
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, 2018

OR

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

EVERI HOLDINGS INC.

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of
incorporation or organization)

7250 S. TENAYA WAY, SUITE 100

LAS VEGAS, NEVADA

(Address of principal executive offices)

20-0723270

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

89113

(Zip Code)

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

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company)

Smaller reporting company

Emerging growth company

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

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

As of May 1, 2018, there were 68,962,596 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 INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
(In thousands, except earnings (loss) per share amounts)

	Three Months Ended March 31,	
	2018	2017
Revenues		
Games revenues		
Gaming operations	\$ 40,056	\$ 36,531
Gaming equipment and systems	20,154	18,725
Gaming other	7	20
Games total revenues	60,217	55,276
Payments revenues		
Cash access services	38,218	171,735
Equipment	4,419	2,299
Information services and other	8,147	8,227
Payments total revenues	50,784	182,261
Total revenues	111,001	237,537
Costs and expenses		
Games cost of revenues (1)		
Gaming operations	4,182	3,209
Gaming equipment and systems	10,741	9,235
Gaming other	—	—
Games total cost of revenues	14,923	12,444
Payments cost of revenues (1)		
Cash access services	2,231	138,661
Equipment	2,514	1,419
Information services and other	1,216	719
Payments total cost of revenues	5,961	140,799
Operating expenses	32,187	28,993
Research and development	4,311	4,543
Depreciation	12,825	10,830
Amortization	16,303	17,325
Total costs and expenses	86,510	214,934
Operating income	24,491	22,603

	Three Months Ended March 31,	
	2018	2017
Other expenses		
Interest expense, net of interest income	20,307	25,057
Total other expenses	20,307	25,057
Income (loss) before income tax	4,184	(2,454)
Income tax (benefit) provision	(425)	1,054
Net income (loss)	4,609	(3,508)
Foreign currency translation	323	272
Comprehensive income (loss)	\$ 4,932	\$ (3,236)
Earnings (loss) per share		
Basic	\$ 0.07	\$ (0.05)
Diluted	\$ 0.06	\$ (0.05)
Weighted average common shares outstanding		
Basic	68,686	66,090
Diluted	73,285	66,090

(1) Exclusive of depreciation and amortization.

The 2018 results include the impact of adopting the Financial Accounting Standards Board (the “FASB”) Accounting Standards Codification Topic 606 *Revenues from Contracts with Customers* (“ASC 606”) . Refer to “Note 2 — Basis of Presentation and Summary of Significant Accounting Policies” and “Note 3 — Adoption of ASC 606, Revenue from Contracts with Customers” to our unaudited condensed consolidated financial statements included in Part I, Item 1 of this Form 10-Q for more information.

See notes to unaudited condensed consolidated financial statements.

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

	<u>At March 31,</u> <u>2018</u>	<u>At December 31,</u> <u>2017</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 132,645	\$ 128,586
Settlement receivables	153,443	227,403
Trade and other receivables, net of allowances for doubtful accounts of \$4,715 and \$4,706 at March 31, 2018 and December 31, 2017, respectively	56,115	47,782
Inventory	24,709	23,967
Prepaid expenses and other assets	20,504	20,670
Total current assets	<u>387,416</u>	<u>448,408</u>
Non-current assets		
Property, equipment and leased assets, net	118,031	113,519
Goodwill	640,571	640,589
Other intangible assets, net	315,419	324,311
Other receivables	6,564	2,638
Other assets	6,748	7,609
Total non-current assets	<u>1,087,333</u>	<u>1,088,666</u>
Total assets	<u>\$ 1,474,749</u>	<u>\$ 1,537,074</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities		
Settlement liabilities	\$ 242,901	\$ 317,744
Accounts payable and accrued expenses	138,187	134,504
Current portion of long-term debt	8,200	8,200
Total current liabilities	<u>389,288</u>	<u>460,448</u>
Non-current liabilities		
Deferred tax liability	37,645	38,207
Long-term debt, less current portion	1,158,450	1,159,643
Other accrued expenses and liabilities	14,049	19,409
Total non-current liabilities	<u>1,210,144</u>	<u>1,217,259</u>
Total liabilities	<u>1,599,432</u>	<u>1,677,707</u>
Commitments and contingencies (Note 13)		
Stockholders' deficit		
Common stock, \$0.001 par value, 500,000 shares authorized and 93,832 and 93,120 shares issued at March 31, 2018 and December 31, 2017, respectively	94	93
Convertible preferred stock, \$0.001 par value, 50,000 shares authorized and no shares outstanding at March 31, 2018 and December 31, 2017, respectively	—	—
Additional paid-in capital	288,718	282,070
Accumulated deficit	(237,186)	(246,202)
Accumulated other comprehensive income (loss)	71	(253)
Treasury stock, at cost, 24,888 and 24,883 shares at March 31, 2018 and December 31, 2017, respectively	(176,380)	(176,341)
Total stockholders' deficit	<u>(124,683)</u>	<u>(140,633)</u>
Total liabilities and stockholders' deficit	<u>\$ 1,474,749</u>	<u>\$ 1,537,074</u>

See notes to unaudited condensed consolidated financial statements.

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

	Three Months Ended March 31,	
	2018	2017
Cash flows from operating activities		
Net income (loss)	\$ 4,609	\$ (3,508)
Adjustments to reconcile net income (loss) to cash provided by operating activities:		
Depreciation and amortization	29,129	28,155
Amortization of financing costs and discounts	905	1,672
(Gain) loss on sale or disposal of assets	(13)	436
Accretion of contract rights	2,057	2,002
Provision for bad debts	2,182	2,817
Deferred income taxes	(561)	626
Reserve for obsolescence	305	408
Stock-based compensation	2,350	1,412
Changes in operating assets and liabilities:		
Settlement receivables	73,571	86,400
Trade and other receivables	(9,715)	4,423
Inventory	(1,157)	(3,739)
Prepaid and other assets	1,251	(3,358)
Settlement liabilities	(74,617)	(111,498)
Accounts payable and accrued expenses	2,456	25,161
Net cash provided by operating activities	32,752	31,409
Cash flows from investing activities		
Capital expenditures	(26,339)	(17,184)
Proceeds from sale of fixed assets	72	—
Placement fee agreements	(4,643)	(3,044)
Net cash used in investing activities	(30,910)	(20,228)
Cash flows from financing activities		
Repayments of credit facilities	(2,050)	(2,500)
Proceeds from exercise of stock options	4,088	5
Purchase of treasury stock	(38)	(7)
Net cash provided by (used in) financing activities	2,000	(2,502)
Effect of exchange rates on cash	147	307
Cash, cash equivalents and restricted cash		
Net increase for the period	3,989	8,986
Balance, beginning of the period	129,604	119,438
Balance, end of the period	\$ 133,593	\$ 128,424

See notes to unaudited condensed consolidated financial statements.

	Three Months Ended March 31,	
	2018	2017
Supplemental cash disclosures		
Cash paid for interest	\$ 15,206	\$ 8,243
Cash paid for income tax	67	575
Cash refunded for income tax	1	200
Supplemental non-cash disclosures		
Accrued and unpaid capital expenditures	\$ 4,145	\$ 2,789
Accrued and unpaid placement fees	363	—
Transfer of leased gaming equipment to inventory	1,897	2,301

See notes to unaudited condensed consolidated financial statements.

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

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

1. BUSINESS

Everi 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. (“Everi Games Holding”), which owns all of the issued and outstanding shares of capital stock of Everi Games Inc. (“Everi Games” or “Games”) and Everi Payments 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 a leading supplier of technology solutions for the casino gaming industry. We provide casino operators with a diverse portfolio of products including innovative gaming machines that power the casino floor, and casino operational and management systems that include comprehensive end-to-end payments solutions, critical intelligence offerings, and gaming operations efficiency technology.

Everi Games provides a number of products and services for casinos, including (a) gaming machines comprised primarily of Class II and Class III slot machines placed under participation or fixed fee lease arrangements or sold to casino customers, including the award-winning TournEvent®; and (b) system software, licenses, ancillary equipment and maintenance to its casino customers. Everi Games also develops and manages the central determinant system for the video lottery terminals installed in the State of New York.

Everi Payments provides its casino customers cash access and related products and services including: (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) equipment that provides cash access and efficiency related services; (c) products and services that improve credit decision making, automate cashier operations and enhance patron marketing activities for gaming establishments; (d) compliance, audit and data solutions; and (e) online payment processing solutions for gaming operators in states that offer intrastate, internet-based gaming and lottery activities.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Our unaudited condensed consolidated financial statements included herein have been prepared by us pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). Some of the information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States (“GAAP”) have been condensed or omitted pursuant to such rules and regulations, although we believe the disclosures are adequate to make the information presented not misleading. In the opinion of management, all adjustments (which include normal recurring adjustments) necessary for a fair statement of results for the interim periods have been made. The results for the three months ended March 31, 2018 are not necessarily indicative of results to be expected for the full fiscal year. The Financial Statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

Other than the adoption of ASU 2014-09 and all subsequent amendments (collectively, ASC 606) and Accounting Standards Update (“ASU”) No. 2016-18, 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, 2017.

Overall – Revenue Recognition

We evaluate the recognition of revenue based on the criteria set forth in ASC 606 and ASC 840, as appropriate. We recognize revenue upon transferring control of goods or services to our customers in an amount that reflects the consideration we expect to receive in exchange for those goods or services in accordance with ASC 606. We enter into contracts with customers that may include various combinations of goods and services. Timing of the transfer of control varies based on the nature of the contract. We recognize revenue net of any sales and other taxes collected from customers, which are subsequently remitted to governmental authorities and are not included in revenues or operating expenses. We measure revenue based on the consideration specified in a contract with a customer and adjusted, as necessary, in accordance with ASC 606.

We evaluate the composition of our revenues to ensure compliance with SEC Regulation S-X Section 210.5-03, which requires us to separately present certain categories of revenues that exceed the quantitative threshold on our Statements of Income (Loss).

Significant Judgments

ASC 606 requires that we apply judgments or estimates to determine the performance obligations and the Stand-Alone Selling Price (“SSP”) of each identified performance obligation. The establishment of SSP requires judgment as to whether there is a sufficient quantity of items sold or renewed on a stand-alone basis and those prices demonstrate an appropriate level of concentration to conclude that a SSP exists. The SSP of our goods and services are generally determined based on observable prices, an adjusted market assessment approach or an expected cost plus margin approach. We only utilize a residual approach when the SSP for performance obligations with observable prices have been established and the remaining performance obligation in the contract with a customer does not have an observable price as it is uncertain or highly variable and, therefore, is not discernable.

Collectability

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

Contract Combinations - Multiple Promised Goods and Services

Our contracts may include promises to transfer multiple goods and services to a customer. Our Games and Payments businesses may enter into multiple agreements with the same customer that meet the criteria to be combined for accounting purposes under ASC 606. When this occurs, a SSP will be determined for each performance obligation in the combined arrangement and the consideration allocated between the respective performance obligations. We use our judgment to analyze the nature of the promises made and determine whether each is distinct or should be combined with other promises in the contract based on the level of integration and interdependency between the individual deliverables.

Disaggregation of Revenues

We disaggregate revenues based on the nature and timing of the cash flows generated by such revenues as presented in “Note 18 — Segment Information.”

Outbound Freight Costs

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

Costs to Acquire a Contract with a Customer

We typically incur incremental costs to acquire customer contracts in the form of sales commission expenses. We evaluate those acquisition costs for groups of contracts with similar characteristics, based on the nature of the transactions. The incremental costs to acquire customer contracts identified would be amortized within one year and, as a result, we elected to utilize the practical expedient set forth in ASC 340-40, Contract Costs – *Incremental Costs of Obtaining a Contract* to expense these amounts as incurred.

Asset Balances

In connection with the adoption of ASC 606 utilizing the modified retrospective transition method, we recorded an immaterial cumulative adjustment with respect to certain amounts that had been previously deferred under the then existing revenue recognition guidance as of December 31, 2017 that required recognition under ASC 606 as of the effective date of adoption in accumulated deficit.

Games Revenues

Gaming Operations

Games revenues are primarily generated by our gaming operations under development, placement and participation arrangements in which we provide our customers with player terminals, player terminal-content licenses, central determinant systems for devices placed in service in licensed jurisdictions and back-office equipment, collectively referred to herein as leased gaming equipment. We evaluate the recognition of lease revenues based on criteria set forth in ASC 840. Generally, under these arrangements, we retain ownership of the leased gaming equipment installed at customer facilities and we receive revenues based on a percentage of the net win per day generated by the leased gaming equipment or a fixed daily fee based on the number of player terminals installed at the facility. Revenues from lease participation or daily fee arrangements are considered both realizable and earned at the end of each gaming day.

Gaming operations revenues generated by leased gaming equipment deployed at sites under development or placement fee agreements give rise to contract rights, which are amounts recorded to intangible assets for dedicated floor space resulting from such agreements. The gaming operations revenues generated by these arrangements are reduced by the accretion of contract rights, which represents the related amortization of the contract rights recorded in connection with those agreements.

Gaming operations revenues include revenues generated by Wide Area Progressive (“WAP”) systems, which consist of linked slot machines located in multiple casino properties that are connected to a central system. WAP-based gaming machines have a progressive jackpot we administer that increases with every wager until a player wins the top award combination. Casino operators pay us a percentage of the coin-in (the total amount wagered) for services related to the design, assembly, installation, operation, maintenance, administration and marketing of the WAP systems. The gaming operations revenues with respect to WAP-based gaming machines are presented in the Statement of Income (Loss) net of the jackpot expense, which is comprised of incremental amount funded by a portion of the coin-in from players. At such time a jackpot is won by a player, an additional jackpot expense is recorded with respect to the base seed amount required to fund the minimum level required by the respective WAP arrangement with the casino operator.

Gaming Equipment and Systems

Gaming equipment and systems revenues are derived from the sale of gaming equipment to our customers under contracts on standard credit terms, which are generally short-term in nature, and are recognized at a point in time when control of the promised goods and services transfers to the customer generally upon shipment or delivery pursuant to the terms of the contract.

Gaming Other

Gaming other revenues primarily consist of our TournEvent of Champions® national tournament and are recognized over a period of time as the customer simultaneously receives and consumes the benefits.

Payments Revenues

Cash Access Services

Cash access services revenues are comprised of cash advance, ATM and check services revenue streams. We do not control the cash advance and ATM services provided to a customer and, therefore, we are acting as an agent whose performance obligation is to arrange for the provision of these services.

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

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

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

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

Equipment

Equipment revenues are derived from the sale of equipment under contracts with standard credit terms, which are generally short-term in nature, and are recognized at a point in time when control of the promised goods and services transfers to the customer generally upon shipment or delivery pursuant to the terms of the contract.

Information Services and Other

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

Our software represents a functional right-to-use license and the revenues are recognized at a point in time. Subscription services represent a stand-ready performance obligation and the revenues are recognized over a period time using an input method based on time elapsed. Professional and other services revenues are recognized over a period time using an input method based on time elapsed as they are provided depicting the transfer of control to the customer.

Restricted Cash

Our restricted cash, which is included in prepaid expenses and other assets, primarily consists of: (i) deposits held in connection with a sponsorship agreement; (ii) WAP-related restricted funds; and (iii) Internet related cash access activities. The current portion of restricted cash was approximately \$0.8 million and \$0.9 million as of March 31, 2018 and December 31, 2017, respectively. The non-current portion of restricted cash was approximately \$0.1 million as of

March 31, 2018 and December 31, 2017. The current portion of restricted cash was approximately \$0.5 million and \$0.3 million as of March 31, 2017 and December 31, 2016, respectively. The non-current portion of restricted cash was approximately \$0.1 million as of March 31, 2017 and 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 is estimated based on various inputs to determine a market price, such as: market demand and supply, size of tranche, maturity and similar instruments trading in more active markets. The estimated fair value and outstanding balances of our borrowings are as follows (in thousands).

	Level of Hierarchy	Fair Value	Outstanding Balance
March 31, 2018			
Term loan	2	\$ 820,686	\$ 813,850
Senior unsecured notes	1	\$ 381,859	\$ 375,000
December 31, 2017			
Term loan	2	\$ 826,099	\$ 815,900
Senior unsecured notes	1	\$ 372,656	\$ 375,000

The term loan facility was reported at fair value using a Level 2 input as there were quoted prices in markets that were not considered active as of March 31, 2018 and December 31, 2017. The senior unsecured notes were reported at fair value using a Level 1 input as there were quoted prices in markets that were considered active as of March 31, 2018 and December 31, 2017.

Reclassification of Prior Year Balances

Reclassifications were made to the prior-period Financial Statements to conform to the current period presentation, except for the adoption impact of the application of ASC 606 utilizing the modified retrospective transition method.

Recent Accounting Guidance

Recently Adopted Accounting Guidance

In March 2018, the FASB issued ASU No. 2018-05, which provides guidance on accounting for the tax effects of the 2017 Tax Act (pursuant to SEC Staff Accounting Bulletin No. 118). The new standard is effective March 13, 2018. We have adopted this guidance in the current period. In accordance with this guidance, some of the income tax effects recorded in 2017 are provisional and they may be adjusted during 2018.

In May 2014, the FASB issued ASU No. 2014-09, which creates ASC 606 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 provided 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 amended 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 AS C 606. In December 2016, the FASB issued ASU 2016-20, which clarified additional topics in AS C 606. 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 adopted this guidance effective January 1, 2018 and have provided additional information with respect to the new revenue recognition topic elsewhere in this Note 2 disclosure and also in “Note 3 — Adoption of ASC 606, Revenue from Contracts with Customers.”

In May 2017, the FASB issued ASU No. 2017-09 to clarify which changes to the terms and conditions of share-based payment awards require an entity to apply modification accounting under Topic 718. An entity is required to account for the effects of a modification unless all of the following conditions are met: (i) the fair value (or calculated value or intrinsic value, if such an alternative measurement method is used) of the modified award is the same as the fair value (or value using an alternative measurement method) of the original award immediately before the original award is modified. If the modification does not affect any of the inputs to the valuation technique that the entity uses to value the award, the entity is not required to estimate the value immediately before and after the modification; (ii) the vesting conditions of the modified award are the same as the vesting conditions of the original award immediately before the original award is modified; and (iii) the classification of the modified award as an equity instrument or a liability instrument is the same as the classification of the original award immediately before the original award is modified. We adopted this guidance in the current period. This ASU did not have a material impact on our Financial Statements.

In January 2017, the FASB issued ASU No. 2017-01, which clarifies the definition of a business. The amendments affect all companies and other reporting organizations that must determine whether they have acquired or sold a business. The amendments are intended to help companies and other organizations evaluate whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The new standard is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. This guidance will be applied using a prospective approach as of the beginning of the first period of adoption. We adopted this guidance in the current period. This ASU did not have a material impact on our Financial Statements.

In October 2016, the FASB issued ASU No. 2016-18, which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. As a result, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments do not provide a definition of restricted cash or restricted cash equivalents. We adopted this guidance in the current period using a retrospective approach to each period presented. This ASU did not have a material impact on our Financial Statements.

In October 2016, the FASB issued ASU No. 2016-16, which provides updated guidance on the recognition of the income tax consequences of intra-entity transfers of assets other than inventory when the transfer occurs, and this eliminates the exception for an intra-entity transfer of such assets. 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. We adopted this guidance in the current period. This ASU did not have a material impact on our Financial Statements.

In August 2016, the FASB issued ASU No. 2016-15, which provides updated guidance on the classification of certain cash receipts and cash payments in the statement of cash flows. 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. We adopted this guidance in the current period. As of March 31, 2018, the adoption of the ASU No. 2016-15 did not have a material impact on our Financial Statements. We anticipate a material impact on our future Financial Statements in connection with the presentation of debt prepayments and extinguishment costs incurred in the prior year periods.

Recent Accounting Guidance Not Yet Adopted

In February 2018, the FASB issued ASU No. 2018-02, which provides financial statement preparers with an option to reclassify stranded tax effects within AOCI to retained earnings in each period in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Cuts and Jobs Act (or portion thereof) is recorded. The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early

adoption is permitted. We do not expect the adoption of this ASU to have a material impact on our Financial Statements. We are currently evaluating the impact of adopting this guidance on our Financial Statements.

