



EVERI

**New York Gaming Commission Video Lottery Central
System Technical Proposal**

**Request for Proposal: C190001
June 2019**

VOLUME I

Table of Contents

Transmittal Letter & Executive Summary	1
Document Submittal Checklist	17
Bidder Acknowledgement of Addendum	19
Contract Form - Appendix B	43
Designation of Proprietary Information	59
Disclosure of Litigation and Other Information	77
Conflict of Interest Disclosure.....	85
Appendix C	87
Appendix D	89
Appendix E	91
Appendix I	105
Appendix J	107
Appendix K.....	125
Appendix L	135
Appendix N.....	141
Appendix O.....	143
Appendix Q.....	145

4.1 Technical Proposal 147

1. ORGANIZATION AND FINANCIAL VIABILITY 147

2. EXPERIENCE 156

3. PROJECT MANAGEMENT AND STAFFING 163

4. WORK PLAN AND CENTRAL SYSTEM COMPONENTS 165

5. M/WBE DIVERSITY PRACTICES 333

Everi Appendices

- E-1 Organizational Chart and Resumes**
- E-2 Everi Employee Handbook**
- E-3 Everi Annual Reports 2016-2018**
- E-4 RFP Part 3 Scope of Work**
- E-5 Everi Prohibited Harassment Policy**
- E-6 Preventing Discrimination and Harassment Course**
- E-7 Washington State Tribal Lottery System Casino and Install Dates**
- E-8 Class II Games and Casinos**
- E-9 Technical Specifications**
- E-10 Working with the Central System Management Terminal**
- E-11 Working with the Central System Validation Terminal**

Table of Contents

E-12 Central Determinant System Reports Definition

E-13 Everi Supplier Diversity Policy

E-14 Women's Leadership Initiative

E-15 Work Plan Details

E-16 Project Management and Staffing Roles and Allocations

E-17 Change Management Policy

E-18 Bond Requirements

Transmittal Letter & Executive Summary



206 Wild Basin Rd S, Bldg E
Austin, TX 7874E

(512) 334-750C

everi.com
NYSE: EVRI

Letter of Transmittal

RE: NYL RFP C190001 - Everi TECHNICAL Proposal

NOTE: This proposal will remain valid for at least 180 days from the due date of proposals.

DATE: June 5, 2019

TO:

Stacey Relation

Contract Management Specialist 3
New York State Gaming Commission
Contracts Office, 4th Floor
One Broadway Center
Schenectady, NY 12305

From:

Dean Ehrlich

EVP, Games
206 Wild Basin Road S. Bldg. B
Austin, TX 78746
dean.ehrlich@everi.com
512-439-3033

Dear New York State Gaming Commission RFP evaluation team,

Everi Games Inc. is pleased to present you our proposal for the New York Gaming Commission Video Lottery Central System Request for Proposal, for implementation and operation of a central system supporting Video Lottery Terminals dated June 5, 2019.

Per your request, and as defined in Section 4.4 of the RFP included in this response are 2 volumes covering:

- Technical Proposal – Volume 1
- Pricing Proposal – Volume 2

We are excited about the opportunity to continue to serve the New York State Gaming Commission. As described in the Executive Summary we have provided for you below, we bring numerous advantages to your program:

- The most experience in designing and implementing VLT central determinant systems
- A long standing track record of success with the New York State Gaming Commission
- Unique software delivering progressive jackpots and bonus rounds that increase revenue
- Proven VLT promotional programs and staff support to drive traffic to the tracks
- Superior network, hardware and software redundancy and security for maximum uptime
- Scalable support to quickly expand the number of VLTs, built-in from the outset
- Field proven commercial grade hardware and software platforms to minimize costs
- Flexible browser-based interfaces and reporting to analyze data and monitor systems

All of these capabilities translate into one thing for the New York State Gaming Commission: Everi provides you the most experienced company and people in this market, with the 24x7 capable platforms and the innovative software



205 Wild Basin Rd S, Bldg B
Austin, TX 78746
(512) 334-7500
everi.com
NYSE: EVRI

architecture and promotions that will drive the most revenue for the New York State Gaming Commission and the educational programs it supports.

We already have in place the data centers, network infrastructure and video gaming facility equipment necessary to meet or exceed the Gaming Commissions requirements and transition schedule. Our hardware, software and network partners stand ready to support our implementation. Our development staff, our implementation leaders and our entire company are eager to get started.

We have the most comprehensive, field-tested solution, and we welcome the opportunity to continue to provide superior service for you and New York's educational fund.

Thank you for considering our proposal.

Sincerely,



Dean Ehrlich

Executive Summary

A proposal for the New York State Gaming Commission...

The Games Division of Everi Games Inc. is pleased to present this proposal to the New York State Gaming Commission for the implementation and operation of a central determinant system supporting Video Lottery Terminals (VLT). Since 1996, Everi Games Inc. (formerly Multimedia Games) has been a leader in processing high speed, electronic gaming outcomes delivered by central systems from remote data centers. In fact, we have been operating games from central systems since 1988. In many markets and jurisdictions, we are credited with being the developer of the first video lottery systems similar to that specified in the New York Gaming Commissions Request for Proposals.

In the past 16 years, Everi's central determinant system, operated in New York, has processed more than \$300 billion in wagers placed - and has distributed more than \$250 billion in prizes. This represents more than 150 billion individual player wagers and more than 55 billion winning outcomes delivered. Everi's innovations have pushed the gaming industry's technology envelope. As a result, Global Cash



Access, the dominant payments provider in the gaming industry, purchased Multimedia Games for over \$1 Billion in 2014. The combined companies (Everi) continue to make giant strides in back office systems development, new gaming systems, game introductions, innovative communications, and networked technologies. These advancements have helped position us as a leader in the world of banking and central determinant gaming systems. Industry experts agree there is a simple reason for this success: the personnel that Everi Games Inc. has assembled represents the best in the industry in technology, development, and marketing.

This response to the New York State Gaming Commissions Request for Proposals is based on the latest gaming systems technology, our experience in operating data centers, and our experience in delivering gaming laboratory-certified and field-proven central determinant lottery systems. The system we propose not only assures the greatest probability of continued financial success for the state of New York, but also goes further by anticipating and delivering future technology needs. This offering eliminates risk, while delivering the flexibility required to meet the evolving needs of players and operators.

Committed to education.

We commit to support the primary mission of the New York Gaming Commission to increase its contribution to primary and secondary public education in New York State. This commitment of support is visible by the 16 years of service as the central system partner to the New York State Gaming Commission and is reiterated throughout this proposal. From our technological solutions to our pricing model, every effort is made to ensure that the goals of the New York Gaming Commission's education mandate are not just met, but exceeded.



For revenue for education, we are head of the class.

Everi Gaming Inc. is a leading technology supplier to the gaming industry. We design, implement, and deploy interactive Class II bingo games and gaming systems, as well as interactive Class III video lottery gaming systems. Our systems provide the most comprehensive and flexible solutions for creating, delivering, managing, recording, auditing, and tracking both gaming and player activities. The central system architecture is fully compatible with emerging computing, communications, and wireless technologies and wherever possible employs standardized protocols and commercially available software. Our proposed system is critical to the New York State Gaming Commission's revenue objectives because it will link proven games from top vendors. Additionally, it provides the greatest possible flexibility for continued and new revenue generating activities, which will emerge during the life of this contract and beyond.

Executive Summary

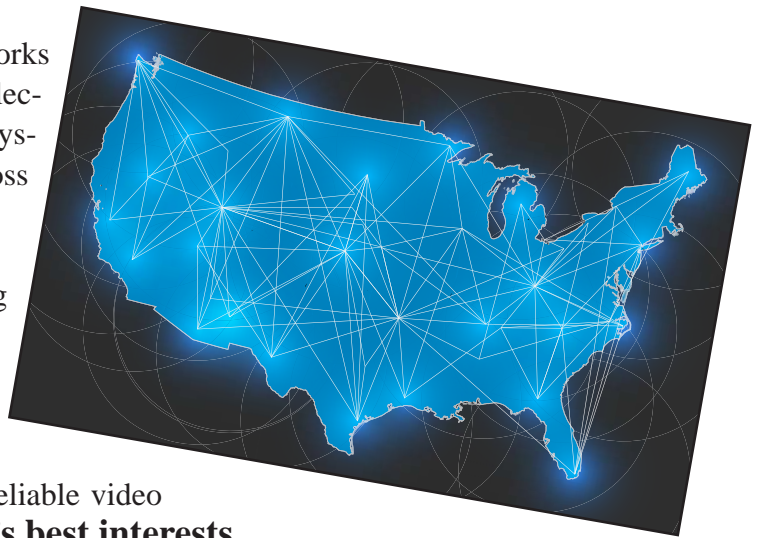
The system requested in the New York State Gaming Commission's Request for Proposals is virtually identical to the video lottery gaming system Everi currently supplies and operates in eight gaming Video Lottery Facilities across the state of New York. In fact, we might well be the only proposing vendor with a system in place today that meets all of the New York State Gaming Commission's requirements. Clearly, this Proposal to the New York State Gaming Commission means that Everi is the low-risk provider for the state of New York.

Our ability to adapt emerging technologies to our gaming systems is the reason Everi is a market-leader. In the mid-1990s, while most lottery central system providers focused on technologies for verifying instant tickets utilizing on-line terminals and systems, Everi focused instead on developing high-speed, database-driven, high-volume, on-line, interactive transactional processing (OLTP) systems. Simply stated, as communications costs fell and bandwidth expanded, Everi led the industry by developing a cost-efficient, secure, networked, state-of-the-industry interactive system while other gaming system providers directed their efforts elsewhere. Today our systems represent the standard by which other central determinant systems are measured.

Today, Everi's interactive gaming networks are operational and linking facilities, Electronic Gaming Machines, and central systems in more than 140 gaming venues across North America, including New York.

Ours is a future-friendly, low-risk gaming system.

Everi's commitment to deliver to the New York State Gaming Commission and the people of New York a proven, reliable video lottery solution is truly... **In New York's best interests.**



It will be evident throughout this proposal that our unique gaming systems utilize the best-of-breed in network, database, and on-line transactional processing technologies developed for the gaming, lottery, and financial industries. Taken together, the system we describe and propose meets today's gaming needs and also provides the most flexible avenue for the future to rapidly incorporate emerging technologies.

We have the technology...

Everi Games is a leader in developing, implementing, and supporting high-speed, linked, transaction-driven, networked, interactive video gaming. In fact, Everi is the only gaming company that has linked, interactive games currently in operation in more than 130 locations across the United States that are being played in settings 24 hours a day, seven days a week. Also, operating in a 24/7 timeframe, Everi's video lottery systems have achieved "up-time" on par with the current operations in New York, meeting or exceeding the standards specified by the New York State Gaming Commission - to our knowledge an achievement unequalled by any other central determinant lottery system provider.

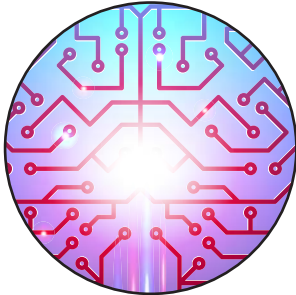
Over the last 16 years Everi has been a valued partner to the New York State Gaming Commission and has been central to the success of the Video Lottery program. Since the first installation in late 2003, we have supported both the growth in Video Lottery Terminals, now at over 15,000, and the introduction of Electronic Table Games, now at over 2000. While the growth in the number of games supported has been remarkable, at the same time, with the guidance of the gaming commission and strong partnerships with the gaming manufacturers, Everi's current system has supported the growth in average win per day per device, nearly doubling over a span of 15 years.



Everi Games' experienced team of software, hardware, and field service technicians have logged thousands of hours installing and supporting video lottery systems. These field proven systems meet the unique demands and challenges of today's complex gaming operations. More so, our proposal goes beyond satisfying the requirements of the RFP. Our unique experience developing and deploying complex systems allowed us to

develop proprietary software architectures that facilitate quick implementation and deployment of exciting new features.

What does this all mean to the New York State Gaming Commission?



It means Everi knows how to make central determinant systems work in the fast-paced, customer-service oriented, one-to-one marketing environment of commercial and video lottery gaming establishments. The proof of our claim is evidenced at the 8 locations that currently participate in the Video Lottery Terminal program across the state of New York and the 28 lottery based casinos in Washington State.



Unlike other central system providers, our proven system includes linked, interactive progressive jackpots. Right now, on Everi's proprietary gaming network in New York, more than 5800 video lottery terminals are linked together offering players a chance to win state wide-area or local-area jackpots. Just as with the current commercial casino offerings, higher jackpots result in increased player enjoyment and activity. In addition, Everi Games Inc. operates thousands of its own wide-area and local-area progressive games in Class II, Tribal, and Commercial casinos. Interactive connectivity allows for more interesting, innovative, and exciting gaming opportunities.



Everi's video lottery system allows game manufacturers and operators to run special events like game tournaments, seasonal games, select game promotions, and statewide and site-specific promotions, as well as Everi's award winning and industry leading tournament solution, TournEvent®. TournEvent® is currently installed at over 300 locations across North and South America and is the preferred solution of marketing departments in attracting and retaining players.

Bottom line... we can expand your revenues.

The New York State Gaming Commission's current video lottery central system, provided by Everi, is among the most innovative and cost-efficient operations of its kind in the world. Throughout this proposal, the reader will see how a partnership between the Commission and Everi will continue to drive contributions from the VLTs and maintain a critical funding source for New York State through the most state-of-the-art, cost-efficient central determinant system available in the video lottery gaming industry. The video lottery central system proposed by Everi will allow the Commission to expand well beyond the scope of operation suggested in the Request For Proposal.

TournEvent of Champions



For example, the Commission could participate in Everi's TournEvent of Champions®, the premier slot tournament in North America, because of the system's unique and flexible architecture and superior marketing capabilities. TournEvent of Champions is a unique collaboration between Everi and its top casino partners in North America. Together we bring thrilling competition and unbelievable excitement to casinos through a patented slot tournament campaign. The campaign began in 2012 as statewide slot tournaments in California and Washington, with only 24 participating casinos and 30 finalists. Since then, TournEvent of Champions has seen rapid traction and growth with more than 100 casinos and more than 150 finalists participating annually.

In-casino qualifying events take place between January and September. More than 200,000 participants compete in their respective casinos' semi-finals and finals portion of the tour. These qualifying events give players a chance to compete for a spot The Million Dollar Event®, a shot to win a share of the \$1.3 million in total cash prizes. The winner can walk away as the top slot player in North America and a grand prize of \$1 million¹. This culminating event is held in Las Vegas in October.

Casino Partner Benefits

Everi partners with participating casinos to fully engage their guests and provide dedicated support through its promotions and marketing teams. The team effectively helps to market qualifying events from start to finish, providing a comprehensive media plan that includes social media support, national/regional print and digital advertising campaigns, and giveaway strategizes that include branded assets like design templates, t-shirts, and lanyards. Everi's promotions team and

¹ Payable in periodic payments over 20 years or in a lump sum, present day cash value payment.

Executive Summary

field service technicians are on-site at in-casino events to ensure smooth and efficient tournaments that are fun, lively, and entertaining!

In addition, Everi's branded tour buses travel roughly 50,000 miles across the U.S. and Canada to visit partner casinos and promote their final in-casino events. The Money Man® is Everi's iconic brand ambassador and the official mascot of the TournEvent of Champions. He and the Mgirls™ cheer players on, adding pizzazz and excitement to tournaments. Everi is the only slot manufacturer to have a slot promotion this big, and Everi ensures all our casinos are supported every step of the way. With so much at stake, and more than \$6.4 million in total cash prizes awarded since its inception in 2012, it's no surprise that TournEvent of Champions is the world's most exciting slot tournament event.

Learn More

Everi would like the opportunity to partner with gaming facilities in New York State and offer its guests all that TournEvent of Champions has to offer including a shot at competing at The Million Dollar Event in Las Vegas in October. To learn more about the marketing opportunities Everi provides to its partner casinos, visit <https://www.tourneventofchampions.com/>.



An interactive system to enable services.

Everi believes that the future of video lottery gaming success will be through interactive games. Using the latest technology standards and interactive network solutions, we are able to offer game manufacturers, Video Lottery Terminal Operators, and New York State Gaming Commission personnel a richly featured system that will contribute to player satisfaction while increasing revenues to the state of New York and proceeds to beneficiaries.

Through our successful partnerships with Scientific Games and IGT as part of the current New York State Video Lottery program, we have proven our ability to work with top manufacturers and stand ready to integrate with a wide range of gaming manufacturers in the future.

Through our unique central system reporting capabilities, operators and commission personnel are able to drill down into the details and learn, in real time, which games work and why. This ability enables Video Lottery Terminal Operators and the Gaming Commission to optimize the mix of games offered to players based on an in-depth and thorough analysis of game performance. Similarly, this feature can be used by video lottery terminal manufacturers to increase performance.

What differentiates Everi Games Inc. from the competition?



Solution as a Service™

Distinctive Solution as a Service™ (SaaS) offering, which provides Innovative Hardware Solutions, Casino System Applications and Proactive Monitoring as a service. SaaS applications run on a hardware and software platforms provided by and fully maintained by Everi. In addition, Everi manages those applications, including access, security, availability, upgrades, and performance.



Patron Management

Unparalleled Patron Management options, gives Video Lottery Operators the flexibility to choose and manage the Player Tracking System they believe works best for their facility. Everi Games has chosen to provide integration options with industry leading Player Tracking System vendors like Scientific Games, Gentings DRS, Konami, and Aristocrat that empower the operator to substitute one Patron Management System for another with minimal capital expenditures.



Proactive Monitoring

Proactive Monitoring leverages industry leading tools to identify potential problems which when combined with 24x7 operational support and service, provide for continuous rock solid performance.



Strategic Partnership

Strong Strategic Partnerships with already integrated gaming vendors give operators more choices and features that can be relied on to work with Everi's Central Determinant System.

- Cash/Voucher Kiosks System (Everi, NRT and Ditronics)
- Dispatch Systems (William Ryan Group and CIS)
- Business Intelligence and Visualization Systems (VizExplorer)
- Bonus Systems (Transact Epicenter)

With an experienced team, solid system, and stellar service with which the Commission already familiar, Everi Games is poised to provide the New York State Gaming Commission and its Video Lottery Terminal Operators with the flexibility and reliability to which they have become accustomed.

The best solution. The lowest risk.

Everi Games' central system architecture marries proven video lottery technology with leading-edge technology. This translates into a more reliable, flexible, and robust system that can scale to the needs of the Gaming Commission. Our proposed central system minimizes risk while maximizing performance in every aspect of the system.

The Everi Games solution utilizes the secure broadband communications channels and technologies, proven encryption protocols, and true interactivity to deliver innovative games to players in the most secure and controlled environment possible. Success in today's video lottery market requires the integration of new and emerging technologies and game design processes, as well as innovative mathematical, statistical, and simulation techniques.

Everi Games' central system incorporates the most reliable and secure transaction-processing systems, techniques, and technologies. Transactions are encoded and encrypted using well known and generally accepted industry standards.

We recognize our responsibility to protect the integrity of the games people play. This includes monitoring all video lottery transactions for possible illegal activities. The proposed tracking and reporting mechanisms allow the New York State Gaming Commission to aggressively become proactive in identifying potential fraudulent actions. Equally important, the reporting capabilities can provide valuable data and insight for the New York State Gaming Commission and assist in developing responsible gaming programs.

Today's video lottery systems present a significant upside potential because of their entertainment and financial opportunities, thus increasing the profitability to the New York State Gaming Commission and proceeds to beneficiaries. Video lottery systems are significantly more complex and challenging to manage than other lottery systems. Because there are no physical tickets to validate and verify, video lottery systems present unique problems that require innovative solutions and cannot be solved using yesterday's concepts and hardware solutions. Video lotteries must be held to higher audit standards and subjected to more stringent controls. Accordingly, Everi Games' proprietary system is fully auditable with robust controls and capabilities already in place to support the Gaming Commission's strict oversight.

The Data Control Center for Everi Games Inc. is located in Schenectady, NY in the New York State Gaming Commission building. From there, engineers can monitor and respond, in real time, to all activity on the network, down to an individual player station located across the state of New York.

Specific features of Everi Games' central determinant system solution include:

- A system built on field-proven, high volume, e-commerce, and encrypted data transfer infrastructure utilized by the highest-volume sites on the Internet.
- A fully redundant, scalable, and load-balanced system that has no single point of failure and will provide the highest availability to the New York State Gaming Commission.
- A unique outcome distribution model that eliminates the primary and secondary data centers as potential points of failure by storing sets of outcomes in an on-site server that is closer to the player than traditional on-line systems.
- Communications failure with the central system does not affect continuous play at the video lottery terminal locations. Simply put, failures, when and if they occur, are isolated and do not disrupt the entire system. In all data center failure situations, players will continue to play uninterrupted. Our system offers the best chance at achieving the uptime the New York State Gaming Commission has become accustomed to, particularly when play volume is high. This translates into increased revenues.
- An instantaneous, automatic, hot fail-over system that avoids the potentially costly, 5-to-10 minute downtimes that occur when switch-overs to mainframe back-up systems are required.



Everi Games Inc. has the only proven, field-tested, compliant system.

Our Central System is the heart of this proposal. To the best of our knowledge, we believe that Everi Games has the only system in operation today that meets the requirements of the New York State Gaming Commissions Request for Proposals.

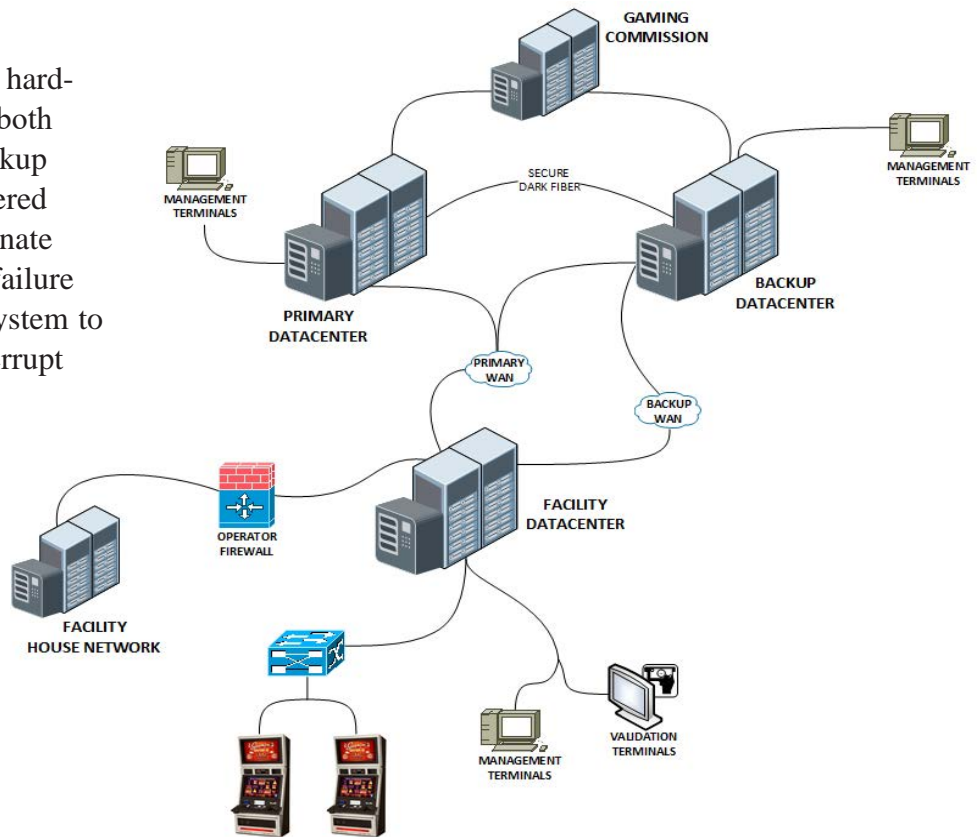
Everi Games' central system solution is approved by Gaming Laboratories Incorporated (GLI) and is currently operational in New York State. This system is almost identical to the description provided by the New York State Gaming Commission in Section 1.1 of the RFP.

Uptime is the lifeblood of a central system. Our proposed central system offers robust central system hardware and communications protocols to the New York State Gaming Commission that have been proven in the most demanding of gaming environments.

More precisely, the reliability of our central system equates to higher revenues for the New York State Gaming Commission and increased entertainment value for the gaming public.

Executive Summary

Everi's central system hardware configuration for both the Primary and Backup Data Centers and clustered database systems, eliminate all single points of failure which could cause the system to cease operation or interrupt gaming on the video lottery terminals. This system contains many times the basic processing power and bandwidth required for the central system.



We know how to network.

Dependable communications greatly contribute to the reliability of the video gaming central determinant system. Site controllers are connected to the primary data center via redundant high-performance network circuits procured from the most reliable providers in the region. The security features of the network communications are unparalleled -from intrusion detection monitors to exposure analysis - the network is continuously and automatically scanned to identify vulnerabilities and comprehensive solutions. Back-up communications links are via high data-rate cellular transmission, assuring that a failure of terrestrial data circuits will not shut down video lottery system operations. Key features of the Everi Games' Central Determinant System include:

- Highly fault-tolerant Local and Wide Area Network Architectures guaranteed to use separate routing to ensure no single point-of-failure.
- A simple, easy-to-implement interface protocol with the VLT's, giving the New York State Gaming Commission the widest choice possible of VLT vendors.
- Robust accounting and transaction suite exhaustively tested and built upon the Microsoft SQL Server Enterprise platform.

