does it make any promises or warranties (express or implied) with regard to the tax consequences, if any, of the Settlement Payments. Chary agrees to pay all taxes, if any, which may be owing on any Settlement Payments, except for the Withholdings, *i.e.*, Everi's portion of FICA, Medicare and other federal, state or local employer tax contributions. Chary waives, renounces, and agrees to indemnify and hold Everi, its respective Groups and Representatives harmless against any claim asserted or assessed against Chary for unpaid taxes which arises from or relates to the Settlement Payments, except for any Claim associated with Everi's responsibility for the Withholdings. The Parties acknowledge that each of them may file with the appropriate federal, state, and municipal taxing authorities all forms, reports, or disclosures in respect of the Settlement Payments.

4. **Acknowledgement of Settlement.** The Parties acknowledge that:

(a) the Settlement Payments are in full settlement of all Claims of any kind or character that Chary has, or may ever have had, against Everi, including by reason of the Lawsuit and the subject matter thereof;

(b) the consideration, including the releases provided herein, are in full satisfaction of all obligations and burdens of any kind or character that Everi has, or may ever have had to Chary, including by reason of the Lawsuit and the subject matter hereof, and

(c) by signing this Agreement, and accepting the consideration provided herein and the benefits of it, Parties are giving up forever any right to seek further monetary or other relief from the other Party, for any acts or omissions up to and including the Effective Date.

5. **Group Medical Coverage.** Chary has certain rights to continued group medical coverage as provided in Section 4.3.3 of the Employment Agreement. Since Chary's termination, Everi has provided continued coverage for Chary and his eligible dependents under Everi's group health insurance plans in effect on the date of his termination in accordance with the provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA"), at no cost to Chary. Everi shall continue to provide group medical coverage to Chary and his eligible dependents for the remainder of the eighteen (18) month period provided in Section 4.3.3 of the Employment Agreement, which expires on August 31, 2017.

6. **Restrictions on Solicitation.** Chary agrees to be bound by Section 7 of the Employment Agreement concerning Restrictions on Solicitation after Termination (but the provisions of Sections 5.2 and 6 of the Employment Agreement shall be of no further force and effect). Section 7 of the Employment Agreement shall remain in full force and effect as stated in the Employment Agreement and is incorporated herein. However, nothing in Section 7 of the Employment Agreement nor any term in this Agreement shall preclude Chary from serving as a reference for Everi's current or past employees, provided that such a request is unsolicited by Chary.

7. **Return of Company Material.** Following Chary's termination, Chary retained certain text-messages, emails and other documents related to Everi and/or his employment therewith ("Company Material"). Prior to the receipt of any Settlement Payments, Chary shall return to Everi all originals and all copies of all Company Material, and any other confidential and proprietary documents in his possession or in the possession of his Representatives and Kevin Kealy and his Representatives shall also return to Everi all originals and all copies of all Company Material, and any other confidential and proprietary documents in their possession. Chary shall also provide a sworn certification confirming that no Company Material has been disclosed to a third party. To the extent Chary has disclosed Company Material to a third party and that party is not a Chary Representative or otherwise under his control, then Chary agrees to provide sworn certification of the identity of all such persons and the Company Material provided to such persons and to fully cooperate to assist in the recovery of all such materials and information. Nothing in this Agreement shall prohibit Chary and his counsel from retaining and maintaining the confidentiality of: the executed copies of this Agreement and Chary's other agreements with Everi, the pleadings, motions and memoranda in support thereof, declarations or affidavits, deposition transcripts and videotapes or documents reflecting attorney work product or consultant or expert work product (other than the Company Material referenced above in this Section 7), but only to the extent necessary to preserve a confidential litigation file. In addition, except as otherwise expressly stated in this Agreement, this Agreement shall not alter the Parties' obligations under the Stipulated Confidentiality Agreement and Protective Order dated November 29, 2016 and so ordered on

November 30, 2016 in the Arbitration, except that Everi shall not be required to return nor destroy the Company Material Chary produced in discovery and marked confidential.