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

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

3. ADOPTION OF ASC 606, “REVENUE FROM CONTRACTS WITH CUSTOMERS”

Change in accounting policies

On January 1, 2018, we adopted ASC 606 using the modified retrospective method, which requires us to evaluate whether any cumulative adjustment is required to be recorded to retained earnings (or accumulated deficit) as a result of applying the provisions set forth under ASC 606 for any existing arrangements not yet completed as of the adoption date of January 1, 2018. We determined that there was an immaterial cumulative adjustment in the amount of approximately \$4.4 million, which we recorded to accumulated deficit as of the adoption date as a result of applying the modified retrospective transition method. In addition, under the modified retrospective method, our prior period results were not recast to reflect the new revenue recognition standard. Except for the changes discussed with respect to revenue recognition, the impact of which is summarized in the tables below, we have consistently applied our accounting policies to all periods presented in our Financial Statements.

Games revenues

We previously reported certain costs incurred in connection with our WAP platform, consisting primarily of the WAP jackpot expenses, as cost of revenues. Under ASC 606, such costs are reflected as reductions to gaming operations revenues on a net basis.

Payments revenues

We previously reported costs and expenses related to our cash access services, which include commission expenses payable to casino operators, interchange fees payable to the network associations and processing and related costs payable to other third party partners, as a cost of revenues. Under ASC 606, such costs are reflected as reductions to cash access services revenues on a net basis.

The following table presents the impact of the application of ASC 606 utilizing the modified retrospective transition method to certain line items on our Unaudited Condensed Consolidated Statement of Income and Comprehensive Income for the three months ended March 31, 2018 (in thousands):

	Three Months Ended March 31, 2018		
	As reported	Adjustments	Without Adoption of ASC 606
Revenues			
Games revenues			
Gaming operations	\$ 40,056	\$ 462	\$ 40,518
Games total revenues	60,217	462	60,679
Payments revenues			
Cash access services	38,218	155,448	193,666
Equipment	4,419	(211)	4,208
Payments total revenues	50,784	155,237	206,021
Total revenues	111,001	155,699	266,700
Costs and expenses			
Games cost of revenues (1)			
Gaming operations	4,182	462	4,644
Games total cost of revenues	14,923	462	15,385
Payments cost of revenues (1)			
Cash access services	2,231	154,899	157,130
Equipment	2,514	(85)	2,429
Payments total cost of revenues	5,961	154,814	160,775
Total costs and expenses	86,510	155,276	241,786
Operating income	24,491	423	24,914
Income before income tax	4,184	423	4,607
Income tax benefit	(425)	—	(425)
Net income	4,609	423	5,032
Comprehensive income	4,932	423	5,355

(1) Exclusive of depreciation and amortization.

The adoption of ASC 606 utilizing the modified retrospective transition method did not have a material impact to our Balance Sheets and Cash Flows as of and for the three months ended March 31, 2018.

4. 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, 2018 and 2017.

5. FUNDING AGREEMENTS

Commercial Cash Arrangements

We have commercial arrangements with third party vendors to provide cash for certain of our ATMs. For the use of these funds, we pay a cash usage fee on either the average daily balance of funds utilized multiplied by a contractually defined cash usage rate or the amounts supplied multiplied by a contractually defined cash usage rate. These cash usage fees, reflected as interest expense within the Statements of Income (Loss), were \$1.7 million and \$1.1 million for the three months ended March 31, 2018 and 2017, respectively. We are exposed to interest rate risk to the extent that the applicable rates increase.

Under these agreements, the currency supplied by third party vendors remain their sole property until the funds are dispensed. As these funds are not our assets, supplied cash is not reflected in our Balance Sheets. The outstanding balances of ATM cash utilized by us from the third parties were \$263.4 million and \$289.8 million as of March 31, 2018 and December 31, 2017, respectively.

The primary commercial arrangement, the Contract Cash Solutions Agreement, as amended, with Wells Fargo, N.A. Wells Fargo, provides us with cash in the maximum amount of \$300.0 million with the ability to increase the amount by \$75 million over a 5-day period for holidays, such as the period around New Year's Day. The agreement currently expires on June 30, 2020. 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, 2018 and 2017.

Site-Funded ATMs

We operate ATMs at certain customer gaming establishments where the gaming establishment provides the cash required for the ATM operational needs. We are required to reimburse the customer for the amount of cash dispensed from these site-funded ATMs. The site-funded ATM liability included within settlement liabilities in the accompanying Balance Sheets was \$166.2 million and \$210.8 million as of March 31, 2018 and December 31, 2017, respectively.

Everi-Funded ATMs

We enter into agreements with customers for certain of our Canadian ATMs whereby we provide the cash required to operate the ATMs. We supplied approximately \$5.0 million of our cash for these ATMs at March 31, 2018.

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 \$6.6 million and \$8.4 million at March 31, 2018 and December 31, 2017, respectively, and is included in prepaid expenses and other assets on our Balance Sheets.

6. 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, equipment and compliance products. Trade and loans receivables generally do not require collateral. The balance of trade and loans receivables consists of outstanding balances owed to us by gaming establishments. Other receivables include income taxes receivables and other miscellaneous receivables. The balance of trade and other receivables consisted of the following (in thousands):

	<u>At March 31,</u> <u>2018</u>	<u>At December 31,</u> <u>2017</u>
Trade and other receivables, net		
Games trade and loans receivables	\$ 43,603	\$ 38,070
Payments trade and loans receivables (1)	17,411	10,780
Other receivables	1,665	1,570
Total trade and other receivables, net	<u>62,679</u>	<u>50,420</u>
Less: non-current portion of receivables		
Games trade and loans receivables	(1,094)	(1,267)
Payments trade and loans receivables (1)	(5,470)	(1,371)
Total non-current portion of receivables	<u>(6,564)</u>	<u>(2,638)</u>
Total trade and other receivables, current portion	<u>\$ 56,115</u>	<u>\$ 47,782</u>

- (1) In connection with the adoption of ASC 606 utilizing the modified retrospective transition method, we recorded an immaterial cumulative adjustment with respect to certain amounts that had been previously deferred under the then existing revenue recognition guidance as of December 31, 2017 that required recognition under ASC 606 as of the effective date of adoption in accumulated deficit.

At least quarterly, we evaluate the collectability of the outstanding balances and establish a reserve for the face amount of the expected losses on our receivables. The allowance for doubtful accounts for trade receivables was \$4.7 million as of March 31, 2018 and December 31, 2017 and includes reserves for both Games and Payments receivables. The provision for doubtful accounts is generally included within operating expenses in the Statements of Income (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 in the Statements of Income (Loss). The outstanding balances of the check warranty and general reserves were \$2.6 million and \$2.1 million, respectively, as of March 31, 2018 and \$2.7 million and \$2.0 million, respectively, as of December 31, 2017.

7. INVENTORY

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

Inventory consisted of the following (in thousands):

	<u>At March 31,</u> <u>2018</u>	<u>At December 31,</u> <u>2017</u>
Inventory		
Raw materials and component parts, net of reserves of \$1,406 and \$1,327 at March 31, 2018 and December 31, 2017, respectively	\$ 16,420	\$ 18,782
Work-in-progress	2,855	985
Finished goods	5,434	4,200
Total inventory	<u>\$ 24,709</u>	<u>\$ 23,967</u>

8. PREPAID AND OTHER ASSETS

Prepaid and other assets include the balance of prepaid expenses, deposits, debt issuance costs on our Revolving Credit Facility (defined herein), restricted cash and other assets. The current portion of these assets is included in prepaid and

other assets and the non-current portion is included in other assets, both of which are contained within the Balance Sheets.

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

	<u>At March 31,</u> <u>2018</u>	<u>At December 31,</u> <u>2017</u>
Prepaid expenses and other assets		
Deposits	\$ 7,656	\$ 9,003
Prepaid expenses	9,326	6,426
Other	3,522	5,241
Total prepaid expenses and other assets	<u>\$ 20,504</u>	<u>\$ 20,670</u>

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

	<u>At March 31,</u> <u>2018</u>	<u>At December 31,</u> <u>2017</u>
Other assets		
Prepaid expenses and deposits	\$ 5,032	\$ 4,103
Debt issuance costs of revolving credit facility	801	849
Other	915	2,657
Total other assets	<u>\$ 6,748</u>	<u>\$ 7,609</u>

9. PROPERTY, EQUIPMENT AND LEASED ASSETS

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

	Useful Life (Years)	At March 31, 2018			At December 31, 2017		
		Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Property, equipment and leased assets							
Rental pool - deployed	2-4	\$ 171,097	\$ 86,922	\$ 84,175	\$ 162,319	\$ 80,895	\$ 81,424
Rental pool - undeployed	2-4	20,987	12,527	8,460	17,366	9,374	7,992
Cash access equipment	3 - 5	26,292	19,816	6,476	25,907	18,654	7,253
Leasehold and building improvements	Lease Term	11,220	5,694	5,526	10,981	5,211	5,770
Machinery, office and other equipment	2-5	39,074	25,680	13,394	35,167	24,087	11,080
Total		<u>\$ 268,670</u>	<u>\$ 150,639</u>	<u>\$ 118,031</u>	<u>\$ 251,740</u>	<u>\$ 138,221</u>	<u>\$ 113,519</u>

Depreciation expense related to property, equipment and leased assets totaled approximately \$12.8 million and \$10.8 million for the three months ended March 31, 2018 and 2017, respectively. There was no material impairment of our property, equipment and leased assets for the three months ended March 31, 2018 and 2017.

10. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

Goodwill represents the excess of the purchase price over the identifiable tangible and intangible assets acquired plus liabilities assumed arising from business combinations. The balance of goodwill was \$640.6 million at March 31, 2018 and December 31, 2017, 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.

No impairment was identified for our goodwill for the three months ended March 31, 2018 and 2017.

Other Intangible Assets

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

	Weighted Average Remaining Life (years)	At March 31, 2018			At December 31, 2017		
		Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Other intangible assets							
Contract rights under placement fee agreements	4	\$ 57,231	\$ 5,968	\$ 51,263	\$ 57,231	\$ 3,910	\$ 53,321
Customer contracts	6	51,175	44,269	6,906	51,175	43,638	7,537
Customer relationships	8	231,100	68,895	162,205	231,100	63,653	167,447
Developed technology and software	2	256,960	167,320	89,640	249,064	158,919	90,145
Patents, trademarks and other	4	29,046	23,641	5,405	29,046	23,185	5,861
Total		<u>\$ 625,512</u>	<u>\$ 310,093</u>	<u>\$ 315,419</u>	<u>\$ 617,616</u>	<u>\$ 293,305</u>	<u>\$ 324,311</u>

Amortization expense related to other intangible assets was approximately \$16.3 million and \$17.3 million for the three months ended March 31, 2018 and 2017, respectively. We capitalized \$8.6 million and \$6.2 million of internal software development costs for the three months ended March 31, 2018 and 2017, 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, 2018 and 2017.

We enter into placement fee agreements to secure a long-term revenue share percentage and a fixed number of player terminal placements in a gaming facility, for which the funding under placement fee agreements is not reimbursed. In return for the fees under these agreements, each facility dedicates a percentage of its floor space, or an agreed upon unit count, for the placement of our electronic gaming machines (“EGMs”) over the term of the agreement, generally 12 to 83 months, and we receive a fixed percentage or flat fee of those machines’ hold per day. Certain of the agreements contain EGM performance standards that could allow the respective facility to reduce a portion of our guaranteed floor space.

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

remaining net book value of the intangible asset is prospectively amortized on a straight-line method over the remaining estimated useful life.

We paid approximately \$5.6 million in placement fees, including \$1.0 million of imputed interest, to a customer for the three months ended March 31, 2018 and approximately \$3.0 million in placement fees for the three months ended March 31, 2017.

11. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

	<u>At March 31,</u> <u>2018</u>	<u>At December 31,</u> <u>2017</u>
Accounts payable and accrued expenses		
Trade accounts payable	\$ 72,545	\$ 59,435
Placement fees (1)	22,691	22,328
Accrued interest	9,509	5,766
Deferred and unearned revenues	7,810	10,450
Cash access processing and related expenses	6,960	8,932
Payroll and related expenses	6,802	14,178
Accrued taxes	2,021	2,112
Other	9,849	11,303
Total accounts payable and accrued expenses	<u>\$ 138,187</u>	<u>\$ 134,504</u>

(1) The total outstanding balance of the placement fee liability as of March 31, 2018 and December 31, 2017 was \$33.9 million and \$39.1 million, respectively. The remaining \$11.2 million and \$16.8 million of non-current placement fees as of March 31, 2018 and December 31, 2017, respectively, was included in other accrued expenses and liabilities in our Balance Sheets.

12. LONG-TERM DEBT

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

	<u>At March 31,</u> <u>2018</u>	<u>At December 31,</u> <u>2017</u>
Long-term debt		
Senior secured term loan	\$ 813,850	\$ 815,900
Senior unsecured notes	375,000	375,000
Total debt	1,188,850	1,190,900
Less: debt issuance costs and discount	(22,200)	(23,057)
Total debt after debt issuance costs and discount	1,166,650	1,167,843
Less: current portion of long-term debt	(8,200)	(8,200)
Long-term debt, less current portion	<u>\$ 1,158,450</u>	<u>\$ 1,159,643</u>

Refinancing

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

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

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

On November 13, 2017 (the "Repricing Closing Date"), we entered into an amendment to the New Credit Agreement (the "First Amendment") which, among other things, reduced the interest rate on the approximately \$818.0 million then outstanding balance of the New Term Loan Facility, but did not change the maturity dates for the New Term Loan Facility or the New Revolving Credit Facility or the financial covenants or other debt repayments terms set forth in the New Credit Agreement. We incurred approximately \$3.0 million of debt issuance costs and fees associated with the repricing of the New Term Loan Facility.

New Credit Facilities

The New Term Loan Facility matures seven years after the Closing Date and the New Revolving Credit Facility matures five years after the Closing Date. The New Revolving Credit Facility is available for general corporate purposes, including permitted acquisitions, working capital and the issuance of letters of credit.

The interest rate per annum applicable to loans under the New Revolving Credit Facility is, at Everi Payments' option, the base rate or the Eurodollar Rate (defined to be the London Interbank Offered Rate or a comparable or successor rate) (the "Eurodollar Rate") plus, in each case, an applicable margin. The interest rate per annum applicable to the New Term Loan Facility also is, at Everi Payments' option, the base rate or the Eurodollar Rate plus, in each case, an applicable margin. The Eurodollar Rate is reset at the beginning of each selected interest period based on the Eurodollar Rate then in effect; provided that, if the Eurodollar Rate is below zero, then such rate will be equal to zero plus the applicable margin. The base rate is a fluctuating interest rate equal to the highest of: (i) the prime lending rate announced by the administrative agent; (ii) the federal funds effective rate from time to time plus 0.50%; and (iii) the Eurodollar Rate (after taking account of any applicable floor) applicable for an interest period of one month plus 1.00%. Prior to the effectiveness of the First Amendment on the Repricing Closing Date, the applicable margins for both the New Revolving Credit Facility and the New Term Loan Facility were: (i) 4.50% in respect of Eurodollar Rate loans and (ii) 3.50% in respect of base rate loans. The applicable margins for the New Term Loan Facility from and after the effectiveness of the First Amendment on the Repricing Closing Date are: (i) 3.50% in respect of Eurodollar Rate loans and (ii) 2.50% in respect of base rate loans.

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

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

The New Credit Agreement governing the New Credit Facilities contains certain covenants that, among other things, limit Holdings' ability, and the ability of certain of its subsidiaries, to incur additional indebtedness, sell assets or consolidate or merge with or into other companies, pay dividends or repurchase or redeem capital stock, make certain investments, issue capital stock of subsidiaries, incur liens, prepay, redeem or repurchase subordinated debt, and enter into certain types of transactions with its affiliates. The New Credit Agreement governing the New Credit Facilities also requires Holdings, together with its subsidiaries, to comply with a consolidated secured leverage ratio. At March 31, 2018, our consolidated secured leverage ratio was 3.52 to 1.00, with a maximum allowable ratio of 5.00 to 1.00 (which maximum allowable ratio is reduced to 4.75 to 1.00 as of December 31, 2018, 4.50 to 1.00 as of December 31, 2019, 4.25 to 1.00 as of December 31, 2020, and 4.00 to 1.00 as of December 31, 2021 and each December 31 thereafter).

We were in compliance with the covenants and terms of the New Credit Facilities as of March 31, 2018.

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

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

For the three months ended March 31, 2018, the New Term Loan Facility had an applicable weighted average interest rate of 5.05%.

At March 31, 2018, we had \$813.9 million of borrowings outstanding under the New Term Loan Facility and no borrowings outstanding under the New Revolving Credit Facility. We had \$35.0 million of additional borrowing availability under the New Revolving Credit Facility as of March 31, 2018.

Refinanced Senior Secured Notes

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

Senior Unsecured Notes

In December 2014, we issued \$350.0 million in aggregate principal amount of 10.0% Senior Unsecured Notes due 2022 (the "2014 Unsecured Notes") under an indenture (as supplemented, the "2014 Notes Indenture"), dated December 19, 2014, between Everi Payments (as successor issuer), and Deutsche Bank Trust Company Americas, as trustee. The fees associated with the 2014 Unsecured Notes included original issue discounts of approximately \$3.8 million and debt issuance costs of approximately \$14.0 million. In December 2015, we completed an exchange offer in which all of the unregistered 2014 Unsecured Notes were exchanged for a like amount of 2014 Unsecured Notes that had been registered under the Securities Act.

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

and is payable semi-annually in arrears on each June 15 and December 15, commencing on June 15, 2018. The 2017 Unsecured Notes will mature on December 15, 2025. We incurred approximately \$6.1 million of debt issuance costs and fees associated with the issuance of the 2017 Unsecured Notes.

On December 5, 2017, together with the issuance of the 2017 Unsecured Notes, Everi Payments satisfied and discharged the 2014 Notes Indenture relating to the 2014 Unsecured Notes. To effect the satisfaction and discharge, Everi Payments issued an unconditional notice of redemption to Deutsche Bank Trust Company Americas, as trustee, of the redemption in full on January 15, 2018 (the "Redemption Date") of all outstanding 2014 Unsecured Notes under the terms of the 2014 Notes Indenture. In addition, using the proceeds from the sale of the 2017 Unsecured Notes and cash on hand, Everi Payments irrevocably deposited with the trustee funds sufficient to pay the redemption price of the 2014 Unsecured Notes of 107.5% of the principal amount thereof, plus accrued and unpaid interest to, but not including, the Redemption Date (the "Redemption Price"), and irrevocably instructed the trustee to apply the deposited money toward payment of the Redemption Price for the 2014 Unsecured Notes on the Redemption Date. Upon the trustee's receipt of such funds and instructions, along with an officer's certificate of Everi Payments and an opinion of counsel certifying and opining that all conditions under the 2014 Notes Indenture to the satisfaction and discharge of the 2014 Notes Indenture had been satisfied, the 2014 Notes Indenture was satisfied and discharged, and all of the obligations of Everi Payments and the guarantors under the 2014 Notes Indenture ceased to be of further effect, as of December 5, 2017 (subject to certain exceptions). The 2014 Unsecured Notes were thereafter redeemed on the Redemption Date.

In connection with the issuance of the 2017 Unsecured Notes and the redemption of the 2014 Unsecured Notes, in December 2017 we incurred a \$37.2 million loss on extinguishment of debt consisting of a \$26.3 million make-whole premium related to the satisfaction and redemption of the 2014 Unsecured Notes and approximately \$10.9 million for the write-off of related unamortized debt issuance costs and fees.

We were in compliance with the terms of the 2017 Unsecured Notes as of March 31, 2018.

13. COMMITMENTS AND CONTINGENCIES

There were no material changes in our commitments under contractual obligations as compared to those disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

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.