- GLI-certified backend gaming suite utilizing state-of-the-art infrastructure.
- Scalability, allowing expansion to many times the current system capacity simply by adding hardware.

The hardware and software platform employed by Everi is widely used in technology focused companies and benefits from vast economies of scale and research dollars directed to its almost-constant improvement. It is solid and stable enough to run some of the highest transaction based volume solutions in the world.

Leading edge now, leading edge in the future.

Our experienced personnel are intensely familiar with gaming systems and the gaming environment. This experience, coupled with proven controls and processes, supports the performance and reliability of our systems.

Today's sophisticated games require gaming system solution providers to supply rapidly evolving systems. Everi is "future-friendly" when it comes to new technology and processes, and our VLT Game Services software is built modularly so that new game structures can be accommodated with minimal software code changes.

Recognizing the need to evolve and adapt to rapidly increasing development needs for the Gaming Commission to meet business objectives, our New York Development Team adopted AGILE development methodologies many years ago. Our objective was simple: provide more frequent incremental releases of value for the New York VLT Operation without sacrificing quality while avoiding the risks that come with less frequent and unnecessarily large releases. Once a month, Everi Project Sponsor meets with New York Gaming Commission Product Owner(s) to review current development efforts in progress, review what has been deployed since the last meeting, and to add new feature requests as applicable. New items are categorized into the Backlog and initial requirements documents are drafted for New York Gaming Commission to review and approve before development begins. Everi continues to work with the Gaming Commission throughout the development process to ensure we deliver what is asked. Where applicable and possible, we host a User Acceptance demo in our fully equipped lab as another avenue for customer feedback before proceeding further.



From an internal perspective, our development team is made up of:

- Senior Director of Operations serving the role of Project Manager
- Software Development Manager managing application development team and plays the role of SCRUM Master
- Database Development and Support Manager managing database development team
- Quality Assurance Analyst

Everi Games is in New York education's best interests...



Installation, implementation, and testing eight separate gaming central systems throughout New York State at one time will be a daunting task for any other potential RFP respondents. However, our leadership position in providing video lottery central determinant systems is indisputable. No other vendor can make the same claims of experience as those held by Everi:

- We believe we are the only vendor submitting a bid that can successfully meet the requirements and transition schedule identified in Section 1.4 of this proposal and stand ready to continue our exceptional service on the start date identified with zero interruption in revenue generation due to a difficult and complex transition plan.
- We have successfully and professionally managed the complexities of interfacing with a wide array of video lottery game manufacturers and providers. Additionally, we have managed the daunting task of interfacing in highly competitive environments with different player tracking and casino systems, payment providers and software solutions.
- Everi has the financial strength and resources to assure the New York State Gaming Commission that we will continue to be the viable provider for both the near-term and long-term future.

As the New York State Gaming Commission considers the future in the challenging, exciting, and evolving video lottery environment, it should carefully examine the field-proven system from Everi Games Inc.

- Everi Games is an undisputed leader at developing, providing, and supporting high-speed, linked, broadband, interactive video gaming.
- Everi Games' unique and innovative design solutions are based on leading edge lottery and financial technologies and are far superior in reliability, flexibility, and performance.

Everi Games Inc. is a well-known and trusted partner of the New York State Gaming Commission, has the longest proven track record where it counts, in providing the type of video lottery gaming system solution outlined by the New York State Gaming Commission in the Request for Proposals. We welcome evaluators and representatives from the New York State Gaming Commission to visit Everi Games' technology headquarters in Austin, TX and other sites where we have video lottery systems in operation. We are extremely confident in our belief that our solutions are truly in **New York's best interest.**



Document Submittal Checklist



**Gaming
Commission**

Attachment 3

RFP: C190001 - Video Lottery Central System

DOCUMENT SUBMITTAL CHECKLIST

Submissions Required:

Description of Document	RFP	Submittal Requirements	Checklist
Contract Form (Appendix B) (incorporates Appendix A)	§2.2	With Proposal (must be signed)	✓
Procurement Lobbying BODC Form (Appendix C)	§1.9	With Proposal	✓
Non-Collusive Bidding Certification (Appendix D)	§1.11	With Proposal	✓
NYS Vendor Responsibility Questionnaire (Appendix E)	§1.12	With Proposal	✓
Designation of Proprietary Information	§1.13	With Proposal and With Phase Two Proposal, as defined in RFP	✓
Disclosure of Litigation	§1.17	With Proposal	✓
Bonds	§2.12	Documentation as required in Appendix Q	✓
Equal Employment Opportunity (EEO) (Appendix J) <ul style="list-style-type: none"> • Policy Statement • Staffing Plan (J-2) 	§2.14	Policy Statement: with Proposal; J-2: proposed staffing plan - with Proposal	✓
Minority and Women-Owned Business Enterprise Program (Appendix J) <ul style="list-style-type: none"> • Proposed Utilization Plan 	§2.14	Proposed Utilization Plan, including estimated value - with Proposal	✓
Diversity Practices Questionnaire (Appendix K)	§4.1	With Proposal	✓
NY Subcontractors and Suppliers (Appendix I)	§2.18	With Proposal	✓
Use of Service-Disabled Veteran- Owned Business Enterprises in Contract Performance (Appendix L)	§2.15	With Proposal	✓
Vendor Assurance of No	§1.18	With Proposal	✓



Gaming Commission

Attachment 3

Conflict of Interest or Detrimental Effect (Appendix M)			✓
Statement on Sexual Harassment (Appendix N)	§1.21	With Proposal	✓
Anti-Discrimination EO 177 Certification (Appendix O)	§1.22	With Proposal	✓

Submissions Required Subsequent to Award:

Description of Document	RFP	Submittal Requirements	Checklist
W-9 (Appendix F)	&2.8	Upon notification of award	
E-pay (Appendix G)	&2.9	Upon notification of award	
Sales & Use Tax (Appendix H) <ul style="list-style-type: none"> • ST220-CA (submit to Lottery) • ST220-TD (submit to DTF) 	§2.10	Within seven calendar days of notification of award	
Insurance Documentation (Appendix P)	§2.11	Documentation as required in Appendix P	
Bonds (Appendix Q)	§2.12	Documentation as require in Appendix Q	
Equal Employment Opportunity (EEO) (Appendix J) <ul style="list-style-type: none"> • Utilization Report (J-3) 	§2.14	J-3: quarterly if devoted staff; semi-annually if entire staff.	
Minority and Women-Owned Business Enterprise Program (Appendix J) <ul style="list-style-type: none"> • Utilization Plan Form (J-4) • Quarterly Activity Report 	§2.14	J-4: Utilization Plan - within 14 days after notification of award; Quarterly Activity Report: 10 days following the end of the previous quarter.	

FIRM NAME: Everi Games Inc.

REPRESENTATIVE SIGNATURE: 

Dean Ehrlich, EVP Games

Bidder Acknowledgement of Addendum



RFP: C190001 – New York Lottery Video Lottery Central System

BIDDER ACKNOWLEDGEMENT OF ADDENDUM

Amendment Number: One
Date Issued: May 10, 2019
Summary: Attached

By signing below, the bidder attests to receiving and responding to the amendment number indicated above.

FIRM NAME	Everi Games Inc.
REPRESENTATIVE SIGNATURE	

**New York Lottery Video Lottery Central System
Question and Answer Summary
Issued: May 10, 2019**

Section 1: General

Q.1: Is signing Appendix B a binding acknowledgement of Section 1, or does the Bidder need to respond individually to each of the sub-sections?

A.1: Upon signature of Appendix B, you are acknowledging the terms and conditions stated in the contract agreement, which includes the RFP and attachments in their entirety.

Section 1.4 – Schedule

Q.2: When does the Gaming Commission intend to award the contract? Will the RFP be amended to include this milestone?

A.2: If a contract is awarded as a result of this RFP process, the Commission will award the contract within a reasonable period of time after the June 5, 2019, due date for Proposals. The award is subject to the review and approval of the New York State Attorney General’s Office and the Office of the New York State Comptroller.

Section 2 – General

Q.3: Is signing Appendix B a binding acknowledgement of Section 2, or does the Bidder need to respond individually to each of the sub-sections?

A.3: See response to Question 1.

Section 2.6 - ALL-INCLUSIVE

Q.4: Is it the intent of the Gaming Commission to continue the practice of purchasing ancillary hardware (i.e. SAS-N) to enable Electronic Table Games (ETGs) to the system or are these to be included in the “All-Inclusive” pricing?

A.4: It is the intent of the Commission to include all ancillary hardware required to enable electronic table games to be included in the “All-Inclusive” pricing.

i. If the intent is to include, could the Gaming Commission indicate the number of additional ETGs that may be added over the lifetime of the contract?

A.i. At this time, increasing the number of electronic table games will be dependent on the State’s VLT gaming market. We are unable to forecast any change at this time.

Bidder Acknowledgement of Addendum

Section 2.13 (D) – LIQUIDATED DAMAGES

- Q.5: Bidder would like to request changes to Section 1.13 “Liquidated Damages” item “D” Bidder to limit circumstances for awards of liquidated damages in addition to actual damages. Will the Gaming Commission consider such changes?
- A.5: Section 1.13 is entitled “Designation of Proprietary Information (FOIL)”. Section 2.13 is entitled “Liquidated Damages”. It is presumed that Bidder intended to reference Section 2.13 “Liquidated Damages” in the query. Based on that presumption, the Commission has already specified circumstances related to awards of liquidated damages in Section 2.13. The Commission understands your question seeks revised or differing RFP language. To appropriately consider and respond, we need specific proposed language. Differing terms or language may be proposed during the Q&A process. If that is your intent, please timely provide language for our consideration.**

Section 2.24 – MOST FAVORED NATION

- Q.6: Bidder would like Section 1.24 “Most Favored Nations” omitted. Alternatively, if that request were not an option, then Bidder would like to revise that Section to provide applicable timeframes and clarification of the goods and services that are subject to that Section. Will the Gaming Commission consider such change?
- A.6: Section 1.24 is entitled “Change of Ownership.” Section 2.24 is entitled “Most Favored Nation.” It is presumed that Bidder intended to reference Section 2.24 “Most Favored Nation” in the query. Based on that presumption, the Commission understands your question seeks revised or differing RFP language. To appropriately consider and respond, we need specific proposed language. Differing terms or language may be proposed during the Q&A process. If that is your intent, please timely provide language for our consideration.**

Section 2.25 – OWNERSHIP OF MATERIALS

- Q.7: Bidder would like Section 1.25 “Ownership of Materials” to be renamed “Ownership of Documentary Materials” and would like to request revisions to the terms in order to clarify intent. Will the Gaming Commission consider such changes?
- A.7 Section 1.25 is entitled “News Releases.” Section 2.25 is entitled “Ownership of Materials.” It is presumed that Bidder intended to reference Section 2.25 “Ownership of Materials” in the query. Based on that presumption, the Gaming Commission will not rename this section. The Commission understands your question seeks revised or differing RFP language. To appropriately consider and respond, we need specific proposed language. Differing terms or language may be proposed during the Q&A process. If that is your intent, please timely provide language for our consideration.**

Section 2.27 – TECHNOLOGY PROVISIONS

Q.8: Can this section's title be corrected to section 2.28 as indicated in the RFP's Table of Contents?

A.8: RFP section "2.27 Technology Provisions", is hereby amended to be titled "2.28 Technology Provisions".

Section 2.28 (D) – OWNERSHIP AND TITLE TO CONTRACT DELIVERABLES

Q.9: Bidder would like to request changes to Section 2.28 (D) "Ownership of and Title to Contract Deliverables" to clarify intellectual property ownership and to limit the duration of the license grant. Will the Gaming Commission consider such changes?

A.9: The Commission understands your question seeks revised or differing RFP language. To appropriately consider and respond, we need specific proposed language. Differing terms or language may be proposed during the Q&A process. If that is your intent, please timely provide language for our consideration.

Section 2.28 (E) – OWNERSHIP AND TITLE TO EXISTING SOFTWARE

Q.10: Bidder would like to request changes to Section 2.28 (E) "Ownership of and Title to Existing Software" to clarify intellectual property ownership and to limit the duration of the license grant. Will the Gaming Commission consider such changes?

A10: The Commission understands your question seeks revised or differing RFP language. To appropriately consider and respond, we need specific proposed language. Differing terms or language may be proposed during the Q&A process. If that is your intent, please timely provide language for our consideration.

Section 3:

Section 3.5 (A-G) – General System Software Specifications

Q.11a: In bullet A, the text reads as "the central system" and references 60 days of historical data. How does this entry correlate to section 3.4.F, where it states that Tier 1 must have 4 months of data? Is the requirement for Tier 1 to retain 60 days of data or 4 months of data?

A.11a: The RFP is hereby amended to delete Section 3.5 a.

Q.11b: In bullet C, can this statement be amended to read: "The central system should be configured in such a manner that use of the report writer will have no operational effect on the processing capacity of the production gaming system."

Bidder Acknowledgement of Addendum

A.11b: RFP section 3.5 c is hereby amended to read as follows:

The central system should be configured in such a manner that use of the report writer will have no operational effect on the processing capacity of the production gaming system.

Section 3.9 (C) – CENTRAL SYSTEM SECURITY CONTROLS

Q.12: Please confirm the objective here from an operational perspective. Specifically, is this in relation to Alert monitoring functionality?

A.12: This language refers back to the instances as described in paragraph 3.9 B

Section 3.17 (E) – SITE CONTROLLER FUNCTIONALITY

Q.13: For diagnostic functions such as memory checks, battery checks, and printer tests, is the Gaming Commission referring to the VLT's instead of the Central System?

A.13: The reference is to the Central System.

SECTION 4:

Section 4.1.2 – TECHNICAL PROPOSAL – EXPERIENCE

Q. 14a: May the Bidder use current New York State Gaming Commission personnel as references?

Q.14b: May the Bidder use past New York State Gaming Commission personnel no longer employed with the State as references?

A14a&b: Personnel from the Commission can be used as one of the three required references. The reference may include current or prior Commission personnel.

APPENDIX B – VIDEO LOTTERY GAMING CENTRAL SYSTEM PROVIDER CONTRACT

Section 5 (a) - FINANCIAL ARRANGEMENTS

Q.15: Bidder would like Section 5 “Financial Arrangements” item (a) to have a stated dollar amount for “Expenditures” and provide for revision of such amount upon mutual agreement. Will the Gaming Commission consider such changes?

A15: Prior to final contract execution there will be a stated not to exceed dollar amount. Any additional changes would require an amendment of the contract.

Section 5 (a)(i) – FINANCIAL ARRANGEMENTS

Q.16: Bidder would like to request changes to Section 5 “Financial Arrangements” item (a)(i) to clarify that payment shall be made weekly to Bidder via electronic funds transfer. Will the Gaming Commission consider such changes?

A.16: The Commission agrees that the intent is to provide a weekly funds transfer. Section 5 a (i) of the contract agreement is hereby amended to read as follows:

- (i) The Commission shall, each week, utilize video lottery central system reports to calculate the amount of net win and the compensation due and owing to the Contractor consistent with the schedule provided by the Contractor in its Pricing Proposal. The Contractor shall be paid weekly via electronic funds transfer. For the purposes of the provisions of New York State's State Finance Law and Article 34 of the New York State Tax Law (Lottery Law) permitting the retention of a portion of sales revenues as compensation for services, Contractor shall be considered a "licensed lottery sales agent," a "licensed lottery retailer" or a "retailer" as that term is used in Article 34 of the New York State Tax Law.

Section 8 – CONVERSION

Q.17: Bidder would like to request changes to Section 8 "Conversion" to add a "commercially reasonable" standard to Bidder's conversion obligations. Will the Gaming Commission consider such changes?

A.17: The Commission does not accept this change.

Section 17 – CONFIDENTIALITY AND DISCLOSURE

Q.18: Bidder would like to request changes to Section 17 "Confidentiality and Non-Disclosure" to make the language mutually beneficial for the protection of Bidder's confidential information. Will the Gaming Commission consider such changes?

A.18: The Commission understands your question seeks revised or differing RFP language. To appropriately consider and respond, we need specific proposed language. Differing terms or language may be proposed during the Q&A process. If that is your intent, please timely provide language for our consideration.

Section 19 – NOTICES

Q.19: Bidder would like the following contact information for Bidder added to Section 19 "Notices": [REDACTED] Will the Gaming Commission consider such changes?

A.19: Upon award the Commission will update the relevant fields in Appendix B – Contract Document to reflect the specific information pertaining to the awarded contractor.

Section 20 – LIABILITY AND INDEMNIFICATION

Q.20: Bidder would like to request changes to Section 20 "Liability and Indemnification" to make the language more mutually beneficial Bidder. Will the Gaming Commission consider such changes?

Bidder Acknowledgement of Addendum

A.20: The Commission understands your question seeks revised or differing RFP language. To appropriately consider and respond, we need specific proposed language. Differing terms or language may be proposed during the Q&A process. If that is your intent, please timely provide language for our consideration.

Section 22 – FORCE MAJEURE

Q.21: Bidder would like to request changes to Section 22 “Force Majeure” to make the language Bidder more mutually beneficial. Will the Gaming Commission consider such changes?

A.21: The Commission understands your question seeks revised or differing RFP language. To appropriately consider and respond, we need specific proposed language. Differing terms or language may be proposed during the Q&A process. If that is your intent, please timely provide language for our consideration.



RFP: C190001 – New York Lottery Video Lottery Central System

BIDDER ACKNOWLEDGEMENT OF ADDENDUM

Amendment Number: Two
 Date Issued: May 22, 2019
 Summary: Amendment to RFP Section 1.4 Schedule

The Commission hereby amends RFP Section 1.4 as follows:

1.4 SCHEDULE

The following dates are established for informational and planning purposes. The Commission reserves the right to adjust this schedule, in its sole discretion.

RFP Issued	April 23, 2019
Bidders' First Questions Due by 3:00 pm EST	May 7, 2019
Commission Responses to First Questions	May 10, 2019
Bidders' Second Questions Due by 3:00 pm EST	May 20, 2019
Commission Responses to Second Questions	May 23, 2019
Bidders' Proposals Due by 3:00 pm EST	June 5, 2019
Contract Start Date	October 1, 2019
Conversion Completion	December 31, 2019

By signing below, the bidder attests to receiving and responding to the amendment number indicated above.

FIRM NAME	Everi Games Inc.
REPRESENTATIVE SIGNATURE	

Bidder Acknowledgement of Addendum




**Gaming
Commission**

RFP: C190001 – New York Lottery Video Lottery Central System

BIDDER ACKNOWLEDGEMENT OF ADDENDUM

Amendment Number: Three
Date Issued: May 23, 2019
Summary: Attached

By signing below, the bidder attests to receiving and responding to the amendment number indicated above.

FIRM NAME	Ever. Games Inc.
REPRESENTATIVE SIGNATURE	

**New York Lottery Video Lottery Central System
Question and Answer Summary
Issued: May 23, 2019**

Section 2

Q1: Section 2.12 - Bond Requirements

- a. Is there a required Proposal bond form or required language?
 - i. If a specific form is not required, can a commonly-used bid bond form (attached Draft Proposal Bond.docx) be used?
- b. Is there a required Litigation bond form or required language?
 - i. If a specific form is not required, can a commonly-used bid bond form (attached Draft Litigation Bond.docx) be used?
 - ii. Can the Litigation Bond be cancelled by the proposer or their surety if the proposer or their surety waives its right to sue?
- c. Is there a required Performance Bond form or required language?
 - i. If a specific form is not required, can a commonly-used performance bond form (attached Draft Performance Bond.docx) be used?
- d. Alternate forms of security to a Performance Bond:
 - i. Will the Commission share the rationale for and method used to arrive at the requirement for the Performance Bond as specified in Appendix Q, Bond Requirements, as a bond of this amount and term length is not in conformance with existing contractual practices and potentially puts undue financial burden on the Bidder?
 - ii. Will the Commission allow for a Performance Bond more in line with previously established contractual practices in the amount of \$5 Million for the first year of the contract?
 - iii. Alternatively, if 1.d.ii is denied, will the Commission allow for a Performance Bond in the amount of \$10 Million with an annual renewable option after the initial three (3) year term be accepted?
 - iv. Alternatively, if 1.d.ii and 1.d.iii are denied, will the Commission allow for an irrevocable letter of credit in lieu of Appendix Q, Bond Requirements for \$3 Million?
 - v. Alternatively, if 1.d.ii, 1.d.iii, and 1.d.iii are denied, will the Commission allow for a Performance Bond in the amount of \$15 Million with an annual renewable option after the initial three (3) year term be accepted?
 - vi. Alternatively, if 1.d.ii, 1.d.iii, 1.d.iii, and 1.d.v are denied, securement of financial instrument will place excessive burden on the Bidder. In addition to the required price worksheet, will the Commission consider allowing the bidder to include an alternate price worksheet that does not include the bond requirement as specified in Appendix Q, Bond Requirements?

Bidder Acknowledgement of Addendum

New York Lottery Video Lottery Central System Question and Answer Summary Issued: May 23, 2019

Section 2

Q1: Section 2.12 - Bond Requirements

- a. Is there a required Proposal bond form or required language?
 - i. If a specific form is not required, can a commonly-used bid bond form (attached Draft Proposal Bond.docx) be used?
- b. Is there a required Litigation bond form or required language?
 - i. If a specific form is not required, can a commonly-used bid bond form (attached Draft Litigation Bond.docx) be used?
 - ii. Can the Litigation Bond be cancelled by the proposer or their surety if the proposer or their surety waives its right to sue?
- c. Is there a required Performance Bond form or required language?
 - i. If a specific form is not required, can a commonly-used performance bond form (attached Draft Performance Bond.docx) be used?
- d. Alternate forms of security to a Performance Bond:
 - i. Will the Commission share the rationale for and method used to arrive at the requirement for the Performance Bond as specified in Appendix Q, Bond Requirements, as a bond of this amount and term length is not in conformance with existing contractual practices and potentially puts undue financial burden on the Bidder?
 - ii. Will the Commission allow for a Performance Bond more in line with previously established contractual practices in the amount of \$5 Million for the first year of the contract?
 - iii. Alternatively, if 1.d.ii is denied, will the Commission allow for a Performance Bond in the amount of \$10 Million with an annual renewable option after the initial three (3) year term be accepted?
 - iv. Alternatively, if 1.d.ii and 1.d.iii are denied, will the Commission allow for an irrevocable letter of credit in lieu of Appendix Q, Bond Requirements for \$3 Million?
 - v. Alternatively, if 1.d.ii, 1.d.iii, and 1.d.iii are denied, will the Commission allow for a Performance Bond in the amount of \$15 Million with an annual renewable option after the initial three (3) year term be accepted?
 - vi. Alternatively, if 1.d.ii, 1.d.iii, 1.d.iii, and 1.d.v are denied, securement of financial instrument will place excessive burden on the Bidder. In addition to the required price worksheet, will the Commission consider allowing the bidder to include an alternate price worksheet that does not include the bond requirement as specified in Appendix Q, Bond Requirements?

A.1:

- a.i.: **There is no required form for a Proposal Bond. The Draft Proposal Bond submitted does not fully comply with the requirements outlined in 2.12. Any Proposal Bond needs to address all requirements in 2.12.**
- b. i. – ii.: **There is no required form for a Litigation Bond. The Draft Litigation Bond form submitted is acceptable. The Litigation Bond maybe cancelled by the proposer if the proposer waives its right to sue on behalf of itself, its successors and assigns, in a written release acceptable to the Commission.**
- c. i.: **There is no required form for a Performance Bond. The draft Annually Renewable Performance Bond form submitted is acceptable.**
- d. i.: **The Bond Requirements specified in Appendix Q are based on anticipated damages caused by the Successful Bidder’s failure to perform the resulting Contract.**
- d. ii.: **No.**
- d. iii.: **No.**
- d. iv.: **No.**
- d. v.: **No.**
- d. vi.: **No.**

Q.2: Section 2.13 – FAILURE TO PROVIDE ENCHANCEMENTS

Would the Commission consider revising Section 2.13, “Liquidated Damages,” sub section “Failure to Provide Enhancements” as follows:

“During the term of the Contract, the Commission and the Contractor shall agree in writing to a schedule for developing, testing, and implementing or installing a modification or enhancement to support an existing game or an addition of a new game.

Once the Commission’s request for an agreed upon modification or enhancement has been issued to the Contractor, the Contractor has ~~15~~ 45 working days to respond with a written Proposal for delivery of the modification or enhancement. The Commission has the option to make the binding determination of a delivery date of not less than 90 days for modifications and enhancements.

If the Contractor fails to meet any date specified in such a schedule, the Commission may assess liquidated damages of \$5,000 per day for each day of delay regarding the modification, enhancement, or addition of a game.”

A.2: The Commission declines to amend this section as proposed.