8. **Mutual Releases.**

(a) Chary's Release as to Everi. Except as provided in Section 8(d) below, Chary hereby fully, finally and forever releases, waives, and discharges Everi, the members of its Groups and Representatives (collectively, the "Everi Released Parties"), from any and all Claims which Chary has or may have had, against Everi, whether or not apparent or yet to be discovered, including, without limitation, all Claims in connection with, arising out of or related to:

- (i) the Lawsuit, including the subject matter or allegations thereof;
- (ii) any agreement between or among such Parties;
- (iii) any other matter between such Parties, their respective Groups and/or their respective Representatives; and/or
- (iv) any claims under federal, state, or local law, rule or regulation or public policies of the United States of America, the State of Nevada, and any or all other states, counties, municipalities, territories, or possessions of the United States of America.

Except as provided in Section 8(d) below, this Agreement resolves any Claims for relief that could have been alleged by Chary, no matter how characterized, including, without limitation, compensatory damages, damages for breach of contract, bad faith, fraud, general damages of any kind, reliance damages, liquidated damages, damages for humiliation and embarrassment, punitive damages, damages for harm to reputation, costs and attorneys' fees and costs related to or arising from the Lawsuit or the subject matter or allegations thereof.

(b) Everi's Release as to Chary. Except as provided in Section 8(d) below, Everi hereby fully, finally and forever releases, waives, and discharges Chary and his Representatives (collectively the "Chary Released Parties") from any and all Claims which Everi has or may have had, against Chary, whether or not apparent or yet to be discovered, including, without limitation, all Claims in connection with, arising out of or related to:

- (i) the Lawsuit, including the subject matter or allegations thereof;
- (ii) any agreement between or among such Parties;
- (iii) any other matter between such Parties or, their respective Groups, and/or their respective Representatives; and/or
- (iv) any claims under federal, state, or local law, rule or regulation or public policies of the United States of America, the State of Nevada, and any or all other states, counties, municipalities, territories, or possessions of the United States of America.

Except as provided in Section 8(d) below, this Agreement resolves any Claims for relief that could have been alleged by Everi, no matter how characterized, including, without limitation, compensatory damages, damages for breach of contract, bad faith, fraud, general damages of any kind, reliance damages, liquidated damages, damages for humiliation and embarrassment, punitive damages, damages for harm to reputation, costs and attorneys' fees and costs related to or arising from the Lawsuit or the subject matter or allegations thereof.

(c) Waiver. Notwithstanding anything contained in this Agreement to the contrary, the Parties expressly acknowledge and agree that they:

(i) may hereafter discover facts in existence prior to the Effective Date in addition to those that they now know or believe to be true with respect to the Lawsuit (including the subject matter or allegations thereof); and

(ii) may have sustained damages, losses, fees, costs, and/or expenses that are presently unknown and unsuspected, and that such damages, losses, fees, costs, and/or expenses as any, some, or all of the Parties may have sustained might give rise to additional damages, losses, attorneys' fees, costs, and/or expenses in the future.

Nevertheless, the Parties expressly acknowledge that this Agreement has been negotiated and agreed upon in light of such possible unknown facts and such possible damages, losses, fees, costs, and/or expenses, and each expressly waives any and all rights under any law, rule or regulation. Each Party expressly acknowledges that this waiver in this Section 8(c) was separately bargained for and is a material term of this Agreement.

(d) Certain Exceptions. Notwithstanding anything contained in this Agreement to the contrary, the Parties expressly acknowledge and agree that nothing contained in this Agreement:

(i) shall constitute a release of any Claim that any Party might have against the other relating to any breach of this Agreement; or

(ii) shall constitute a release or waiver of any rights or obligations that any Party has and will continue to have in the future under the Indemnification Agreement, that the Parties executed on January 27, 2014.

(iii) is intended to foreclose Claims by a Party based on future conduct of a Party that otherwise is not released by this Agreement; or

(iv) is intended to release Claims to the extent such claims cannot be released by applicable law.

(e) Indemnification for Breach of Release :

(i) Chary agrees to promptly indemnify and hold each of the Everi Released Parties harmless from any liabilities, costs or obligations with respect to any Claim that is covered by the release set forth in this Section 8 but is nonetheless brought by Chary against any Everi Released Party (including, without limitation, any attorney's fees or other charges incurred in defending against any such Claim).

(ii) Everi agrees to promptly indemnify and hold each of the Chary Released Parties harmless from any liabilities, costs or obligations with respect to any Claim that is covered by the release set forth in this Section 8 but is nonetheless brought by Everi against any Chary Released Party (including, without limitation, any attorney fees or other charges incurred in defending against any such Claim).