14. SHAREHOLDERS' EQUITY

Preferred Stock. Our amended and restated certificate of incorporation, as amended, allows our Board of Directors, without further action by stockholders, to issue up to 50,000,000 shares of preferred stock in one or more series and to fix the designations, powers, preferences, privileges and relative participating, optional, or special rights as well as the qualifications, limitations or restrictions of the preferred stock, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences. As of March 31, 2018 and December 31, 2017, 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, 2018 and December 31, 2017, we had 93,832,405 and 93,119,988 shares of common stock issued, respectively.

Treasury Stock. Employees may direct us to withhold vested shares of restricted stock to satisfy the minimum statutory withholding requirements applicable to their restricted stock vesting. We withheld from restricted stock awards 5,001 and 2,574 shares of common stock for the three months ended March 31, 2018 and 2017, respectively, at an aggregate purchase price of \$38,400 and \$7,475, respectively to satisfy the minimum applicable tax withholding obligations related to the vesting of such restricted stock awards.

15. WEIGHTED AVERAGE COMMON SHARES

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

	<u>Three Months Ended March 31,</u>	
	<u>2018</u>	<u>2017</u>
Weighted average shares		
Weighted average number of common shares outstanding - basic	68,686	66,090
Potential dilution from equity awards (1)	4,599	—
Weighted average number of common shares outstanding - diluted (1)	<u>73,285</u>	<u>66,090</u>

- (1) The potential dilution excludes the weighted average effect of equity awards to purchase 7.0 million shares of common stock at March 31, 2018 because the application of the treasury stock method, as required, makes them anti-dilutive. Company was in a net loss position for the three months ended March 31, 2017; therefore, potentially dilutive common shares were excluded as their effects would be anti-dilutive under the application of the treasury stock method. Equity awards to purchase approximately 15.7 million shares of common stock for the three months ended March 31, 2017 were excluded from the diluted net loss per share results.

16. SHARE-BASED COMPENSATION

Equity Incentive Awards

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

Generally, we grant the following award types with varying vesting provisions and expiration periods: (a) time-based options, (b) market-based options and (c) restricted stock.

During the three months ended March 31, 2018, we granted restricted stock units (“RSUs”) to the independent members of our Board of Directors. Each RSU represents a contingent right to receive one share of common stock. The RSUs vest in equal installments on each of the first three anniversary dates of the grant and settle on the earliest of the following events: (i) March 7, 2028; (ii) the board member’s death; (iii) the occurrence of a Change in Control (as defined in the Amended and Restated 2014 Plan), subject to qualifying conditions; and (iv) the date that is six months following the board member’s separation from service, subject to qualifying conditions.

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

	Stock Options Granted	Restricted Stock Awards Granted	Restricted Stock Units Granted
Outstanding, December 31, 2017	19,131	74	—
Granted	—	—	116
Exercised options or vested shares	(712)	(17)	—
Cancelled or forfeited	(901)	—	—
Outstanding, March 31, 2018	<u>17,518</u>	<u>57</u>	<u>116</u>

The maximum number of shares available for future equity awards, both under the Amended and Restated 2014 Plan and the 2012 Plan, is approximately 4.9 million shares of our common stock. There are no shares available for future equity awards under the 2005 Plan.

Stock Options

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

Our market-based options granted in 2017 vest at a rate of 25% per year on each of the first four anniversaries of the grant date, provided that as of the vesting date for each vesting tranche, the closing price of our 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.

There were no time-based or market-based option awards granted during the three months ended March 31, 2018.

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

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

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

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

The following table presents the options activity:

	Number of Options (in thousands)	Weighted Average Exercise Price (per share)	Weighted Average Life Remaining (years)	Aggregate Intrinsic Value (in thousands)
Outstanding, December 31, 2017	19,131	\$ 5.34	6.4	\$ 45,887
Granted	—	—		
Exercised	(712)	6.02		\$ 1,272
Canceled or forfeited	(901)	5.52		
Outstanding, March 31, 2018	<u>17,518</u>	\$ 5.31	6.7	\$ 32,443
Vested and expected to vest, March 31, 2018	<u>15,987</u>	\$ 5.35	6.7	\$ 29,075
Exercisable, March 31, 2018	<u>9,147</u>	\$ 6.14	5.8	\$ 11,285

There were no options and 4.0 million options granted for the three months ended March 31, 2018 and 2017, respectively. The weighted average grant date fair value per share of options granted was \$1.81 for the three months ended March 31, 2017. The total intrinsic value of options exercised was \$1.3 million and \$6,132 for the three months ended March 31, 2018 and 2017, respectively.

There was \$6.4 million in unrecognized compensation expense related to options expected to vest as of March 31, 2018. This cost is expected to be recognized on a straight-line basis over a weighted average period of 3.1 years. We recorded \$2.1 million in non-cash compensation expense related to options granted that were expected to vest as of March 31, 2018, including \$0.5 million related to options accelerated for a former executive. We received \$4.2 million in cash from the exercise of options for the three months ended March 31, 2018.

There was \$15.3 million in unrecognized compensation expense related to options expected to vest as of March 31, 2017. This cost was 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 as of March 31, 2017. We received \$8,554 in cash from the exercise of options for the three months ended March 31, 2017.

Restricted Stock Awards

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, 2017	74	\$ 7.00
Granted	—	—
Vested	(17)	6.98
Forfeited	—	—
Outstanding, March 31, 2018	<u>57</u>	\$ 7.01

There were no shares of restricted stock granted for the three months ended March 31, 2018 and 2017. The total fair value of restricted stock vested was \$118,747 and \$45,050 for the three months ended March 31, 2018 and 2017, respectively.

There was \$ 0.3 million in unrecognized compensation expense related to shares of time based restricted stock expected to vest as of March 31, 2018 . This cost is expected to be recognized on a straight-line basis over a weighted average period of 0.8 years. There were 17 ,001 shares of restricted stock that vested and we recorded \$ 0.2 million in non-cash compensation expense related to the restricted stock granted that was expected to vest during the three months ended March 31, 2018 .

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

Restricted Stock Units

The following is a summary of non-vested RSU awards:

	Shares Outstanding (in thousands)	Weighted Average Grant Date Fair Value (per share)
Outstanding, December 31, 2017	—	\$ —
Granted	116	7.80
Vested	—	—
Forfeited	—	—
Outstanding, March 31, 2018	<u>116</u>	<u>\$ 7.80</u>

There were 116,326 shares of RSU awards granted for the three months ended March 31, 2018. There were no shares granted for the three months ended March 31, 2017. No RSU awards vested during the three months ended March 31, 2018 and 2017.

There was \$0.7 million in unrecognized compensation expense related to shares of time-based RSU awards expected to vest as of March 31, 2018. This cost is expected to be recognized on a straight-line basis over a weighted average period of 2.9 years. We recorded \$17,359 of non-cash compensation expense related to RSU awards for the three months ended March 31, 2018.

17. INCOME TAXES

The income tax benefit reflected an effective income tax rate of negative 10.2% for the three months ended March 31, 2018, which was less than the statutory federal rate of 21.0%, primarily due to a decrease in our valuation allowance for deferred tax assets and the benefit from a research credit. The decrease in our valuation allowance of approximately \$1.3 million is primarily due to the current quarter income and the interest deduction limitation (deferred tax asset) which can be offset against our indefinite lived deferred tax liabilities. 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.

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, 2018, we recorded \$0.9 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. We have not accrued any penalties and interest for our unrecognized tax benefits. Other than the unrecognized tax benefit recorded, we believe that our income tax filing positions and deductions will be sustained upon audit, and we do not anticipate any other adjustments that will result in a material change to our financial position. We may, from time to time, be assessed interest or penalties by tax jurisdictions, although any such assessments historically have been minimal and immaterial to our financial results. Our policy for recording interest and penalties associated with audits and unrecognized tax benefits is to record such items as a component of income tax in our Statements of Income (Loss) and Comprehensive Income (Loss).

On December 22, 2017, the SEC staff issued Staff Accounting Bulletin 118 (“SAB 118”), which provides guidance on accounting for the tax effects of the Tax Cut and Jobs Act of 2017 (the “2017 Tax Act”). SAB 118 was added to the FASB codification in March 2018 with the issuance of ASU 2018-05. SAB 118 provides a measurement period that should not extend beyond one year from the enactment date for companies to complete the accounting under Accounting Standards Codification Topic 740 *Income Taxes* (“ASC 740”). In accordance with SAB 118, a company must reflect the income tax effects of those aspects of the 2017 Tax Act for which the accounting under ASC 740 is complete. To the extent that a company’s accounting for certain income tax effects of the 2017 Tax Act is incomplete but for which they are able to determine a reasonable estimate, it must record a provisional amount in the financial statements. Provisional treatment is proper in light of anticipated additional guidance from various taxing authorities, the SEC, the FASB, and even the Joint Committee on Taxation. Provisional treatment is also necessary if the company is waiting for final financial information from domestic and foreign equity investments. If a company cannot determine a provisional amount to be included in the financial statements, it should continue to apply ASC 740 on the basis of the provisions of the tax laws that were in effect immediately before the enactment of the 2017 Tax Act.

In accordance with the SAB 118 guidance, some of the income tax effects recorded in 2017 are provisional, including the one-time transition tax, the effect on our valuation allowance including the stricter limits on interest deductions, and the remeasurement of our deferred tax assets and liabilities. In addition, we are still evaluating the Global Intangible Low-Taxed Income provisions of the 2017 Tax Act and its impact, if any, on our Financial Statements. The accounting for these income tax effects may be adjusted during 2018 as a result of continuing analysis of the 2017 Tax Act; additional implementation guidance from the IRS, state tax authorities, the SEC, the FASB, or the Joint Committee on Taxation; and new information from domestic or foreign equity affiliates. As of March 31, 2018, we have not finalized our analysis of these provisional amounts.

18. SEGMENT INFORMATION

Operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision-making group in deciding how to allocate resources and in assessing performance. Our chief operating decision-making group consists of the Chief Executive Officer and the Chief Financial Officer. This group manages the business, allocates resources and measures profitability based on our operating segments. 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 our 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; equipment and maintenance services; compliance, audit and data software; casino credit data and reporting services and other ancillary offerings.

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

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

The accounting policies of the operating segments are generally the same as those described in the summary of significant accounting policies. Since we adopted ASC 606 utilizing the modified retrospective method, the prior year comparative amounts shown in the tables below have not been restated.

The following tables present segment information (in thousands):

	For the Three Months Ended March 31,	
	2018	2017
Games		
Revenues		
Gaming operations	\$ 40,056	\$ 36,531
Gaming equipment and systems	20,154	18,725
Gaming other	7	20
Total revenues	60,217	55,276
Costs and expenses		
Cost of revenues (1)		
Gaming operations	4,182	3,209
Gaming equipment and systems	10,741	9,235
Gaming other	—	—
Games total cost of revenues	14,923	12,444
Operating expenses	12,007	10,608
Research and development	4,311	4,543
Depreciation	11,139	9,031
Amortization	13,484	13,858
Total costs and expenses	55,864	50,484
Operating income	\$ 4,353	\$ 4,792

(1) Exclusive of depreciation and amortization.

	For the Three Months Ended March 31,	
	2018	2017
Payments		
Revenues		
Cash access services	\$ 38,218	\$ 171,735
Equipment	4,419	2,299
Information services and other	8,147	8,227
Total revenues	50,784	182,261
Costs and expenses		
Cost of revenues (1)		
Cash access services	2,231	138,661
Equipment	2,514	1,419
Information services and other	1,216	719
Cost of revenues	5,961	140,799
Operating expenses	20,180	18,385
Depreciation	1,686	1,799
Amortization	2,819	3,467
Total costs and expenses	30,646	164,450
Operating income	\$ 20,138	\$ 17,811

(1) Exclusive of depreciation and amortization.

	For the Three Months Ended March 31,	
	2018	2017
Total Games and Payments		
Revenues	\$ 111,001	\$ 237,537
Costs and expenses		
Cost of revenues (1)	20,884	153,243
Operating expenses	32,187	28,993
Research and development	4,311	4,543
Depreciation	12,825	10,830
Amortization	16,303	17,325
Total costs and expenses	86,510	214,934
Operating income	\$ 24,491	\$ 22,603

(1) Exclusive of depreciation and amortization.

	At March 31,	At December 31,
	2018	2017
Total assets		
Games	\$ 928,676	\$ 925,186
Payments	546,073	611,888
Total assets	\$ 1,474,749	\$ 1,537,074

Major Customers. For the three months ended March 31, 2018 and 2017, no single customer accounted for more than 10% of our revenues. Our five largest customers accounted for approximately 21% and 27% for the three months ended March 31, 2018 and 2017, respectively.

19. SUBSEQUENT EVENTS

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

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

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

Cautionary Information Regarding Forward-Looking Statements

The following Management’s Discussion and Analysis of Financial Condition and Results of Operations contains “forward-looking statements” as defined in the U.S. Private Securities Litigation Reform Act of 1995. In this context, forward-looking statements often address our expected future business and financial performance, and often contain words such as “anticipate,” “believe,” “expect,” “intend,” “estimate,” “project,” “may,” “should,” “will,” “likely,” “will likely result,” “will continue,” “future,” “plan,” “target,” “forecast,” “goal,” “observe,” “seek,” “strategy” and other words and terms of similar meaning. These forward-looking statements are subject to various risks and uncertainties that could cause actual results to differ materially from those projected or assumed, including, but not limited to, the following: our ability to generate profits in the future; our ability to execute on mergers, acquisitions and/or strategic alliances, including our ability to integrate and operate such acquisitions consistent with our forecasts; expectations regarding our existing and future installed base and win per day; expectations regarding placement fee arrangements; inaccuracies in underlying operating assumptions; expectations regarding customers’ preferences and demands for future gaming offerings; expectations regarding our product portfolio; the overall growth of the gaming industry, if any; our ability to replace revenue associated with terminated contracts; margin degradation from contract renewals; our ability to comply with the Europay, MasterCard and Visa global standard for cards equipped with security chip technology; our ability to introduce new products and services, including third-party licensed content; gaming establishment and patron preferences; expenditures and product development; anticipated sales performance; employee turnover; our ability to prevent, mitigate or timely recover from cybersecurity breaches, attacks and compromises; 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, 2017 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 is a leading supplier of technology solutions for the casino gaming industry. We provide casino operators with a diverse portfolio of products including innovative gaming machines that power the casino floor, and casino operational and management systems that include comprehensive end-to-end payments solutions, critical intelligence offerings, and gaming operations efficiency technology. Everi’s mission is to be a transformative force for casino operations by facilitating memorable player experiences, delivering reliable protection and security, and striving for customer satisfaction and operational excellence.

Everi Games provides a number of products and services for casinos, including (a) gaming machines comprised primarily of Class II and Class III slot machines placed under participation or fixed fee lease arrangements or sold to casino customers, including the award-winning TournEvent®; and (b) system software, licenses, ancillary equipment and maintenance to its casino customers. Everi Games also develops and manages the central determinant system for the video lottery terminals installed in the State of New York.

Everi Payments provides its casino customers cash access and related products and services including: (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 cash access transaction and check verification and warranty services; (b) equipment that provides cash access and efficiency 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

Except as discussed herein, the key trends, developments and challenges facing us are disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017. During the three months ended March 31, 2018, there have been no significant changes in these trends. See Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Key Trends, Developments and Challenges” in our Annual Report on Form 10-K for our fiscal year ended December 31, 2017, which is incorporated herein by reference.

Impact of ASC 606 on the Comparability of Our Results of Operations

For a detailed discussion of the impact of adopting Accounting Standards Codification Topic 606 *Revenues from Contracts with Customers* (“ASC 606”), refer to “Note 2 — Basis of Presentation and Summary of Significant Accounting Policies” and “Note 3 — Adoption of ASC 606, Revenue from Contracts with Customers” in *Item 1: Financial Statements*, which assesses the impact on our Financial Statements of ASC 606, which applies to us as of January 1, 2018. We determined that the impact of the application of ASC 606 utilizing the modified retrospective transition method had a significant impact on the presentation of our financial information in connection with the net basis of reporting, as compared to a gross presentation, of certain revenues and costs of revenues related to our cash access activities of our Payments segment (with additional immaterial changes to certain revenues and cost of revenues related to our gaming operations activities of our Games segment). This net presentation will not have an effect on operating income (loss), net income (loss), cash flows and does not have a material impact on the timing of revenues recognized and costs incurred under generally accepted accounting principles in the United States (“GAAP”).

Operating Segments

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

Our chief operating decision-making group has determined the following to be the operating segments for which we conduct business: (a) Games and (b) Payments. We have reported our financial performance based on our segments in both the current and prior periods. Each of these segments is monitored by our management for performance against our 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; equipment and maintenance services; compliance, audit and data software; casino credit data and reporting services and other ancillary offerings.

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

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

Results of Operations

Three months ended March 31, 2018 compared to three months ended March 31, 2017

The following table presents our Results of Operations as reported for the three months ended March 31, 2018 compared to the three months ended March 31, 2017 as reported and as adjusted for the retrospective impact of ASC 606 to reflect the prior period results on a net basis of presentation (amounts in thousands)*:

	March 31, 2018		Three Months Ended					2018 As Reported vs		
	March 31, 2017		March 31, 2017		Adjustments	March 31, 2017		2017 As Adjusted		
	\$	%	\$	%		\$	%	\$	%	
	As Reported		As Reported			As Adjusted				
Revenues										
Games revenues										
Gaming operations	\$ 40,056	36 %	\$ 36,531	15 %	\$ (16)	\$ 36,515	36 %	\$ 3,541	10 %	
Gaming equipment and systems	20,154	18 %	18,725	8 %	—	18,725	19 %	1,429	8 %	
Gaming other	7	— %	20	— %	—	20	— %	(13)	(65) %	
Games total revenues	60,217	54 %	55,276	23 %	(16)	55,260	55 %	4,957	9 %	
Payments revenues										
Cash access services	38,218	34 %	171,735	73 %	(136,504)	35,231	35 %	2,987	8 %	
Equipment	4,419	5 %	2,299	1 %	—	2,299	2 %	2,120	92 %	
Information services and other	8,147	7 %	8,227	3 %	—	8,227	8 %	(80)	(1) %	
Payments total revenues	50,784	46 %	182,261	77 %	(136,504)	45,757	45 %	5,027	11 %	
Total revenues	111,001	100 %	237,537	100 %	(136,520)	101,017	100 %	9,984	10 %	
Costs and expenses										
Games cost of revenues ⁽¹⁾										
Gaming operations	4,182	4 %	3,209	1 %	(16)	3,193	3 %	989	31 %	
Gaming equipment and systems	10,741	9 %	9,235	4 %	—	9,235	9 %	1,506	16 %	
Gaming other	—	— %	—	— %	—	—	— %	—	— %	
Games total cost of revenues	14,923	13 %	12,444	5 %	(16)	12,428	12 %	2,495	20 %	
Payments cost of revenues ⁽¹⁾										
Cash access services	2,231	2 %	138,661	58 %	(136,504)	2,157	2 %	74	3 %	
Equipment	2,514	2 %	1,419	1 %	—	1,419	1 %	1,095	77 %	
Information services and other	1,216	1 %	719	— %	—	719	1 %	497	69 %	
Payments total cost of revenues	5,961	5 %	140,799	59 %	(136,504)	4,295	4 %	1,666	39 %	

	Three Months Ended								2018 As Reported vs 2017 As Adjusted		
	March 31, 2018		March 31, 2017								
	\$	%	\$	%	\$	%	\$	%	\$	%	
	As Reported		As Reported		Adjustments		As Adjusted				
Operating expenses	32,187	29 %	28,993	12 %	—		28,993	29 %	3,194	11 %	
Research and development	4,311	4 %	4,543	2 %	—		4,543	4 %	(232)	(5) %	
Depreciation	12,825	12 %	10,830	5 %	—		10,830	11 %	1,995	18 %	
Amortization	16,303	15 %	17,325	7 %	—		17,325	17 %	(1,022)	(6) %	
Total costs and expenses	86,510	78 %	214,934	90 %	(136,520)		78,414	77 %	8,096	10 %	
Operating income	24,491	22 %	22,603	10 %	—		22,603	23 %	1,888	8 %	
Other expenses											
Interest expense, net of interest income	20,307	18 %	25,057	11 %	—		25,057	25 %	(4,750)	(19) %	
Total other expenses	20,307	18 %	25,057	11 %	—		25,057	25 %	(4,750)	(19) %	
Income (loss) before income tax	4,184	4 %	(2,454)	(1) %	—		(2,454)	(2) %	6,638	270 %	
Income tax (benefit) provision	(425)	— %	1,054	— %	—		1,054	1 %	(1,479)	(140) %	
Net income (loss)	\$ 4,609	4 %	\$ (3,508)	(1) %	\$ —		\$ (3,508)	(3) %	\$ 8,117	231 %	

* Rounding may cause variances.