Bidder Acknowledgement of Addendum

Q.3: Section 2.13 – PRODUCTION ACCEPTANCE TEST FOLLOWING AWARD

Would the Commission consider revising Section 2.13, “Liquidated Damages,” sub section “Production Acceptance Test Following Award” as follows:

“The Commission will conduct a series of acceptance tests to fully determine pass or fail of the installation or transition in accordance with the specifications of this RFP and the winning Proposal. Failure of the Bidder to pass these tests will result in the Bidder forfeiting liquidated damages caused by such failure from the performance bond; provided, however, that if Bidder provides continued operation of the existing central system and such failure causes no financial damages to the Commission, then such forfeiture shall not apply.

The central system will be tested for each requirement in this RFP. Until all tests are deemed successful by the Commission, no operational date will be approved. The Bidder's assistance in arranging tests will be necessary. The Commission may utilize the service of an independent contractor to assist in acceptance testing.”

A.3: **The Commission hereby amends RFP Section 2.13 as follows:**

The Commission will conduct a series of acceptance tests to fully determine pass or fail of the installation or transition in accordance with the specifications of this RFP and the winning Proposal. Failure of the Bidder to pass these tests, resulting in its failure to finalize the conversion process by December 31, 2019, will result in the Bidder forfeiting the Performance Bond; provided, however, that if continued operation of the existing central system occurs, then damages shall be limited to actual damages incurred by the Commission.

The central system will be tested for each requirement in this RFP. Until all tests are deemed successful by the Commission, no operational date will be approved. The Bidder's assistance in arranging tests will be necessary. The Commission may utilize the service of an independent contractor to assist in acceptance testing.

Q.4: Section 2.13(D) – LIQUIDATED DAMAGES

Would the Commission consider revising Section 2.13, “Liquidated Damages,” item “D,” so as to be in conformance with the existing contractual practices, as follows:

“D. The Commission may, therefore, in its discretion, deduct liquidated damages from the compensation otherwise due to the Contractor in the amount of \$1,000, unless otherwise stated herein. All assessments of the liquidated damages shall be within the discretion of the Commission and shall be ~~in addition to, and not~~ in lieu of, ~~the right of the Commission to terminate the Contract or pursue other appropriate remedies as set forth in this RFP, including the right to pursue in a court of competent jurisdiction a claim for actual damages arising from the Contractor's failure to fulfill its obligations under the terms of this Contract.~~”

A.4: **The Commission declines to amend this section as proposed.**

Q.5: Section 2.14 – CONTRACTOR REQUIREMENTS AND PROCEDURES FOR EQUAL EMPLOYMENT AND BUSINESS PARTICIPATION OPPORTUNITIES FOR MINORITY GROUP MEMBERS AND NEW YORK STATE CERTIFIED MINORITY/WOMEN-OWNED BUSINESSES & Appendix J

In the Minority and Women-owned Business Enterprise and Equal Employment Opportunity Policy Statement, Form #4, specified in Appendix J, will the 3 percentages in the goals sections be added together for a total percentage? Or, if we specify 1 goal for Minority and Women’s Business Enterprise Participation (the first line), could we satisfy that goal with either MBE or WBE vendors?

M/WBE CONTRACT GOALS

_____ % Minority and Women’s Business Enterprise Participation

_____ % Minority Business Enterprise Participation

_____ % Women’s Business Enterprise Participation

A.5: All Bidders must document good faith efforts to provide meaningful participation by New York State Certified MWBEs as subcontractors or suppliers in the performance of this Contract.

Proposals may be submitted with the total percentage on the “%Minority and Women’s Business Enterprise Participation” line. Any combination may be used; however, participation must be based on the current availability of New York State Certified and qualified MBEs and WBEs.

It is the Bidder’s responsibility to demonstrate good faith efforts to support participation of New York State Certified MWBEs and the distribution of participation of those qualified vendors.

Section 2.24 – MOST FAVORED NATION

Q.6: Section 2.24 – MOST FAVORED NATION

- a. Would the Commission consider deleting and omitting the entirety of Section 2.24, “Most Favored Nations,” so as to be in conformance with the existing contractual practices? Bidder asserts that “Most Favored Nations” clauses are very burdensome and can potentially implicate antitrust concerns because of the risk of anticompetitive effects. Additionally, Bidder’s corporate “Signature Authority Policy” requires approval by Bidder’s Board of Directors for any contract that contains a “Most Favored Nations” clause.
- b. Alternatively, if omitting Section 2.24 is denied, then would the Commission consider revising that provision as follows:

“During the term of the Contract, ~~The benefits and~~ pricing terms granted by Bidder are at least as favorable as the ~~benefits and~~ terms granted by Bidder to any previous ~~other~~ buyer of **a substantially similar combination and volume of** the

Bidder Acknowledgement of Addendum

equipment, hardware, software, and services described in the Proposal; **provided the term length for such other buyer is equal to or greater than the term length of the Contract with the Commission**. Should Bidder enter into any such subsequent agreement with any other buyer during the term of the Contract, which provides for ~~benefits or pricing~~ terms more favorable than those contained in the Contract, then the Contract shall be deemed to be modified to provide the Commission with those more favorable ~~benefits and~~ terms.

"Bidder shall notify the Commission promptly of the existence of such more favorable ~~benefits and~~ terms, and the Commission shall have the right to receive the more favorable ~~benefits and~~ terms immediately. If requested in writing by the Commission, Bidder shall amend the Contract to contain the more favorable terms and conditions."

A.6: The Commission hereby amends the RFP to delete Section 2.24 Most Favored Nations, in its entirety.

Q.7: Section 2.25 – OWNERSHIP OF MATERIALS

- a. Would the Commission consider renaming Section 2.25, "Ownership of Materials," to the following, "Ownership of **Documentary** Materials"?
- b. Additionally, in order to clarify the intent of Section 2.25, would the Commission consider deleting the word "products" in the second sentence of Section 2.25? It is Bidder's understanding that the intent of Section 2.25 is for the Commission to own data and documentary-type materials that result from the services, as opposed to owning the "products" that Bidder provides?

A.7 The Commission hereby amends RFP Section 2.25 as follows:

Section 2.25 Ownership of Documentary Materials

Ownership of all data, documentary material, and reports originated and prepared exclusively for the Commission pursuant to any Contract resulting from this RFP shall belong to the Commission. Contractor agrees that, except where noted, all materials, documents, reports, data and other information, whether finished, unfinished, or draft developed, gathered or compiled under the Contract by Contractor, are the sole exclusive property of the Commission and that they shall not be used or destroyed by the Contractor or any other person without express written permission of the Commission.

Q.8: Section 2.28 (D) – OWNERSHIP OF AND TITLE TO CONTRACT DELIVERABLES

With regards to Section 2.28 (D), "Ownership of and Title to Contract Deliverables," Bidder is mindful that the Commission needs a license to use each such deliverable that Bidder provides pursuant to the Contract. However, Bidder needs to maintain intellectual property ownership to each of its proprietary deliverables, inventions, creations, products, etc. Thus, would the Commission consider revising Section 2.28 (D) consistent with existing contractual practices, as follows:

“Contractor acknowledges that it is seeking to be commissioned by the Commission to perform the services detailed in this RFP, which may include the development of intellectual property by Contractor, its subcontractors, partners, employees, or agents, for the Commission ("Custom Products"). Unless otherwise specified in writing in this RFP, if awarded the Contract, and upon the creation of such Custom Products, Contractor **grants a non-exclusive license during the term of the Contract to use, execute, reproduce, display, perform, adapt, and distribute Custom Products as necessary to fully effect the general business purpose(s) as stated in the RFP and corresponding Contract**~~conveys, assigns, and transfers to the Commission the sole and exclusive rights, title, and interest in the Custom Products, whether preliminary, final, or otherwise, including all trademarks and copyrights.~~ Contractor agrees to take all necessary and appropriate steps to ensure that the Custom Products are protected against unauthorized copying, reproduction, and marketing by or through Contractor and its agents, employees, or subcontractors. Nothing herein shall preclude Contractor from otherwise using the related or underlying general knowledge, skills, ideas, concepts, techniques, and experience developed in performing services under the Contract in the course of Contractor's business.~~The Commission may, by providing written notice thereof to Contractor, elect in the alternative to take a non-exclusive perpetual license to Custom Products in lieu of taking exclusive ownership and title to such Products. In such case, the Commission shall be granted a non-exclusive perpetual license to use, execute, reproduce, display, perform, adapt, and distribute Custom Products as necessary to fully effect the general business purpose(s) as stated in the RFP and corresponding Contract.~~”

A.8: The Commission hereby amends RFP Section 2.28 (D) to read as follows:

Contractor acknowledges that it is seeking to be commissioned by the Commission to perform the services detailed in this RFP, which may include the development of intellectual property by Contractor, its subcontractors, partners, employees, or agents, for the Commission ("Custom Products"). Unless otherwise specified in writing in this RFP, if awarded the Contract, and upon the creation of such Custom Products, Contractor grants a non-exclusive license during the term of the Contract to use, execute, reproduce, display, perform, adapt, and distribute Custom Products as necessary to fully effect the general business purpose(s) as stated in the RFP and corresponding Contractor agrees to take all necessary and appropriate steps to ensure that the Custom Products are protected against unauthorized copying, reproduction, and marketing by or through Contractor and its agents, employees, or subcontractors. Nothing herein shall preclude Contractor from otherwise using the related or underlying general knowledge, skills, ideas, concepts, techniques, and experience developed in performing services under the Contract in the course of Contractor's business.

Q.9: Section 2.28 (E) – OWNERSHIP OF AND TITLE TO EXISTING SOFTWARE

With regards to Section 2.28 (E), “Ownership of and Title to Existing Software,” Bidder is mindful that the Commission requires a license to use each software product that Bidder provides pursuant to the Contract. However, the license period for such term should run

Bidder Acknowledgement of Addendum

conterminously with the term of the Contract. Thus, would the Commission consider revising Section 2.28 (E) consistent with existing contractual practices, as follows:

“Title and ownership to existing software delivered by Contractor under the Contract, which software is normally distributed commercially by the Contractor or a third-party proprietary owner, whether or not embedded in, delivered, or operating in conjunction with hardware or Custom Products, shall remain with the Contractor or the third-party. Effective upon acceptance, such existing software shall be licensed to the Commission and must, at a minimum, grant the Commission a non-exclusive, ~~perpetual~~ license **during the term of the Contract** to use, execute, reproduce, display, perform, adapt (unless Contractor advises the Commission as part of its Proposal that adaptation will violate existing agreements or statutes and demonstrates such to the Commission's satisfaction), and distribute existing software to the Commission up to the license capacity stated in the Contract with all license rights necessary to fully effect the general business purposes stated in the RFP. With regard to third-party software, the Contractor shall be responsible for obtaining these rights at its sole cost and expense.”

A.9: The Commission hereby amends RFP Section 2.28 (E) to read as follows:

Title and ownership to existing software delivered by Contractor under the Contract, which software is normally distributed commercially by the Contractor or a third-party proprietary owner, whether or not embedded in, delivered, or operating in conjunction with hardware or Custom Products, shall remain with the Contractor or the third-party. Effective upon acceptance, such existing software shall be licensed to the Commission and must, at a minimum, grant the Commission a non-exclusive license during the term of the Contract to use, execute, reproduce, display, perform, adapt (unless Contractor advises the Commission as part of its Proposal that adaptation will violate existing agreements or statutes and demonstrates such to the Commission's satisfaction), and distribute existing software to the Commission up to the license capacity stated in the Contract with all license rights necessary to fully effect the general business purposes stated in the RFP. With regard to third-party software, the Contractor shall be responsible for obtaining these rights at its sole cost and expense.

Section 3:

Q.10: Section 3.6 (F) – SYSTEM MONITORING AND DATA MAINTENANCE

Would the Commission consider revising Section 3.6 (F), “System Monitoring and Data Maintenance,” as follows:

“F. The Contractor ~~must provide any and all safeguards~~ will use technology best practices to identify and prevent illegal activities regarding the play on gaming devices, including, but not limited to, attempts to “launder money”, as identified by the Commission.”

A10: The Commission hereby amends RFP Section 3.6 (F) as follows:

The Contractor must provide any and all safeguards available through the use of technology best practices to identify and prevent illegal activities regarding the play on gaming devices, including, but not limited to, attempts to "launder money".

APPENDIX B – VIDEO LOTTERY GAMING CENTRAL SYSTEM PROVIDER CONTRACT:

Q.11: Section 17 - CONFIDENTIALITY AND DISCLOSURE

a. Would the Commission consider revising Section 17, "Confidentiality and Non-Disclosure," to make the language mutually beneficial for the protection of Contractor's confidential information, as follows:

"(a) For the purposes of this section, "Confidential Information" means any information not generally known to the public, whether oral or written, that the **Commission disclosing party** identifies as confidential and discloses to the **Contractorreceiving party** so that the Contractor can provide services to the Commission pursuant to this Contract. Confidential Information may include, but is not limited to, operational and infrastructure information relating to: bid documents, plans, drawings, specifications, reports, product information; business and security processes and procedures; personnel and organizational data and financial statements; information system IP addresses, passwords, security controls, architectures, and designs; **software, deliverables, system specifications,** and such other data, information, and images that the **Contractordisclosing party** deems confidential. The **disclosing partyCommission** will identify written Confidential Information by marking it with the word "Confidential" and will identify oral Confidential Information as confidential at the time of disclosure to the **Contractorreceiving party.**

"(b) Confidential Information does not include information that, at the time of **Commissiendisclosing party's** disclosure to the **receiving partyContractor:**

- "(i) is already in the public domain or becomes publicly known through no act of the **Contractorreceiving party;**
- "(ii) is already known by the **receiving partyContractor** free of any confidentially obligations;
- "(iii) is information that the **disclosing partyCommission** has approved in writing for disclosure; or
- "(iv) is required to be disclosed by the **receiving partyContractor** pursuant to law or applicable professional standards, so long as the **receiving partyContractor** provides the **disclosing partyCommission** with notice of such disclosure requirement and an opportunity to defend prior to any such disclosure.

"(c) The **receiving partyContractor** may use Confidential Information solely ~~for the purposes of providing services to the Commission~~ pursuant to this Contract. The **receiving partyContractor** shall not make copies of any written

Bidder Acknowledgement of Addendum

Confidential Information, except as ~~necessary to perform the services~~ required by this Contract, without the express written permission of the disclosing partyCommission. The disclosing partyCommission's disclosure of Confidential Information to the receiving partyContractor shall not convey to the receiving partyContractor any right or interest in such Confidential Information and the receiving partyContractor shall retain all right and title to such Confidential Information at all times.

“(d) The receiving partyContractor shall hold Confidential Information confidential to the maximum extent permitted by law. The receiving partyContractor shall safeguard Confidential Information with at least the same level of care and security, using all reasonable and necessary security measures, devices, and procedures that the receiving partyContractor uses to maintain its own confidential information.

“(e) Upon written request by the disclosing partyCommission, the receiving partyContractor shall return all written Confidential Information to the disclosing partyCommission.”

A.11: The Commission declines amending this section as proposed because the Commission, as a State agency, cannot maintain confidentiality of documents when disclosure is required under the New York State Freedom of Information Law (“FOIL”) or other State law.

Q.12: Section 20 - LIABILITY AND INDEMNIFICATION

a. Would the Commission consider add the following clause to Section 20, “Liability and Indemnification,” to make the language mutually beneficial, as follows:

“The Commission shall be responsible for all damages to life and property due to the activities of the Commission, as well as the activities of the agents or employees of the Commission, in connection with this Contract. The Commission shall indemnify, defend, and save harmless the Contractor and its officers, employees, agents, assigns, and retailers from and against any and all third-party claims, liabilities, losses, damages, costs, or expenses, including reasonable attorneys' fees, which may be incurred, suffered, or required in whole or in part by an actual or alleged act or omission of the Commission or its officers, employees, agents, successors and assigns.”

A.12: The Commission hereby amends Section 20 of Appendix B as follows:

To the extent permitted by law, the Contractor shall be responsible for all damages to life and property due to activities of the Contractor, as well as the subcontractors, agents or employees of the Contractor in connection with performance of services under this Agreement. The Contractor shall indemnify, defend, and save harmless the Commission and the State of New York, and their officers, employees, agents and assigns from and against any and all third-party claims, liabilities, losses, damages, costs, or expenses, including reasonable attorneys' fees, which may be incurred, suffered, or required in whole or in part by an actual or alleged act or omission arising hereunder of:

- i. The Contractor, its officers, employees, agents, successors and assigns, and/or
- ii. A Subcontractor, its officers, employees, agents, successors and assigns.

Subject to the availability of lawful appropriations and consistent with Section 8 of the State Court of Claims Act, the State of New York shall hold the Contractor harmless from and indemnify it for any final judgment of a court of competent jurisdiction to the extent attributable to the negligence of the State of New York or of its officers or employees when acting within the course and scope of their employment.

Q13. Section 22 - FORCE MAJEURE

- a. Would the Commission consider add[sic] the following to Section 22, "Force Majeure," to make the language mutually beneficial and in conformance with existing contractual practices, as follows:

"A Force Majeure occurrence is an event or effect that cannot be reasonably anticipated or controlled. As herein used, "Force Majeure" means fire, explosion, action of the elements, governmental interference (excluding acts of the New York Lottery which have the effect of excusing its own performance under this Contract), rationing, or any other cause that is beyond the control of the party affected and that, by the exercise of reasonable diligence, said party is unable to prevent, including, by way of illustration and without limitation, power outages at the facilities and the cessation of communications over the network due to events outside the control of the Contractor.

Neither the Contractor nor the Commission shall be liable to the other for any delay in or failure of performance under the Contract resulting from this RFP due to a Force Majeure occurrence. Any such delay in or failure of performance shall not constitute a default or give rise to any liability for damages. The existence of such causes of such delay or failure shall extend the period for performance so long as those circumstances persist, provided that the delaying party notifies the other party promptly of the delay and its causes to such extent as determined by the Commission to be necessary to enable complete performance by the Contractor if reasonable diligence is exercised after the cause of delay or failure has been removed."

A.13: The Commission declines amending this section as proposed.

Bidder Acknowledgement of Addendum

Bond No. _____

LITIGATION BOND

KNOW ALL BY THESE PRESENTS: That we, _____, as Principal (hereinafter referred to as "Principal") and the _____, as Surety (hereinafter referred to as "Surety") are held and firmly bound jointly and severally unto the _____, as Oblige (hereinafter referred to as "Obligee") in the sum of One Million and 00/100 Dollars (\$1,000,000.00) to which payment will and truly to be made, we hereby bind ourselves, our successors, and assigns, firmly by these presents.

WHEREAS, the _____ (Obligee) issued a Request for Proposal (hereinafter referred to as "RFP") dated _____ for _____ and in response to the RFP the Principal has submitted a proposal to the Oblige.

WHEREAS, the RFP requires the Principal to submit with its proposal a litigation bond in the amount of One Million and 00/100 Dollars (\$1,000,000.00).

NOW, THEREFORE, the condition of this obligation is such that in the event that: (i) Principal brings any legal action against the Oblige (including any individual member thereof or any employees of the Oblige) related to the award of the contract pursuant to the RFP; and (ii) the Oblige is the prevailing party at the conclusion of the litigation, then the Oblige shall have reason to file claim against this bond to recover damages due to such suit brought by the Principal.

This obligation shall remain in full force and effect for two (2) years from the bid submission date; however, the Principal may request and the Oblige may grant (but shall not be required to grant) a release of the bond after six (6) months from the bid submission date in return for a release and covenant not to sue in a form acceptable to the Oblige.

In no event shall the liability of the Surety exceed the penal sum stated herein.

IN WITNESS WHEREOF, the above parties have executed this instrument under their seals this _____ day of _____, _____.

WITNESS:

Principal _____

BY: _____

WITNESS

BY: _____ Attorney in Fact

Annually Renewable Performance Bond
BOND # _____

KNOW ALL MEN BY THESE PRESENTS: That _____ (hereinafter called the Principal), and _____ (hereinafter called the Surety), are held and firmly bound unto _____ (hereinafter called the Obligee), in the full and just sum of _____ Dollars (\$ _____), the payment of which sum, well and truly to be made, the said Principal and Surety bind themselves, and each of their heirs, administrators, executors, and assigns, jointly and severally, firmly by these presents.

WHEREAS, the Principal and Obligee have entered into a written Contract dated the ____ day of _____, _____ with the Obligee for _____ for a period of _____ years which Contract is hereby referred to and made a part hereof.

WHEREAS, the Obligee has agreed to accept a bond guaranteeing the performance of said Contract for a period of one year.

NOW, THEREFORE, THE CONDITIONS OF THE ABOVE OBLIGATION IS SUCH, that if the Principal shall well and truly perform each and every obligation in said Contract at the time and in the manner specified during the term of this bond, and shall reimburse said Obligee for any loss which said Obligee may sustain by reason of failure or default on the part of said Principal, than this obligation shall be void, otherwise to remain in full force and effect.

PROVIDED, HOWEVER, that this bond is subject to the following conditions:

1. This bond is for the term beginning _____ and ending _____. The bond may be renewed for additional terms at the option of the Surety, by continuation certificate executed by the Surety. Neither non-renewal by the Surety, nor failure, nor inability of the Principal to file a replacement bond shall constitute a loss to the Obligee recoverable under this bond.
2. In the event of default by the Principal, Obligee shall deliver to Surety by certified mail, a written statement of the facts of such default, within thirty (30) days of the occurrence. In the event of default, the Surety will have the right and opportunity, at its sole discretion, to: a) cure the default; b) assume the remainder of the Contract and to perform or sublet same; c) or to tender to the Obligee funds sufficient to pay the cost of completion less the balance of the Contract price up to an amount not to exceed the penal sum of the bond. In no event shall the Surety be liable for fines, penalties, liquidated damages, or forfeitures assessed against the Principal.
3. No claim, action, suit or proceeding, except as hereinafter set forth, shall be had or maintained against the Surety on this instrument unless same be brought or instituted upon the Surety within one year from termination or expiration of the bond term.
4. No right of action shall accrue on this bond to or for the use of any person or corporation other than the Obligee named herein or the heirs, executors, administrator or successors of Obligee.

Bidder Acknowledgement of Addendum

5. The aggregate liability of the Surety is limited to the penal sum stated herein regardless of the number or amount of claims brought against this bond and regardless of the number of years this bond remains in force.
6. If any conflict or inconsistency exists between the Surety's obligations or undertakings as described in this bond and as described in the underlying Contract, then the terms of this bond shall prevail.
7. This bond shall not bind the Surety unless the bond is accepted by the Obligee. If the Obligee objects to any language contained herein, within 30 days of the date this bond is signed and sealed by the Surety, Obligee shall return this bond, certified mail or express courier, to the Surety at its address at:

Failure to return the bond as described above shall constitute Obligee's acceptance of the terms and conditions herein.

Signed and sealed this _____ day of _____, _____.

PRINCIPAL:

_____ (seal)

(Name & Title)

SURETY:

_____ (seal)

Attorney-in-Fact

Proposal Bond

KNOW ALL MEN BY THESE PRESENTS, That _____ (hereinafter called the **Principal**), as Principal, and _____, a corporation duly organized under the laws of _____ (hereinafter called the **Surety**), as Surety, are held and firmly bound unto _____ (hereinafter called the **Obligee**), in the sum of (\$ _____) for the payment of which we, the said Principal and the said Surety, bind ourselves, our heirs, executors, administrators, successors and assigns, jointly and severally, firmly by these presents.

WHEREAS, the Principal has submitted a bid, dated _____, for:

NOW, THEREFORE, THE CONDITION OF THE OBLIGATION IS SUCH, that if the Obligee shall accept the bid of the Principal and the Principal shall enter into a contract with the Obligee in accordance with such bid and give bond with good and sufficient surety for the faithful performance of such contract, or in the event of the failure of the Principal to enter into such contract and give such bond, if the Principal shall pay to the Obligee the difference, not to exceed the penalty hereof, between the amount specified in said bid and the amount for which the Obligee may legally contract with another party to perform the work covered by said bid, if the latter amount be in excess of the former, then this obligation shall be null and void, otherwise to remain in full force and effect. This obligation expires eighteen (18) months from the effective date of the bid.

Signed and sealed this _____ day of _____, _____.

Principal

Witness

By: _____ (SEAL)

Witness

By: _____ (SEAL)
_____, Attorney-in-Fact

Contract Form - Appendix B

VIDEO LOTTERY GAMING CENTRAL SYSTEM PROVIDER C190001

THIS AGREEMENT made this 5th day of June, 2019 by and between the NEW YORK STATE GAMING COMMISSION, an executive agency of the State of New York having an office at One Broadway Center, Post Office Box 7500, Schenectady, New York 12301-7500 (the "Commission"), and [Everi Games Inc.], having an office at [206 Wild Basin Rd South, Building B, Austin, TX 78746] (the "Contractor").