9. Dismissal of Lawsuit. Within two (2) business days of the completion of the obligations set forth in Section 2, the Parties, through their respective counsel, shall file with the American Arbitration Association a Joint Stipulation of Dismissal with Prejudice of all claims in the Lawsuit, in the form attached as Exhibit B, with each party to bear its own attorneys' fees and costs, and

shall file with the Court a Joint Stipulation of Dismissal with prejudice of all claims asserted by Everi against Chary in the Kealy Action, in the form attached as Exhibit C, with each party to bear its own attorneys' fees and costs.

10. **Covenant Not to Sue and Non-Assistance.** Except as provided in Section 8(d), the Parties, to the extent allowed by law and the rules of professional conduct, hereby forever agree and covenant that they will not, directly or indirectly:

(a) institute or cause to be instituted any legal action, arbitration, or judicial or administrative proceeding without regard to name or form, concerning the matters released herein;

(b) pursue, sue, maintain, or prosecute (or in any manner threaten, assert, commence or pursue), through arbitration demand, administrative or quasi-judicial claim, lawsuit or other judicial proceeding without regard to name or form, concerning the matters released herein;

(c) provide information or assistance of any kind to any non-governmental/non-regulatory entity or individual concerning the investigation or prosecution of any Claim against any other Party or the matters released herein, except pursuant to subpoena, court order, or other legal process. No Party shall be entitled to rely upon the foregoing exception for disclosures pursuant to subpoena, court order, or legal process unless it provides the other Party with practical prompt notice so that it has a reasonable opportunity to contest the right of the requesting person or entity to such disclosure before the Party makes such disclosure. Generally speaking, and absent exceptional circumstances, this shall require written notice within the five (5) business days following service of the subpoena, court order, or legal process, or prior to the return date stated in the subpoena, court order, or legal process, whichever is earlier, unless such notice is prohibited by law.

Nothing herein shall prevent the Parties from cooperating, and providing information or assistance to any governmental or regulatory agency, entity, or body concerning the investigation, prosecution, or any inquiry of any Claim about or against Everi or Chary or the matters released herein, in their sole and absolute discretion. No Party shall be entitled to notice of such disclosure to any governmental or regulatory agency, entity or body.

11. **Attorneys' Fees.** The Parties understand and agree that the Settlement Payments are made in complete satisfaction of any right that any Party or its counsel may have to recover attorneys' fees from other Party. The foregoing notwithstanding, in any action relating to or arising from an alleged breach of this Agreement, the substantially prevailing Party shall recover from the other Party the expenses incurred by the prevailing party in connection with the action, including court costs and reasonable attorneys' fees.

12. **No Admission of Liability.** The Parties understand and agree that the Settlement Payments, and releases in Section 8, were agreed upon as a compromise and final settlement of disputed Claims in respect of the Lawsuit (including the subject matter or allegations thereof) and that any Party's entry into this Agreement or the payment of the Settlement Payments is not, and may not be construed as, an admission of liability by any of the Parties and is not to be construed as an admission that any of the Parties or any other Person engaged in any wrongful, tortious or unlawful activity. Each Party expressly denies any liability of any kind to any other Party to this Agreement, and expressly denies and disputes the allegations made against it, her, him, or them in the Lawsuit.

13. **Joint Press Release.** Chary and Everi hereby approve the joint press release attached hereto as Exhibit A and agree that such press release shall be issued publicly by the Parties promptly after the execution of this Agreement.

14. **Non-Disparagement.**

(a) Chary agrees not to, whether individually or jointly, and whether affirmatively or by silence, make or permit (or authorize, encourage or assist another Person acting on behalf of such Person to make or permit), a statement, comment, remark, representation, expression of opinion, writing, e-mail or other electronic writing or transmittal or posting or any other form of communication to any Person which disparages or defames Everi, its directors, executives, or employees, including in respect of its or their business practices, character, morals, trustworthiness or honesty.

(b) Everi agrees not to and to cause the members of its respective Groups (to the extent a member of any such Group is or was acting within the scope of his/her authority on behalf of such Corporate Party) not to, whether individually or jointly, and whether affirmatively or by silence, make or permit (or authorize, encourage or assist another Person acting on behalf of any such Person to make or permit), a statement, comment, remark, representation, expression of opinion, writing, e-mail or other electronic writing or transmittal or posting or any other form of communication to any Person which disparages or defames Chary, including in respect his business practices, character, morals, trustworthiness or honesty.