(1) Exclusive of depreciation and amortization.

Revenues

Total revenues increased by \$10.0 million, or 10%, to \$111.0 million for the three months ended March 31, 2018, as compared to the same period in the prior year as adjusted for the net versus gross retrospective impact of ASC 606. This was primarily due to higher Games and Payments revenues.

Games revenues increased by \$5.0 million, or 9%, to \$60.2 million for the three months ended March 31, 2018, as compared to the same period in the prior year as adjusted for the net versus gross retrospective impact of ASC 606. This was primarily due to an increase in both unit sales and average selling prices and an increase in average daily win per unit on a higher installed base of leased games.

Payments revenues increased by \$5.0 million, or 11%, to \$50.8 million for the three months ended March 31, 2018, as compared to the same period in the prior year as adjusted for the net versus gross retrospective impact of ASC 606. This was primarily due to higher dollar and transaction volumes from cash access services and increased equipment sales.

Costs and Expenses

Games cost of revenues increased by \$2.5 million, or 20%, to \$14.9 million for the three months ended March 31, 2018, as compared to the same period in the prior year as adjusted for the net versus gross retrospective impact of ASC 606. This was primarily due to the costs associated with the additional unit sales, an increase in the overall cost of the units and variable cost increases related to the higher gaming operations revenue.

Payments cost of revenues increased by \$1.7 million, or 39%, to \$6.0 million for the three months ended March 31, 2018, as compared to the same period in the prior year as adjusted for the net versus gross retrospective impact of ASC 606. This was primarily due to the costs associated with the increase in equipment sales.

Operating expenses increased by \$3.2 million, or 11%, to \$32.2 million for the three months ended March 31, 2018, as compared to the same period in the prior year. This was primarily due to higher payroll and related expenses and non-cash stock compensation expenses for both our Games and Payments segments.

Depreciation increased by \$2.0 million or 18%, to \$12.8 million for the three months ended March 31, 2018 as compared to the same period in the prior year. This was primarily due to an increase in leased machines related to the Games segment.

Amortization decreased by \$1.0 million, or 6%, to \$16.3 million for the three months ended March 31, 2018, as compared to the same period in the prior year. This was primarily due to assets being fully amortized related to both our Games and Payments segments.

Primarily as a result of the factors described above, operating income increased by \$1.9 million, or 8%, to \$24.5 million for the three months ended March 31, 2018, as compared to the same period in the prior year as adjusted for the net versus gross retrospective impact of ASC 606. The operating margin was 22% for the three months ended March 31, 2018, which was unchanged compared to the same period in the prior year as adjusted for the net versus gross retrospective impact of ASC 606.

Interest expense, net of interest income decreased by \$4.8 million, or 19%, to \$20.3 million for the three months ended March 31, 2018, as compared to the same period of the prior year. This was primarily due to lower interest expense as a result of our debt refinancings and an additional repricing of our New Term Loan Facilities completed in 2017, partially offset by an increase in our outstanding debt due to additional borrowings to pay for costs associated with our debt refinancings.

Income tax benefit was \$0.4 million for the three months ended March 31, 2018, as compared to an income tax provision of \$1.1 million for the same period in the prior year. The income tax benefit reflected an effective income tax rate of negative 10.2% for the three months ended March 31, 2018 that was less than the statutory federal rate of 21.0%, which reflects the enactment of the Tax Cut and Jobs Act of 2017 (the "2017 Tax Act"). This was primarily due to a decrease in our valuation allowance for deferred tax assets and the benefit from a research credit. The decrease in our valuation allowance is primarily due to the current quarter income and the interest deduction limitation (deferred tax asset), which may be offset against our indefinite lived deferred tax liabilities. The income tax provision reflected an effective income tax rate of negative 43.0% for the same period in the prior year, which was higher 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.

Critical Accounting Policies

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

For the three months ended March 31, 2018, other than the adoption of Accounting Standards Update (“ASU”) 2014-09 and all subsequent amendments (collectively, ASC 606) and ASU 2016-18, there were no 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, 2017.

Overall – Revenue Recognition

We evaluate the recognition of revenue based on the criteria set forth in ASC 606 and ASC 840, as appropriate. We recognize revenue upon transferring control of goods or services to our customers in an amount that reflects the consideration we expect to receive in exchange for those goods or services in accordance with ASC 606. We enter into contracts with customers that may include various combinations of goods and services. Timing of the transfer of control varies based on the nature of the contract. We recognize revenue net of any sales and other taxes collected from customers, which are subsequently remitted to governmental authorities and are not included in revenues or operating expenses. We measure revenue based on the consideration specified in a contract with a customer and adjusted, as necessary, in accordance with ASC 606.

We evaluate the composition of our revenues to ensure compliance with SEC Regulation S-X Section 210.5-03, which requires us to separately present certain categories of revenues that exceed the quantitative threshold on our Statements of Income (Loss).

Significant Judgments

ASC 606 requires that we apply judgments or estimates to determine the performance obligations and the Stand-Alone Selling Price (“SSP”) of each identified performance obligation. The establishment of SSP requires judgment as to whether there is a sufficient quantity of items sold or renewed on a stand-alone basis and those prices demonstrate an appropriate level of concentration to conclude that a SSP exists. The SSP of our goods and services are generally determined based on observable prices, an adjusted market assessment approach or an expected cost plus margin approach. We only utilize a residual approach when the SSP for performance obligations with observable prices have been established and the remaining performance obligation in the contract with a customer does not have an observable price as it is uncertain or highly variable and, therefore, is not discernable.

Collectability

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

Contract Combinations - Multiple Promised Goods and Services

Our contracts may include promises to transfer multiple goods and services to a customer. Our Games and Payments businesses may enter into multiple agreements with the same customer that meet the criteria to be combined for accounting purposes under ASC 606. When this occurs, a SSP will be determined for each performance obligation in the combined arrangement and the consideration allocated between the respective performance obligations. We use our judgment to analyze the nature of the promises made and determine whether each is distinct or should be combined with other promises in the contract based on the level of integration and interdependency between the individual deliverables.

Disaggregation of Revenues

We disaggregate revenues based on the nature and timing of the cash flows generated by such revenues as presented in “Note 18 — Segment Information.”

Outbound Freight Costs

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

Costs to Acquire a Contract with a Customer

We typically incur incremental costs to acquire customer contracts in the form of sales commission expenses. We evaluate those acquisition costs for groups of contracts with similar characteristics, based on the nature of the transactions. The incremental costs to acquire customer contracts identified would be amortized within one year and, as a result, we elected to utilize the practical expedient set forth in ASC 340-40, Contract Costs – *Incremental Costs of Obtaining a Contract* to expense these amounts as incurred.

Asset Balances

In connection with the adoption of ASC 606 utilizing the modified retrospective transition method, we recorded an immaterial cumulative adjustment with respect to certain amounts that had been previously deferred under the then existing revenue recognition guidance as of December 31, 2017 that required recognition under ASC 606 as of the effective date of adoption in accumulated deficit.

Games Revenues

Gaming Operations

Games revenues are primarily generated by our gaming operations under development, placement and participation arrangements in which we provide our customers with player terminals, player terminal-content licenses, central determinant systems for devices placed in service in licensed jurisdictions and back-office equipment, collectively referred to herein as leased gaming equipment. We evaluate the recognition of lease revenues based on criteria set forth in ASC 840. Generally, under these arrangements, we retain ownership of the leased gaming equipment installed at customer facilities and we receive revenues based on a percentage of the net win per day generated by the leased gaming equipment or a fixed daily fee based on the number of player terminals installed at the facility. Revenues from lease participation or daily fee arrangements are considered both realizable and earned at the end of each gaming day.

Gaming operations revenues generated by leased gaming equipment deployed at sites under development or placement fee agreements give rise to contract rights, which are amounts recorded to intangible assets for dedicated floor space resulting from such agreements. The gaming operations revenues generated by these arrangements are reduced by the accretion of contract rights, which represents the related amortization of the contract rights recorded in connection with those agreements.

Gaming operations revenues include revenues generated by Wide Area Progressive (“WAP”) systems, which consist of linked slot machines located in multiple casino properties that are connected to a central system. WAP-based gaming machines have a progressive jackpot we administer that increases with every wager until a player wins the top award combination. Casino operators pay us a percentage of the coin-in (the total amount wagered) for services related to the design, assembly, installation, operation, maintenance, administration and marketing of the WAP systems. The gaming operations revenues with respect to WAP-based gaming machines are presented in the Statement of Income (Loss) net of the jackpot expense, which is comprised of incremental amount funded by a portion of the coin-in from players. At such time a jackpot is won by a player, an additional jackpot expense is recorded with respect to the base seed amount required to fund the minimum level required by the respective WAP arrangement with the casino operator.

Gaming Equipment and Systems

Gaming equipment and systems revenues are derived from the sale of gaming equipment to our customers under contracts on standard credit terms, which are generally short-term in nature, and are recognized at a point in time when control of the promised goods and services transfers to the customer generally upon shipment or delivery pursuant to the terms of the contract.

Gaming Other

Gaming other revenues primarily consist of our TournEvent of Champions® national tournament and are recognized over a period of time as the customer simultaneously receives and consumes the benefits.

Payments Revenues

Cash Access Services

Cash access services revenues are comprised of cash advance, ATM and check services revenue streams. We do not control the cash advance and ATM services provided to a customer and, therefore, we are acting as an agent whose performance obligation is to arrange for the provision of these services.

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

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

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

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

Equipment

Equipment revenues are derived from the sale of equipment under contracts with standard credit terms, which are generally short-term in nature, and are recognized at a point in time when control of the promised goods and services transfers to the customer generally upon shipment or delivery pursuant to the terms of the contract.

Information Services and Other

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

Our software represents a functional right-to-use license and the revenues are recognized at a point in time. Subscription services represent a stand-ready performance obligation and the revenues are recognized over a period time using an input method based on time elapsed. Professional and other services revenues are recognized over a period time using an input method based on time elapsed as they are provided depicting the transfer of control to the customer.

Income taxes

On December 22, 2017, the SEC staff issued Staff Accounting Bulletin 118 (“SAB 118”), which provides guidance on accounting for the tax effects of the 2017 Tax Act. SAB 118 was added to the Financial Accounting Standards Board (the “FASB”) codification in March 2018 with the issuance of ASU No. 2018-05. SAB 118 provides a measurement period that should not extend beyond one year from the enactment date for companies to complete the accounting under Accounting Standards Codification Topic 740 *Income Taxes* (“ASC 740”). In accordance with SAB 118, a company must reflect the income tax effects of those aspects of the 2017 Tax Act for which the accounting under ASC 740 is complete. To the extent that a company’s accounting for certain income tax effects of the 2017 Tax Act is incomplete but for which they are able to determine a reasonable estimate, it must record a provisional amount in the financial statements. Provisional treatment is proper in light of anticipated additional guidance from various taxing authorities, the SEC, the FASB, and even the Joint Committee on Taxation. Provisional treatment is also necessary if the company is waiting for final financial information from domestic and foreign equity investments. If a company cannot determine a provisional amount to be included in the financial statements, it should continue to apply ASC 740 on the basis of the provisions of the tax laws that were in effect immediately before the enactment of the 2017 Tax Act.

In accordance with the SAB 118 guidance, some of the income tax effects recorded in 2017 are provisional, including the one-time transition tax, the effect on our valuation allowance including the stricter limits on interest deductions, and the remeasurement of our deferred tax assets and liabilities. In addition, we are still evaluating the Global Intangible Low-Taxed Income provisions of the 2017 Tax Act and its impact, if any, on our Financial Statements. The accounting for these income tax effects may be adjusted during 2018 as a result of continuing analysis of the 2017 Tax Act; additional implementation guidance from the IRS, state tax authorities, the SEC, the FASB, or the Joint Committee on Taxation; and new information from domestic or foreign equity affiliates. As of March 31, 2018, we have not finalized our analysis of these provisional amounts.

Restricted Cash

Our restricted cash, which is included in prepaid expenses and other assets, primarily consists of: (i) deposits held in connection with a sponsorship agreement; (ii) WAP-related restricted funds; and (iii) Internet related cash access activities. The current portion of restricted cash was approximately \$0.8 million and \$0.9 million as of March 31, 2018 and December 31, 2017, respectively. The non-current portion of restricted cash was approximately \$0.1 million as of March 31, 2018 and December 31, 2017. The current portion of restricted cash was approximately \$0.5 million and \$0.3 million as of March 31, 2017 and December 31, 2016, respectively. The non-current portion of restricted cash was approximately \$0.1 million as of March 31, 2017 and December 31, 2016.

Recent Accounting Guidance

For a description of our recently adopted accounting guidance, see “ Note 2 — Basis of Presentation and Summary of Significant Accounting Policies — Recent Accounting Guidance” of our Financial Statements included elsewhere in this Quarterly Report on Form 10-Q.

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>2018</u>	<u>At December 31</u> <u>2017</u>
Balance sheet data		
Total assets	\$ 1,474,749	\$ 1,537,074
Total borrowings	1,166,650	1,167,843
Total stockholders' deficit	(124,683)	(140,633)
Cash available		
Cash and cash equivalents	\$ 132,645	\$ 128,586
Settlement receivables	153,443	227,403
Settlement liabilities	(242,901)	(317,744)
Net cash position (1)	<u>43,187</u>	<u>38,245</u>
Undrawn revolving credit facility	35,000	35,000
Net cash available (1)	<u>\$ 78,187</u>	<u>\$ 73,245</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 the 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, 2018 included cash in non-U.S. jurisdictions of approximately \$21.3 million. Generally, these funds are available for operating and investment purposes within the jurisdiction in which they reside, and as a result of the 2017 Tax Act, enacted on December 22, 2017, we will not be subject to additional taxation if we decide to repatriate foreign funds to the U.S., except for potential withholding tax.

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 New 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.

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, 2018, we had \$153.4 million in settlement receivables, for which we generally receive payment within one week. As of March 31, 2018, we had

\$ 242.9 million in settlement liabilities due to our customers for these settlement services that are generally paid within the next month. As the timing of cash received from settlement receivables and payment of settlement liabilities may differ, the total amount of cash held by us will fluctuate throughout the year.

Sources and Uses of Cash

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

	<u>Three Months Ended March 31,</u>		<u>2018 vs 2017</u>
	<u>2018</u>	<u>2017</u>	<u>Change</u>
Cash flow activities			
Operating activities	\$ 32,752	\$ 31,409	\$ 1,343
Investing activities	(30,910)	(20,228)	(10,682)
Financing activities	2,000	(2,502)	4,502
Effect of exchange rates on cash	147	307	(160)
Cash, cash equivalents and restricted cash			
Net decrease for the period	3,989	8,986	(4,997)
Balance, beginning of the period	129,604	119,438	10,166
Balance, end of the period	<u>\$ 133,593</u>	<u>\$ 128,424</u>	<u>\$ 5,169</u>

Cash flows provided by operating activities increased by \$1.3 million for the three months ended March 31, 2018, as compared to the same period in the prior year. This was primarily attributable to the impact of the change in net income from net loss, which was largely offset by changes in net working capital.

Cash flows used in investing activities increased by \$10.7 million for the three months ended March 31, 2018, as compared to the same period in the prior year. This was primarily attributable to additional capital expenditures in our Games segment.

Cash flows provided by financing activities increased by \$4.5 million for the three months ended March 31, 2018, as compared to the same period in the prior year. This was primarily attributable to additional proceeds from exercise of stock options.

Long-Term Debt

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

	<u>At March 31,</u>	<u>At December 31</u>
	<u>2018</u>	<u>2017</u>
Long-term debt		
Senior secured term loan	\$ 813,850	\$ 815,900
Senior unsecured notes	375,000	375,000
Total debt	1,188,850	1,190,900
Less: debt issuance costs and discount	(22,200)	(23,057)
Total debt after debt issuance costs and discount	1,166,650	1,167,843
Less: current portion of long-term debt	(8,200)	(8,200)
Long-term debt, less current portion	<u>\$ 1,158,450</u>	<u>\$ 1,159,643</u>

Refinancing

On May 9, 2017 (the "Closing Date"), Everi Payments, as borrower, and Holdings entered into a credit agreement with the lenders party thereto and Jefferies Finance LLC, as administrative agent, collateral agent, swing line lender, letter of credit issuer, sole lead arranger and sole book manager (amended as described below, the "New Credit Agreement"). The New Credit Agreement provides for: (i) a \$35.0 million, five-year senior secured revolving credit facility (the "New Revolving Credit Facility"); and (ii) an \$820.0 million, seven-year senior secured term loan facility (the "New Term

Loan Facility,” and together with the New Revolving Credit Facility, the “New Credit Facilities”). The fees associated with the New Credit Facilities included discounts of approximately \$4.1 million and debt issuance costs of approximately \$15.5 million. All borrowings under the New Revolving Credit Facility are subject to the satisfaction of customary conditions, including the absence of defaults and the accuracy of representations and warranties.

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

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

On November 13, 2017 (the “Repricing Closing Date”), we entered into an amendment to the New Credit Agreement (the “First Amendment”) which, among other things, reduced the interest rate on the approximately \$818.0 million then outstanding balance of the New Term Loan Facility. The maturity date for the New Term Loan Facility remains May 9, 2024, the maturity date for the New Revolving Credit Facility remains May 9, 2022, and no changes were made to the financial covenants or other debt repayments terms set forth in the New Credit Agreement. We incurred approximately \$3.0 million of debt issuance costs and fees associated with the repricing of the New Term Loan Facility.

New Credit Facilities

The New Term Loan Facility matures seven years after the Closing Date and the New Revolving Credit Facility matures five years after the Closing Date. The New Revolving Credit Facility is available for general corporate purposes, including permitted acquisitions, working capital and the issuance of letters of credit.

The interest rate per annum applicable to loans under the New Revolving Credit Facility is, at Everi Payments’ option, the base rate or the Eurodollar Rate (defined to be the London Interbank Offered Rate or a comparable or successor rate) (the “Eurodollar Rate”) plus, in each case, an applicable margin. The interest rate per annum applicable to the New Term Loan Facility also is, at Everi Payments’ option, the base rate or the Eurodollar Rate plus, in each case, an applicable margin. The Eurodollar Rate is reset at the beginning of each selected interest period based on the Eurodollar Rate then in effect; provided that, if the Eurodollar Rate is below zero, then such rate will be equal to zero plus the applicable margin. The base rate is a fluctuating interest rate equal to the highest of: (i) the prime lending rate announced by the administrative agent; (ii) the federal funds effective rate from time to time plus 0.50%; and (iii) the Eurodollar Rate (after taking account of any applicable floor) applicable for an interest period of one month plus 1.00%. Prior to the effectiveness of the First Amendment on the Repricing Closing Date, the applicable margins for both the New Revolving Credit Facility and the New Term Loan Facility were: (i) 4.50% in respect of Eurodollar Rate loans and (ii) 3.50% in respect of base rate loans. The applicable margins for the New Term Loan Facility from and after the effectiveness of the First Amendment on the Repricing Closing Date are: (i) 3.50% in respect of Eurodollar Rate loans and (ii) 2.50% in respect of base rate loans.

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

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

general intangibles, investment property, real property, intellectual property and the proceeds of the foregoing). Subject to certain exceptions, the New Credit Facilities are unconditionally guaranteed by Holdings and such subsidiary guarantors.