WHEREAS the Commission issued a Request for Proposals ("RFP") on April 23, 2019 soliciting proposals from qualified firms to provide a Video Lottery Gaming Central System, and clarified the requirements of the RFP with questions and answers dated May 10, 2019 and May 22, 2019 (collectively, the "RFP"); and

WHEREAS the Contractor submitted a Technical Proposal and a Pricing Proposal dated [June 5, 2019] (collectively, the "Proposal"), which was deemed to be the Best Value, from among competing proposals by the Commission's evaluation team;

NOW, THEREFORE, in consideration of the foregoing and of the mutual promises hereinafter set forth, the parties hereto agree as follows:

1. **Scope of Services.** The Contractor agrees to provide the Commission with a video lottery central system, including, but not limited to, professional services, hardware and licensed software so that the Commission may conduct and administer video lottery games at licensed facilities in the State of New York ("the State"), as more fully set forth in the RFP and the

Proposal. Both the RFP and the Proposal are hereby incorporated into this Contract with the same force and effect as if they were fully set forth herein.

2. **Term.** This Contract shall be effective October 1, 2019 through September 30, 2029. The “Conversion Period” shall be October 1, 2019 to December 31, 2019. Conversion shall be fully completed no later than December 31, 2019.

3. **Regulations.** Contractor agrees to familiarize itself with the regulations issued by the Commission concerning the operation of video lottery gaming within the State and to comply with same.

4. **Licensing.** Contractor agrees to submit to licensing procedures established by the Commission and recognizes that satisfactory licensing is a condition of successful performance of the Contract. Failure to maintain the required license shall be cause for termination of the Contract.

5. **Financial Arrangements.**

(a) Compensation. In full consideration for all goods and services specified in the RFP and the Proposal, the Commission agrees to pay, and the Contractor agrees to accept, compensation in accordance with the prices set forth in the Proposal, unless otherwise stated herein. No minimum amount is guaranteed by this Contract and the Contractor shall not have any right to make a claim therefor. Expenditures under this Contract shall not exceed [XX,XXX,XXX.XX].

(i) The Commission shall, each week, utilize video lottery central system reports to calculate the amount of net win and the compensation due and owing to the Contractor consistent with the schedule provided by the Contractor in its Pricing Proposal. For the purposes of the provisions of New York State’s State Finance Law and Article 34 of the New York State Tax Law (Lottery Law) permitting the retention of a portion of sales revenues as compensation

Contract Form - Appendix B

for services, Contractor shall be considered a “licensed lottery sales agent,” a “licensed lottery retailer” or a “retailer” as that term is used in Article 34 of the New York State Tax Law.

(ii) Conversion Period. Contractor will be compensated a percentage of net revenues derived from the games that are operating on the Contractor’s central system.

(iii) Compensation Upon Termination. In exchange for Contractor’s agreement to perform services under the Contract, the Contractor shall receive compensation if the Contract is terminated for any reason other than termination not for cause, or if the Contract expires and the Contractor is not permitted or able to remove all of the Contractor’s system because it is not able to physically remove the system or, if the system remains in use by the Commission or the Contractor’s successor (compensation may include a continuing royalty for the use of Contractor’s software), except cabling to video lottery terminals; provided however, that the cabling shall not include any hardware-related network equipment, such as switches.

(iv) Cabling, Hardware, and Other Costs. The Contractor shall be responsible for cabling, hardware, and other costs required to install and maintain the Contractor’s Central System at new gaming facilities, converted gaming facilities, and to expand existing facilities. The Contractor, however, shall not be responsible for any costs associated with the moving of an existing facility. In the event that an existing facility is moved to a new location, in order to ensure the integrity of the operation of the central system at the new facility, the Contractor shall have the right to require that only vendors that are approved by the Contractor, and that only equipment that meets the Contractor’s specifications, are used in connection with the installation of any cabling or other equipment or components that will form any part of the central system at the new facility. The Contractor shall demonstrate to the Commission’s satisfaction that fees charged by such approved vendors are reasonable in relation to the services performed by such vendor. The Contractor shall remain responsible for any costs associated with maintenance of cabling at existing facilities, new gaming facilities, and at relocated or moved facilities.

(b) Liquidated Damages.

(i) The Commission may, in its discretion, deduct liquidated damages from the compensation otherwise due to the Contractor when the circumstances which give rise to a claim for liquidated damages exist. There may be occurrences whereby, in its sole judgement, the Commission determines not to assert its right to claim liquidated damages, and such determination shall not be precedential or prejudice the Commission's option to assert such right in the future.

(ii) The parties agree that the assessment will be made per occurrence for the liquidated damages described in Section 2.13 of the RFP for any Contractor failures which do not result in lost revenue to the State of New York. The parties further agree that the failures described in Section 2.13 of the RFP may result in loss of revenues to the State of New York and, therefore, liquidated damages claimed for such failures would not necessarily be limited to damages per occurrence. In that instance, the measure of liquidated damages for failures described in Section 2.13 of the RFP shall be the amount of lost revenue to the State of New York reasonably estimated from historical data. For the purposes of this Contract, lost revenue to the State of New York shall be equal to the portion of net proceeds due to education aid, which shall be calculated as total credits played, less credits won, less promotional credits, less sales agent commissions, and less administrative and operating expenses of the Commission applicable to the number of video lottery terminals for a comparable period in question. Damages are assessed when the liquidated damages bear a reasonable proportion to actual losses sustained as a result of Contractor's conduct.

(iii) In order to facilitate the efficient and timely implementation of the software modifications and enhancements as required by Section 3.2.10 and Section 3.2.11 of the RFP, the Commission retains the right to assess liquidated damages for failures that result in loss of

Contract Form - Appendix B

revenue. These damages shall not be applied until thirty (30) days after the installation of new software or an upgrade to existing software, except for repeat uncorrected failures.

(iv) The Commission shall send written notice of such failure to the Contractor within thirty (30) days of the occurrence. Failure to send such notice constitutes a waiver of any and all liquidated damages with regards to the occurrence.

6. **Connection to Central System.** The Contractor shall have the right to charge fees to entities that connect to or that use the central system with respect to use or service that the Contractor is not obligated to provide pursuant to this Contract. The fees may include charges for testing, and fees and royalties for connection and use. The Contractor, however, shall obtain the Commission's prior approval, which shall not be unreasonably withheld or delayed, before charging for such use or service; provided further, however, that such charges shall be at or below the market prices for use or service.

7. **Consent.** The Commission agrees that its consent to the Contractor's assignment of its interest and obligations under the Contract shall not be withheld unreasonably.

8. **Conversion.** The parties understand and agree that the Commission may utilize all or part of the last year of the Term, or any extension thereof, for the conversion to a subsequent contract to provide a central system in connection with the operation of video lottery. The Contractor agrees to cooperate fully and in good faith in such conversion. Any transition or conversion to another vendor shall not interfere with the Contractor's ability to fulfill this Contract and shall not reduce or diminish the Contractor's compensation pursuant to the Contract.

9. **Approvals Required.** This Contract, and any extension of the term of this Contract or any amendment of the provisions of this Contract, shall not be effective and binding upon the Commission, the State of New York, or the Contractor unless and until approved by the New

York State Attorney General and the State Comptroller. The Commission agrees to exercise its best efforts to obtain such approval.

10. **Mutual Cooperation.** The objectives of this Contract include maximizing the net proceeds to the State of New York from video lottery gaming at reasonable rates of compensation to Contractor through the installation and use of a central system as more fully described in the RFP and the Proposal. The parties agree to cooperate fully and in good faith and to assist each other, to the extent reasonably practicable, in order to accomplish these objectives. Contractor agrees to commit to the level and quality of staffing as specified in its Proposal, and to submit quarterly reports to the Commission specifying current staffing levels, personnel, vacancies, and plans for filling vacancies.

11. **Contractor's Proprietary Rights.** The Commission acknowledges the Contractor's proprietary and intellectual property rights in and to Contractor's hardware, system specifications and details set forth in the Proposal, and the software heretofore and hereafter created by Contractor, for operation of the system on hardware of both the Contractor and the Commission. The Commission further acknowledges that such rights shall survive the expiration or termination of this Contract and agrees to maintain the confidentiality thereof to the extent allowed by law and to render such reasonable assistance as may be necessary to protect and preserve Contractor's interests therein.

12. **Limitation of Contractor's Lobbying Activities.** Contractor agrees to abide by all applicable rules, regulations and laws relating to its lobbying activities in New York. In addition, Contractor agrees to provide, during the term of this Contract or any extensions thereof, written notification, updated quarterly, to the Commission specifying the name, business address and telephone number of any lobbyist, as that term is defined in Section 1-C of the New York State Lobbying Act (New York State Legislative Law Article 1-A) employed or hired to represent the Contractor within the State of New York on Commission issues. Failure to provide

Contract Form - Appendix B

this information to the Commission will constitute a material breach of the terms of this Contract and be cause for termination.

13. **Communication and Contracts.** Contractor shall enter into and maintain only authorized communication with other contractors supplying goods and services to the Commission in furtherance of video lottery gaming within New York State. Contractor agrees to forego entry into any contracts other than this Contract to perform services or supply goods in furtherance of video lottery gaming in New York State unless otherwise approved in writing by the Commission.

14. **Termination and Suspension.**

(a) The Commission shall have the right to terminate this Contract for convenience or for any of the following causes:

(i) a material breach by the Contractor of any of the provisions of this Contract;

(ii) a determination by a court of competent jurisdiction that the Contractor is bankrupt or insolvent;

(iii) a good faith determination by the Commission that continuation of the Contract could place the integrity of the Commission in jeopardy; or

(iv) a conviction of the Contractor or any of its directors, officers, or employees of any criminal offense connected to the Contractor's business which, in the sole reasonable opinion of the Executive Director of the Commission, would be prejudicial to public confidence in the New York Lottery or the Commission.

(v) Grounds for Cancellation. Upon the refusal by a person, when called before a grand jury, head of a state department, temporary state commission or other state agency, or the organized crime task force in the department of law, which is empowered to compel the attendance of witnesses and examine them under oath, to testify in an investigation, concerning any transaction or contract had with the state, any political subdivision thereof, a public authority

or with any public department, agency or official of the state or of any political subdivision thereof or of a public authority, to sign a waiver of immunity against subsequent criminal prosecution or to answer any relevant question concerning such transaction or contract.

Such person, and any firm, partnership or corporation of which he is a member, partner, director or officer shall be disqualified from thereafter selling to or submitting bids to or receiving awards from or entering into any contracts with the state or any public department, agency or official thereof, for goods, work or services, for a period of five (5) years after such refusal, and to provide also that any and all contracts made with the State or any public department, agency or official thereof, since the effective date of this law, by such person, and by any firm, partnership or corporation of which he is a member, partner, director or officer may be cancelled or terminated by the State without incurring any penalty or damages on account of such cancellation or termination, but any monies owing by the State for goods delivered or work done prior to the cancellation or termination shall be paid.

(b) In the event that the Commission decides to exercise the right to terminate this Contract for cause, the Commission shall give the Contractor written Notice of Intention to Terminate for Cause (“Notice”). Such Notice shall state clearly and specifically the cause for which termination is sought, and the Contractor shall be entitled to a period of thirty (30) days from receipt of such Notice to correct or cure the cause so described to the reasonable satisfaction of the Commission in which case such Notice shall be deemed withdrawn and a nullity. If termination is sought because of a criminal conviction as described in subparagraph (iv) of Paragraph (a) of this section 14, the cause for termination shall be deemed to be cured if the Contractor causes or obtains the dismissal, resignation, retirement, or other removal of the person convicted of such offense during such thirty (30) day period.

(c) The Commission reserves the right to terminate this Contract in the event it is found that the certification filed by the Contractor in accordance with New York State’s State Finance

Contract Form - Appendix B

Law § 139-k was intentionally false or intentionally incomplete. Upon such finding, the Commission may exercise its termination right by providing written notice to the Contractor in accordance with the written notice terms of this Contract.

(d) Upon written notice to the Contractor, and a reasonable opportunity to be heard with appropriate Commission officials or staff, the Contract may be terminated by the Executive Director or his or her designee at the Contractor's expense where the Contractor is determined by the Executive Director or his or her designee to be non-responsible or nonresponsible. In such event, the Executive Director or his or her designee may complete the contractual requirements in any manner he or she may deem advisable and pursue available legal or equitable remedies for breach.

(e) The Executive Director of the Commission or his or her designee, in his or her sole discretion, reserves the right to suspend any or all activities under this Contract, at any time, when he or she discovers information that calls into question the responsibility of the Contractor. In the event of such suspension, the Contractor will be given written notice outlining the particulars of such suspension. Upon issuance of such notice, the Contractor must comply with the terms of the suspension order. Contract activity may resume at such time as the Executive Director of the Commission or his or her designee issues a written notice authorizing a resumption of performance under the Contract.

15. Conflict of Interest.

(a) The Contractor has provided a form (Vendor Assurance of No Conflict of Interest or Detrimental Effect), signed by an authorized executive or legal representative attesting that the Contractor's performance of the services does not and will not create a conflict of interest with, nor position the Contractor to breach any other contract currently in force with the State of New York, that the Contractor will not act in any manner that is detrimental to any State project on which the Contractor is rendering services.

(b) The Contractor hereby reaffirms the attestations made in its Proposal and covenants and represents that there is and shall be no actual or potential conflict of interest that could prevent the Contractor's satisfactory or ethical performance of duties required to be performed pursuant to the terms of this Contract. The Contractor shall have a duty to notify the Commission immediately of any actual or potential conflicts of interest.

(c) In conjunction with any subcontract under this Contract, the Contractor shall obtain and deliver to the Commission, prior to entering into a subcontract, a Vendor Assurance of No Conflict of Interest or Detrimental Effect form, signed by an authorized executive or legal representative of the subcontractor. The Contractor shall also require in any subcontracting agreement that the subcontractor, in conjunction with any further subcontracting agreement, obtain and deliver to the Commission a signed and completed Vendor Assurance of No Conflict of Interest or Detrimental Effect form for each of its subcontractors prior to entering into a subcontract.

(d) The Commission and the Contractor recognize that conflicts may occur in the future because the Contractor may have existing, or establish new, relationships. The Commission will review the nature of any relationships and reserves the right to terminate this Contract for any reason, or for cause, if, in the judgment of the Commission, a real or potential conflict of interest cannot be cured.

16. **Ticket Purchase and Prize Payment Restrictions.** No officer or employee of the Contractor or of any subcontractor, and no person residing in the same household of such officer or employee shall purchase a New York Lottery video lottery ticket or be paid a prize in any New York Lottery video lottery game. The Contractor shall ensure that this requirement is made known to each officer and employee of the Contractor and any subcontractor. "Subcontractor" is defined as those who play a major role in providing the central system supporting the New York

Contract Form - Appendix B

Lottery's video lottery games and game accounting and who are employed by the Contractor during the life of the Contract.

17. Confidentiality and Non-Disclosure.

(a) For the purposes of this section, "Confidential Information" means any information not generally known to the public, whether oral or written, that the Commission identifies as confidential and discloses to the Contractor so that the Contractor can provide services to the Commission pursuant to this Contract. Confidential Information may include, but is not limited to, operational and infrastructure information relating to: bid documents, plans, drawings, specifications, reports, product information; business and security processes and procedures; personnel and organizational data, and financial statements; information system IP addresses, passwords, security controls, architectures and designs; and such other data, information and images that the Commission deems confidential. The Commission will identify written Confidential Information by marking it with the word "Confidential" and will identify oral Confidential Information as confidential at the time of disclosure to the Contractor.

(b) Confidential Information does not include information that, at the time of Commission's disclosure to the Contractor:

(i) is already in the public domain or becomes publicly known through no act of the Contractor;

(ii) is already known by the Contractor free of any confidentially obligations;

(iii) is information that the Commission has approved in writing for disclosure; or

(iv) is required to be disclosed by the Contractor pursuant to law or applicable professional standards, so long as the Contractor provides the Commission with notice of such disclosure requirement and an opportunity to defend prior to any such disclosure.

(c) The Contractor may use Confidential Information solely for the purposes of providing services to the Commission pursuant to this Contract. The Contractor shall not make copies of

any written Confidential Information, except as necessary to perform the services required by this Contract, without the express written permission of the Commission. The Commission's disclosure of Confidential Information to the Contractor shall not convey to the Contractor any right or interest in such Confidential Information and the Commission shall retain all right and title to such Confidential Information at all times.

(d) The Contractor shall hold Confidential Information confidential to the maximum extent permitted by law. The Contractor shall safeguard Confidential Information with at least the same level of care and security, using all reasonable and necessary security measures, devices and procedures that the Contractor uses to maintain its own confidential information.

(e) Upon written request by the Commission, the Contractor shall return all written Confidential Information to the Commission.

18. Records Retention. Records required by this Contract to be retained by the Contractor shall be retained for the periods specified in Appendix A, attached hereto. Such records may be retained in their original form or in any other reliable and readily retrievable format, at the option of the Contractor.

19. Notices. All notices required by this Contract shall be sufficient if in writing and sent by certified mail return receipt requested and all other communications shall be sufficient if communicated in writing to the following addresses or to such other addresses as may be designated from time to time by the parties in writing:

(a) As to the Commission:

Acting Executive Director
New York State Gaming Commission
One Broadway Center
Schenectady NY 12305

(b) As to the Contractor:

Contact:
Company Name: Everi Games Inc.
Address: 206 Wild Basin S, Suite 400, Building B, Austin, TX 78746

Contract Form - Appendix B

20. **Liability and Indemnification.** The Contractor shall be responsible for all damages to life and property due to the activities of the Contractor, as well as the activities of the subcontractors (if any), agents or employees of the Contractor in connection with the performance of services under this Contract. The Contractor shall indemnify, defend, and save harmless the Commission and the State of New York, and their officers, employees, agents, assigns and retailers from and against any and all third-party claims, liabilities, losses, damages, costs, or expenses, including reasonable attorneys' fees, which may be incurred, suffered, or required in whole or in part by an actual or alleged act or omission of:

- (a) the Contractor, its officers, employees, agents, successors and assigns, and/or
- (b) a Subcontractor, its officers, employees, agents, successors and assigns.

21. **Relationship.** The relationship of the Contractor to the Commission arising out of this Contract shall be that of an independent contractor. The Contractor, in accordance with its status as an independent contractor, agrees that it will conduct itself consistent with such status, that it will neither hold itself out as, nor claim to be, an officer or employee of the Commission or the State of New York, and that it will not make any claim, demand or application for any right or privilege applicable to an officer or employee of the Commission or the State of New York, including, but not limited to, workers' compensation coverage, unemployment insurance benefits, social security coverage, or retirement membership or credit. All personnel of the Contractor shall be within the employ of the Contractor only or shall be duly contracted subcontractors of the Contractor, which alone shall be responsible for their work, the direction thereof, and their compensation. Nothing in this Contract shall impose any liability or duty on the Commission or the State of New York on account of any acts, omissions, liabilities or obligations of the Contractor or any person, firm, company, agency, association, corporation, or organization engaged by the Contractor as expert, consultant, independent contractor, specialist, trainee, employee, servant or agent, for taxes of any nature, including, but not limited to,

unemployment insurance and workers' compensation insurance, and the Contractor hereby agrees to indemnify and hold harmless the Commission and the State of New York against any such liabilities.

22. **Force Majeure.** A Force Majeure occurrence is an event or effect that cannot be reasonably anticipated or controlled. As herein used, "Force Majeure" means fire, explosion, action of the elements, governmental interference, rationing or any other cause which is beyond the control of the party affected and which, by the exercise of reasonable diligence, said party is unable to prevent.

Neither the Contractor nor the Commission shall be liable to the other for any delay in or failure of performance under the Contract resulting from this RFP due to a Force Majeure occurrence. Any such delay in or failure of performance shall not constitute a default or give rise to any liability for damages. The existence of such causes of such delay or failure shall extend the period for performance to such extent as determined by the Commission to be necessary to enable complete performance by the Contractor if reasonable diligence is exercised after the cause of delay or failure has been removed.

23. **Documents Incorporated.** Appendix A, Standard Clauses for New York State Contracts, dated January 2014, the RFP, and the Proposal are hereby incorporated herein and made a part hereof.

24. **Order of Precedence.** Any conflict between the provisions of this Contract and the documents incorporated herein shall be resolved according to the following order of precedence, from the highest to the lowest:

- (a) Appendix A - Standard Clauses for New York State Contracts;
- (b) Any amendments to the Contract;
- (c) Contract and appendices;
- (d) Request for Proposal and any clarifying responses by the Commission; and

Contract Form - Appendix B

(e) Vendor Proposal and any clarifying responses by the vendor.

25. Miscellaneous Provisions.

(a) A waiver of enforcement of any provision of this Contract shall not constitute a waiver of any other provision of this Contract nor shall it preclude the affected party from subsequently enforcing such provision.

(b) This instrument and the documents incorporated herein represent the entire Agreement between the Commission and the Contractor, and no modification thereof shall be binding unless the same is in writing and signed by the parties.

(c) The headings contained in this Contract are intended for ease of reference only and shall not be interpreted to limit or modify any of the provisions of this Contract.

(d) The Contractor shall at all times during the Contract term remain responsible. The Contractor agrees, if requested by the Executive Director of the Commission or his or her designee, to present evidence of its continuing legal authority to do business in New York State, integrity, experience, ability, prior performance, and organizational and financial capacity.

IN WITNESS WHEREOF, the parties hereto have executed this Contract as of the day and year first above written.

CONTRACTOR
Dean Ehrlich

By:  _____

Title: Executive VP, Games

Date: 5/31/19

NEW YORK STATE
GAMING COMMISSION

By: _____

Title: _____

Date: _____

ATTORNEY GENERAL

By: _____

Title: _____

Date: _____

COMPTROLLER
Thomas P. DiNapoli

By: _____

Title: _____

Date: _____

Acknowledgement

ACKNOWLEDGEMENT BY INDIVIDUAL

STATE OF _____)
) ss.:
COUNTY OF _____)

On this ____ day of _____, 20__ , before me personally came _____, to me known and known to me to be the person described in and who executed the foregoing instrument and he/she acknowledged to me that he/she executed the same.

Notary Public

ACKNOWLEDGEMENT BY UNINCORPORATED ASSOCIATION

STATE OF _____)
) ss.:
COUNTY OF _____)

On this ____ day of _____, 20__ , before me personally came _____, to me known and known to me to be the person described in and who executed the above instrument, who, being duly sworn by me, did for himself/herself depose and say that he/she is a member of the firm of _____ and that he/she executed the foregoing instrument in the firm name of _____, and that he/she had authority to sign same, and he/she did duly acknowledge to me that he/she executed the same as the act and deed of said firm of _____, for the uses and purposes mentioned therein.

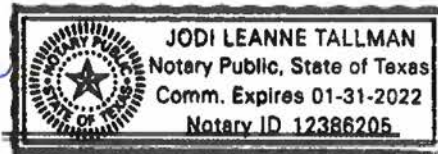
Notary Public

ACKNOWLEDGEMENT BY CORPORATION

STATE OF Texas)
) ss.:
COUNTY OF Travis)

On this 31 day of may, in the year 2019 before me personally came Dean Ehrlich, to me known, who, being by me duly sworn did depose and say that he/she resides in Arlington Heights, IL; that he/she is the EVG Games of the Everi Games Inc., the corporation described in and which executed the above instrument, that he/she knows the seal of said corporation; that the seal affixed to said instrument is such a corporate seal, that it was so affixed by the order of the Board of Directors of said corporation, and that he/she signed his/her name thereto by like order.


Notary Public



Designation of Proprietary Information

(During the evaluation process, the content of each Proposal will be held in confidence and details of any Proposal will not be revealed (except as may be required under the New York State Freedom of Information Law (FOIL) or other State law). FOIL provides for an exemption from disclosure for trade secrets or information the disclosure of which would cause substantial injury to the competitive position of a commercial enterprise. This exception applies both during and after the evaluation process.

If you believe your Firm's Proposal contains any such trade secrets or other Confidential Information, you must submit a request with your Proposal to exempt such information from disclosure. Such request must: (a) identify the specific material in the Proposal you believe should be exempt from disclosure; (b) identify the location (section, page number) of such material; (c) state the reasons why the information should be exempt from disclosure.

Requests for exemption of the entire contents of a Proposal from disclosure have generally not been found to be meritorious and are discouraged. Please limit any requests for exemption of information from disclosure to bona fide trade secrets or specific information, the disclosure of which would cause a substantial injury to the competitive position of your Firm.

Upon receipt of proprietary designations, the Commission's legal staff, as directed by the Designated Contacts, will review each designation and communicate with the Bidder in the determination of such designation. The designation shall not become final until accepted by the Commission via formal letter. Once the designation is final, the Bidder will be required to submit a redacted version of the Proposal consistent with the accepted designation. The redacted version will be the material that is released upon a FOIL request.)

See below for more information in response to this section.

Designation of Proprietary Information

NYL RFP C190001 (Section 1.13) - Everi Proposal

[Everi requests to redact the following information from this proposal, because there is potential for substantial injury to Everi's competitive position.](#)

Material & Location:

Everi Appendices E-9 Technical Specifications, E-10 Working with the Central System Management Terminal, E-11 Working with the Central System Validation Terminal, E-12 Central Determinant System Reports Definition, and E-17 Change Management Policy, in their entirety.

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content of this proposal.

Material & Location:

"General Network Configuration (Graphic)...and development over the last 25 years."

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page 2 (Appendix E-4 Section 3.1) of this proposal.

Material & Location:

"Communications Protocols" Graphic

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page 3 (Appendix E-4 Section 3.1) of this proposal.