(c) The Parties agree that this Section 14 is not intended to preclude or inhibit a Party's truthful testimony if so compelled in a proceeding to which the testifying Party is subject to subpoena or similar judicial process.

15. **Representations and Warranties.** Each Party represents and warrants, as to himself or itself only and on a several and not joint basis, that:

(a) Such Party has read this Agreement, fully understands it, and fully understands its legal effect and binding nature. Such Party further acknowledges that he, she or it is acting voluntarily and of his, her, or its own free will in entering into and executing this Agreement. Each Party which is not an individual warrants that the signatory of such Party hereto is competent and duly authorized to enter into this Agreement on behalf of the Party, and with his or her signature binds the Party for which he or she executes this Agreement.

(b) Such Party affirms that it has had every opportunity which he, she, or it deems necessary to inquire about the facts and dealings between the Parties; that each Party has retained counsel independently selected by him, her, or it and obtained all advice which he, she, or it deems necessary regarding this Agreement, including without limitation the meaning, applicability, and actual and potential breadth of the releases and waivers contained in this Agreement; and each Party affirms that he, she, or it fully understands and accepts the legal effect and binding nature of this Agreement.

(c) No Party has assigned, transferred, or granted, or purported to assign, transfer, or grant, any of the Claims disposed of by this Agreement.

(d) Such Party has obtained all necessary consents, approvals or authorizations required to execute and deliver this Agreement and perform such Party's obligations hereunder.

(e) Such Party has full power and authority to execute and deliver this Agreement, to carry out its and their obligations hereunder and to consummate the transactions contemplated hereby.

(f) The execution and delivery by such Party of this Agreement, the performance of its obligations hereunder and the consummation of the transactions contemplated hereby have been duly authorized by all necessary action on the part of such Party, and no other action on the part of such Party is necessary to authorize the execution, delivery and performance of this Agreement or the consummation of the transactions contemplated hereunder.

(g) Such Party has duly executed and delivered this Agreement and this Agreement constitutes the legal, valid and binding obligation of such Party, enforceable against such Party in accordance with its terms, except to the extent that its enforceability may be subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and to general equitable principles.

16. **Misunderstanding as to Facts.** Each of the Parties understands, acknowledges and agrees that if any fact now believed to be true is found hereafter to be other than, or different from, that which is now believed, such Party expressly assumes the risk of such difference in fact and agrees that this Agreement shall be, and will remain, effective notwithstanding any such difference in fact. Each of the Parties expressly waives any and all rights such Party may have under any statute or common law principle that would limit the effect of the releases contained in this Agreement based upon such Party's knowledge at the time this Agreement is executed. The Parties acknowledge that their adversarial relationship precludes any affirmative obligation of disclosure, and expressly disclaim all reliance upon information supplied or concealed by the adverse party or its counsel in connection with the negotiation and/or execution of this Agreement.

17. **Arms-Length.** This Agreement has been negotiated at arms' length between persons knowledgeable in its subject matter, and each Party hereto has reviewed this Agreement in consultation with its counsel. Accordingly, any rule of law or any legal decision that would require interpretation of any ambiguities in this Agreement against the Party that has drafted it, is of no application and is expressly waived.

18. **Further Action.** Each of the Parties shall, for no further consideration, use good faith efforts to perform all such other actions and execute, acknowledge, and deliver and cause to be executed, acknowledged and delivered such other documents as may be reasonably required to effectuate the intent of the Parties as reflected in this Agreement.

19. **Notices:** All notices in connection with this Agreement shall be in writing and delivered as follows:

For Chary:

Ram V . Chary
39 Panorama Crest Avenue
Las Vegas, Nevada 89135

With Copies to:

Donald H. Chase, Esq.
Morrison Cohen LLP

909 Third Avenue, 27th Floor
New York, New York 10022
dchase@morrisoncohen.com

For Everi:

Juliet L. Lim
Everi Holdings Inc.
7250 S. Tenaya Way, Suite 100
Las Vegas, Nevada 89113
jlim@everi.com

With copies to:

James J. Pisanelli, Esq.
Pisanelli Bice PLLC
400 South 7th Street, Suite 300
Las Vegas, Nevada 89101
jjp@pisanellibice.com

20. **Miscellaneous.**

(a) Additional Warranty and Acknowledgment. Each of the Parties warrants and represents that such Party has not been offered any promise or inducement except as expressly provided in this Agreement, and that this Agreement is not in violation of or in conflict with any other agreement of any Party.