The New Credit Agreement governing the New Credit Facilities contains certain covenants that, among other things, limit Holdings' ability, and the ability of certain of its subsidiaries, to incur additional indebtedness, sell assets or consolidate or merge with or into other companies, pay dividends or repurchase or redeem capital stock, make certain investments, issue capital stock of subsidiaries, incur liens, prepay, redeem or repurchase subordinated debt, and enter into certain types of transactions with its affiliates. The New Credit Agreement governing the New Credit Facilities also requires Holdings, together with its subsidiaries, to comply with a consolidated secured leverage ratio. At March 31, 2018, our consolidated secured leverage ratio was 3.52 to 1.00, with a maximum allowable ratio of 5.00 to 1.00 (which maximum allowable ratio is reduced to 4.75 to 1.00 as of December 31, 2018, 4.50 to 1.00 as of December 31, 2019, 4.25 to 1.00 as of December 31, 2020, and 4.00 to 1.00 as of December 31, 2021 and each December 31 thereafter).

We were in compliance with the terms of the New Credit Facilities as of March 31, 2018.

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

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

For the three months ended March 31, 2018, the New Term Loan Facility had an applicable weighted average interest rate of 5.05%.

At March 31, 2018, we had \$813.9 million of borrowings outstanding under the New Term Loan Facility and no borrowings outstanding under the New Revolving Credit Facility. We had \$35.0 million of additional borrowing availability under the New Revolving Credit Facility as of March 31, 2018.

Refinanced Senior Secured Notes

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

Senior Unsecured Notes

In December 2014, we issued \$350.0 million in aggregate principal amount of 10.0% Senior Unsecured Notes due 2022 (the "2014 Unsecured Notes") under an indenture (as supplemented, the "2014 Notes Indenture"), dated December 19, 2014, between Everi Payments (as successor issuer), and Deutsche Bank Trust Company Americas, as trustee. The fees associated with the 2014 Unsecured Notes included original issue discounts of approximately \$3.8 million and debt issuance costs of approximately \$14.0 million. In December 2015, we completed an exchange offer in which all of the unregistered 2014 Unsecured Notes were exchanged for a like amount of 2014 Unsecured Notes that had been registered under the Securities Act.

In December 2017, we issued \$375.0 million in aggregate principal amount of 7.50% Senior Unsecured Notes due 2025 (the “2017 Unsecured Notes”) under an indenture (the “2017 Notes Indenture”), dated December 5, 2017, among Everi Payments (as issuer), Holdings and certain of its direct and indirect domestic subsidiaries as guarantors, and Deutsche Bank Trust Company Americas, as trustee. Interest on the 2017 Unsecured Notes accrues at a rate of 7.50% per annum and is payable semi-annually in arrears on each June 15 and December 15, commencing on June 15, 2018. The 2017 Unsecured Notes will mature on December 15, 2025. We incurred approximately \$6.1 million of debt issuance costs and fees associated with the issuance of the 2017 Unsecured Notes.

On December 5, 2017, together with the issuance of the 2017 Unsecured Notes, Everi Payments satisfied and discharged the 2014 Notes Indenture relating to the 2014 Unsecured Notes. To effect the satisfaction and discharge, Everi Payments issued an unconditional notice of redemption to Deutsche Bank Trust Company Americas, as trustee, of the redemption in full on January 15, 2018 (the “Redemption Date”) of all outstanding 2014 Unsecured Notes under the terms of the 2014 Notes Indenture. In addition, using the proceeds from the sale of the 2017 Unsecured Notes and cash on hand, Everi Payments irrevocably deposited with the trustee funds sufficient to pay the redemption price of the 2014 Unsecured Notes of 107.5% of the principal amount thereof, plus accrued and unpaid interest to, but not including, the Redemption Date (the “Redemption Price”), and irrevocably instructed the trustee to apply the deposited money toward payment of the Redemption Price for the 2014 Unsecured Notes on the Redemption Date. Upon the trustee’s receipt of such funds and instructions, along with an officer’s certificate of Everi Payments and an opinion of counsel certifying and opining that all conditions under the 2014 Notes Indenture to the satisfaction and discharge of the 2014 Notes Indenture had been satisfied, the 2014 Notes Indenture was satisfied and discharged, and all of the obligations of Everi Payments and the guarantors under the 2014 Notes Indenture ceased to be of further effect, as of December 5, 2017 (subject to certain exceptions). The 2014 Unsecured Notes were thereafter redeemed on the Redemption Date.

In connection with the issuance of the 2017 Unsecured Notes and the redemption of the 2014 Unsecured Notes, in December 2017 we incurred a \$37.2 million loss on extinguishment of debt consisting of a \$26.3 million make-whole premium related to the satisfaction and redemption of the 2014 Unsecured Notes and approximately \$10.9 million for the write-off of related unamortized debt issuance costs and fees.

We were in compliance with the terms of the 2017 Unsecured Notes as of March 31, 2018.

Contractual Obligations

There were no material changes in our commitments under contractual obligations as compared to those disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

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

Off-Balance Sheet Arrangements

We have commercial arrangements with third party vendors to provide cash for certain of our ATMs. For the use of these funds, we pay a cash usage fee on either the average daily balance of funds utilized multiplied by a contractually defined cash usage rate or the amounts supplied multiplied by a contractually defined cash usage rate. These cash usage fees, reflected as interest expense within the Statements of Income (Loss), were \$1.7 million and \$1.1 million for the three months ended March 31, 2018 and 2017, respectively. We are exposed to interest rate risk to the extent that the applicable rates increase.

Under these agreements, the currency supplied by third party vendors remain their sole property until the funds are dispensed. As these funds are not our assets, supplied cash is not reflected on the Balance Sheets. The outstanding balances of ATM cash utilized by us were \$263.4 million and \$289.8 million as of March 31, 2018 and December 31, 2017, respectively.

The primary commercial arrangement, the Contract Cash Solutions Agreement, as amended, with Wells Fargo, N.A. (“Wells Fargo”), provides us with cash in the maximum amount of \$300.0 million with the ability to increase the amount by \$75 million over a 5-day period for special occasions, such as the period around New Year’s Day. The agreement

currently expires on June 30, 2020. 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, 2018 and 2017.

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.

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 \$263.4 million as of March 31, 2018. Based upon this outstanding amount of currency supplied by Wells Fargo, each 1% increase in the applicable LIBOR would have a \$2.6 million impact on income before taxes over a 12-month period. Foreign gaming establishments or third-party vendors supply the currency needs for the ATMs located on their premises.

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

The weighted average interest rate on the New Credit Facilities was approximately 5.05% for the three months ended March 31, 2018. Based upon the outstanding balance on the New Credit Facilities of \$813.9 million as of March 31, 2018, each 1% increase in the applicable LIBOR would have an \$8.1 million impact on interest expense over a 12-month period. The interest rate on the 2017 Unsecured Notes is fixed, and therefore, an increase in LIBOR does not impact the interest expense associated with such notes.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management, including its Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of our 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 the end of the period covered by this report. Based on such evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective such that material information required to be disclosed by us in the reports that we file or submit 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 our 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, 2018

In connection with the adoption of ASC 606, we assessed the impact and applied changes to our internal control over financial reporting to update additional control procedures with respect to the preparation of our financial information.

Except as noted above, there were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the period covered by this report that have materially affected, or are 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, 2017, which identify important risk factors that could materially affect our business, financial condition and future results. We also refer you to the factors and cautionary language set forth in the section entitled “Cautionary Statements Regarding Forward-looking Statements” in “Item 2. Management’s Discussion and Analysis of Financial Conditions and Results of Operations” of this Quarterly Report on Form 10-Q. This Quarterly Report on Form 10-Q, including the accompanying Financial Statements, should be read in conjunction with such risks and other factors for a full understanding of our operations and financial condition. The risks described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 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, 2017 have not materially changed.

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

Issuer Purchases and Withholding of Equity Securities

	Total Number of Shares Purchased ⁽¹⁾ (in thousands)		Average Price per Share ⁽²⁾
Tax Withholdings			
1/1/18 - 1/31/18	0.5	\$	7.62
2/1/18 - 2/28/18	0.5	\$	7.08
3/1/18 - 3/31/18	4.0	\$	7.76
Total	5.0	\$	7.68

(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*	Employment Agreement with Dean A. Ehrlich (effective January 1, 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, 2018

(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)

EMPLOYMENT AGREEMENT

This Employment Agreement (this “Agreement”), by and between Everi Payments Inc., a Delaware corporation (the “Company”) and wholly-owned subsidiary of Everi Holdings Inc. (formerly known as Global Cash Access Holdings, Inc.), a Delaware corporation (“Everi Holdings”), and Dean A. Ehrlich (“Executive”), is dated as of January 1, 2017 (the “Effective Date”).

RECITALS

- A.** The Company desires assurance of the association and services of Executive in order to retain Executive’s experience, skills, abilities, background and knowledge, and is willing to engage Executive to provide such services on the terms and conditions set forth in this Agreement.
- B.** Executive desires to be in the employ of the Company, and is willing to accept such employment on the terms and conditions set forth in this Agreement
- C.** Executive states that he is not currently employed and left his prior employer without regard to any opportunity at the Company.
- D.** The Company and Executive wish to enter into an employment relationship with a written employment agreement intended to supersede and replace any and all other written and oral representations regarding Executive’s employment with Company.

AGREEMENT

NOW, THEREFORE, based on the foregoing recitals and in consideration of the commitments set forth below, and with understanding that, unless otherwise indicated, any of Executive obligations do not start until the Effective Date, Executive and the Company agree as follows:

1. Position, Duties, Responsibilities

- 1.1. Position and Term.** The Company hereby employs Executive to render services to the Company in the position of Executive Vice President, Games Business Leader, reporting directly to the Chief Executive Officer of the Company. The Company’s employment of Executive hereunder is contingent upon Executive successfully completing a background investigation. The duties of this position shall include such duties, responsibilities and authority as are reasonably assigned to Executive by the Chief Executive Officer, including but not limited to those customarily performed by Executive Vice President, Games Business Leader, of similarly situated corporations. Executive agrees to serve in a similar capacity for the benefit of Everi Holdings and any of the Company’s direct or indirect, wholly-owned or partially-owned subsidiaries or Everi Holdings’ affiliates. Additionally, Executive shall serve in such other capacity or capacities as the Chief Executive Officer may from time to time reasonably and lawfully prescribe. During Executive’s employment by the Company, Executive shall, subject to Section 1.2, devote Executive’s full energies, interest, abilities and

productive time to the proper and efficient performance of Executive's duties under this Agreement. Executive shall be deemed an "Executive Officer" for purposes of indemnification by the Company pursuant to Article XI of the Company's bylaws.

- 1.2. **Best Efforts; Other Activities**. Executive will expend Executive's best efforts on behalf of the Company, and will abide by all policies and decisions made by the Company, as well as all applicable federal, state and local laws, regulations or ordinances. Executive will act in the best interest of the Company at all times. Executive shall devote Executive's full business time and efforts to the performance of Executive's assigned duties for the Company and, except upon the prior written consent of the Board of Directors, Executive will not (i) accept any other employment, or (ii) engage, directly or indirectly, in any other business activity (whether or not pursued for pecuniary advantage) that is or may be in conflict with, or that might place Executive in a conflicting position to that of, the Company. Notwithstanding the foregoing, Executive shall be permitted to engage in occasional charitable activities outside the scope of Executive's employment with the Company so long as such activities (A) do not conflict with the actual or proposed business of the Company or any of its subsidiaries or affiliates, and (B) do not affect the performance of Executive's duties hereunder. In addition, subject to the prior written consent of the Chief Executive Officer or Board of Directors of the Company and subject to the satisfaction of Executive's fiduciary duties to the Company, Executive may be permitted to serve as a director of other corporations provided that their businesses are not competitive with the actual or proposed business of the Company or any of its subsidiaries or affiliates and provided further that Executive's service as a director of such other corporations does not interfere with Executive's performance of Executive's duties hereunder. In the sole discretion of the Chief Executive Officer or the Board of Directors, any such prior written consent may be subsequently revoked in the event that the Chief Executive Officer or Board of Directors determines that Executive's position as a director of any such other corporation has developed into a conflict of interest. In the event of a conflict in the policies of the Company and this Agreement, this Agreement will control the relationship between the parties.
- 1.3. **Location**. Executive's principal place of employment shall be at the direction of the Company, either Austin, Texas or Chicago, Illinois.
- 1.4. **Proprietary Information**. Executive recognizes that Executive's employment with the Company will involve contact with information of substantial value to the Company, which is not generally known in the trade, and which gives the Company an advantage over its competitors who do not know or use it. As a condition precedent to Executive's employment by the Company, Executive agrees to execute and deliver to the Company, concurrent with Executive's execution and delivery of this Agreement, a copy of the "Employee Proprietary Information and Inventions Agreement" attached hereto as Exhibit A.
- 1.5. **No Inconsistent Obligations**. Executive acknowledges and agrees that he is free to enter into this Agreement as of today and, as of the Effective Date, Executive will not be bound by any restrictive covenants, including but not limited to, covenants on non-competition and will be permitted to work for the Company as

contemplated hereby. Executive further agrees and covenants that he has not and will never use any confidential information or trade secrets belonging to his prior employer, to the extent he has any, in any way or manner related to or with respect to any duties as Executive.

- 1.6. Regulatory Approval.** Due to the nature of the Company's business and Executive's position with the Company, and, in addition to normal employment-related credit, reference and background investigations, Executive may also be required to complete applications required by various regulatory, tribal, state, local or other international governmental authorities in and under whose jurisdiction the Company and its affiliates conduct business, as well as other applications that may be required by regulatory authorities with jurisdiction over the Company and its affiliates. Such applications may require complete disclosure of personal and financial information, criminal convictions or arrests (expunged or not) and business associations. As an ongoing condition of Executive's employment, Executive must be able to satisfy all applicable requirements of such governmental and regulatory authorities and obtain all necessary regulatory approvals and licenses.
- 1.7. Termination of Prior Employment, Consulting or Letter Agreements.** The Company and Executive agree that upon the execution and delivery of this Agreement, all employment, consulting or letter agreements between the Company and Executive in effect on or prior to the date hereof shall terminate in their entirety and be of no further force or effect, except for the (i) Employee Proprietary Information and Inventions Assignment Agreement, (ii) any other agreement or document with respect to any stock option, restricted stock or other equity awards, and (iii) the Arbitration Agreement as defined in Section 9.1 hereof (the "Ancillary Agreements"). In the event of a conflict between this Agreement and the Ancillary Agreements, the terms of this Agreement shall control, except for any other agreement or document with respect to any stock option, restricted stock or other equity awards.

2. Compensation of Executive

- 2.1. **Base Salary** . In consideration of the services to be rendered under this Agreement, while employed by the Company, Company shall pay Executive an initial annual base salary at the rate of \$400,000 per year, less required deductions for state and federal withholding tax, social security and all other employment taxes and payroll deductions, payable in regular periodic payments in accordance with Company payroll policy. Such salary shall be prorated for any partial month of employment on the basis of a 30-day fiscal month. Such base salary shall be subject to annual review by the compensation committee of the Board of Directors (the "Compensation Committee"), with the first such review to occur during the second calendar year following the date of this Agreement.
- 2.2. **Bonus** . For each full fiscal year of Executive's employment with the Company, Executive shall be eligible for a discretionary bonus with a target amount equal to 50% of Executive's then current base salary and a maximum amount equal to 75% of Executive's then current base salary. The actual amount of any such discretionary bonus is to be determined by the Compensation Committee based on the measurement of certain performance criteria or goals established by the Compensation Committee. Except as provided otherwise in this Agreement, Executive shall only be eligible to receive an annual bonus for a calendar year if Executive is employed on the last day of such calendar year and any annual bonus awarded for a calendar year, if any, shall be paid in cash when other senior executives of the Company are paid, and on or before March 15th of the calendar year subsequent to the calendar year in which the bonus amount is earned
- 2.3. **Benefits** . Executive shall be entitled to participate in the Company's group medical, dental, life insurance, 401(k) or other benefit plans and programs on the same terms and conditions as other members of the Company's senior executive management, based upon the eligibility dates described in the applicable benefit plan documents. Executive shall be provided such perquisites of employment, including paid time off, as are provided to all other members of the Company's senior executive management. Executive shall be entitled to reimbursement of all reasonable expenses incurred by Executive in the performance of Executive's duties hereunder, in accordance with the policies and procedures established by the Company from time to time, and as may be amended from time to time. Any reimbursement Executive is entitled to receive shall (i) be paid no later than the last day of Executive's tax year following the tax year in which the expense was incurred, (ii) not affect or be affected by any other expenses that are eligible for reimbursement in any other tax year of Executive, and (iii) not be subject to liquidation or exchange for another benefit.
- 2.4. **Equity Awards** . Executive will be eligible to receive stock, option or other equity awards (each, an "Equity Award") under the Company's applicable equity incentive plan as then in effect (the "Plan"). Any such Equity Award will be subject to the terms and conditions of the Plan and an applicable form of agreement for such Equity Award specified by the Compensation Committee, which Executive will be required to sign as a condition of retaining the Equity Award.

- 2.5. **Other**. The Company will pay up to \$2,750 per month for lodging (rent & utilities) in Austin, TX for the Term of this Agreement.

3. **Term**

The term of the Agreement shall be two years from the Effective Date (the “Term”). Company shall give notice of intent to renew, or not renew, the Agreement one hundred and eighty-days prior to the expiration of the Term. In the event that the Company gives notice of intent to not renew the Agreement, the parties agree that at the end of the Term, or Renewal Term it will be deemed termination without Cause. Notwithstanding the foregoing, nothing in this provision shall obligate the Company to renew the Agreement or enter into a new agreement with Executive. In the event that Company fails to give notice of intent not to renew, the Agreement shall renew in successive one hundred and eighty-day terms (“Renewal Terms”) until terminated by either party upon giving ten days’ notice prior to the end of a Renewal Term.

4. **Termination of Employment**

- 4.1. **Termination by Executive**. During the Term or Renewal Term, Executive may terminate Executive's employment upon written notice to the Company. In the event that Executive elects to terminate Executive's employment for any reason other than for Good Reason (as defined below in Section 4.3), all of the Company’s duties and obligations under this Agreement shall cease as of the last day of Executive’s employment and the Company shall pay Executive only the following: all base salary earned through the last day of Executive’s employment and all amounts and benefits earned or incurred through the last day of Executive's employment.
- 4.2. **Termination by the Company for Cause**. In the event that the Company terminates Executive’s employment for Cause during the Term or Renewal Term, all of the Company’s duties and obligations under this Agreement shall cease as of the last day of Executive’s employment and the Company shall pay Executive only the following: all base salary earned through the last day of Executive’s employment and all amounts and benefits earned or incurred pursuant to Section 2.3 through the last day of Executive's employment. For the purposes of this Agreement, termination shall be for “Cause” if (i) Executive refuses or fails to act in accordance with any lawful order or instruction of the Chief Executive Officer or Board of Directors, and such refusal or failure to act has not been cured within five (5) days following Executive's receipt of written notice from the Chief Executive Officer or Board of Directors, as applicable, of such failure, (ii) Executive fails to devote reasonable attention and time to the business affairs of the Company, (iii) Executive is determined by the Chief Executive Officer or Board of Directors to have been (A) unfit for service (i.e., denied any license, permit or qualification required by, or found unsuitable by, any gaming regulator or other governmental authority), (B) unavailable for service (other than as a result of an Incapacity (as defined below). or (C) grossly negligent in connection with the performance of Executive's duties on behalf of the Company, which unfitness, unavailability or gross negligence has not been cured within five (5) days following Executive's receipt of written notice from the Chief Executive Officer or Board of Directors of the same;

(iv) Executive is determined by the Chief Executive Officer or Board of Directors to have committed a material act of dishonesty or willful misconduct or to have acted in bad faith to the material detriment of the Company in connection with the performance of Executive's duties on behalf of the Company; (v) Executive is convicted of a felony or other crime involving dishonesty, breach of trust, moral turpitude or physical harm to any person, or (vi) Executive materially breaches any agreement with the Company which material breach has not been cured within five (5) days following Executive's receipt of written notice from the Chief Executive Officer or Board of Directors of the same.