Material & Location:

"The database software... transactional applications and industries."

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page 3 (Appendix E-4 Section 3.1) of this proposal.

Designation of Proprietary Information

Material & Location:

“Everi Games Inc. has long used...with the summary totals they can use.”

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page 4 (Appendix E-4 Section 3.1) of this proposal.

Material & Location:

“The Everi Games Inc. Central System provides outcomes from a finite pool...to provide full auditing capability to the Commission.”

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page(s) 166-167 (Section 4.1.4.1B) and on page(s) 5-6 (Appendix E-4 Section 3.1.A) of this proposal.

Material & Location:

“All transactional data is available in real-time... and download game software to the VLTs.”

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page(s) 6-9 (Appendix E-4 Section 3.1.A) of this proposal.

Material & Location:

“For communication between the Site Controller and the VLTs...3rd Party Dispatch Systems integration.”

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page(s) 174-175 (Section 4.1.4.3) and on page(s) 21-22 (Appendix E-4 Section 3.2.7) of this proposal.

Material & Location:

“Our SAS Host software runs on...or in the event of a SMIB failure.”

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page(s) 175 (Section 4.1.4.3) and on page 23 (Appendix E-4 Section 3.2.7) of this proposal.

Material & Location:

“The Everi SAS Host determines the amount wagered and... that occurred while communications were interrupted.”

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page(s) 175 (Section 4.1.4.3) and on page 23 (Appendix E-4 Section 3.2.7) of this proposal.

Material & Location:

“General polls inform the SAS Host about...the VLT Service supports VLTs.”

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page(s) 176 (Section 4.1.4.3) and on page 23 (Appendix E-4 Section 3.2.7) of this proposal.

Material & Location:

“The VLT protocol is based on... is the best-documented message format for XML.”

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page(s) 176 (Section 4.1.4.3) and on page 23 (Appendix E-4 Section 3.2.8) of this proposal.

Material & Location:

“All sites will have...Communications Network Example.”

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page(s) 176-177 (Section 4.1.4.3) of this proposal.

Material & Location:

“Game Vendor Support” graphic and “Test System Example” graphics

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page(s) 211 (Section 4.1.4.4.C) and on page 26 (Appendix E-4 Section 3.2.9) of this proposal.

Designation of Proprietary Information

Material & Location:

“Everi Games Inc. will be responsible for...Communications Network Example”

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page(s) 30-31 (Appendix E-4 Section 3.3) of this proposal.

Material & Location:

Everi Games Inc. Response to Appendix E-4 Section 3.4.A PRIMARY DATA CENTER

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page(s) 31-42 (Appendix E-4 Section 3.4.A) of this proposal.

Material & Location:

Everi Games Inc. Response to Appendix E-4 Section 3.4.B BACKUP DATA CENTER

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page(s) 43-55 (Appendix E-4 Section 3.4.B) of this proposal.

Material & Location:

“Test System Example” graphic

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page 56 (Appendix E-4 Section 3.4.C) of this proposal.

Material & Location:

“The current system utilizes a...24/7 Operations Support Example.”

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page(s) 57-58 (Appendix E-4 Section 3.4.D) of this proposal.

Material & Location:

“As detailed throughout...to evaluate each facility independently.”

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page(s) 58-59 (Appendix E-4 Section 3.4.E) of this proposal.

Material & Location:

“Tier 1 Data Retention, Backups and Redundancy...on the Central System and the Site Controllers.”

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page(s) 59-61 (Appendix E-4 Section 3.4.F) of this proposal.

Material & Location:

Everi Games Inc. Response to Appendix E-4 Section 3.5.B-G GENERAL SYSTEM SOFTWARE SPECIFICATIONS

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page(s) 62-67 (Appendix E-4 Section 3.5.B-G) of this proposal.

Material & Location:

Everi Games Inc. Response to Section 4.1.4.5. GENERAL SYSTEM SOFTWARE under subsection: “Proposals should fully describe how its central system supports the specifications in Appendix E-4 Section 3.5.”

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page(s) 222-227 (Section 4.1.4.5) of this proposal.

Material & Location:

Everi Games Inc. Response to Section 4.1.4.5. GENERAL SYSTEM SOFTWARE under the following subsections:

“Name, version and vendor of operating system software.”

“Name, version and vendor of application development language(s);”

“Name, version and vendor of database management system software; and”

“Name, version and vendor of report writers, screen generators, code generators, or other software products used to develop and operate the central system.”

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page(s) 228-235 (Section 4.1.4.5) of this proposal.

Designation of Proprietary Information

Material & Location:

Everi Games Inc. Response to Appendix E-4 Section 3.6.A SYSTEM MONITORING AND DATA MAINTENANCE

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page 67 (Appendix E-4 Section 3.6.A) of this proposal.

Material & Location:

“SQL Server Reporting Services (SSRS) will...and Validation Terminal summaries.”

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page 72 (Appendix E-4 Section 3.6.B) of this proposal.

Material & Location:

Everi Games Inc. Response to Appendix E-4 Section 3.6.C-F SYSTEM MONITORING AND DATA MAINTENANCE

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page(s) 72-77 (Appendix E-4 Section 3.6.C-F) of this proposal.

Material & Location:

“ETGs follow the process outlined in...VLT ICD Example.”

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page(s) 77-80 (Appendix E-4 Section 3.7) of this proposal.

Material & Location:

Everi Games Inc. Response to Appendix E-4 Section 3.8.A CASH VOUCHER PRODUCTION AND VALIDATIONS

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page(s) 80-81 (Appendix E-4 Section 3.8.A) of this proposal.

Material & Location:

“Voucher Validation Process (graphic)... of the Voucher Database Record Table.”

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page(s) 83-84 (Appendix E-4 Section 3.8.B) of this proposal.

Material & Location:

Everi Games Inc. Response to Appendix E-4 Section 3.8.C-D CASH VOUCHER PRODUCTION AND VALIDATIONS

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page(s) 85-87 (Appendix E-4 Section 3.8.C-D) of this proposal.

Material & Location:

Everi Games Inc. Response to Appendix E-4 Section 3.8.F CASH VOUCHER PRODUCTION AND VALIDATIONS

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page(s) 88-91 (Appendix E-4 Section 3.8.F) of this proposal.

Material & Location:

Everi Games Inc. Response to Appendix E-4 Section 3.9.A-D CENTRAL SYSTEM SECURITY CONTROLS

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page(s) 92-97 (Appendix E-4 Section 3.9.A-D) of this proposal.

Material & Location:

“When two machines win at close to the same time...Management Terminal Progressive Screen (Related Games).”

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page(s) 98-101 (Appendix E-4 Section 3.10) of this proposal.

Material & Location:

“Gaming Device Keep Alive... is well below the required 3-second interval.”

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page(s) 103-104 (Appendix E-4 Section 3.11.A) of this proposal.

Material & Location:

Everi Games Inc. Response to Appendix E-4 Section 3.11.B SITE CONTROLLER AND GAMING DEVICE COMMUNICATIONS

Designation of Proprietary Information

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page(s) 104-105 (Appendix E-4 Section 3.11.B) of this proposal.

Material & Location:

“Bill Acceptors will be...up to 10 minutes after close.”

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page 105 (Appendix E-4 Section 3.11.C) of this proposal.

Material & Location:

“Install packages are generated comprising...in a reliable and efficient manner.”

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page 105 (Appendix E-4 Section 3.11.D) of this proposal.

Material & Location:

Everi Games Inc. Response to Appendix E-4 Section 3.11.E SITE CONTROLLER AND GAMING DEVICE COMMUNICATIONS

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page(s) 106-108 (Appendix E-4 Section 3.11.E) of this proposal.

Material & Location:

“In addition, the on-site SQL servers...with minimal impact to facility operations.”

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page 109 (Appendix E-4 Section 3.11.H) of this proposal.

Material & Location:

Everi Games Inc. Response to Appendix E-4 Section 3.12.A-D PERIODIC CENTRAL SYSTEM PROCESSING

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page(s) 110-114 (Appendix E-4 Section 3.12.A-D) of this proposal.

Material & Location:

Everi Games Inc. Response to Appendix E-4 Section 3.12.F PERIODIC CENTRAL SYSTEM PROCESSING

See [***NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF***](#) included electronically with this submission for details and comparison of redacted content on page(s) 114-117 (Appendix E-4 Section 3.12.F) of this proposal.

Material & Location:

Everi Games Inc. Response to Appendix E-4 Section 3.13.A-E NETWORK OPERATIONS CENTER REPORT SPECIFICATIONS

See [***NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF***](#) included electronically with this submission for details and comparison of redacted content on page(s) 118-120 (Appendix E-4 Section 3.13.A-E) of this proposal.

Material & Location:

Everi Games Inc. Response to Appendix E-4 Section 3.17.A-B FACILITY SITE CONTROLLER SPECIFICATIONS

See [***NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF***](#) included electronically with this submission for details and comparison of redacted content on page(s) 126-140 (Appendix E-4 Section 3.17.A-B) of this proposal.

Material & Location:

Everi Games Inc. Response to Appendix E-4 Section 3.17.C.1-2 FACILITY SITE CONTROLLER SPECIFICATIONS

See [***NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF***](#) included electronically with this submission for details and comparison of redacted content on page 141 (Appendix E-4 Section 3.17.C-1-2) of this proposal.

Material & Location:

Everi Games Inc. Response to Appendix E-4 Section 3.17.D.7 FACILITY SITE CONTROLLER SPECIFICATIONS

See [***NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF***](#) included electronically with this submission for details and comparison of redacted content on page 147 (Appendix E-4 Section 3.17.D.7) of this proposal.

Material & Location:

Everi Games Inc. Response to Appendix E-4 Section 3.17.D.9 FACILITY SITE CONTROLLER SPECIFICATIONS

Designation of Proprietary Information

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page 148 (Appendix E-4 Section 3.17.D.9) of this proposal.

Material & Location:

Everi Games Inc. Response to Appendix E-4 Section 3.17.E.1-2 FACILITY SITE CONTROLLER SPECIFICATIONS

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page(s) 149-150 (Appendix E-4 Section 3.17.E.1-2) of this proposal.

Material & Location:

Everi Games Inc. Response to Appendix E-4 Section 3.17.E.4 FACILITY SITE CONTROLLER SPECIFICATIONS

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page(s) 150-152 (Appendix E-4 Section 3.17.E.4) of this proposal.

Material & Location:

Everi Games Inc. Response to Appendix E-4 Section 3.17.E.7 FACILITY SITE CONTROLLER SPECIFICATIONS

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page(s) 153-154 (Appendix E-4 Section 3.17.E.7) of this proposal.

Material & Location:

Everi Games Inc. Response to Appendix E-4 Section 3.18.A-D PERFORMANCE FACTORS

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page 156 (Appendix E-4 Section 3.18.A-D) of this proposal.

Material & Location:

Everi Games Inc. Response to Appendix E-4 Section 3.19 PROMOTIONS

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page(s) 157- 159 (Appendix E-4 Section 3.19) of this proposal.

Material & Location:

Everi Games Inc. Response to Section 4.1.4.1.C WORK PLAN AND CENTRAL SYSTEM COMPONENTS

See [***NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF***](#) included electronically with this submission for details and comparison of redacted content on page(s) 167-169 (Section 4.1.4.1.C) of this proposal.

Material & Location:

“System Overview Diagram” and “Communications Protocols” Graphics

See [***NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF***](#) included electronically with this submission for details and comparison of redacted content on page(s) 172-173 (Section 4.1.4.3) of this proposal.

Material & Location:

Everi Games Inc. Response to Section 4.1.4.4.A PRIMARY DATA CENTER

See [***NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF***](#) included electronically with this submission for details and comparison of redacted content on page(s) 177-194 (Section 4.1.4.4.A) of this proposal.

Material & Location:

Everi Games Inc. Response to Section 4.1.4.4.B BACKUP DATA CENTER

See [***NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF***](#) included electronically with this submission for details and comparison of redacted content on page(s) 195-210 (Section 4.1.4.4.B) of this proposal.

Material & Location:

“Test System Example” Graphic

See [***NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF***](#) included electronically with this submission for details and comparison of redacted content on page(s) 211 (Section 4.1.4.4.C) of this proposal.

Material & Location:

“The current system utilizes a...Planned Central System Architecture.”

See [***NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF***](#) included electronically with this submission for details and comparison of redacted content on page(s) 212-213 (Section 4.1.4.4.D) of this proposal.

Designation of Proprietary Information

Material & Location:

Everi Games Inc. Response to Section 4.1.4.4.G.i-v BACKUP DATA CENTER

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page(s) 216-221 (Section 4.1.4.4.G.i-v) of this proposal.

Material & Location:

Everi Games Inc. Response to Section 4.1.4.6.i CENTRAL SYSTEM MONITORING AND DATA MAINTENANCE

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page(s) 235-243 (Section 4.1.4.6.i) of this proposal.

Material & Location:

“SQL Server Reporting Services (SSRS)...and Validation Terminal Summaries.”

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page(s) 243 (Section 4.1.4.6.ii) of this proposal.

Material & Location:

Everi Games Inc. Response to Section 4.1.4.6.iv CENTRAL SYSTEM MONITORING AND DATA MAINTENANCE

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page(s) 244-245 (Section 4.1.4.6.iv) of this proposal.

Material & Location:

“Excerpt from Everi VLT ICD 2.18 on VLT Checksum Generation” Graphic

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page(s) 248 (Section 4.1.4.7.iii) of this proposal.

Material & Location:

“The first 17 digits of the serial number...used throughout the gaming industry.”

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page(s) 253 (Section 4.1.4.8.i) of this proposal.

Material & Location:

“Voucher Validation Process (graphic) ...the completed W2-G form on the spot.”

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page(s) 257-258 (Section 4.1.4.8.iii) of this proposal.

Material & Location:

“As illustrated in the figure below ...via scheduled SQL Server jobs.”

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page(s) 258-260 (Section 4.1.4.8.iv) of this proposal.

Material & Location:

“This file lists all of the setoffs ...end of table with TaxCity – string- 32.”

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page(s) 260-262 (Section 4.1.4.8.iv) of this proposal.

Material & Location:

Everi Games Inc. Response to Section 4.1.4.8.v CASH VOUCHER PRODUCTION AND VALIDATIONS

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page(s) 262 (Section 4.1.4.8.v) of this proposal.

Material & Location:

“My Mailbox Example” Graphic

“Alerts Report Example” Graphic

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page(s) 269 (Section 4.1.4.9) of this proposal.

Material & Location:

“Management Terminal Screens ...Progressive Jackpot History Report.”

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page(s) 271-274 (Section 4.1.4.10) of this proposal.

Designation of Proprietary Information

Material & Location:

“All of the servers throughout...and voucher information is maintained.”

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page(s) 277 (Section 4.1.4.11) of this proposal.

Material & Location:

“Game vendors provide their software...Excerpt from VLT ICD 2.18 on VLTs downloading games from the FTP server. (graphic)”

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page(s) 278-280 (Section 4.1.4.11) of this proposal.

Material & Location:

“Management Terminal Voucher Management Screen (Exclusion)” Graphic

“Management Terminal Voucher Management Screen (Mark Not Suspect)” Graphic

“Management Terminal Voucher Management Screen (Enter Comment)” Graphic

“Management Terminal Voucher Management Screen (Payment Approval)” Graphic

“Management Terminal Winner Exclusion Screen” Graphic

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page(s) 284-287 (Section 4.1.4.12) of this proposal.

Material & Location:

“The Everi Games Inc. Central System... as required by the Commission.”

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page(s) 288 (Section 4.1.4.13) of this proposal.

Material & Location:

Everi Games Inc. Response to Section 4.1.4.14 APPLICATION SYSTEM ACCESS AND USE

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page(s) 290-293 (Section 4.1.4.14) of this proposal.

Material & Location:

VLT Gaming Servers device count chart and ETG Gaming Servers device count chart

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page(s) 299 (Section 4.1.4.17) of this proposal.

Material & Location:

Everi Games Inc. Response to Section 4.1.4.17.A SITE CONTROLLER HARDWARE

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page(s) 300-308 (Section 4.1.4.17.A) of this proposal.

Material & Location:

Everi Games Inc. Response to Section 4.1.4.17.B.i SITE CONTROLLER NETWORK CONNECTIVITY

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page(s) 308-312 (Section 4.1.4.17.B.i) of this proposal.

Material & Location:

“Site Controller Network Connectivity” Graphic

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page(s) 313 (Section 4.1.4.17.B.ii) of this proposal.

Material & Location:

“Site Controller and Gaming Devices Diagram” Graphic

“Network Connectivity Example” Graphic

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page(s) 314-315 (Section 4.1.4.17.B.iii) of this proposal.

Material & Location:

“The security to sign-on to... Level 1 administrator accounts.”

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page(s) 318 (Section 4.1.4.17.C.v) of this proposal.

Designation of Proprietary Information

Material & Location:

“The Everi Games Inc. Central System...the Transactions Outside of Gaming Hours report.”

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page(s) 318-321 (Section 4.1.4.17.D.i) of this proposal.

Material & Location:

“This is specified in the...progressive pool and jackpot activity.”

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page(s) 323-324 (Section 4.1.4.17.E.i) of this proposal.

Material & Location:

“Service Browser Example” Graphic

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page(s) 326 (Section 4.1.4.17.E.ii) of this proposal.

Material & Location:

Everi Games Inc. Response to Section 4.1.4.18 PERFORMANCE FACTORS

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page(s) 327-328 (Section 4.1.4.18) of this proposal.

Material & Location:

“Everi Games Inc. Request Utility Specify Multiple Voucher Denominations and Date Ranges” Graphic

“Everi Games Inc. Promotion Request Utility View Summary” Graphic

See [NYGC_Video_Lottery_Central_System_RFP_Everi_Proposal_2019-REDACT.PDF](#) included electronically with this submission for details and comparison of redacted content on page(s) 330-331 (Section 4.1.4.19) of this proposal.

Disclosure of Litigation and Other Information

From Section 1.17 of RFP:

Because the Commission has a strong interest in the Successful Bidder's continuing ability to provide secure, high quality products and services, the Commission requires that a Bidder list and summarize pending or threatened litigation, administrative or regulatory proceedings or similar matters that could materially affect the Bidder. As part of its disclosure requirement, a Bidder must state whether the Bidder or any of the owners, officers, directors, or partners of such Bidder have ever been convicted of a felony. Failure to disclose any such matter may result in rejection of the Proposal or termination of a Contract. Such disclosures must be included with the Proposal.

This disclosure obligation is a continuing requirement. Any such matter commencing after submission of a Proposal, and with respect to the Successful Bidder after the approval of a Contract, must be disclosed to the Commission in a timely manner in a written statement to the Commission.

Everi Games Inc. is not currently subject to any regulatory proceedings or similar matters that could materially affect our ability to continue servicing the New York Gaming Commission. See below for more information in response to this section.

**EVERI HOLDINGS INC.
AND SUBSIDIARIES
Legal Proceedings - Pending
April 22, 2019**

Name of Plaintiff(s) Ozetta Hardy and Shirley Wallace		Name of Defendant(s) White Hall Gaming Center, LLC et. al	
Court in Which Matter was Filed: Circuit Court of Lowndes County, Alabama			
Mailing Address: 1 S Washington St, P.O. Box 876		City: Hayneville	State: AL
		Zip Code: 36040	
Filing Date: 06/03/2010		Case Docket Number: CV-10-573	
Summary of the Claims: On June 6, 2010, Plaintiffs Ozetta Hardy and Shirley Wallace filed a civil action against Whitehall Gaming Center, LLC (an entity that does not exist), Cornerstone Community Outreach, Inc., and Freedom Trail Ventures, Ltd. in the Circuit Court of Lowndes County, Alabama (CV 10 573). On June 3, 2010, Plaintiffs filed an amended complaint adding the Multimedia Games Holding Company, Inc. ("MGAM") among others. The Plaintiffs, who claim to have been patrons of White Hall Entertainment Center, seek recovery of the monies lost on all electronic bingo games played by the plaintiffs in the six months prior to the complaint based on Ala. Code, Sec 8-1-150(A). The plaintiffs have requested that the court certify the action as a Class Action. On July 2, 2010, the defendants removed the case to the United States District Court for the Middle District of Alabama Northern Division. We await a ruling on the plaintiffs' motion for class certification filed on March 15, 2011, which is fully briefed and has been pending before the court. The court has given no indication that it intends to rule anytime soon.			
Disposition:			

Name of Plaintiff(s) TDN Money Systems, Inc.		Name of Defendant(s) Global Cash Access, Inc.	
Court in Which Matter was Filed: District Court, Clark County, Nevada			
Mailing Address: 200 Lewis Avenue		City: Las Vegas	State: NV
		Zip Code: 89155	
Filing Date: 11/19/2015		Case Docket Number: 2:15-cv-02197-JCM-NJK	
Summary of the Claims: On November 19, 2015, TDN Money Systems, Inc. ("TDN") TDN filed suit against GCA in the United States District Court, District of Nevada, alleging claims for tortious interference with contractual relations, breach of contract, and breach of the covenant of good faith and fair dealing. The lawsuit arises out of an agreement dated April 21, 2010, which was inherited by GCA as part of its acquisition of Western Money Systems. The agreement appointed TDN a non-exclusive reseller of GCA's products in a certain geographical location. Under the agreement, GCA retained the right to sell directly to customers. GCA denied the allegations contained in TDN's complaint. GCA acted in accordance with the terms and conditions of the agreement, including exercising its right under the agreement to sell directly to customers. On March 12, 2014, GCA sent a letter to TDN informing of its intent not to renew the agreement for a subsequent term. GCA maintains that its notice of non-renewal terminated the agreement as of April 28, 2014. On February 8, 2016, GCA/Everi filed a motion to dismiss the matter for failure to state a claim for relief. On August 3, 2016, the Court issued an Order granting in part and denying in part GCA's motion to dismiss for failure to state a claim. The Court dismissed TDN's claims for tortious interference with contractual relations. Discovery in the case closed. TDN filed a motion for partial summary judgment requesting the Court find that the agreement allowed one party to renew the term of the agreement over the objection of the other party. GCA filed an opposition and counter-motion for partial summary judgment on this issue, requesting the Court find that GCA did not breach the agreement by electing not to renew it for a subsequent term. On January 3, 2017, the Court issued a ruling on the pending motions for summary judgment, denying GCA's/Everi's motions for summary judgment and granting TDN's motion for partial summary judgment finding the agreement permitted one party to renew the agreement for a subsequent term. On February 28, 2017, the Court entered a pretrial order scheduling trial to commence on August 21, 2017. The Court had also issued an Order setting a settlement conference for May 9, 2017. The parties participated in the mandatory settlement conference. No resolution was reached. GCA/Everi prepared for the trial scheduled to commence on August 21, 2017, and filed a motion requesting the Court continue the trial until October 2017 due to scheduling conflicts of GCA/Everi's lead trial counsel. All pre-trial briefing was completed. Trial was scheduled on a three week stack beginning on December 4, 2017. On January 3, 2017, the Court issued a ruling on the pending motions for summary judgment, denying GCA's/Everi's motions for summary judgment and granting			

Disclosure of Litigation and Other Information

**EVERI HOLDINGS INC.
AND SUBSIDIARIES
Legal Proceedings - Pending
April 22, 2019**

<p>TDN's motion for partial summary judgment finding the agreement permitted one party to renew the agreement for a subsequent term. The original case was tried in December 2017, with the jury returning a verdict in favor of GCA/Everi on both of TDN's claims for breach of contract and breach of the covenant of good faith and fair dealing. TDN has appealed the decision, alleging error by the Court. The appeal is fully briefed and is pending the scheduling of oral argument in 2019. The court denied GCA/Everi's motion to recover attorney fees and non-taxable costs as the prevailing party in the original case. GCA/Everi has appealed the ruling on attorney fees and costs. Everi's opening brief appealing the denial of fees and costs was filed January 22, 2019. As of April 15, 2019, the fees and costs appeal is fully briefed.</p>
Disposition:.