(b) Survival of Covenants and Warranties. All covenants and warranties contained in this Agreement are contractual and shall survive the execution of this Agreement.

(c) Successors and Assigns. This Agreement shall be binding in all respects upon, and shall inure to the benefit of, the Parties' heirs, legal representatives, successors and permitted assigns.

(d) Governing Law. This Settlement Agreement is intended to be enforced according to its written terms under the laws of the State of Nevada. Venue for any legal action concerning this Settlement Agreement shall lie exclusively in the Eighth Judicial District Court, Clark County, Nevada. All Parties consent to jurisdiction and venue in that Court.

(e) Severability. In the event that an arbitrator or court of competent jurisdiction enters a final judgment or decision holding invalid any provision of this Agreement, the remainder of this Agreement shall be fully enforceable to the fullest extent permitted under law. Each clause of this Agreement is an independent agreement supported by adequate consideration and intended to be fully enforceable between and among the Parties to this Agreement.

(f) Integration. This Agreement embodies the entire agreement of the Parties with respect to the subject matter hereof, and supersedes all prior agreements, promises, covenants, arrangements, communications, representations or warranties, whether oral or written, whether expressed or implied, by any officer, employee or representative of any Party with respect thereto. The granting of any waiver with respect to any failure to comply with any provision of this

Agreement shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure to comply with any provision of this Agreement.

(g) Modification. This Agreement shall not be modified except in a writing signed by all of the Parties.

(h) Waiver. No term or condition of this Agreement shall be deemed to have been waived, nor shall there be an estoppel against the enforcement of any provision of this Agreement, except by a writing signed by the party charged with the waiver or estoppel. No waiver of any breach of this Agreement shall be deemed a waiver of any later breach of the same provision or any other provision of this Agreement.

(i) Headings. Headings are intended solely as a convenience and shall not control the meaning or interpretation of any provision of this Agreement.

(j) Gender and Number. Pronouns contained in this Agreement shall apply equally to the feminine, neuter and masculine genders. The singular shall include the plural, and the plural shall include the singular.

(k) Construction. Each of the Parties acknowledges that such Party has reviewed this Agreement in its entirety and has had a full and fair opportunity to negotiate its terms and to consult with counsel of such Party's own choosing concerning the meaning and effect of this Agreement. Each Party therefore waives all applicable rules of construction that any provision of this Agreement should be construed against its drafter, and agrees that all provisions of the agreement shall be construed as a whole, according to the fair meaning of the language used.

(l) Counterparts; Telecopies and Portable Document Format. This Agreement may be executed in counterparts, or by copies transmitted by telecopier or Portable Document Format ("PDF"), all of which shall be given the same force and effect as the original.

IN WITNESS WHEREOF, the Parties hereby execute this Settlement Agreement.

EVERI HOLDINGS INC.

By: /s/ Randy L. Taylor

/s/ Ram V. Chary
RAM V. CHARY

Its: EVP, CFO

Date: March 14, 2017

Date: March 15, 2017

EXHIBIT A



EVERI HOLDINGS COMPLETES SETTLEMENT AGREEMENT WITH FORMER PRESIDENT AND CEO

Las Vegas, NV – March 17, 2017 – Everi Holdings Inc. (NYSE: EVRI) (“Everi” or the “Company”), announced today that it has entered into a binding settlement agreement with its former President and Chief Executive Officer, Ram V. Chary. Pursuant to the terms of the settlement agreement, and Mr. Chary’s employment agreement, Mr. Chary will receive payments totaling \$4.6 million inclusive of \$0.9 million in legal fees.

E. Miles Kilburn, Everi’s Chairman of the Board, commented : “This is another step forward in our initiatives to position Everi for improved performance based on our strong and diverse portfolio of gaming and payments solutions. I personally appreciate the integrity with which Mr. Chary approached the negotiations that resulted in this settlement agreement .”