4.3. **Termination by the Company without Cause or Termination by Executive for Good Reason**. In the event that the Company terminates Executive's employment without Cause or Executive terminates Executive's employment for Good Reason (as defined below) during the Term or Renewal Term, all of the Company's duties and obligations under this Agreement shall cease as of the last day of Executive's employment and Executive shall be entitled to receive, and the Company shall pay, only the following: all base salary earned through the last day of Executive's employment, all amounts and benefits earned or incurred through the last day of Executive's employment, and (subject to the conditions set forth in Section 4.8 below) the severance payments and benefits set forth below in Sections 4.3.1- 4.3.4 in accordance with the terms thereof. For purposes of this Agreement, the term "without Cause" shall mean termination of Executive's employment by the Company for reasons other than for "Cause" (and excluding any such termination resulting from Executive's Incapacity or death). For the purposes of this Agreement, termination shall be for "Good Reason" if (i) there is a material diminution of Executive's responsibilities or authority with the Company, or a material adverse change in the Executive's reporting responsibilities or title, in each case as they existed prior to such diminution or change without Executive's consent; (ii) there is a material reduction by the Company in the Executive's annual base salary rate and/or target bonus rate then in effect without Executive's consent; or (iii) Executive's principal work locations are relocated outside of the Austin, Texas or Chicago, Illinois metropolitan areas without Executive's consent. Executive will be deemed not to have terminated Executive's employment for Good Reason unless (i) Executive has delivered written notice to the Company of Executive's intent to exercise the rights pursuant to this Section within thirty (30) days following the first occurrence of a condition that would constitute Good Reason and identifying the facts constituting such condition, (ii) the Company has failed to remedy such condition within thirty (30) days following its receipt of such written notice, and (iii) the Executive's termination of employment for Good Reason is effective no later than ninety (90) days following the first occurrence of such condition. Executive agrees that Executive may be required to travel from time to time as required by the Company's business and that such travel shall not constitute grounds for Executive to terminate Executive's employment for Good Reason.

4.3.1. **Base Salary Continuation**. If the Company terminates Executive's employment without Cause or Executive terminates Executive's

employment for Good Reason during the Term or Renewal Term, the Company shall continue to pay Executive's base salary at the then-current base annual salary rate of Executive (determined prior to any reduction constituting a condition giving rise to Good Reason) for a period of one-year (12 months) following the date of termination of Executive's employment. Such salary continuation shall be paid to Executive in installments in accordance with the Company's regular payroll procedures, with the initial salary continuation payment to be made on the first regular payroll date of the Company following the Release Deadline (as defined in Section 4.8) and to include a catch-up payment for all regular Company payroll dates occurring between the date of Executive's termination of employment and such initial salary continuation payment date; provided, however, that if the period beginning on the date of Executive's termination of employment and ending on the first Company payroll date following the Release Deadline straddles two calendar years, then the salary continuation payments shall in any event begin in the second such calendar year. Salary continuation payments shall be subject to standard deductions and withholdings.

4.3.2. Target Bonus. If the Company terminates Executive's employment without Cause or Executive terminates Executive's employment for Good Reason during the Term or Renewal Term, the Company shall pay to Executive, less Deductions and Withholdings, an additional severance benefit in an amount equal to one-hundred (100%) of Executive's then-current target bonus for the calendar year in which the termination occurred, payable in substantially equal installments concurrent with the salary continuation payments pursuant to Section 4.3.1 (including a catch-up payment as described therein).

4.3.3. Vesting of Equity Awards and Exercise Period. Upon the Company's termination of Executive's employment without Cause or Executive's termination of Executive's employment for Good Reason, the vesting of all stock options, restricted stock, and other Equity Awards shall continue to be governed under the terms of such Equity Awards.

4.3.4. Group Medical Coverage. The Company shall, following the Executive's timely election, provide the Executive with continued coverage that existed at the time of the termination for the applicable salary continuation period under the Company's group health insurance plans (exclusive of the Exec-U-Care plan) in accordance with the provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA"), at no cost to Executive for a period of twelve months. Notwithstanding the preceding sentence, if the Company determines, in its sole discretion, that the payment of the COBRA premiums would result in a violation of the nondiscrimination rules of Section 105(h)(2) of the Internal Revenue Code of 1986, as amended (the "Code"), or any statute or regulation of similar effect (including but not limited to the 2010 Patient Protection and Affordable Care Act, as amended by the 2010 Health Care and Education Reconciliation Act), then in lieu of providing the COBRA premiums, the Company, in its sole discretion, may elect to instead pay Executive on the first day of each month of such applicable salary continuation period, a fully

taxable cash payment equal to the COBRA premiums for that month, subject to applicable withholdings and deductions, and Executive may, but is not obligated to, use such payments toward the cost of COBRA premiums.

- 4.4. **Termination for Incapacity**. In the event that Executive suffers an “Incapacity” (defined below) during the Term or Renewal Term of Executive's employment hereunder as determined by the Company in its reasonable discretion, the Company may elect to terminate Executive's employment pursuant to this Section 4.4. In such event, all of the Company's duties and obligations under this Agreement shall cease as of the last day of Executive's employment and the Company shall pay Executive only the following: all base salary earned through the last day of Executive's employment and all amounts and benefits earned or incurred through Executive's last day of employment; provided, however, that nothing contained in this Agreement shall limit Executive's rights to payments or other benefits under any long-term disability plans of the Company in which Executive participates, if any. For the purposes of this Agreement, Executive shall be deemed to have suffered an “Incapacity” if Executive, due to any mental or physical illness, injury or limitation, has been unable to perform the essential duties and responsibilities of Executive's position for a period of at least 180 days in any rolling 365 day period.
- 4.5. **Termination upon Death**. In the event that Executive dies during the Term or Renewal Term of Executive's employment hereunder, Executive's employment shall be deemed to have terminated upon the date of death and all of the Company's duties and obligations under this Agreement shall cease. In such event, the Company shall pay Executive's estate only the following: all base salary earned through the date of death and all amounts and benefits earned or incurred through the date of death; provided, however, that nothing contained in this Agreement shall limit Executive's estate's or beneficiaries' rights to payments or other benefits under any life insurance plan or policy in which Executive participated or with respect to which Executive has designated a beneficiary, if any.
- 4.6. **Change in Control and Termination Payments**.
- 4.6.1. **Equity Award Acceleration**. Upon a Change in Control (as that or a substantially similar term is defined in the Plan), the vesting of all stock options, restricted stock, and other Equity Awards shall continue to be governed under the terms of such Equity Awards.
- 4.6.2. **Parachute Payments**. Notwithstanding any provision of this Agreement to the contrary, if any payment or benefit Executive would receive pursuant to this Agreement or otherwise (collectively, the “Payments”) would constitute a “parachute payment” within the meaning of Section 280G of the Code, and, but for this sentence, would be subject to the excise tax imposed by Section 4999 of the Code or any similar or successor provision (the “Excise Tax”), then the aggregate amount of the Payments will be either (i) the largest portion of the Payments that would result in no portion of the Payments (after reduction) being subject to the Excise Tax or

(ii) the entire Payments, whichever amount after taking into account all applicable federal, state and local employment taxes, income taxes, and the Excise Tax (all computed at the highest applicable marginal rate, net of the maximum reduction in federal income taxes which could be obtained from a deduction of such state and local taxes), results in Executive's receipt, on an after-tax basis, of the greatest amount of the Payments. Any reduction in the Payments required by this Section will be made in the following order: (A) Payments that constitute "deferred compensation" (within the meaning of Section 409A of the Code and the regulations thereunder), and if there is more than one such Payment, then such reduction shall be applied on a pro rata basis to all such Payments; (B) reduction of cash payments that do not constitute deferred compensation; (C) reduction of accelerated vesting of Equity Awards other than stock options; (D) reduction of accelerated vesting of stock options; and (E) reduction of other benefits paid or provided to Executive. In the event that acceleration of vesting of Equity Awards is to be reduced, such acceleration of vesting will be cancelled in the reverse order of the date of grant of such Equity Awards. If two or more Equity Awards are granted on the same date, the accelerated vesting of each award will be reduced on a pro-rata basis.

4.6.3. **Calculation.** The professional firm engaged by the Company for general tax purposes as of the day prior to the date of the event that might reasonably be anticipated to result in Payments that would otherwise be subject to the Excise Tax will perform the foregoing calculations. If the tax firm so engaged by the Company is serving as accountant or auditor for the acquiring company, the Company will appoint a nationally recognized tax firm to make the determinations required by this Section. The Company will bear all expenses with respect to the determinations by the tax firm required to be made by this Section. The Company and Executive shall furnish the tax firm such information and documents as the tax firm may reasonably request in order to make its required determination. The tax firm will provide its calculations, together with detailed supporting documentation, to the Company and Executive as soon as practicable following its engagement. Any good faith determinations of the tax firm made hereunder will be final, binding and conclusive upon the Company and Executive.

4.7. **No Other Compensation or Benefits/No Duty to Mitigate .** Executive acknowledges that except as expressly provided in this Agreement, Executive shall not be entitled to any compensation, severance payments or benefits upon the termination of Executive's employment. Company acknowledges that Executive is under no duty to seek other employment or otherwise mitigate the obligations of the Company under this Agreement and the Company shall have no right of off-set against the amounts owed to Executive by the Company on account of any remuneration or other benefit earned or received by Executive after Executive's termination by the Company.

4.8. **Conditions to Severance.** Executive will only be entitled to receive the severance payments and benefits set forth in Sections 4.3.1- 4.3.4 if, on or before the 60th day following the date of termination of Executive's employment (the "Release Deadline"), Executive executes a full general release in the form of Exhibit B hereto, releasing all claims, known or unknown, that Executive may

have against the Company and its officers, directors, employees and affiliated companies arising out of or any way related to Executive's employment or termination of employment with the Company, and the period for revocation, if any, of such release has lapsed without the release having been revoked. In the event that Executive breaches any of the covenants contained in Sections 7 or 8, the Company shall have the right to (i) terminate further provision of any portion of the severance payments and benefits set forth in Sections 4.3.1-4.3.4 not yet paid or provided, (ii) seek reimbursement from Executive for any and all portions of the severance payments and benefits set forth in Sections 4.3.1-4.3.4 previously paid or provided to Executive, (iii) recover from Executive all shares of Company stock acquired by Executive pursuant to Equity Awards the vesting of which was accelerated by reason of the severance payments and benefits set forth in Sections 4.3.1- 4.3.4 (or the proceeds therefrom, reduced by any exercise or pursuant price paid to acquire such shares), and (iv) immediately cancel all portions of Equity Awards the vesting of which was accelerated by reason of the severance payments and benefits set forth in Sections 4.3.1- 4.3.4.

- 4.9. **Resignation from Board and Other Positions**. Executive agrees that should Executive's employment terminate for any reason, Executive will immediately resign all other positions (including board membership) Executive may hold on behalf of the Company.

5. **Executive's Termination Obligations**

- 5.1. **Return of Company's Property**. Without in any way limiting Executive's obligations and the Company's rights under the Employee Proprietary Information and Inventions Agreement described in Section 1.4, Executive hereby acknowledges and agrees that all books, manuals, records, reports, notes, contracts, lists, spreadsheets and other documents or materials, or copies thereof, and equipment furnished to or prepared by Executive in the course of or incident to Executive's employment, belong to Company and shall be promptly returned to Company upon termination of Executive's employment.
- 5.2. **Cooperation in Pending Work**. Following any termination of Executive's employment, Executive shall, at the Company's request, reasonably cooperate with the Company in all matters relating to the winding up of pending work on behalf of the Company and the orderly transfer of work to other employees of the Company. Executive shall also cooperate, at the Company's request, in the defense of any action brought by any third party against the Company that relates in any way to Executive's acts or omissions while employed by the Company.
- 5.3. **Resignation**. Upon the termination of Executive's employment for any reason, Executive shall be deemed to have resigned from all positions as an employee, officer, director or manager then held with the Company, Everi Holdings or any of their respective subsidiaries or affiliates. Executive agrees to execute and deliver such documents or instruments as are reasonably requested by the Company, Everi Holdings or any such subsidiary or affiliate to evidence such resignations.

- 5.4. **Survival**. The representations and warranties contained herein and Executive's and the Company's obligations under Sections 3, 4, 5, 6, 7, 8 and 9 and under the Employee Proprietary Information and Inventions Agreement shall survive termination of Executive's employment and the expiration of this Agreement.
- 5.5. **Mutual Nondisparagement**. Employee agrees that Executive will not make any voluntary statements, written or oral, or cause or encourage others to make any such statements that defame, disparage or in any way criticize the personal and/or business reputations, practices or conduct of Company or Company's employees, officers or directors. Company agrees that it will instruct its officers and directors to not make any voluntary statements, written or oral, or cause or encourage others to make any such statements that defame, disparage or in any way criticize the personal and/or business reputations, practices or conduct of Executive.

6. **Compliance with Section 409A of the Code**.

- 6.1. This Agreement and all payments and benefits provided under this Agreement are intended to comply with, or be exempt from, Section 409A of the Code or any regulations or rulings thereunder ("Section 409A"), and shall be construed and interpreted in accordance with such intent. However, the Company does not guarantee any particular tax effect for income provided to Executive pursuant to this Agreement, and except for the Company's responsibility to withhold applicable income and employment taxes from compensation paid or provided to Executive, the Company shall not be responsible for the payment of any applicable taxes, penalties, interest, costs, fees, including attorneys' fees, or other liability incurred by Executive in connection with compensation paid or provided to Executive pursuant to this Agreement.
- 6.2. No amount payable pursuant to this Agreement on account of Executive's termination of employment with the Company which constitutes a "deferral of compensation" within the meaning of Section 409A shall be paid unless and until Executive has incurred a "separation from service" within the meaning of Section 409A. Furthermore, to the extent that Executive is a "specified employee" within the meaning of Section 409A (determined using the identification methodology selected by Company from time to time, or if none, the default methodology) as of the date of Executive's separation from service, no amount that constitutes a deferral of compensation which is payable on account of Executive's separation from service shall be paid to Executive before the date (the "Delayed Payment Date") which is first day of the seventh month after the date of Executive's separation from service or, if earlier, the date of Executive's death following such separation from service. All such amounts that would, but for this Section, become payable prior to the Delayed Payment Date will be accumulated and paid in a lump sum on the Delayed Payment Date. Thereafter, any payments that remain outstanding as of the day immediately following the Delayed Payment Date shall be paid without delay over the time period originally scheduled, in accordance with the terms of this Agreement.
- 6.3. Any right of Executive to receive installment payments under this Agreement shall, for all purposes of Section 409A, be treated as a right to a series of separate payments.

7. **Restrictions on Competition after Termination**

7.1. **Reasons for Restrictions**. Executive acknowledges that the nature of the Company's business is such that it would be extremely difficult for Executive to honor and comply with Executive's obligation under the Employee Proprietary Information and Inventions Agreement described in Section 1.4 to keep secret and confidential the Company's trade secrets if Executive were to become employed by or substantially interested in the business of a competitor of the Company soon following the termination of Executive's employment with the Company, and it would also be extremely difficult to determine in any reasonably available forum the extent to which Executive was or was not complying with Executive's obligations under such circumstances.

7.2. **Duration of Restriction**. In consideration for the Company's undertakings and obligations under this Agreement, Executive agrees that during the "Noncompete Term" (defined below) and by virtue of Executive's unique position and substantial knowledge of Company operations, plans and projects, Executive shall not directly or indirectly engage in (whether as an employee, consultant, proprietor, partner, director or otherwise), or have any ownership interest in, or participate in the financing, operation, management or control of, any person, firm, corporation or business that engages in any line of business in which the Company engages at the time of such termination, in the United States, Canada, the United Kingdom or such other countries in which the Company conducts business at the time of such termination ("Restricted Territory"). For the avoidance of doubt, the foregoing shall not prohibit Executive from engaging in, owning an interest in, or participating in any business that processes credit card, debit card or automated teller machine transactions originated from outside of gaming establishments, unless the Company has expanded its operations to encompass such activities at the time of termination. For purposes of this Agreement, the "Noncompete Term" shall be the period of one (1) year after the termination of Executive's employment hereunder. The parties agree that ownership of no more than 1% of the outstanding voting stock of a publicly-traded corporation or other entity shall not constitute a violation of this provision. The parties intend that the covenants contained in this section shall be construed as a series of separate covenants, one for each county, city, state and other political subdivision of the Restricted Territory. Except for geographic coverage, each such separate covenant shall be deemed identical in terms to the covenant contained in this section. If, in any judicial proceeding, a court shall refuse to enforce any of the separate covenants (or any part thereof) deemed included in this section, then such unenforceable covenant (or such part) shall be deemed eliminated from this Agreement for the purpose of those proceedings to the extent necessary to permit the remaining separate covenants (or portions thereof) to be enforced by such court. It is the intent of the parties that the covenants set forth herein be enforced to the maximum degree permitted by applicable law.

7.3 Assignment. Executive expressly understands and agrees that all restrictions on employment and solicitation as set for in Sections 7 and 8 are fair and reasonable, and are a material part of this Agreement which would not be entered into by the parties absent mutual agreement to the assignability of the same. Executive further expressly understands and agrees that Executive's duties and obligations as set forth in Sections 7 and 8 of this Agreement may be assigned by the Company upon a Change in Control at Company's discretion. Executive agrees that Executive has received separate

valuable and sufficient consideration in exchange for Company's right to assign Executive's obligations and duties as set for in this Sections 7 and 8, such consideration to be paid in the amount of \$5,000 upon all parties executing this Agreement.

8. Restrictions on Solicitation after Termination

For a period of two (2) years following the termination of Executive's employment hereunder for any reason, Executive shall not, without the prior written consent of the Company, directly or indirectly, as a sole proprietor, member of a partnership, stockholder or investor, officer or director of a corporation, or as an executive, associate, consultant, employee, independent contractor or agent of any person, partnership, corporation or other business organization or entity other than the Company solicit or endeavor to entice away from the Company any person or entity who is, or, during the then most recent three-month period, was, employed by, or had served as an agent or key consultant of the Company, provided, however, that Executive shall not be prohibited from receiving and responding to unsolicited requests for employment or career advice from the Company's employees.

9. Arbitration

- 9.1. Agreement to Arbitrate Claims.** The Company and Executive hereby agree that, to the fullest extent permitted by law, any and all claims or controversies between them (or between Executive and any present or former officer, director, agent, or employee of the Company or any parent, subsidiary, or other entity affiliated with the Company) relating in any manner to the employment or the termination of employment of Executive shall be resolved by final and binding arbitration pursuant to the terms and conditions set forth in that certain National Mutual Arbitration Agreement for Employees of the Company executed by Executive (the "Arbitration Agreement") in the form attached hereto as Exhibit C. Claims subject to the Arbitration Agreement shall include contract claims, tort claims, claims relating to compensation and Equity Awards, as well as claims based on any federal, state, or local law, statute, or regulation, including but not limited to any claims arising under Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act, the Americans with Disabilities Act, and the California Fair Employment and Housing Act. However, claims for unemployment compensation, workers' compensation, and claims under the National Labor Relations Act shall not be subject to arbitration.
- 9.2. Enforcement Actions.** Either the Company or Executive may bring an action in court to compel arbitration under this Agreement and to enforce an arbitration award. Except as otherwise provided in this Agreement, neither party shall initiate or prosecute any lawsuit in any way related to any arbitrable claim, including without limitation any claim as to the making, existence, validity, or enforceability of the agreement to arbitrate. All arbitration hearings under this Agreement shall be conducted in Las Vegas, Nevada.
- 9.3. Exceptions.** Nothing in this Agreement precludes a party from filing an administrative charge before an agency that has jurisdiction over an arbitrable claim. In addition, either party may, at its option, seek injunctive relief in a court of competent jurisdiction for any claim or controversy arising out of or related to the matters described in Sections 7 and 8 above or the unauthorized use, disclosure, or misappropriation of the confidential and/or proprietary information of either party in contravention of the Employee Proprietary Information and

Inventions Agreement or otherwise. By way of example, the Company may choose to use the court system to seek injunctive relief to prevent disclosure of its proprietary information or trade secrets; similarly, Executive may elect to use the court system to seek injunctive relief to protect Executive's own inventions or trade secrets.