Name of Plaintiff(s) Everi Payments Inc.		Name of Defendant(s) State of Washington, Department of Revenue		
Court in Which Matter was Filed: Superior Court of Washington, Thurston County				
Mailing Address: 2000 Lakeridge Dr. SW		City: Olympia	State: WA	Zip Code: 98502
Filing Date: 12/31/2015		Case Docket Number: 15-2-03048-34		
<p>Summary of the Claims: On December 31, 2015, Everi Payments Inc. ("Everi") filed suit against the State of Washington, Department of Revenue ("DOR"), in the Superior Court of Washington in and for Thurston County. By this lawsuit, Everi seeks a refund of \$1,420,849.91 paid by Everi to DOR in business and occupation taxes ("B & O Tax") from January 1, 2012 through December 31, 2015. The refund claim for \$1,420,849.91 includes \$385,566.88 paid by Everi to DOR in July 2015. Everi paid the amount of \$385,566.88 to comply with the determination by DOR's Appeals Division, dated June 25, 2015, which adjudicated an administrative appeal filed by Everi on January 10, 2014. At issue in the Tax Refund Action is whether DOR may assess B & O Tax on the revenue from cash access transactions processed by Everi at casinos owned and operated by Native American tribes in the State of Washington. Everi contends that state taxes on these cash access transactions at tribal casinos on Indian land are preempted by federal law, including the Indian Gaming Regulatory Act. Everi further contends the B & O Tax is contrary to Washington state law. On cross-motions for summary judgment, the trial court granted DOR's motion and denied Everi's motion. On May 26, 2017, Everi appealed the trial court's summary judgment rulings, and on November 8, 2017, Everi filed its opening brief on appeal. Oral argument is scheduled to begin in October 2018. Currently on appeal from the Superior Court of Washington in and for Thurston County. Everi's appeal was not approved and a Motion to Reconsider was filed on December 28, 2018. The DOR's answer to Everi's petition for review was filed on March 22, 2019. As of April 19, 2019, Everi awaits a decision regarding review by the Washington State Supreme Court.</p>				
Disposition:				

Name of Plaintiff(s) Everi Games Inc. fka Multimedia Games, Inc./Multimedia Games		Name of Defendant(s) Tax Administration Service (Federal Tax Authority of Mexico)		
Court in Which Matter was Filed: Administrative Federal Court				
Mailing Address: Not Applicable		City: Mexico	State: Mexico	Zip Code: 03810
Filing Date: April 24, 2015		Case Docket Number: 10619/15-17-09-3		
<p>Summary of the Claims: On April 24, 2015, Everi Games filed an annulment complaint before the Administrative Federal Court against the ruling letter 500-70-01-00-01-2015-1539 dated February 9, 2015, through which the Tax Authorities denied the VAT refund related to the months of July and September 2006 and, April, June, July and December 2007 in the amount of MXP \$75,147.00, \$36,791.00, \$198,254.00, \$1'842,266.00, \$3'650,525.00 and \$82,760.00, respectively. The annulment complaint was remitted to the Ninth Federal Administrative Court. Everi Games was notified of a favorable decision issued by the Ninth Federal Administrative Court declaring null the ruling letter and ordered to the Tax Authorities to refund the VAT with adjustment for inflation and interests. The Tax</p>				

Updated 04.22.2019

**EVERI HOLDINGS INC.
AND SUBSIDIARIES
Legal Proceedings - Pending
April 22, 2019**

Authorities file an appeal in order to challenge such favorable decision. The appeal was remitted for its study and resolution to a Collegiate Circuit Court. It is pending the resolution of such appeal.
Disposition:

Name of Plaintiff(s) Everi Games Inc. fka Multimedia Games, Inc./Multimedia Games		Name of Defendant(s) Tax Administration Service (Federal Tax Authority of Mexico)	
Court in Which Matter was Filed: Administrative Federal Court			
Mailing Address: Not applicable		City: Mexico	State: Mexico
		Zip Code: 03810	
Filing Date: April 8, 2015		Case Docket Number: 9010/15-17-08-3	
Summary of the Claims: On April 8, 2015, Everi Games filed an annulment complaint before the Administrative Federal Court against the ruling letter 500-70-01-00-01-2014-36304 dated November 19, 2014, through which the Tax Authorities denied the VAT refund related to the months of June and November 2006 and, March and May 2007 in the amount of MXP \$5'184,447.00, \$4'066,477.00, \$5'982,000.00 and \$8'358,672.00, respectively. The annulment complaint was remitted to the Eighth Federal Administrative Court. Everi Games was notified of a partial favorable decision issued by the Eighth Federal Administrative Court declaring null the ruling letter and ordered to the Tax Authorities to refund the VAT of the months of June and November 2006. For the other hand, the Eighth Federal Administrative Court decided against MM GAMES in connection with the refunds related to the months of March and May 2007. Everi Games and the Tax Authority file an appeals in order to challenge the unfavorable decision for each of them. The appeals were remitted for its study and resolution to a Collegiate Circuit Court. It is pending the resolution of such appeals.			
Disposition:			

Name of Plaintiff(s) Mat Jessop, individually and on behalf of others similarly situated		Name of Defendant(s) Penn National Gaming, Inc., a Pennsylvania corporation and Everi Payments Inc. a Delaware Corporation	
Court in Which Matter was Filed: United States District Court, Middle District of Florida			
Mailing Address: 401 West Central Boulevard		City: Orlando	State: FL
		Zip Code: 32801	
Filing Date: 12/27/2018 (filed against Everi)		Case Docket Number: 6:18-cv-01741-RBD-DCI	
Summary of the Claims: On December 27, 2018 Mat Jessop, individually and on behalf of others similarly situated filed an amended complaint against Penn National Gaming, Inc., a Pennsylvania corporation and Everi Payments Inc. a Delaware Corporation alleging violations of the Fair and Accurate Credit Transactions Act amendment to the Fair Credit Reporting Act ("FACTA") against Penn and added an unjust enrichment claim against Everi. Plaintiff has requested judgment in favor to include award of statutory damages for Penn's violation of FACTA, declaring Everi was unjustly enriched and awarding restitution to Plaintiff against defendant Everi in an amount to be determined at trial, award injunctive relief against both defendants, and award of attorney fees, litigation expenses and any further relief deemed proper by the Court. Everi intends to vigorously defend this matter.			
Disposition:			

Disclosure of Litigation and Other Information

**EVERI GAMES INC.
EXHIBIT
Regulatory Matters**

Updated 05/2019

Outlined below is information regarding gaming related regulatory matters of Everi Games Inc.

Jurisdiction/Agency Name	Description / Nature of Charge
Washington State Gambling Commission - Electronic Gambling Lab 4565 7th Avenue SE Lacey, WA 98503	Everi received a notice of administrative charges dated 1/29/18 from the Washington State Gaming Commission (WSGC). The charges indicated Everi installed games that were not interoperability approved with a certain back office system: Bally One.
Date of Charge	Disposition
5/31/2018	Everi and WSGC entered a settlement agreement on 11/7/2018 and agreed to pay the monetary fine imposed. \$ 105,500.00
EVERI Case/Docket Number	
00325456	
Jurisdiction/Agency Name	Description / Nature of Charge
Quapaw Tribe of Oklahoma 5681 South 630 Road Quapaw, OK 74363	Everi received a notice of violation dated Aug 3, 2017 from the Quapaw Tribal Gaming Agency alleging that Everi failed to comply with the QTGA shipment and installation procedures since 2015. It was determined by QTGA that the pre-installed BIOS chips contained in Everi CPUs constitute gaming related media and should therefore have been shipped separate from the CPU units. QTGA proposed a civil penalty of \$1,000 per violation for a final sum of \$22,000.
Date of Charge	Disposition
8/3/2017	Everi provided a lengthy written response as well as attended an in-person hearing supporting its methodology. This included indicating that the BIOS itself did not enable the EGM as a gambling device nor was it involved in game outcome (the OS, game and jurisdiction keys were the only media critical to the operation as a gambling device). Subsequent to the hearing, QTGA agreed to lower the penalty amount from \$22,000 to \$11,000. Everi has remitted payment of the fine.
EVERI Case/Docket Number	
00280247	

**EVERI GAMES INC.
EXHIBIT
Regulatory Matters**

Updated 05/2019

Jurisdiction/Agency Name	Description / Nature of Charge
Washington State Gambling Commission P.O. Box 42400 Olympia, WA 98504-2400 Fed Ex to be mailed to the following: 4565 7th Ave SE Lacey, WA 98503 (360) 486-3548	The Commission issued a Notice of Administrative Charges to MegaBingo, Inc., on 11/20/08, alleging that MegaBingo installed unapproved software connected to Tribal Lottery System machines. MegaBingo denied any wrongdoing but agreed to settle the case without a hearing by accepting a license suspension, which was vacated by payment of a fine plus administrative costs.
Date of Charge	Disposition
11/20/2008	5/15/2009 Settled for fine \$25,000.00
Case/Docket Number	
2008-01296	
Jurisdiction/Agency Name	Description / Nature of Charge
Washington State Gambling Commission P.O. Box 42400 Olympia, WA 98504-2400 Fed Ex to be mailed to the following: 4565 7th Ave SE Lacey, WA 98503 (360) 486-3548	The Commission issued a Notice of Administrative Charges to MegaBingo, Inc., on 01/25/08, alleging that MegaBingo installed unapproved software connected to Tribal Lottery System machines. MegaBingo denied any wrongdoing but agreed to settle the case without a hearing by accepting a license suspension, which was vacated by payment of a fine plus administrative costs.
Date of Charge	Disposition
1/25/2008	Settlement Fine \$21,973.00
Case/Docket Number	
2007-01965	
Jurisdiction/Agency Name	Description / Nature of Charge
Washington State Gambling Commission P.O. Box 42400 Olympia, WA 98504-2400 Fed Ex to be mailed to the following: 4565 7th Ave SE Lacey, WA 98503 (360) 486-3548	MegaBingo settled an administrative case filed by the Washington State Gambling Commission (WSGC). The WSGC alleged MegaBingo installed unapproved software on Tribal Lottery Systems. MegaBingo denied any wrongdoing, but agreed to settle the case without a hearing by accepting a license suspension, which was vacated with a fine plus administrative costs; license number VLOS-0006. Closed on 2/9/2007 \$26,541.50
Date of Charge	Disposition
12/28/2006	Settlement Fine \$26,541.50
Case/Docket Number	
2006-01695	

Disclosure of Litigation and Other Information

**EVERI GAMES INC.
EXHIBIT
Regulatory Matters**

Updated 05/2019

Jurisdiction/Agency Name	Description / Nature of Charge
Washington State Gambling Commission P.O. Box 42400 Olympia, WA 98504-2400 Fed Ex to be mailed to the following: 4565 7th Ave SE Lacey, WA 98503 (360) 486-3548	Unapproved Software. Case was combined with Case 2006-01695.
Date of Charge	Disposition
8/30/2006	Settlement Fine \$26,541.50
Case/Docket Number	
2006-00874	

Conflict of Interest Disclosure

Vendor Assurance of No Conflict of Interest or Detrimental Effect

The Firm offering to provide services pursuant to this [RFP/Contract], as a contractor, joint venture contractor, subcontractor, or consultant, attests that its performance of the services outlined in this [RFP/Contract] does not and will not create a conflict of interest with nor position the Firm to breach any other contract currently in force with the State of New York.

Furthermore, the Firm attests that it will not act in any manner that is detrimental to any State project on which the Firm is rendering services. Specifically, the Firm attests that:

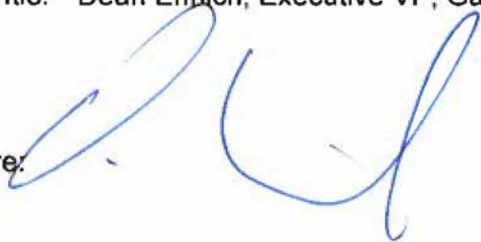
1. The fulfillment of obligations by the Firm, as proposed in the response, does not violate any existing contracts or agreements between the Firm and the State;
2. The fulfillment of obligations by the Firm, as proposed in the response, does not and will not create any conflict of interest, or perception thereof, with any current role or responsibility that the Firm has with regard to any existing contracts or agreements between the Firm and the State;
3. The fulfillment of obligations by the Firm, as proposed in the response, does not and will not compromise the Firm's ability to carry out its obligations under any existing contracts between the Firm and the State;
4. The fulfillment of any other contractual obligations that the Firm has with the State will not affect or influence its ability to perform under any contract with the State resulting from this RFP;
5. During the negotiation and execution of any contract resulting from this RFP, the Firm will not knowingly take any action or make any decision which creates a potential for conflict of interest or might cause a detrimental impact to the State as a whole including, but not limited to, any action or decision to divert resources from one State project to another;
6. In fulfilling obligations under each of its State contracts, including any contract which results from this RFP, the Firm will act in accordance with the terms of each of its State contracts and will not knowingly take any action or make any decision which might cause a detrimental impact to the State as a whole including, but not limited to, any action or decision to divert resources from one State project to another;
7. No former officer or employee of the State who is now employed by the Firm, nor any former officer or employee of the Firm who is now employed by the State, has played a role with regard to the administration of this contract procurement in a manner that may violate section 73(8)(a) of the State Ethics Law; and
8. The Firm has not and shall not offer to any employee, member or director of the State any gift, whether in the form of money, service, loan, travel, entertainment,

hospitality, thing or promise, or in any other form, under circumstances in which it could reasonably be inferred that the gift was intended to influence said employee, member or director, or could reasonably be expected to influence said employee, member or director, in the performance of the official duty of said employee, member or director or was intended as a reward for any official action on the part of said employee, member or director.

Firms responding to this [RFP/Contract] should note that the State recognizes that conflicts may occur in the future because a Firm may have existing or new relationships. The State will review the nature of any such new relationship and reserves the right to terminate the contract for cause if, in its judgment, a real or potential conflict of interest cannot be cured.

Name, Title: Dean Ehrlich, Executive VP, Games

Signature:



Date:

5/31/19

This form must be signed by an authorized executive or legal representative.

BIDDER/OFFERER DISCLOSURE/CERTIFICATION FORM

CONTRACT/PROJECT DESCRIPTION: Video Lottery Gaming Central System Provider

CONTRACT/PROJECT NUMBER: #C190001

RESTRICTED PERIOD FOR THIS PROCUREMENT: April 23, 2019 through approval of the Office of the State Comptroller.

PERMISSABLE CONTACTS: Stacey Relation and Alysyan Bowers

1. CONTACTS - Contractor affirms that it understands and agrees to comply with the procedures on procurement lobbying restrictions regarding permissible contacts in the restricted period for a procurement contract in accordance with State Finance Law §§ 139-j and 139-k. I agree

2. BIDDER/OFFERER DISCLOSURE OF PRIOR NON-RESPONSIBILITY DETERMINATIONS Pursuant to Procurement Lobbying Law (SFL §139-j)

(a) Has any Governmental Entity made a finding of non-responsibility regarding the individual or entity seeking to enter into the Procurement Contract in the previous four years?

Yes No

If yes, please answer the following question:

(b) Was the basis for the finding of non-responsibility due to a violation of State Finance Law §139-j?

Yes No

(c) If "Yes" was the basis for the finding of non-responsibility due to the intentional provision of false or incomplete information to a governmental entity?

Yes No

If "Yes", please provide details regarding the finding of non-responsibility:

Governmental Entity: N/A

Date of Finding of Non-Responsibility: _____

Basis of Finding of Non-Responsibility (attach additional sheets if necessary): _____

3. Has any governmental agency terminated or withheld a procurement contract with the above-named individual or entity due to the intentional provision of false or incomplete information?

Yes No

If yes, provide details:

Governmental Entity: N/A

Date of Termination or Withholding of Contract: _____

Basis of Termination or Withholding: (add additional pages if necessary) _____

4. TERMINATION CLAUSE:

Contractor certifies that all information provided to the Agency with respect to State Finance Law §§139 (j) and 139 (k) is complete true and accurate. If found to be in violation of State Finance Law §§139 (j) and 139 (k), the contract will result in termination.

I agree

Name of Contractor's Firm/Company: Everi Games Inc.

Contractor Address: 206 Wild Basin Rd S, Building B
Austin, TX 78746

Contractor's signature:


I understand that my signature represents that I am signing and responding to both certifications listed above

Print Name: Dean Ehrlich

Occupation of Person signing this form: Executive VP, Games

Email Address: dean.ehrlich@everi.com

C190001

Appendix D

Non-Collusive Bidding Certification Required By Section 139-D of the State Finance Law

By submission of this bid, bidder and each person signing on behalf of bidder certifies, under penalty of perjury, that to the best of his/her knowledge and belief:

[1] The prices of this bid have been arrived at independently, without collusion, consultation, communication, or agreement, for the purposes of restricting competition, as to any matter relating to such prices with any other Bidder or with any competitor;

[2] Unless otherwise required by law, the prices which have been quoted in this bid have not been knowingly disclosed by the Bidder and will not knowingly be disclosed by the Bidder prior to opening, directly or indirectly, to any other Bidder or to any competitor; and

[3] No attempt has been made or will be made by the Bidder to induce any other person, partnership or corporation to submit or not to submit a bid for the purpose of restricting competition.

A BID SHALL NOT BE CONSIDERED FOR AWARD NOR SHALL ANY AWARD BE MADE WHERE [1], [2], [3] ABOVE HAVE NOT BEEN COMPLIED WITH; PROVIDED HOWEVER, THAT IF IN ANY CASE THE BIDDER(S) CANNOT MAKE THE FORGOING CERTIFICATION, THE BIDDER SHALL SO STATE AND SHALL FURNISH BELOW A SIGNED STATEMENT WHICH SETS FORTH IN DETAIL THE REASONS THEREFORE:

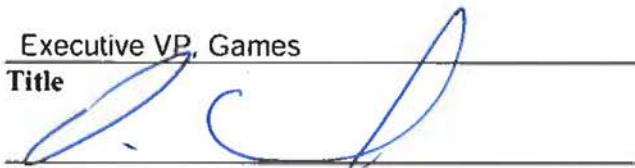
[AFFIX ADDEDUM TO THIS PAGE IF SPACE IS REQUIRED FOR STATEMENT.]

Subscribed to under penalty of perjury under the laws of the State of New York, this
5th day June, 2019 as the act and deed of said corporation.

Executive VP, Games

Title

Signature





Gaming Commission

C190001

Appendix E

The submission of the attached Vendor Responsibility Questionnaire is required with your bid.

You must include your ten-digit Vendor ID identifier number issued by New York State. Please insert the Vendor ID number on the top right corner of pages 2-10 of the questionnaire.

If you have previously submitted a New York State Vendor Questionnaire that was signed less than one year ago in connection with another State solicitation or contract, and there are no material changes to that questionnaire, you may submit an Affidavit of No Change along with a copy of the previously completed Vendor Questionnaire.

You are encouraged to complete the questionnaire online. By doing so, you will not be required to complete the questionnaire for future contracts with New York State agencies, so long as you certify the information every six months.

If you are interested in completing the on line questionnaire, please visit the following website for additional information:

<https://www.osc.state.ny.us/vend rep/>

If you have filed your questionnaire on line, please sign below and return only this page with your bid.

Complete the below only if you have filed your questionnaire online, otherwise, please complete the attached questionnaire.

Contractor Name (print)

Signature

Company Name

Date

**NEW YORK STATE
VENDOR RESPONSIBILITY QUESTIONNAIRE
FOR-PROFIT BUSINESS ENTITY**

You have selected the For-Profit Non-Construction questionnaire which may be printed and completed in this format or, for your convenience, may be completed online using the New York State VendRep System.

COMPLETION & CERTIFICATION

The person(s) completing the questionnaire must be knowledgeable about the vendor's business and operations. An owner or officer must certify the questionnaire and the signature must be notarized.

NEW YORK STATE VENDOR IDENTIFICATION NUMBER (VENDOR ID)

The Vendor ID is a ten-digit identifier issued by New York State when the vendor is registered on the Statewide Vendor File. This number must now be included on the questionnaire. If the business entity has not obtained a Vendor ID, contact the OSC Help Desk at ciohelpdec@nyc.state.ny.us or call 866-370-4672.

DEFINITIONS

All underlined terms are defined in the "New York State Vendor Responsibility Definitions List," found at www.o.c.state.ny.us/cndrcp/Joculm:11b.iLkfnitio11s.pdf. These terms may not have their ordinary, common or traditional meanings. Each vendor is strongly encouraged to read the respective definitions for any and all underlined terms. By submitting this questionnaire, the vendor agrees to be bound by the terms as defined in the "New York State Vendor Responsibility Definitions List" existing at the time of certification.

RESPONSES

Every question must be answered. Each response must provide all relevant information which can be obtained within the limits of the law. However, information regarding a determination or finding made in error which was subsequently corrected is not required. Individuals and Sole Proprietors may use a Social Security Number but are encouraged to obtain and use a federal Employer Identification Number (EIN).

REPORTING ENTITY

Each vendor must indicate if the questionnaire is filed on behalf of the entire Legal Business Entity or an Organizational Unit within or operating under the authority of the Legal Business Entity and having the same EIN. Generally, the Organizational Unit option may be appropriate for a vendor that meets the definition of "Reporting Entity," but due to the size and complexity of the Legal Business Entity, is best able to provide the required information for the Organizational Unit, while providing more limited information for other parts of the Legal Business Entity and Associated Entities.

ASSOCIATED ENTITY

An Associated Entity is one that owns or controls the Reporting Entity or any entity owned or controlled by the Reporting Entity. However, the term Associated Entity does **not** include "sibling organizations" (i.e., entities owned or controlled by a parent company that owns or controls the Reporting Entity), unless such sibling entity has a direct relationship with or impact on the Reporting Entity.

STRUCTURE OF THE QUESTIONNAIRE

The questionnaire is organized into eleven sections. Section I is to be completed for the Legal Business Entity. Section II requires the vendor to specify the Reporting Entity for the questionnaire. Section III refers to the individuals of the Reporting Entity, while Sections IV-VIII require information about the Reporting Entity. Section IX pertains to any Associated Entities, with one question about their Officials/Owners. Section X relates to disclosure under the Freedom of Information Law (FOIL). Section XI requires an authorized contact for the questionnaire information.

**NEW YORK STATE
VENDOR RESPONSIBILITY QUESTIONNAIRE
FOR-PROFIT BUSINESS ENTITY**

I. LEGAL BUSINESS ENTITY INFORMATION			
<u>Legal Business Entity Name*</u> Everi Games Inc.		<u>EIN (Enter 9 digits, without hyphen)</u> 731441316	
Address of the Principal Place of Business (street, city, state, zip code) 206 Wild Basin Road S, Building B Austin, Texas 78746		<u>New York State Vendor Identification Number</u> 1100059335	
		Telephone 512-334-7500 ext.	Fax N/A
Email info@everi.com	Website www.everi.com		
Additional <u>Legal Business Entity</u> Identities: If applicable, list any other <u>DBA</u> , <u>Trade Name</u> , <u>Former Name</u> , Other Identity, or <u>EIN</u> used in the last five (5) years and the status (active or inactive).			
Type	Name	EIN	Status
Corporation	MGAM Systems Inc	20664620	Inactive
1.0 <u>Legal Business Entity</u> Type – Check appropriate box and provide additional information:			
<input checked="" type="checkbox"/> <u>Corporation</u> (including <u>PC</u>)		Date of Incorporation November 5, 1993	
<input type="checkbox"/> <u>Limited Liability Company (LLC or PLLC)</u>		Date of Organization	
<input type="checkbox"/> <u>Partnership</u> (including <u>LLP</u> , <u>LP</u> or <u>General</u>)		Date of Registration or Establishment	
<input type="checkbox"/> <u>Sole Proprietor</u>		How many years in business?	
<input type="checkbox"/> Other		Date Established	
If Other, explain: N/A			
1.1 Was the <u>Legal Business Entity</u> formed or incorporated in New York State?			<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
If 'No,' indicate jurisdiction where <u>Legal Business Entity</u> was formed or incorporated and attach a <u>Certificate of Good Standing</u> from the applicable jurisdiction or provide an explanation if a <u>Certificate of Good Standing</u> is not available.			
<input checked="" type="checkbox"/> United States State _____			
<input type="checkbox"/> Other Country _____			
Explain, if not available: N/A			
1.2 Is the <u>Legal Business Entity</u> publicly traded?			<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
If "Yes," provide <u>CIK Code</u> or Ticker Symbol N/A			
1.3 Does the <u>Legal Business Entity</u> have a <u>DUNS</u> Number?			<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
If "Yes," Enter <u>DUNS</u> Number			

*All underlined terms are defined in the "New York State Vendor Responsibility Definitions List," which can be found at www.osc.state.ny.us/vendrep/documents/definitions.pdf.