About Everi Holdings

Everi Holdings 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 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.

Cautionary Note Regarding Forward-Looking Statements

This press release contains “forward-looking statements” as defined in the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements often address our expected future business, plans, objectives and financial performance, and often contain words such as “goal,” “target,” “future,” “estimate,” “expect,” “anticipate,” “intend,” “plan,” “believe,” “seek,” “project,” “may,” “should,” or “will” 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 risks identified in the "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business" sections of our Annual Report on Form 10-K for the fiscal year ended December 31, 2015, as applicable, and the other risks identified from time to time in our other press releases, reports and filings with the SEC. If any of our projections or assumptions prove to be incorrect, our actual results and the timing of certain events could differ materially from the forward-looking statements.

Contacts:

Investor Relations

Richard Land, James Leahy

JCIR

212-835-8500 or evri@jcir.com

EXHIBIT B
AMERICAN ARBITRATION ASSOCIATION

In the Matter of the Arbitration Between RAM V. CHARY, - against - EVERI HOLDINGS, INC., and EVERI PAYMENTS, INC., And related Counterclaim.	Claimant, Respondents,
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AAA No. 01-16-0001-2899

**Joint Stipulation Of
Dismissal With Prejudice**

Claimant Ram V. Chary and Respondents Everi Holdings, Inc. and Everi Payments, Inc., by and through their undersigned counsel, hereby stipulate and agree that all and each of the claims, demands and causes of action set forth in this arbitration proceeding be dismissed with prejudice, and without attorneys' fees or costs to any party (except as set forth in their settlement agreement).

DATED this 5th day of April, 2017

DATED this 5th day of April, 2017

By: /s/ Dustun H. Holmes
James J. Pisanelli, Esq.
Dustun H. Holmes, Esq.
Robert A Ryan, Esq.
PISANELLI BICE PLLC
400 South 7th Street, Suite 300
Las Vegas, Nevada 89101

Attorneys for Respondents

By: /s/ Donald H. Chase
Donald H. Chase, Esq.
Morrison Cohen LLP
909 Third Avenue
New York, NY 1022-4784

Dennis L. Kennedy, Esq.
BAILEY KENNEDY
8984 Spanish Ridge Avenue
Las Vegas, Nevada 89148-1302

Attorneys for Claimant

DATED this 7th day of April, 2017

DATED this 5th day of April, 2017

PISANELLI BICE PLLC

BAILEY KENNEDY

By: /s/ Robert A. Ryan
James J. Pisanelli, Esq., Bar No. 4027
Dustun H. Holmes, Esq., Bar No. 12776
Robert A. Ryan, Esq., Bar No. 12084
400 South 7th Street, Suite 300
Las Vegas, Nevada 89101

By: /s/ Amanda L. Stevens
Dennis L. Kennedy, Esq., Bar No. 1462
Joseph A. Liebman, Esq., Bar No. 10125
Amanda L. Stevens, Esq., Bar No. 13966
8984 Spanish Ridge Avenue
Las Vegas, Nevada 89148-1302

Attorneys for Everi Holdings, Inc.

Attorneys for Kevin Kealy and Ram v. Chary

ORDER

IT IS SO ORDERED:

This 10th day of April 2017

/s/ Kenneth C. Cory
DISTRICT COURT JUDGE

Respectfully submitted by:

PISANELLI BICE PLLC

By: /s/ Robert A. Ryan
James J. Pisanelli, Esq., Bar No. 4027
Dustun H. Holmes, Esq., Bar No. 12776
Robert A. Ryan, Esq., Bar No. 12084
400 South 7th Street, Suite 300
Las Vegas, Nevada 89101

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: May 9, 2017

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

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

I, Randy L. Taylor, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Everi Holdings Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's 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: May 9, 2017

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

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

In connection with the periodic report of Everi Holdings Inc. (the "Company") on Form 10-Q for the period ended March 31, 2017 as filed with the Securities and Exchange Commission (the "Report"), I, Michael D. Rumbolz, President and Chief Executive Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

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

Dated: May 9, 2017

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

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

In connection with the periodic report of Everi Holdings Inc. (the "Company") on Form 10-Q for the period ended March 31, 2017 as filed with the Securities and Exchange Commission (the "Report"), I, Randy L. Taylor, Chief Financial Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

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

Dated: May 9, 2017

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