- 9.4. **Governing Law.** The agreement to arbitrate under this Section 9 and the Arbitration Agreement shall be governed by the Uniform Arbitration Act of 2000 (Nevada Revised Statutes 38.206 et seq.). In ruling on procedural and substantive issues raised in the arbitration itself, the Arbitrator shall in all cases apply the substantive (and procedural) law of the State of Nevada.
- 9.5. **Attorneys' Fees.** Each party shall pay its own costs and attorney's fees, unless a party prevails on a statutory claim, and the statute provides that the prevailing party is entitled to payment of its attorneys' fees. In that case, the arbitrator may award reasonable attorneys' fees and costs to the prevailing party as provided by law. The costs and fees of the arbitrator shall be borne equally by Executive and the Company.
- 9.6. **Survival.** The parties' obligations under this Section 9 shall survive the termination of Executive's employment with the Company and the expiration of this Agreement.
- 9.7. **Acknowledgements.** THE PARTIES UNDERSTAND AND AGREE THAT THIS SECTION 9 CONSTITUTES A WAIVER OF THEIR RIGHT TO A TRIAL BY JURY OF ANY CLAIMS OR CONTROVERSIES COVERED BY THIS SECTION 9. THE PARTIES AGREE THAT NONE OF THOSE CLAIMS OR CONTROVERSIES SHALL BE RESOLVED BY A JURY TRIAL. THE PARTIES FURTHER ACKNOWLEDGE THAT THEY HAVE BEEN GIVEN THE OPPORTUNITY TO DISCUSS THIS SECTION 9 WITH THEIR LEGAL COUNSEL AND HAVE AVAILED THEMSELVES OF THAT OPPORTUNITY TO THE EXTENT THEY WISH TO DO SO.

10. **Expiration**

The terms of this Agreement are intended by the parties to govern Executive's employment with the Company during the term of such employment. Upon the termination of Executive's employment with the Company, this Agreement shall expire and be of no further force or effect, except to the extent of provisions hereof which expressly survive the expiration or termination of this Agreement.

11. **Entire Agreement**

Except as otherwise expressly stated herein, the terms of this Agreement are intended by the parties to be the final and exclusive expression of their agreement with respect to the employment of Executive by Company and may not be contradicted by evidence of any prior or contemporaneous statements or agreements. The parties further intend that this Agreement shall constitute the complete and exclusive statement of its terms and that no extrinsic evidence whatsoever may be introduced in any judicial, administrative, or other legal proceeding involving this Agreement. To the extent any provisions in this Agreement are inconsistent with any provisions of the Exhibits, the provisions of the Exhibits shall supersede and be controlling.

12. Amendments, Waivers

This Agreement may not be modified, amended, or terminated except by an instrument in writing, signed by Executive and by a duly authorized representative of the Company other than Executive. No failure to exercise and no delay in exercising any right, remedy, or power under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, or power under this Agreement preclude any other or further exercise thereof, or the exercise of any other right, remedy, or power provided herein or by law or in equity.

13. Assignment; Successors and Assigns

Executive agrees that Executive may not assign, sell, transfer, delegate or otherwise dispose of, whether voluntarily or involuntarily, or by operation of law, any rights or obligations under this Agreement, nor shall Executive's rights be subject to encumbrance or the claims of creditors. Any purported assignment, transfer, or delegation shall be null and void. Nothing in this Agreement shall prevent the consolidation of the Company with, or its merger into, any other corporation, or the sale by the Company of all or substantially all of its properties or assets, or the assignment by the Company of this Agreement and the performance of its obligations hereunder to any successor in interest.

14. Governing Law

The validity, interpretation, enforceability, and performance of this Agreement shall be governed by and construed in accordance with the law of the State of Nevada.

15. Acknowledgment

The parties acknowledge (a) that they have consulted with or have had the opportunity to consult with independent counsel of their own choice concerning this Agreement, and (b) that they have read and understand the Agreement, are fully aware of its legal effect, and have entered into it freely based on their own judgment and not on any representations or promises other than those contained in this Agreement.

16. Notices

All notices or demands of any kind required or permitted to be given by the Company or Executive under this Agreement shall be given in writing and shall be personally delivered (and receipted for) or mailed by certified mail, return receipt requested, postage prepaid, addressed as follows:

If to Company: Everi Payments Inc.
Attn: CEO w/ copy to General Counsel
7250 S. Tenaya Way, Ste. 100
Las Vegas, NV 89113

If to Executive: Dean A. Ehrlich
1960 North Walnut Avenue, Arlington Heights, IL
60004

Any such written notice shall be deemed received when personally delivered or three (3) days after its deposit in the United States mail as specified above. Either party may change its address for notices by giving notice to the other party in the name specified in this section.

17. Representations and Warranties

Executive represents and warrants that Executive is not restricted or prohibited, contractually or otherwise, from entering into and performing each of the terms and covenants contained in this Agreement, and that Executive's execution and performance of this Agreement will not violate or breach any other agreements between Executive and any other person or entity.

18. Counterparts

This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, all of which together shall contribute one and the same instrument.

IN WITNESS WHEREOF, each of the undersigned has executed this Agreement as of the date first set forth above.

EVERI PAYMENTS INC.

EXECUTIVE

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

/s/ Dean A. Ehrlich

EXHIBIT A

EMPLOYEE PROPRIETARY INFORMATION AND INVENTIONS AGREEMENT

In consideration of my employment by Everi Payments Inc, a Delaware corporation (the “Company”), I hereby agree to certain restrictions placed by the Company on my use and development of information and technology of the Company, as more fully set out below.

1. Proprietary Information.

(a) Confidential Restrictions. I understand that, in the course of my work as an employee of the Company, I may have access to Proprietary Information (as defined below) concerning the Company. I acknowledge that the Company has developed, compiled, and otherwise obtained, often at great expense, this information, which has great value to the Company’s business. I agree to hold in strict confidence and in trust for the sole benefit of the Company all Proprietary Information and will not disclose any Proprietary Information, directly or indirectly, to anyone outside of the Company, or use, copy, publish, summarize, or remove from Company premises such information (or remove from the premises any other property of the Company) except: (i) during my employment to the extent necessary to carry out my responsibilities as an employee of the Company or (ii) after termination of my employment, as specifically authorized in writing by a duly authorized officer of the Company. I further understand that the publication of any Proprietary Information through literature or speeches must be approved in advance in writing by a duly authorized officer of the Company.

(b) Proprietary Information Defined. I understand that the term “Proprietary Information” in this Agreement means all information and any idea in whatever form, tangible or intangible, whether disclosed to or learned or developed by me, pertaining in any manner to the business of the Company or to the Company’s affiliates, consultants, or business associates, unless: (i) the information is or becomes publicly known through lawful means; (ii) the information was rightfully in my possession or part of my general knowledge prior to my employment by the Company; or (iii) the information is disclosed to me without confidential or proprietary restrictions by a third party who rightfully possesses the information (without confidential or proprietary restrictions) and did not learn of it, directly or indirectly, from the Company. I further understand that the Company considers the following information to be included, without limitation, in the definition of Proprietary Information: (A) schematics, techniques, employee suggestions, development tools and processes, computer printouts, computer programs, design drawings and manuals, electronic codes, formulas and improvements; (B) information about costs, profits, markets, sales, customers, prospective customers, customer contracts (including without limitation the terms and conditions of such customer contracts) and bids; (C) plans for business, marketing, future development and new product concepts; (D) customer lists, and distributor and representative lists; (E) all documents, books, papers, drawings, models, sketches, and other data of any kind and description, including electronic data recorded or retrieved by any means, that have been or will be given to me by the Company (or any affiliate of it), as well as written or verbal instructions or comments; (F) any information or material not described in (A)-(E) above which relate to the Company’s inventions, technological developments, “know how”, purchasing, accounts, merchandising, or licensing; (G) employee personnel files and information about employee compensation and benefits; and (H) any information of the type described in (A)-(G) above which the Company has a legal obligation to treat as confidential, or which the Company treats as proprietary or designates as confidential, whether or not owned or developed by the Company.

(c) Information Use. I agree that I will maintain at my work area or in other places under my control only such Proprietary Information that I have a current “need to know,” and that

I will return to the appropriate person or location or otherwise properly dispose of Proprietary Information once my need to know no longer exists. I agree that I will not make copies of information unless I have a legitimate need for such copies in connection with my work.

(d) Third Party Information. I recognize that the Company has received and in the future will receive from third parties their confidential or proprietary information subject to a duty on the Company's part to maintain the confidentiality of such information and to use it only for certain limited purposes. I agree that I owe the Company and such third parties, during the term of my employment and thereafter, a duty to hold all such confidential or proprietary information in the strictest confidence and not to disclose it to any person, firm, or corporation (except as necessary in carrying out my work for the Company consistent with the Company's agreement with such third party) or to use it for the benefit of anyone other than for the Company or such third party (consistent with the Company's agreement with such third party) without the express written authorization of a duly authorized officer of the Company.

2. Inventions.

(a) Defined; Statutory Notice. I understand that during the term of my employment, there are certain restrictions on my development of technology, ideas, and inventions, referred to in this Agreement as "Invention Ideas." The term "Invention Ideas" means all ideas, processes, inventions, technology, programs, original works of authorship, designs, formulas, discoveries, patents, copyrights, trademarks, and service marks, and all improvements, rights, and claims related to the foregoing, that are conceived, developed, or reduced to practice by me alone or with others during the period of my employment with the Company, except for (1) Invention Ideas excluded in Schedule A, (2) Invention Ideas that I develop entirely on my own time without the Company's equipment, supplies, facilities or trade secret information except for those Invention Ideas that either relate at the time of conception or reduction to practice of the Invention Idea to the Company's business or actual or demonstrably anticipated research or development or result from any work performed by me for the Company, and (3) to the extent that any law applicable to my employment lawfully prohibits the assignment.

(b) Disclosure. I agree to maintain adequate and current written records on the development of all Invention Ideas and to disclose promptly to the Company all Invention Ideas and relevant records, which records will remain the sole property of the Company. I further agree that all information and records pertaining to any idea, process, invention, technology, program, original work of authorship, design, formula, discovery, patent, copyright, trademark, or service mark, that I do not believe to be an Invention Idea, but is conceived, developed, or reduced to practice by me (alone or with others) during my period of employment or during the one-year period following termination of my employment, shall be promptly disclosed to the Company (such disclosure to be received in confidence). The Company shall examine such information to determine if in fact it is an Invention Idea subject to this Agreement.

(c) Assignment. I agree to assign and hereby do assign to the Company, without further consideration, my entire right, title, and interest (throughout the United States and in all foreign countries), free and clear of all liens and encumbrances, in and to each Invention Idea, which shall be the sole property of the Company, whether or not copyrightable or patentable.

(d) Assist with Registration. In the event any Invention Idea shall be deemed by the Company to be copyrightable or patentable or otherwise registrable, I will assist the Company (at its expense) in obtaining and maintaining letters patent or other applicable registrations and I will execute all documents and do all other things (including testifying at the Company's expense) necessary or proper to

accomplish such registrations thereon and to vest the Company with full title thereto. Should the Company be unable to secure my signature on any document necessary to apply for, prosecute, obtain, or enforce any patent, copyright, or other right or protection relating to any Invention Idea, whether due to my mental or physical incapacity or any other cause, I hereby irrevocably designate and appoint the Company and each of its duly authorized officers and agents as my agent and attorney-in-fact, to act for and on my behalf and stead, to execute and file any such document, and to do all other lawfully permitted acts to further the prosecution, issuance, and enforcement of patents, copyrights, or other rights or protections with the same force and effect as if executed and delivered by me. I agree to maintain adequate and current records on the development of all Invention Ideas, which shall also remain the sole property of the Company.

(e) License for Other Inventions. If, in the course of my employment with the Company, I incorporate into Company property an invention owned by me or in which I have an interest, the Company is granted a nonexclusive, royalty-free, irrevocable, perpetual, world-wide license to make, modify, use and sell any invention as part of and in connection with the Company property.

(f) Exclusions. Except as disclosed in Schedule A attached hereto and incorporated herein, there are no ideas, processes, inventions, technology, writings, programs, designs, formulas, discoveries, patents, copyrights, or trademarks, or improvements to the foregoing, that I wish to exclude from the operation of this Agreement. To the best of my knowledge, there is no existing contract in conflict with this Agreement or any other contract to assign ideas, processes, inventions, technology, writings, programs, designs, formulas, discoveries, patents, copyrights, or trademarks, or improvements thereon, that is now in existence between me and any other person or entity.

(g) Disclosure. I agree to disclose promptly to the Company all "Invention Ideas" and relevant records as defined in paragraph 2(a), above. I further agree to promptly disclose to the Company any idea that I do not believe to be an invention, but which is conceived, developed, or reduced to practice by me (alone or with others) while I am employed by the Company or during the one-year period following the termination of my employment. I will disclose the idea, along with all information and records pertaining to the idea, and the Company will examine the disclosure in confidence to determine if in fact it is an Invention Idea subject to this Agreement.

(h) Post-Termination Period. I agree that any idea, invention, writing, discovery, patent, copyright, trademark or similar item or improvement shall be presumed to be an Invention Idea if it is conceived, developed, use, sold, exploited, or reduced to practice by me or with my aid within one (1) year after my termination of employment with the Company. I can rebut this presumption if I prove that the idea, invention, writing, discovery, patent, copyright, trademark or similar item or improvement is not an Invention Idea covered by this Agreement.

3. Former or Conflicting Agreements. During my employment with the Company, I will not disclose to the Company, or use, or induce the Company to use, any proprietary information or trade secrets of others. I represent and warrant that I have returned all property and confidential information belonging to all prior employers, individuals and entities who have provided such property and confidential information to me, if any, as required by such prior employers, individuals and entities. I further represent and warrant that my performance of the terms of this Agreement will not breach any agreement to keep in confidence proprietary information acquired by me in confidence or in trust prior to my employment by the Company. I have not entered into, and I agree I will not enter into, any oral or written agreement in conflict herewith. I have listed in Schedule B all other agreements concerning proprietary information or agreements to which I am a party and have attached copies of any agreements in my possession.

4. Government Contracts. I understand that the Company has or may enter into contracts with the government under which certain intellectual property rights will be required to be protected, assigned, licensed, or otherwise transferred and I hereby agree to execute such other documents and agreements as are necessary to enable the Company to meet its obligations under any such government contracts.

5. Termination. I hereby acknowledge and agree that all property, including, without limitation, all source code listings, books, manuals, records, models, drawings, reports, notes, contracts, lists, blueprints, and other documents or materials or copies thereof, all equipment furnished to or prepared by me in the course of or incident to my employment, and all Proprietary Information belonging to the Company and will be promptly returned to the Company upon termination of my employment with the Company. Following my termination, I will not retain any written or other tangible material containing any Proprietary Information or information pertaining to any Invention Idea. I understand that my obligations contained in this Agreement will survive the termination of my employment and I will continue to make all disclosures required of me by paragraph 2(b). In the event of the termination of my employment, I agree, if requested by the Company, to sign and deliver the Termination Certificate attached as Schedule C hereto and incorporated herein. I ACKNOWLEDGE THAT THE COMPANY IS AN "AT-WILL" EMPLOYER AND NOTHING IN THIS AGREEMENT SHALL BE CONSTRUED TO IMPLY THAT THE TERM OF MY EMPLOYMENT IS OF ANY DEFINITE DURATION. NO ONE OTHER THAN AN AUTHORIZED OFFICER OF THE COMPANY HAS THE AUTHORITY TO ALTER THIS ARRANGEMENT, TO ENTER INTO AN AGREEMENT FOR EMPLOYMENT FOR A SPECIFIED PERIOD OF TIME, OR TO MAKE ANY AGREEMENT CONTRARY TO THIS POLICY, AND ANY SUCH AGREEMENT MUST BE IN WRITING AND MUST BE SIGNED BY AN AUTHORIZED OFFICER OF THE COMPANY AND BY THE AFFECTED EMPLOYEE.

6. Remedies. I recognize that nothing in this Agreement is intended to limit any remedy of the Company under the California Uniform Trade Secrets Act or other federal or state law and that I could face possible criminal and civil actions, resulting in imprisonment and substantial monetary liability, if I misappropriate the Company's trade secrets. In addition, I recognize that my violation of this Agreement could cause the Company irreparable harm, the amount of which may be extremely difficult to estimate, thus, making any remedy at law or in damages inadequate. Therefore, I agree that the Company shall have the right to apply to any court of competent jurisdiction for an order restraining any breach or threatened breach of this Agreement and for any other relief the Company deems appropriate. This right shall be in addition to any other remedy available to the Company in law or equity.

7. Miscellaneous Provisions.

(a) Assignment. I agree that the Company may assign to another person or entity any of its rights under this Agreement.

(b) Governing Law; Severability. The validity, interpretation, enforceability, and performance of this Agreement shall be governed by and construed in accordance with the laws of the State of Nevada without giving effect to any conflicts or choice of law provisions that would result in the application of the laws of any jurisdiction other than the internal laws of the State of Nevada. If any provision of this Agreement, or application thereof to any person, place, or circumstance, shall be held by a court of competent jurisdiction to be invalid, unenforceable, or void, the remainder of this Agreement and such provisions as applied to other persons, places, and circumstances shall remain in full force and effect.

(c) Entire Agreement. The terms of this Agreement are the final expression of the parties' agreement with respect to the subject matter hereof and may not be contradicted by evidence of any prior or contemporaneous agreement. This Agreement shall constitute the complete and exclusive

statement of its terms and no extrinsic evidence whatsoever may be introduced in any judicial, administrative, or other legal proceeding involving this Agreement.

(d) Amendments; Waivers. This Agreement may not be modified, amended, or terminated except by an instrument in writing, signed by me and by a duly authorized representative of the Company. No failure to exercise and no delay in exercising any right, remedy, or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, or power hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, or power provided herein or by law or in equity.

(e) Successors and Assigns. This Agreement shall be binding upon me and my heirs, executors, administrators, and successors, and shall inure to the benefit of the Company's successors and assigns.

(f) Application of this Agreement. I hereby agree that my obligations set forth in Sections 1 and 2 hereof and the definitions of Proprietary Information and Invention Ideas contained therein shall be equally applicable to Proprietary Information and Invention Ideas relating to any work performed by me for the Company prior to the execution of this Agreement.

ACKNOWLEDGEMENT & AGREEMENT

I HAVE READ THIS AGREEMENT CAREFULLY AND UNDERSTAND ITS TERMS. I HAVE COMPLETELY NOTED ON SCHEDULE A TO THIS AGREEMENT ANY PROPRIETARY INFORMATION, IDEAS, PROCESSES, INVENTIONS, TECHNOLOGY, WRITINGS, PROGRAMS, DESIGNS, FORMULAS, DISCOVERIES, PATENTS, COPYRIGHTS, OR TRADEMARKS, OR IMPROVEMENTS, RIGHTS, OR CLAIMS RELATING TO THE FOREGOING, THAT I DESIRE TO EXCLUDE FROM THIS AGREEMENT.