**NEW YORK STATE
VENDOR RESPONSIBILITY QUESTIONNAIRE
FOR-PROFIT BUSINESS ENTITY**

I. LEGAL BUSINESS ENTITY INFORMATION		
1.4 If the <u>Legal Business Entity's Principal Place of Business</u> is not in New York State, does the <u>Legal Business Entity</u> maintain an office in New York State? (Select "N/A," if <u>Principal Place of Business</u> is in New York State.)		<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
If "Yes," provide the address and telephone number for one office located in New York State. 1 Broadway Center, Suite 701, Schenectady, NY 12305 - Primary Contact Bennett Chan @ 518.881.1121		
1.5 Is the <u>Legal Business Entity</u> a New York State certified <u>Minority-Owned Business Enterprise</u> (MBE), <u>Women-Owned Business Enterprise</u> (WBE), <u>New York State Small Business</u> (SB) or a federally certified <u>Disadvantaged Business Enterprise</u> (DBE)? If "Yes," check all that apply: <ul style="list-style-type: none"> <input type="checkbox"/> New York State certified <u>Minority-Owned Business Enterprise</u> (MBE) <input type="checkbox"/> New York State certified <u>Women-Owned Business Enterprise</u> (WBE) <input type="checkbox"/> <u>New York State Small Business</u> (SB) <input type="checkbox"/> Federally certified <u>Disadvantaged Business Enterprise</u> (DBE) 		<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
1.6 Identify <u>Officials</u> and <u>Principal Owners</u> , if applicable. For each person, include name, title and percentage of ownership. Attach additional pages if necessary. If applicable, reference to relevant SEC filing(s) containing the required information is optional.		
Name	Title	Percentage Ownership (Enter 0% if not applicable)
See Exhibit C		

**NEW YORK STATE
VENDOR RESPONSIBILITY QUESTIONNAIRE
FOR-PROFIT BUSINESS ENTITY**

II. REPORTING ENTITY INFORMATION	
<p>2.0 The <u>Reporting Entity</u> for this questionnaire is:</p> <p>Note: Select only one.</p> <p><input checked="" type="checkbox"/> <u>Legal Business Entity</u></p> <p><i>Note: If selecting this option, "Reporting Entity" refers to the entire Legal Business Entity for the remainder of the questionnaire. (SKIP THE REMAINDER OF SECTION II AND PROCEED WITH SECTION III.)</i></p> <p><input type="checkbox"/> Organizational Unit within and operating under the authority of the Legal Business Entity</p> <p>SEE DEFINITIONS OF "REPORTING ENTITY" AND "ORGANIZATIONAL UNIT" FOR ADDITIONAL INFORMATION ON CRITERIA TO QUALIFY FOR THIS SELECTION.</p> <p><i>Note: If selecting this option, "Reporting Entity" refers to the Organizational Unit within the Legal Business Entity for the remainder of the questionnaire. (COMPLETE THE REMAINDER OF SECTION II AND ALL REMAINING SECTIONS OF THIS QUESTIONNAIRE.)</i></p>	
IDENTIFYING INFORMATION	
a) <u>Reporting Entity Name</u> N/A	
Address of the <u>Primary Place of Business</u> (street, city, state, zip code) N/A	Telephone N/A ext.
b) Describe the relationship of the <u>Reporting Entity</u> to the <u>Legal Business Entity</u>	
c) Attach an <u>organizational chart</u> N/A	
d) Does the Reporting Entity have a <u>DUNS</u> Number?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
If "Yes," enter <u>DUNS</u> Number N/A	
e) Identify the designated manager(s) responsible for the business of the <u>Reporting Entity</u> . <i>For each person, include name and title. Attach additional pages if necessary.</i>	
Name	Title

**NEW YORK STATE
VENDOR RESPONSIBILITY QUESTIONNAIRE
FOR-PROFIT BUSINESS ENTITY**

INSTRUCTIONS FOR SECTIONS III THROUGH VII

For each "Yes," provide an explanation of the issue(s), relevant dates, the government entity involved, any remedial or corrective action(s) taken and the current status of the issue(s). For each "Other," provide an explanation which provides the basis for not definitively responding "Yes" or "No." Provide the explanation at the end of the section or attach additional sheets with numbered responses, including the Reporting Entity name at the top of any attached pages.

III. LEADERSHIP INTEGRITY	
<i>Within the past five (5) years, has any current or former reporting entity official or any individual currently or formerly having the authority to sign, execute or approve bids, proposals, contracts or supporting documentation on behalf of the reporting entity with any government entity been:</i>	
3.0 <u>Sanctioned</u> relative to any business or professional permit and/or license?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Other
3.1 <u>Suspended, debarred, or disqualified</u> from any <u>government contracting process</u> ?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Other
3.2 The subject of an <u>investigation</u> , whether open or closed, by any <u>government entity</u> for a civil or criminal violation for any business-related conduct?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Other
3.3 Charged with a misdemeanor or felony, indicted, granted immunity, convicted of a crime or subject to a <u>judgment</u> for: a) Any business-related activity; or b) Any crime, whether or not business-related, the underlying conduct of which was related to truthfulness?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Other
For each "Yes" or "Other" explain: N/A	

IV. INTEGRITY – CONTRACT BIDDING	
<i>Within the past five (5) years, has the reporting entity:</i>	
4.0 Been <u>suspended</u> or <u>debarred</u> from any <u>government contracting process</u> or been <u>disqualified</u> on any government procurement, permit, license, concession, franchise or lease, including, but not limited to, <u>debarment</u> for a violation of New York State Workers' Compensation or Prevailing Wage laws or New York State Procurement Lobbying Law?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
4.1 Been subject to a denial or revocation of a government prequalification?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
4.2 Been denied a contract award or had a bid rejected based upon a <u>non-responsibility finding</u> by a <u>government entity</u> ?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
4.3 Had a low bid rejected on a <u>government contract</u> for failure to make <u>good faith efforts</u> on any <u>Minority-Owned Business Enterprise</u> , <u>Women-Owned Business Enterprise</u> or <u>Disadvantaged Business Enterprise</u> goal or <u>statutory affirmative action requirements</u> on a previously held contract?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
4.4 Agreed to a voluntary exclusion from bidding/contracting with a <u>government entity</u> ?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
4.5 Initiated a request to withdraw a bid submitted to a <u>government entity</u> in lieu of responding to an information request or subsequent to a formal request to appear before the <u>government entity</u> ?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
For each "Yes," explain: N/A	

**NEW YORK STATE
VENDOR RESPONSIBILITY QUESTIONNAIRE
FOR-PROFIT BUSINESS ENTITY**

V. INTEGRITY – CONTRACT AWARD	
<i>Within the past five (5) years, has the reporting entity:</i>	
5.0 Been <u>suspended</u> , cancelled or <u>terminated for cause</u> on any <u>government contract</u> including, but not limited to, a <u>non-responsibility finding</u> ?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
5.1 Been subject to an <u>administrative proceeding</u> or civil action seeking specific performance or restitution in connection with any <u>government contract</u> ?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
5.2 Entered into a formal monitoring agreement as a condition of a contract award from a <u>government entity</u> ?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
For each “Yes,” explain:	

VI. CERTIFICATIONS/LICENSES	
<i>Within the past five (5) years, has the reporting entity:</i>	
6.0 Had a revocation, <u>suspension</u> or <u>disbarment</u> of any business or professional permit and/or license?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
6.1 Had a denial, decertification, revocation or forfeiture of New York State certification of <u>Minority-Owned Business Enterprise</u> , <u>Women-Owned Business Enterprise</u> or federal certification of <u>Disadvantaged Business Enterprise</u> status for other than a change of ownership?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
For each “Yes,” explain:	

VII. LEGAL PROCEEDINGS	
<i>Within the past five (5) years, has the reporting entity:</i>	
7.0 Been the subject of an <u>investigation</u> , whether open or closed, by any <u>government entity</u> for a civil or criminal violation?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
7.1 Been the subject of an indictment, grant of immunity, <u>judgment</u> or conviction (including entering into a plea bargain) for conduct constituting a crime?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
7.2 Received any OSHA citation and Notification of Penalty containing a violation classified as <u>serious or willful</u> ?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
7.3 Had a <u>government entity</u> find a willful prevailing wage or supplemental payment violation or any other willful violation of New York State Labor Law?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
7.4 Entered into a consent order with the New York State Department of Environmental Conservation, or received an enforcement determination by any <u>government entity</u> involving a violation of federal, state or local environmental laws?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
7.5 Other than previously disclosed: a) Been subject to fines or penalties imposed by <u>government entities</u> which in the aggregate total \$25,000 or more; or b) Been convicted of a criminal offense pursuant to any administrative and/or regulatory action taken by any <u>government entity</u> ?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
For each “Yes,” explain:	

**NEW YORK STATE
VENDOR RESPONSIBILITY QUESTIONNAIRE
FOR-PROFIT BUSINESS ENTITY**

VIII. FINANCIAL AND ORGANIZATIONAL CAPACITY	
8.0 Within the past five (5) years, has the <u>Reporting Entity</u> received any <u>formal unsatisfactory performance assessment(s)</u> from any <u>government entity</u> on any contract?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
If "Yes," provide an explanation of the issue(s), relevant dates, the <u>government entity</u> involved, any remedial or corrective action(s) taken and the current status of the issue(s). Provide answer below or attach additional sheets with numbered responses.	
8.1 Within the past five (5) years, has the <u>Reporting Entity</u> had any <u>liquidated damages</u> assessed over \$25,000?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
If "Yes," provide an explanation of the issue(s), relevant dates, contracting party involved, the amount assessed and the current status of the issue(s). Provide answer below or attach additional sheets with numbered responses.	
8.2 Within the past five (5) years, have any <u>liens</u> or <u>judgments</u> (not including UCC filings) over \$25,000 been filed against the <u>Reporting Entity</u> which remain undischarged?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
If "Yes," provide an explanation of the issue(s), relevant dates, the Lien holder or Claimant's name(s), the amount of the <u>lien(s)</u> and the current status of the issue(s). Provide answer below or attach additional sheets with numbered responses.	
8.3 In the last seven (7) years, has the <u>Reporting Entity</u> initiated or been the subject of any bankruptcy proceedings, whether or not closed, or is any bankruptcy proceeding pending?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
If "Yes," provide the bankruptcy chapter number, the court name and the docket number. Indicate the current status of the proceedings as "Initiated," "Pending" or "Closed." Provide answer below or attach additional sheets with numbered responses.	
8.4 During the past three (3) years, has the <u>Reporting Entity</u> failed to file or pay any tax returns required by <u>federal</u> , state or local tax laws?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
If "Yes," provide the taxing jurisdiction, the type of tax, the liability year(s), the tax liability amount the <u>Reporting Entity</u> failed to file/pay and the current status of the tax liability. Provide answer below or attach additional sheets with numbered responses.	
8.5 During the past three (3) years, has the <u>Reporting Entity</u> failed to file or pay any New York State unemployment insurance returns?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
If "Yes," provide the years the <u>Reporting Entity</u> failed to file/pay the insurance, explain the situation and any remedial or corrective action(s) taken and the current status of the issue(s). Provide answer below or attach additional sheets with numbered responses.	
8.6 During the past three (3) years, has the <u>Reporting Entity</u> had any <u>government audit(s)</u> completed?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
a) If "Yes," did any audit of the <u>Reporting Entity</u> identify any reported significant deficiencies in internal control, fraud, illegal acts, significant violations of provisions of contract or grant agreements, significant abuse or any <u>material disallowance</u> ?	<input type="checkbox"/> Yes <input type="checkbox"/> No N/A
If "Yes" to 8.6 a), provide an explanation of the issue(s), relevant dates, the <u>government entity</u> involved, any remedial or corrective action(s) taken and the current status of the issue(s). Provide answer below or attach additional sheets with numbered responses.	

**NEW YORK STATE
VENDOR RESPONSIBILITY QUESTIONNAIRE
FOR-PROFIT BUSINESS ENTITY**

<p>IX. ASSOCIATED ENTITIES</p> <p><i>This section pertains to any entity(ies) that either controls or is controlled by the reporting entity. (See definition of “associated entity” for additional information to complete this section.)</i></p>	
<p>9.0 Does the <u>Reporting Entity</u> have any <u>Associated Entities</u>?</p> <p>Note: All questions in this section must be answered if the <u>Reporting Entity</u> is either:</p> <ul style="list-style-type: none"> – An <u>Organizational Unit</u>; or – The entire <u>Legal Business Entity</u> which controls, or is controlled by, any other entity(ies). <p>If “No,” SKIP THE REMAINDER OF SECTION IX AND PROCEED WITH SECTION X.</p>	<p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Please see Exhibits A and B at the end of the doc.</p>
<p>9.1 Within the past five (5) years, has any <u>Associated Entity Official</u> or <u>Principal Owner</u> been charged with a misdemeanor or felony, indicted, granted immunity, convicted of a crime or subject to a <u>judgment</u> for:</p> <ul style="list-style-type: none"> a) Any business-related activity; or b) Any crime, whether or not business-related, the underlying conduct of which was related to truthfulness? 	<p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>
<p>If “Yes,” provide an explanation of the issue(s), the individual involved, his/her title and role in the <u>Associated Entity</u>, his/her relationship to the <u>Reporting Entity</u>, relevant dates, the <u>government entity</u> involved, any remedial or corrective action(s) taken and the current status of the issue(s).</p>	
<p>9.2 Does any <u>Associated Entity</u> have any currently undischarged <u>federal</u>, New York State, New York City or New York local government <u>liens</u> or <u>judgments</u> (not including UCC filings) over \$50,000?</p>	<p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>
<p>If “Yes,” provide an explanation of the issue(s), identify the <u>Associated Entity’s</u> name(s), <u>EIN(s)</u>, primary business activity, relationship to the <u>Reporting Entity</u>, relevant dates, the <u>Lien holder</u> or <u>Claimant’s</u> name(s), the amount of the <u>lien(s)</u> and the current status of the issue(s). Provide answer below or attach additional sheets with numbered responses.</p>	
<p>9.3 Within the past five (5) years, has any <u>Associated Entity</u>:</p>	
<p>a) Been <u>disqualified, suspended</u> or <u>debarred</u> from any <u>federal</u>, New York State, New York City or other New York local <u>government contracting process</u>?</p>	<p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>
<p>b) Been denied a contract award or had a bid rejected based upon a <u>non-responsibility finding</u> by any <u>federal</u>, New York State, New York City, or New York local <u>government entity</u>?</p>	<p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>
<p>c) Been <u>suspended, cancelled</u> or <u>terminated for cause</u> (including for <u>non-responsibility</u>) on any <u>federal</u>, New York State, New York City or New York local <u>government contract</u>?</p>	<p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>
<p>d) Been the subject of an <u>investigation</u>, whether open or closed, by any <u>federal</u>, New York State, New York City, or New York local <u>government entity</u> for a civil or criminal violation with a penalty in excess of \$500,000?</p>	<p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>
<p>e) Been the subject of an indictment, <u>grant of immunity</u>, <u>judgment</u>, or conviction (including entering into a plea bargain) for conduct constituting a crime?</p>	<p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>
<p>f) Been convicted of a criminal offense pursuant to any administrative and/or regulatory action taken by any <u>federal</u>, New York State, New York City, or New York local <u>government entity</u>?</p>	<p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>
<p>g) Initiated or been the subject of any bankruptcy proceedings, whether or not closed, or is any bankruptcy proceeding pending?</p>	<p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>
<p>For each “Yes,” provide an explanation of the issue(s), identify the <u>Associated Entity’s</u> name(s), <u>EIN(s)</u>, primary business activity, relationship to the <u>Reporting Entity</u>, relevant dates, the <u>government entity</u> involved, any remedial or corrective action(s) taken and the current status of the issue(s). Provide answer below or attach additional sheets with numbered responses.</p>	

**NEW YORK STATE
VENDOR RESPONSIBILITY QUESTIONNAIRE
FOR-PROFIT BUSINESS ENTITY**

X. FREEDOM OF INFORMATION LAW (FOIL)	
10. Indicate whether any information supplied herein is believed to be exempt from disclosure under the Freedom of Information Law (FOIL). Note: A determination of whether such information is exempt from FOIL will be made at the time of any request for disclosure under FOIL.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
If "Yes," indicate the question number(s) and explain the basis for the claim.	

XI. AUTHORIZED CONTACT FOR THIS QUESTIONNAIRE		
Name Keith W. Riggs	Telephone 512.334.7601 ext.	Fax N/A
Title SVP of Engineering	Email Keith.Riggs@everi.com	

AC 3290-S (4/12)

NYS Vendor ID: 1100059335

NEW YORK STATE VENDOR RESPONSIBILITY QUESTIONNAIRE FOR-PROFIT BUSINESS ENTITY

Certification

The undersigned: (1) recognizes that this questionnaire is submitted for the express purpose of assisting New York State contracting entities in making responsibility determinations regarding an award of a contract or approval of a subcontract; (2) recognizes that the Office of the State Comptroller (OSC) will rely on information disclosed in the questionnaire in making responsibility determinations and in approving a contract or subcontract; (3) acknowledges that the New York State contracting entities and OSC may, in their discretion, by means which they may choose, verify the truth and accuracy of all statements made herein; and (4) acknowledges that intentional submission of false or misleading information may constitute a misdemeanor or felony under New York State Penal Law, may be punishable by a fine and/or imprisonment under Federal Law, and may result in a finding of non-responsibility, contract suspension or contract termination.

The undersigned certifies that he/she:

- is knowledgeable about the Reporting Entity's business and operations;
- has read and understands all of the questions contained in the questionnaire;
- has not altered the content of the questionnaire in any manner;
- has reviewed and/or supplied full and complete responses to each question;
- to the best of his/her knowledge, information and belief, confirms that the Reporting Entity's responses are true, accurate and complete, including all attachments, if applicable;
- understands that New York State will rely on the information disclosed in the questionnaire when entering into a contract with the Reporting Entity; and
- is under obligation to update the information provided herein to include any material changes to the Reporting Entity's responses at the time of bid/proposal submission through the contract award notification, and may be required to update the information at the request of the New York State contracting entities or OSC prior to the award and/or approval of a contract, or during the term of the contract.

Signature of Owner/Officer

Printed Name of Signatory

Dean Ehrlich

Title

Exec. VP, Games

Reporting Entity Name

Everi Games Inc.

Address

206 Wild Basin Road S, Building B

City, State, Zip

Austin, TX 78746

Sworn to before me this

31

day of

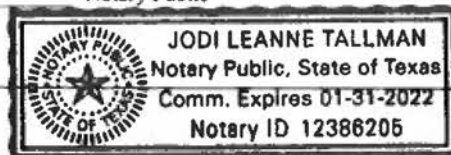
May

20

19

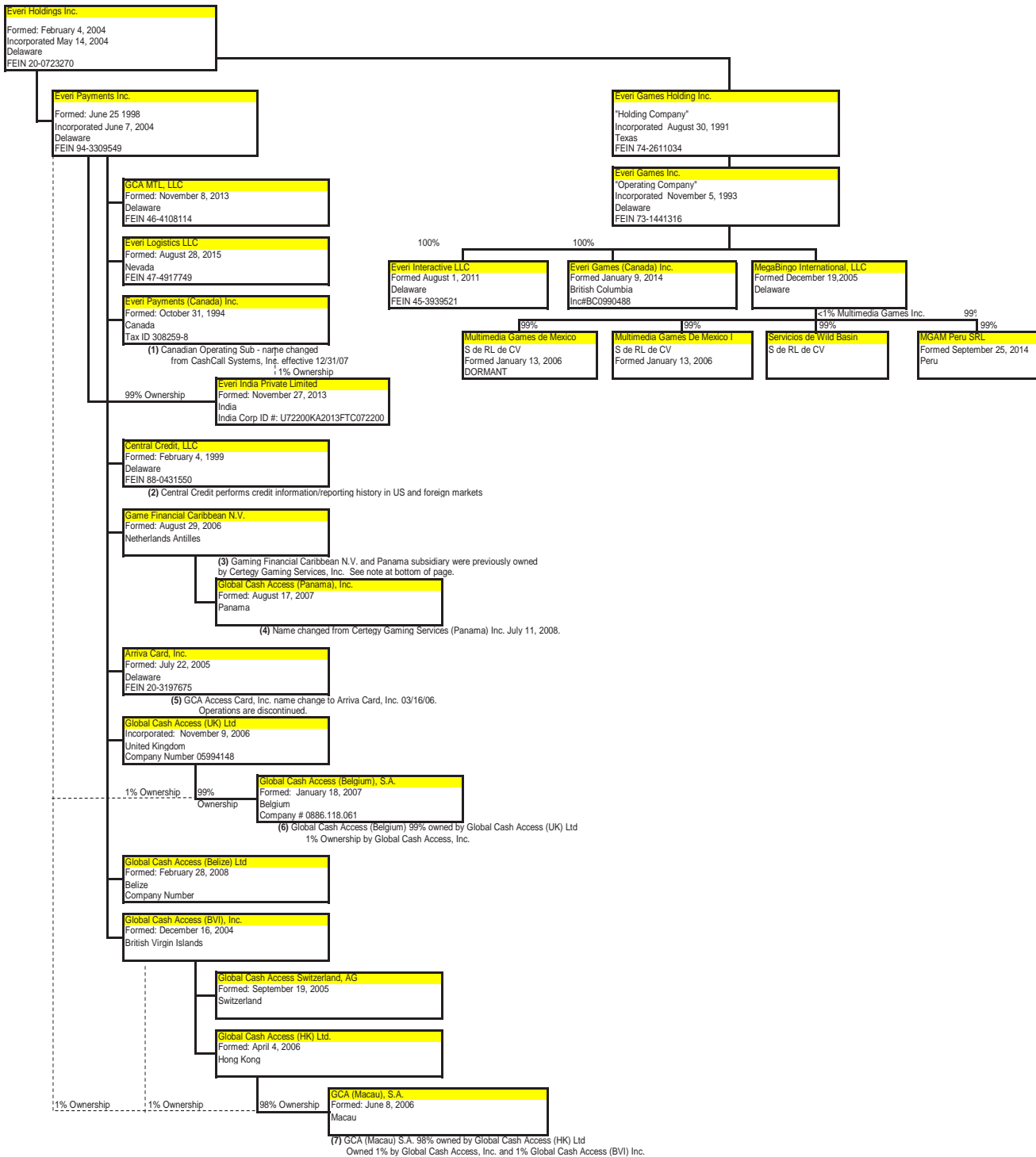
:

Notary Public

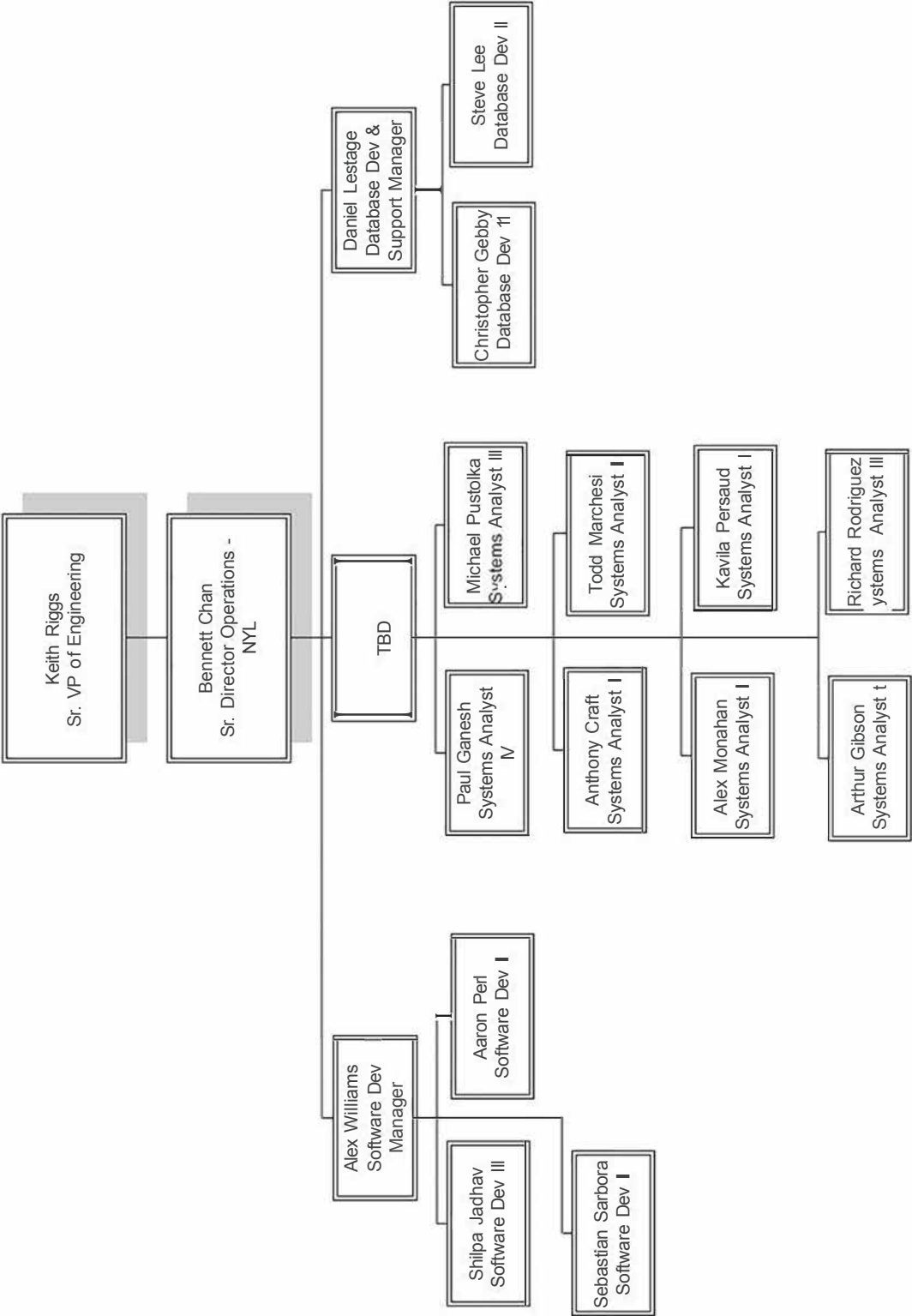


Everi Holdings Inc.
Corporate Structure
As of September 30, 2018

Exhibit A



NYL Business Organization Chart
Exhibit B



EVERI GAMES INC.