Date: 1/10/17

Employee
Name:

Dean A. Ehrlich

/s/ Dean A. Ehrlich
Employee Signature

SCHEDULE A
**EMPLOYEE'S DISCLOSURE
OF PRIOR INVENTIONS**

1. Prior Inventions. Except as set forth below, there are no ideas, processes, inventions, technology, writings, programs, designs, formulas, discoveries, patents, copyrights, or trademarks, or any claims, rights, or improvements to the foregoing, that I wish to exclude from the operation of this Agreement: _____

Date: 1/10/17 Employee Dean A. Ehrlich
_____ Name: _____

/s/ Dean A. Ehrlich

Employee Signature

SCHEDULE B
**EMPLOYEE'S DISCLOSURE
OF PRIOR AGREEMENTS**

1. Prior Agreements. Except as set forth below, I am aware of no prior agreements between me and any other person or entity concerning proprietary information or inventions (attach copies of all agreements in your possession):

Date: 1/10/17

Employee
Name:

Dean A. Ehrlich

/s/ Dean A. Ehrlich
Employee Signature

SCHEDULE C

**TERMINATION CERTIFICATE CONCERNING
EVERI PAYMENTS INC. (FORMERLY KNOWN AS GLOBAL CASH ACCESS, INC.)
PROPRIETARY INFORMATION AND INVENTIONS**

This is to certify that I have returned all property of Everi Payments Inc. (formerly known as Global Cash Access, Inc.), a Delaware limited liability company (the "Company"), including, without limitation, all source code listings, books, manuals, records, models, drawings, reports, notes, contracts, lists, blueprints, and other documents and materials, Proprietary Information, and equipment furnished to or prepared by me in the course of or incident to my employment with the Company, and that I did not make or distribute any copies of the foregoing.

I further certify that I have reviewed the Employee Proprietary Information and Inventions Agreement signed by me and that I have complied with and will continue to comply with all of its terms, including, without limitation, (i) the reporting of any idea, process, invention, technology, writing, program, design, formula, discovery, patent, copyright, or trademark, or any improvement, rights, or claims related to the foregoing, conceived or developed by me and covered by the Agreement and (ii) the preservation as confidential of all Proprietary Information pertaining to the Company. This certificate in no way limits my responsibilities or the Company's rights under the Agreement.

On termination of my employment with the Company, I will be employed by _____ **[Name of New Employer]** **[in the _____ division]** and I will be working in connection with the following projects:

[Generally describe the projects]

Date: _____ Employee Name: _____

Employee Signature

EXHIBIT B

RELEASE AND WAIVER OF CLAIMS

**CONFIDENTIAL SEPARATION AGREEMENT
AND GENERAL RELEASE OF ALL CLAIMS**

This Confidential Separation Agreement and General Release of All Claims (“Agreement”) is made by and between Everi Payments Inc. (formerly known as Global Cash Access, Inc.) (“Company”) and Dean A. Ehrlich (“Employee”) with respect to the following facts:

- A. Employee is employed by Company pursuant to an Employment Agreement setting forth the terms and conditions of employment dated as of July 18, 2016 and shall be effective on that date (collectively referred to as the “Employment Agreement”).
- B. Employee’s employment with Company will terminate [without Cause] [for Good Reason] (as that term is defined in the Employment Agreement) effective [DATE] (“Separation Date”), and as of such date Employee has incurred a “separation from service” within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended. As a result, Employee is entitled to those certain severance payments and benefits described in the Employment Agreement, provided Employee enters into this Agreement.
- C. The parties desire to settle all claims and issues that have or could have been raised, in relation to, and arising out of, or in any way connected to, the acts, transactions or occurrences between them to date, including, but not limited to, Employee’s employment with Company and the termination of that employment, on the terms set forth below.

THEREFORE, in consideration of the promises and mutual agreements set forth below, the parties agree as follows:

1. Severance Package. In exchange for the promises set forth herein and in compliance with the requirements set forth in the Employment Agreement, Company agrees to provide Employee with the payments and benefits set forth in Section 4 of the Employment Agreement (“Severance Package”), to which Employee is not otherwise entitled, absent entering into this Agreement. Employee acknowledges and agrees that this Severance Package constitutes adequate legal consideration for the promises and representations made by Employee in this Agreement. Employee acknowledges and agrees that if Employee violates the terms of this Agreement or the continuing obligations under the Employment Agreement including, but not limited to those pertaining to post-employment restrictions, Company may terminate any payments and the provision of benefits described herein, and seek such other damages or remedies as may be appropriate.

2. General Release.

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

- Title VII of the Civil Rights Act of 1964;
- Sections 1981 through 1988 of Title 42 of the United States Code;
- The Employee Retirement Income Security Act of 1974 ("ERISA") (as modified below);
- The Immigration Reform and Control Act;
- The Americans with Disabilities Act of 1990;
- The Age Discrimination in Employment Act of 1967 ("ADEA");
- The Worker Adjustment and Retraining Notification Act;
- The Fair Credit Reporting Act;
- The Family and Medical Leave Act;
- The Equal Pay Act;
- The Genetic Information Nondiscrimination Act of 2008;
- Chapter 613 of the Nevada Revised Statutes including the Nevada Equal Opportunities for Employment Law – Nev. Rev. Stat. § 613.310 et seq;
- Nevada Equal Pay Law – Nev. Rev. Stat. § 608.017;
- Nevada School Visitation Law – Nev. Rev. Stat. § 392.920;
- Nevada Wage Payment and Work Hour Law – Nev. Rev. Stat. § 608 et seq;
- Nevada Occupational Safety & Health Act – Nev. Rev. Stat. § 618 et seq
- any other federal, state or local law, rule, regulation, or ordinance;

- any public policy, contract, tort, or common law; or
- any basis for recovering costs, fees, or other expenses including attorneys' fees incurred in these matters.

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

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

2.3. The parties acknowledge that this general release is not intended to bar any claims that, by statute, may not be waived, such as Employee's right to file a charge with the National Labor Relations Board or Equal Employment Opportunity Commission and other similar government agencies, and claims for statutory indemnity, workers' compensation benefits or unemployment insurance benefits, as applicable, and any challenge to the validity of Employee's release of claims under the Age Discrimination in Employment Act of 1967, as amended, as set forth in this Agreement. This general release also does not bar claims or causes of action related to defamation, libel or invasion of privacy. In addition, this general release does not affect Employee's rights to indemnification by the Company nor Employee's coverage under the directors and officers insurance policies, if any, maintained by the Company.

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

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

3. Representation Concerning Filing of Legal Actions. Employee represents that, as of the date of this Agreement, Employee has not filed any lawsuits, charges, complaints, petitions, claims or other accusatory pleadings against Company or any of the other Released Parties in any court or with any governmental agency related to the matters released in this Agreement.

4. Mutual Nondisparagement. Employee agrees that Employee will not make any voluntary statements, written or oral, or cause or encourage others to make any such statements that defame, disparage or in any way criticize the personal and/or business reputations, practices or conduct of Company or any of the other Released Parties. Company agrees that it will instruct its officers and directors to not make any voluntary statements, written or oral, or cause or encourage others

to make any such statements that defame, disparage or in any way criticize the personal and/or business reputations, practices or conduct of Employee.

5. Confidentiality and Return of Company Property. In accordance with the terms of his/her Employment Agreement, Employee understands and agrees that as a condition of receiving the Severance Package in paragraph 1, all Company property must be returned to Company. By signing this Agreement, Employee represents and warrants that Employee has returned to Company, all Company property, data and information belonging to Company and agrees that Employee will not use or disclose to others any confidential or proprietary information of Company or the Released Parties. In addition, Employee agrees to keep the terms of this Agreement confidential between Employee and Company, except that Employee may tell Employee's immediate family and attorney or accountant, if any, as needed, but in no event should Employee discuss this Agreement or its terms with any current or prospective employee of Company.

6. Continuing Obligations and Cooperation. Employee further agrees to comply with the continuing obligations regarding confidentiality set forth in the surviving provisions of the Employee Proprietary Information and Inventions Agreement previously signed by Employee. Employee also agrees that in accordance with his/her Employment Agreement, he/she will cooperate fully in the transition of her duties, and promptly and cooperatively answer any calls or emails the Company may have during the period she is receiving severance pay and/or benefits, without further compensation.

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

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

8.1. Acknowledgments/Time to Consider. Employee acknowledges and agrees that (a) she has read and understands the terms of this Agreement; (b) she has been advised in writing to consult with an attorney before signing this Agreement; (c) she has obtained and considered such legal counsel as he deems necessary; (d) she has been given 21 days to consider whether or not to enter into this Agreement (although at her option, she may elect not to use the full 21 day period); and (e) by signing this Agreement on or after the Separation Date, Employee acknowledges that she does so freely, knowingly, and voluntarily.

8.2. Revocation/Effective Date. This Agreement shall not become effective or enforceable until the eighth day after Employee signs this Separation Agreement. In other words, Employee may revoke Employee's acceptance of this Separation Agreement within seven (7) days after the date Employee signs it. Employee's revocation must be in writing and received by Juliet A. Lim, General Counsel, jlim@everi.com, 7250 South Tenaya Way, Suite 100, Las Vegas, Nevada 89113 on or before the seventh day in order to be effective. If Employee does not revoke acceptance within the seven (7) day period, Employee's acceptance of this Separation Agreement shall become binding and enforceable on the eighth day ("Effective Date"). The Severance Package will become due and payable in accordance with paragraph 1 above after the Effective Date, provided Employee does not revoke.

8.3. Preserved Rights of Employee. This Agreement does not waive or release any rights or claims that Employee may have under the Age Discrimination in Employment Act that arise after the execution of this Agreement. In addition, this Agreement does not prohibit Employee from challenging the validity of this Agreement's waiver and release of claims under the Age Discrimination in Employment Act of 1967, as amended.

9. Severability. In the event any provision of this Agreement shall be found unenforceable, the unenforceable provision shall be deemed deleted and the validity and enforceability of the remaining provisions shall not be affected thereby.

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

11. Affirmation. Employee affirms that Employee has been paid all compensation, wages, bonuses, and commissions due, and has been provided all leaves (paid or unpaid) and benefits to which Employee may be entitled.

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

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

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

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

Dated: _____, 2016

By:
EVERI PAYMENTS INC.

Dated: _____, 2016

By:

EXHIBIT C

FORM OF ARBITRATION AGREEMENT

NATIONAL MUTUAL ARBITRATION AGREEMENT FOR EMPLOYEES OF [COMPANY]

EVERI PAYMENTS INC. (formerly known as Global Cash Access, Inc.), its parent corporation (if any), affiliates, subsidiaries, divisions, successors, assigns and their current and former employees, officers, directors, and agents (hereafter collectively referred to as "the Company") seeks to work with our employees to resolve differences as soon as possible after they arise. Often times, differences can be eliminated through internal discussions between an employee and his/her supervisor. Other times, it may be helpful for Human Resources or other Company employees to become involved to help solve a dispute. To facilitate dispute resolution we have developed a binding arbitration process to settle disputes that are not resolved through more informal means.

The Company and you, on behalf of you, your heirs, administrators, executors, successors and assigns (hereinafter collectively referred to as "you" or "your") agree pursuant to this Arbitration Agreement ("Agreement") to arbitrate covered disputes, in lieu of litigating in court.

A. The Mutual Agreement to Arbitrate: Overview

The parties acknowledge that by agreeing to arbitration, they are WAIVING ANY RIGHTS TO A JURY TRIAL.

Except for the claims set forth in the paragraph below, you and the Company mutually agree to arbitrate any and all disputes, claims, or controversies ("claim") against the Company that could be brought in a court including, but not limited to, all claims arising out of your employment and the cessation of employment, including any claim that could have been presented to or could have been brought before any court. This Agreement to arbitrate includes, but is not limited to, claims under the Age Discrimination in Employment Act, Title VII of the Civil Rights Act of 1964; the Fair Labor Standards Act; the Family and Medical Leave Act; the Americans with Disabilities Act of 1990; Section 1981 through 1988 of Title 42 of the United States Code; any state or local anti-discrimination laws; or any other federal, state, or local law, ordinance or regulation, or based on any public policy, contract, tort, or common law or any claim for costs, fees, or other expenses or relief, including attorney's fees. All claims which could be raised before a court must be raised by the time of the arbitration and the arbitrator shall apply the law accordingly.

Claims not covered by this Agreement are: (i) claims for workers' compensation benefits; (ii) claims for unemployment compensation benefits; (iii) claims based upon the Company's current (successor or future) stock option plans, employee pension and/or welfare benefit plans if those plans contain some form of a grievance, arbitration, or other procedure for the resolution of disputes under the plan; and (iv) claims by law which are not subject to mandatory binding pre-dispute arbitration pursuant to the Federal Arbitration Act, such as claims under the Dodd-Frank Wall Street Reform Act. Further, this Agreement does not prohibit the filing of an administrative charge with a federal, state, or local administrative agency such as the National Labor Relations Board (NLRB) or the Equal Employment Opportunity Commission (EEOC).

Likewise, as noted above, the Company agrees to arbitrate any claim against you as per the terms of this Agreement but retains all right to seek injunctions in aid of arbitration.

B. Class/Collective Action Waiver, Jury Waiver and Administrative Charges

The parties agree all claims must be pursued on an individual basis only. By signing this Agreement, you waive your right to commence, or be a party to, any class or collective claims or to bring jointly any claim against the Company with any other person, except as provided in the paragraph below. The parties agree any claim can be pursued, but only on an individual basis, except the lack of co-plaintiffs shall not, in and of itself, be a bar to pursuit of a pattern and practice claim.

In addition, nothing herein limits your right and the rights of others collectively to challenge the enforceability of this Agreement, including the class/collective action waiver. While the Company will assert that you have agreed to pursue all claims individually in the arbitral forum and may ask a court to compel arbitration of each individual's claims, to the extent the filing of such an action is protected concerted activity under the National Labor Relations Act, such filing will not result in threats, discipline or discharge.

C. Severability and Related Issues

The Arbitrator, and not any federal, state or local court or agency, shall have exclusive authority to resolve any dispute relating to the interpretation, applicability, enforceability or formation of this Agreement including, but not limited to any claim that all or any part of this Agreement is void or voidable, except any determination as to the enforceability of the class/collective action waiver shall be made solely by a court. If the prohibition against class/collective actions is deemed unlawful, then such action shall proceed forward in court as a collective or class action. If an arbitrator finds any other provision of this Agreement unenforceable, a court or arbitrator shall interpret or modify this Agreement, to the extent necessary, for it to be enforceable, subject to the sentence above. This Agreement shall be self-amending; meaning if by law or common law a provision is deemed unlawful or unenforceable that provision and the Agreement automatically, immediately and retroactively shall be amended, modified, and/or altered to be enforceable. The arbitrator shall have no power under this Agreement to consolidate claims and/or to hear a collective or class action.

D. The Arbitration Process

Any authorized decision or award of the arbitrator shall be final and binding upon the parties. The arbitrator shall have the power to award any type of legal or equitable relief available in a court of competent jurisdiction including, but not limited to, attorney's fees, to the extent such damages are available under law. Because any arbitral award may be entered as a judgment or order in any court of competent jurisdiction, any relief or recovery to which you may be entitled upon any claim (including those arising out of employment, cessation of employment, or any claim of unlawful discrimination) shall be limited to that awarded by the arbitrator. Again, the arbitrator has no power to consolidate claims or adjudicate a collective/class action. All orders of the arbitrator (except evidentiary rulings at the arbitration) shall be in writing and subject to review pursuant to the Federal Arbitration Act.

Any claim for arbitration will be timely only if brought within the time in which an administrative charge or complaint would have been filed if the claim is one which could be filed with an administrative agency. If the arbitration claim raises an issue which could not have been filed with an administrative agency, then the claim must be filed within the time set by the appropriate statute of limitation. A claim may be filed by serving written notice to the Company's Human Resources Department with a copy to General Counsel, 7250 S. Tenaya Way, Suite 100, Las Vegas, Nevada 89113, and thereafter by filing an action with JAMS pursuant to JAMS Employment Arbitration Rules. The filing party is responsible for any filing fee absent extreme financial circumstances. Each party shall bear its own costs and expenses for the arbitration however the arbitrator's fee shall be paid by the Company, absent an award from the arbitrator.

The arbitration shall be arbitrated by a single arbitrator in accordance with the JAMS Employment Arbitration Rules except all arbitrators or members of the appeal panel (which is discussed below) must be members of the bar in good standing in the state in which the dispute arose. Each party may be represented by counsel.

A copy of the JAMS Employment Arbitration Rules, including forms and procedures for submitting a matter for arbitration, are available for you to review at the Human Resource Department. You may contact JAMS to request a copy of these rules or obtain them from the JAMS website (www.jamsadr.com) or by calling JAMS at 1(800)352-5267. If for whatever reason JAMS declines to act as the neutral, the parties shall utilize NAM (www.namadr.com) as the neutral for the arbitration/appeal and shall utilize its Rules for Resolution of Employment Disputes. Each party agrees that it has had an opportunity to review the current JAMS Employment Arbitration Rules.

1. **Modification to NAM/JAMS Rules**

The arbitrator shall apply the Federal Rules of Civil Procedure (except for Rule 23) and the Federal Rules of Evidence as interpreted in the jurisdiction where the arbitration is held. Also there shall be one arbitrator for the matter up and through submission and determination of a motion for summary judgment. If a summary judgment is made, the arbitrator must render a written and detailed opinion on that motion within sixty (60) calendar days of submission of all supporting and opposition papers. If the summary judgment is in any part denied the case shall proceed to hearing before another arbitrator, who did not hear the summary judgment motion. That arbitrator shall be selected from a new panel to be provided by JAMS (or if JAMS declines to be the third party administrator, NAMS). If no summary judgment is filed then no new arbitrator will be selected to hear the matter, as the original arbitrator will retain jurisdiction.

E. Consideration For This Agreement

This mutual agreement to arbitration and your accepting employment with the Company shall act as consideration for this Agreement. The parties agree that the consideration set forth in this paragraph is wholly adequate to support this Agreement.

F. Other Provisions of this Agreement

To the extent any of the provisions herein conflict with any standard rules of the arbitration service being used, the express provisions of this Agreement shall prevail.

Neither the terms nor conditions described in this Agreement are intended to create a contract of employment for a specific duration of time. Employment with the Company is voluntarily entered into, and you are free to resign at any time. Similarly, the Company may terminate the employment relationship at any time for any reason, with or without prior notice. This Agreement shall survive the termination of your employment.

This Agreement shall be governed by and enforced pursuant to the Federal Arbitration Act, 9 U.S.C. §§ 1-16, to the maximum extent permitted by applicable law.

This Agreement contains the complete agreement between the parties regarding the subjects covered in it, and supersedes any prior or inconsistent agreements that might exist between you and the Company. This Agreement can be modified only by an express written agreement signed by both you and the President of the Company.

I KNOWINGLY AND FREELY AGREE TO THIS MUTUAL AGREEMENT TO ARBITRATE CLAIMS, WHICH OTHERWISE COULD HAVE BEEN BROUGHT IN COURT. I AFFIRM THAT I HAVE HAD SUFFICIENT TIME TO READ AND UNDERSTAND THE TERMS OF THIS AGREEMENT AND THAT I HAVE BEEN ADVISED OF MY RIGHT TO SEEK LEGAL COUNSEL REGARDING THE MEANING AND EFFECT OF THIS AGREEMENT PRIOR TO SIGNING. BY ISSUANCE OF THIS AGREEMENT, THE COMPANY AGREES TO BE BOUND TO ITS TERMS WITHOUT ANY REQUIREMENT TO SIGN THIS AGREEMENT.

Employee

Date

**Certification of Principal Executive Officer
Pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a)
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Michael D. Rumbolz, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Everi Holdings Inc.;
2. Based on my knowledge, this Quarterly Report on Form 10-Q 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 Quarterly Report on Form 10-Q;
3. Based on my knowledge, the financial statements, and other financial information included in this Quarterly 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 Quarterly Report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Quarterly Report on Form 10-Q 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 Quarterly Report on Form 10-Q our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Quarterly Report on Form 10-Q based on such evaluation; and
 - d) Disclosed in this Quarterly Report on Form 10-Q 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(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 9, 2018

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

**Certification of Principal Financial Officer
Pursuant to Exchange Act Rules 13a-14(a) and 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 Quarterly Report on Form 10-Q 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 Quarterly Report on Form 10-Q;
3. Based on my knowledge, the financial statements, and other financial information included in this Quarterly 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 Quarterly Report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Quarterly Report on Form 10-Q 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 Quarterly Report on Form 10-Q our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Quarterly Report on Form 10-Q 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(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 9, 2018

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, 2018 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, 2018

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, 2018 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, 2018

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