EXHIBIT C

Directors, Officers and Shareholder

NAME / TITLE	OWNER-SHIP %
Michael D. Rumbolz President, CEO and Director Appointed: 05/2016	0%
Juliet A. Lim Executive Vice President, General Counsel, Corporate Secretary and Director Appointed: 12/2014	0%
Randy L. Taylor Executive Vice President, CFO, Treasurer and Director Appointed: 12/2014	0%
Everri Games Holding Inc. 100% Shareholder of Everri Games Inc. Everri Holdings Inc. is the 100% shareholder of Everri Games Holding Inc. (publicly- traded in NYSE: EVRI) Formed: 02/04/04	100%

ENCOURAGING USE OF NEW YORK STATE BUSINESSES IN CONTRACT PERFORMANCE

New York State businesses have a substantial presence in State contracts and strongly contribute to the economies of the state and the nation. In recognition of their economic activity and leadership in doing business in New York State, bidders/proposers for this contract for commodities, services or technology are strongly encouraged and expected to consider New York State businesses in the fulfillment of the requirements of the contract. Such partnering may be as subcontractors, suppliers, protégés or other supporting roles.

Bidders/proposers need to be aware that all authorized users of this contract will be strongly encouraged, to the maximum extent practical and consistent with legal requirements, to use responsible and responsive New York State businesses in purchasing commodities that are of equal quality and functionality and in utilizing services and technology. Furthermore, bidders/proposers are reminded that they must continue to utilize small, minority and women-owned businesses, consistent with current State law.

Utilizing New York State businesses in State contracts will help create more private sector jobs, rebuild New York's infrastructure, and maximize economic activity to the mutual benefit of the contractor and its New York State business partners. New York State businesses will promote the contractor's optimal performance under the contract, thereby fully benefiting the public sector programs that are supported by associated procurements.

Public procurements can drive and improve the State's economic engine through promotion of the use of New York businesses by its contractors. The State therefore expects bidders/proposers to provide maximum assistance to New York businesses in their use of the contract. The potential participation by all kinds of New York businesses will deliver great value to the State and its taxpayers.

Bidders/proposers can demonstrate their commitment to the use of New York State businesses by responding to the question below:

Will New York State Businesses be used in the performance of this contract? Yes No

If yes, identify New York State businesses that will be used and attach identifying information.

See the list of New York State businesses on the next page.

Firm Name: Everi Games Inc.
Signature: 

Date: 5/31/19

Appendix I List of New York Businesses

Chris' Coffee Service Inc
10 Corporate Circle
Albany, NY 12203
518-452-5995
Contact: Amanda; Jenn
accounting@chriscoffee.com
Food Service

Com-Bell Systems
561 Acorn Street, Suite C
Deer Park, NY 11729
631-586-3891
Telephone answering service

Cordo & Company, LLC
119 Washington Ave, Suite 2C
Albany, NY 12210
518-445-2535
aloudis@cordolaw.com
Legal

Don's Moving & Storage Inc.
981 Broadway
Albany, NY 12207
518-462-0697
Contact: Renata Coyne
renata@donsmovers.com
Moving and Storage

General Mechanical Group INC
H.T. Lyons Inc.
3 Rexford Way
Halfmoon, NY 12065
518-785-4800 x140
Contact: John Keegan or Dotti Jones
jkeegan@htlyons.com; djones@htlyons.com
Maintenance and Repair

Iron Mountain Secure IT Assets Disposition Service
220 East 42nd Street Suite 2204
New York, NY 10017
212-293-3310
geoffrey.deutsch@ironmountain.com
Paper Shredding

Lantek Communications N.Y. Inc.
580 Fishers Station Drive
Victor, NY 14564
585-924-6980 X-104
Contact: Mark Sabin
Telecommunications

One Broadway Center
C/O Omni Management Group, Ltd
54 State Street, 8th Floor
Albany, NY 12207
Property Rent

Sanders Fire & Safety
PO Box 739
Clifton Park, NY 12065
518-665-0400
Fire and Safety Systems

Sunset Storage Center
780 RTE 5 & 20
Irving, NY 14081
Storage

APPENDIXJ

EEO and M/WBE Program

- J: Contractor Requirements and Procedures for Business Participation Opportunities for EEO and M/WBE Program**
- J-1: Work Force Employment Utilization Report Instructions**
- J-2: Work Force Employment Staffing Plan**
- J-3: Work Force Employment Periodic Report**
- J-4: MWBE Utilization Plan Form**
- J-5: MWBE Request for Waiver Form**

CONTRACTOR REQUIREMENTS AND PROCEDURES FOR PARTICIPATION BY NEW YORK STATE-CERTIFIED MINORITY AND WOMEN-OWNED BUSINESS ENTERPRISES AND EQUAL EMPLOYMENT OPPORTUNITIES FOR MINORITY GROUP MEMBERS AND WOMEN

NEW YORK STATE LAW

Pursuant to New York State Executive Law Article 15-A and Parts 140-145 of Title 5 of the New York Codes, Rules and Regulations the New York State Gaming Commission (the "Commission") is required to promote opportunities for the maximum feasible participation of New York State-certified Minority and Women-owned Business Enterprises ("MWBEs") and the employment of minority group members and women in the performance of Commission contracts.

Business Participation Opportunities for MWBEs

For purposes of this solicitation, the Commission hereby establishes an overall goal of 30% for MWBE participation. A contractor ("Contractor") on any contract resulting from this procurement ("Contract") must document its good faith efforts to provide meaningful participation by MWBEs as subcontractors and suppliers in the performance of the Contract. To that end, by submitting a response to this RFP, the respondent agrees that the Commission may withhold payment pursuant to any Contract awarded as a result of this RFP pending receipt of the required MWBE documentation. The directory of MWBEs can be viewed at: <https://ny.newnycontracts.com>. For guidance on how the Commission will evaluate a Contractor's "good faith efforts," refer to 5 NYCRR § 142.8.

The respondent understands that only sums paid to MWBEs for the performance of a commercially useful function, as that term is defined in 5 NYCRR § 140.1, may be applied towards the achievement of the applicable MWBE participation goal. The portion of a contract with an MWBE serving as a broker that shall be deemed to represent the commercially useful function performed by the MWBE shall be 25% of the total value of the contract.

In accordance with 5 NYCRR § 142.13, the respondent further acknowledges that if it is found to have willfully and intentionally failed to comply with the MWBE participation goals set forth in a Contract resulting from this RFP, such finding constitutes a breach of contract and the Commission may withhold payment as liquidated damages.

Such liquidated damages shall be calculated as an amount equaling the difference between: (1) all sums identified for payment to MWBEs had the Contractor achieved the contractual MWBE goals; and (2) all sums actually paid to MWBEs for work performed or materials supplied under the Contract.

By submitting a bid or proposal, a respondent agrees to demonstrate its good faith efforts to achieve the applicable MWBE participation goals by submitting evidence thereof through the New York State Contract System ("NYSCS"), which can be viewed at <https://ny.newnycontracts.com>, provided, however, that a respondent may arrange to provide such evidence via a non-electronic method by contacting Michele June michele.june@gaming.ny.gov or (518) 388-2134.

Additionally, a respondent will be required to submit the following documents and information as evidence of compliance with the foregoing:

- A. An MWBE Utilization Plan with their bid or proposal. Any modifications or changes to an accepted MWBE Utilization Plan after the Contract award and during the term of the Contract must be reported on a revised MWBE Utilization Plan and submitted to the Commission for review and approval.

The Commission will review the submitted MWBE Utilization Plan and advise the respondent of Commission acceptance or issue a notice of deficiency within 30 days of receipt.

- B. If a notice of deficiency is issued, the respondent will be required to respond to the notice of deficiency within seven (7) business days of receipt by submitting to the New York State Gaming Commission, Attn: Michele June, One Broadway Center, Schenectady, NY 12305, (518) 388-2134, michele.june@gaming.ny.gov, a written remedy in response to the notice of deficiency. If the written remedy that is submitted is not timely or is found by the Commission to be inadequate, the Commission shall notify the respondent and direct the respondent to submit, within five (5)

business days, a request for a partial or total waiver of MWBE participation goals. Failure to file the waiver form in a timely manner may be grounds for disqualification of the bid or proposal.

The Commission may disqualify a respondent as being non-responsive under the following circumstances:

- a) If a respondent fails to submit an MWBE Utilization Plan;
- b) If a respondent fails to submit a written remedy to a notice of deficiency;
- c) If a respondent fails to submit a request for waiver; or
- d) If the Commission determines that the respondent has failed to document good faith efforts.

The successful respondent will be required to attempt to utilize, in good faith, any MBE or WBE identified within its MWBE Utilization Plan, during the performance of the Contract. Requests for a partial or total waiver of established goal requirements made subsequent to Contract Award may be made at any time during the term of the Contract to the Commission, but must be made no later than prior to the submission of a request for final payment on the Contract.

The successful respondent will be required to submit a quarterly M/WBE Contractor Compliance & Payment Report to the Commission, by the 10th day following each end of quarter over the term of the Contract documenting the progress made toward achievement of the MWBE goals of the Contract.

Equal Employment Opportunity Requirements

By submission of a bid or proposal in response to this solicitation, the respondent agrees with all of the terms and conditions of Appendix A - Standard Clauses for All New York State Contracts including Clause 12 - Equal Employment Opportunities for Minorities and Women. The respondent is required to ensure that it and any subcontractors awarded a subcontract for the construction, demolition, replacement, major repair, renovation, planning or design of real property and improvements thereon (the "Work"), except where the Work is for the beneficial use of the respondent, undertake or continue programs to ensure that minority group members and women are afforded equal employment opportunities without discrimination because of race, creed, color, national origin, sex, age, disability or marital status. For these purposes, equal opportunity shall apply in the areas of recruitment, employment, job assignment, promotion, upgrading, demotion, transfer, layoff, termination, and rates of pay or other forms of compensation. This requirement does not apply to: (i) work, goods, or services unrelated to the Contract; or (ii) employment outside New York State.

The respondent will be required to submit a Minority and Women-owned Business Enterprise and Equal Employment Opportunity Policy Statement, Form # 4, to the Commission with its bid or proposal.

If awarded a Contract, respondent shall submit a Workforce Utilization Report and shall require each of its Subcontractors to submit a Workforce Utilization Report, in such format as shall be required by the Commission on a quarterly basis during the term of the Contract.

Pursuant to Executive Order #162, contractors and subcontractors will also be required to report the gross wages paid to each of their employees for the work performed by such employees on the contract utilizing the Workforce Utilization Report on a quarterly basis.

Further, pursuant to Article 15 of the Executive Law (the "Human Rights Law"), all other State and Federal statutory and constitutional non-discrimination provisions, the Contractor and sub-contractors will not discriminate against any employee or applicant for employment because of race, creed (religion), color, sex, national origin, sexual orientation, military status, age, disability, predisposing genetic characteristic, marital status or domestic violence victim status, and shall also follow the requirements of the Human Rights Law with regard to non-discrimination on the basis of prior criminal conviction and prior arrest.

Please Note: Failure to comply with the foregoing requirements may result in a finding of non-responsiveness, non-responsibility and/or a breach of the Contract, leading to the withholding of funds, suspension or termination of the Contract or such other actions or enforcement proceedings as allowed by the Contract.

Instructions for Submitting the Workforce Utilization Report

The Workforce Utilization Report ("Report") is to be submitted on a monthly basis for construction contracts, and a quarterly basis for all other contracts, during the life of the contract to report the actual workforce utilized in the performance of the contract broken down by job title. When the workforce utilized in the performance of the contract can be separated out from the contractor's and/or subcontractor's total workforce, the contractor and/or subcontractor shall submit a Report of the workforce utilized on the contract. When the workforce to be utilized on the contract cannot be separated out from the contractor's and/or subcontractor's total workforce, information on the contractor's and/or subcontractor's total workforce may be included in the Report.

Reports are to be submitted electronically, using the provided Report worksheet, to Michelle.june@il.amin.nv.m within ten (10) days following the end of each month or quarter, whichever is applicable.

Instructions for Completing the Workforce Utilization Report

1. REPORTING ENTITY: Check off the appropriate box to indicate if the entity completing the Report is the contractor or a subcontractor.
2. FEDERAL EMPLOYER IDENTIFICATION NUMBER: Enter the Federal Employer Identification Number (FEIN) assigned by the IRS. Contractors utilizing their social security number in lieu of an FEIN should leave this field blank.
3. CONTRACTOR NAME and CONTRACTOR ADDRESS: Enter the primary business address for the entity completing the Report.
4. CONTRACT NUMBER: Enter the number of the contract to which the Report applies.
5. REPORTING PERIOD: Check off the box that corresponds to the applicable quarterly or monthly reporting period for this Report. Only select one box.
6. WORKFORCE IDENTIFIED IN REPORT: Check off the appropriate box to indicate if the workforce being reported is just for the contract or the contractor's or subcontractor's total workforce.
7. OCCUPATION CLASSIFICATIONS and SOC JOB TITLE: Select the occupation classification and job title that best describes each group of employees performing work on the state contract under columns A and B.
8. EEO JOB TITLE and SOC CODE: These fields will populate automatically based upon the Occupation Classifications and SOC Job Titles selected. Do not modify the results generated in these fields.
9. NUMBER OF EMPLOYEES and NUMBER OF HOURS: Enter the number of employees and total number of hours worked by such employees for each job title under the columns corresponding to the gender and racial/ethnic groups with which the employees most closely identify.
10. TOTAL COMPENSATION: Enter the total compensation paid to all employees for each job code, and each gender and racial/ethnic group, identified in the Report. Contractors and subcontractors should report only compensation for work on the contract paid to employees during the period covered by the Report. Compensation should include only sums which must be reported in Box I of IRS Form W2.
11. PREPARER'S INFORMATION: Enter the name and title for the person completing the form, enter the date upon which the Report was completed, and check the box accepting the name entered into the Report as the digital signature of the preparer.

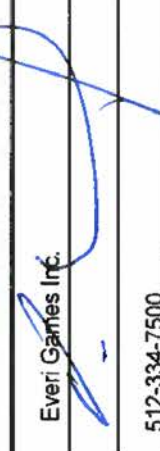
Race/Ethnic Identification

Race/ethnic designations do not denote scientific definitions of anthropological origins. For the purposes of this Report, an employee must be included **in** the group with which he or she most closely identifies. No person may be counted in more than one race/ethnic group. In determining an employee's race or ethnicity, a contractor may rely upon an employee's self identification, employment records, or, **in** cases where an employee refuses to identify his or her race or identity, observer identification. The race/ethnic categories for this Report are:

- **WHITE** (Not of Hispanic origin) All persons having origins in any of the original peoples of Europe, North Africa, or the Middle East.
- **BLACK/AFRICAN AMERICAN** a person, not of Hispanic origin, who has origins in any of the black racial groups of the original peoples of Africa.
- **HISPANIC/LATINO** a person of Mexican, Puerto Rican, Cuban, Central or South American or other Spanish culture or origin, regardless of race.
- **ASIAN, NATIVE HAWAIIAN OR OTHER PACIFIC ISLANDER** a person having origins **in** any of the original peoples of the Far East, Southeast Asia, the Indian subcontinent or the Pacific Islands.
- **NATIVE AMERICAN/ALASKAN NATIVE** a person having origins **in** any of the original peoples of North America, and who maintains cultural identification through tribal affiliation or community recognition.

Resources

If you have questions regarding these requirements, are unsure of the appropriate job titles to include in your Report, or otherwise require assistance in preparing or submitting the Report, please contact [\1ichele.june@cearnine.nv.gov](mailto:ichele.june@cearnine.nv.gov), 518-388-2134.

WORK FORCE EMPLOYMENT STAFFING PLAN												
Project/RFP Title		NY State Gaming Commission RFP for NY Lottery Video Lottery Central System			Location of Contract		Schenectady		County		12303	
Contractor/Firm Name		Everi Games Inc.			Address		206 Wild Basin Road S. Bldg B Austin TX 78746		State		Zip	
Check applicable categories (1) Staff Estimates include: Contract/Project Staff <input checked="" type="checkbox"/> Total Work Force <input type="checkbox"/> Subcontractors <input type="checkbox"/> (2) Type of Contract: Construction Consultants <input type="checkbox"/> Commodities <input type="checkbox"/> Services/Consultants <input checked="" type="checkbox"/>												
Federal Occupational Category	Total Number of Employees		Total Anticipated Work Force				Asian or Pacific Islander		Native American/ Alaskan Native		Total Percent Minority Employees	Total Percent Female Employees
	Male	Female	Black (Not of Hispanic Origin)		Hispanic		Male		Female		Male	Female
Officials/Admin	8	1	Male	Female	Male	Female	Male	Female	Male	Female	33%	11%
Professionals	30	4	2	5	6	1	1	1	1	1	47%	12%
Technicians												
Sales Workers												
Office & Clerical												
Craft Workers												
Operatives												
Laborers												
Service Workers												
TOTALS	38	5	2	0	5	0	9	1	1	1	44%	11.6%
Company Official's Name		Everi Games Inc.			Title		Exec. VP Games		Date		5/31/19	
Company Official's Signature					Telephone Number		512-334-7500					

**INSTRUCTIONS FOR COMPLETING THE NEW YORK STATE GAMING COMMISSION'S
MINORITY AND WOMEN-OWNED BUSINESS ENTERPRISE PROGRAM
VENDOR/CONTRACTOR'S MWBE UTILIZATION PLAN FORM**

As mandated by Article 15-A of the Executive Law and the new subtitle N of 9 NYCRR 540 et seq, the New York State Gaming Commission (the "Commission") has established a goal of 30% participation by New York State Certified Minority and Women owned Business Enterprise (MWBE) as subcontractors/suppliers in this contract. Contractors must submit the attached MWBE Utilization Plan Form indicating how they will intend to comply with the established goals.

For the directory of New York State certified MWBE's, please visit the New York State's Division of Minority and Women-owned Business Development website at:
<https://ny.newnycontracts.com/11/FrontEnd/VendorSearchPublic.asp>

Completion of the Form:

The Commission will complete all the un-shaded areas including: agency information, contract details, and summary of allocation of MWBE utilization and related value.

The contractor will complete the remaining, shaded, areas. It is important that the contractor provide detailed contact information including: name, phone number and email address.

Within the utilization section of the form, the contractor must list the names and addresses of all subcontractors or suppliers that will be utilized during this contract. The following items should be completed for each vendor listed:

- Subcontractor's Federal ID#
- Subcontractor information as follows:
 - o By checking the appropriate boxes, indicate whether the subcontractors are "SUB" or "SUP", minority-owned business enterprise "MBE" or women-owned business enterprise "WBE", and if they are NYS Certified.
- Brief description of the work the subcontractor's will provide.

Note: additional sheets may be used if necessary.

Attestation and Form Acceptance

The preparer must attest to the information provided by signing in the appropriate space; in addition, print the name of the contractor, provide telephone number, and date.

The last section, bottom right, will be completed by the Commission upon its review of the form. The contractor will be notified of the acceptance or deficiency of the MWBE Utilization Plan Form.

If assistance is required in completing this form or locating a New York State certified vendor to utilize as subcontractors or suppliers, please contact the Commission's MWBE Officer at (518) 388-2134.

C190001
Appendix J-4

**NEW YORK STATE GAMING COMMISSION
VENDOR/CONTRACTOR'S MINORITY AND WOMEN-OWNED BUSINESS UTILIZATION PLAN FORM**

AGENCY NAME _____
 AGENCY CONTACT _____
 AGENCY PHONE _____

CONTRACTOR NAME AND ADDRESS	CHECK APPROPRIATE BOX		DATE SUBMITTED	TOTAL VALUE OF CONTRACT			
	SUPPLIER	CONTRACTOR		CONTRACTOR'S FID#	CONTRACT EFFECTIVE DATES		
PROJECT DESCRIPTION	GOALS		JOB NUMBER (IF APPLICABLE)	CONTRACT NUMBER			
	MBE	WBE					
SUBCONTRACTOR/SUPPLIER NAME & ADDRESS	CHECK ONE	SUBCONTRACTOR/SUPPLIER TAXPAYER/FEDERAL ID#	MBE (CHECK)	WBE (CHECK)	NYS CERTIFIED (CHECK)	DESCRIPTION OF WORK	VALUE OF CONTRACT
		SUB -		YES -	YES -	YES -	
	SUP -		NO -	NO -	NO -		
	SUB -		YES -	YES -	YES -		
	SUP -		NO -	NO -	NO -		
	SUB -		YES -	YES -	YES -		
	SUP -		NO -	NO -	NO -		
	SUB -		YES -	YES -	YES -		
	SUP -		NO -	NO -	NO -		

\$ AMOUNT % OF TOTAL

- (A) TOTAL CONTRACT BID AMOUNT: _____
- (B) TOTAL SUBCONTRACTS FOR COMMODITIES AND SERVICES TO MBE'S: _____
- (C) TOTAL SUBCONTRACTS FOR COMMODITIES AND SERVICES TO WBE'S: _____

CONTRACTOR'S ATTESTATION: MY FIRM PROPOSES TO USE THE MWBE'S LISTED ON THIS FORM.

PREPARED BY: (SIGNATURE OF CONTRACTOR) _____ IPrint _____ NAME OF CONTRACTOR _____

TELEPHONE NUMBER _____ IDATE _____

FOR OFFICE USE ONLY

REVIEWED BY: _____

DATE: _____

MWBE FIRMS CERTIFIED: _____

MWBE FIRMS NOT CERTIFIED: _____

NOTICE: this report is required pursuant to Executive Law, failure to report will result in noncompliance.

REQUEST FOR WAIVER FORM

C190001

<p>INSTRUCTIONS: SEE PAGE 2 OF THIS ATTACHMENT FOR REQUIREMENTS AND DOCUMENT SUBMISSION INSTRUCTIONS.</p>	
<p>Offerer/Contractor Name:</p>	<p>Federal Identification No.:</p>
<p>Address:</p>	<p>Solicitation/Contract No.:</p>
<p>City, State, Zip Code:</p>	<p>M/WBE Goals: MBE % WBE %</p>
<p>By submitting this form and the required information, the offerer/contractor certifies that every Good Faith Effort has been taken to promote M/WBE participation pursuant to the M/WBE requirements set forth under the contract.</p> <p>Contractor is requesting a:</p>	
<p>1. D MBE Waiver - A waiver of the MBE Goal for this procurement is requested. D Total D Partial</p> <p>2. D WBE Waiver-A waiver of the WBE Goal for this procurement is requested. D Total D Partial</p>	
<p>PREPARED BY (Signature):</p>	<p>Date:</p>
<p>SUBMISSION OF THIS FORM CONSTITUTES THE OFFERER/CONTRACTOR'S ACKNOWLEDGEMENT AND AGREEMENT TO COMPLY WITH THE M/WBE REQUIREMENTS SET FORTH UNDER NYS EXECUTIVE LAW, ARTICLE 15-A AND 5 NYCRR PART 143. FAILURE TO SUBMIT COMPLETE AND ACCURATE INFORMATION MAY RESULT IN A FINDING OF NONCOMPLIANCE AND/OR TERMINATION OF THE CONTRACT.</p>	
<p>Name and Title of Preparer (Printed or Typed):</p>	<p>Telephone Number: _____ Email Address: _____</p>
<p>Submit with the bid or proposal or if submitting after award submit to:</p> <p>NYS Gaming Commission Attn: Michele June One Broadway Center Schenectady, NY 12301</p>	
<p>***** GAMING COMMISSION USE ONLY *****</p>	
<p>REVIEWED BY:</p>	<p>DATE:</p>
<p>Waiver Granted: D YES MBE: 0 WBE: 0</p> <p>D Total Waiver D Partial Waiver</p> <p>D *Conditional</p> <p>D Notice of Deficiency Issued _____</p> <p>*Comments:</p>	

REQUIREMENTS AND DOCUMENT SUBMISSION INSTRUCTIONS

When completing the Request for Waiver Form please check all boxes that apply. To be considered, the Request for Waiver Form must be accompanied by documentation for items 1 - 10, as listed below. Copies of the following information and all relevant supporting documentation must be submitted along with the request:

1. A statement setting forth your basis for requesting a partial or total waiver.
2. The names of general circulation, trade association, and M/WBE-oriented publications in which you solicited certified M/WBEs for the purposes of complying with your participation goals.
3. A list identifying the date(s) that all solicitations for certified M/WBE participation were published in any of the above publications.
4. A list of all certified M/WBEs appearing in the NYS Directory of Certified Firms that were solicited for purposes of complying with your certified M/WBE participation levels.
5. Copies of notices, dates of contact, letters, and other correspondence as proof that solicitations were made in writing and copies of such solicitations, or a sample copy of the solicitation if an identical solicitation was made to all certified M/WBEs.
6. Provide copies of responses made by certified M/WBEs to your solicitations.
7. Provide a description of any contract documents, plans, or specifications made available to certified M/WBEs for purposes of soliciting their bids and the date and manner in which these documents were made available.
8. Provide documentation of any negotiations between you, the Offeror/Contractor, and the M/WBEs undertaken for purposes of complying with the certified M/WBE participation goals.
9. Provide any other information you deem relevant which may help us in evaluating your request for a waiver.
10. Provide the name, title, address, telephone number, and email address of offeror/contractor's representative authorized to discuss and negotiate this waiver request.

Note: Unless a Total Waiver has been granted, the offeror or contractor will be required to submit all reports and documents pursuant to the provisions set forth in the Contract.

M/WBE UTILIZATION PLAN

INSTRUCTIONS: This form MUST be submitted with any bid, proposal, or proposed negotiated contract prior to contract award. This Utilization Plan must contain a detailed description of the supplies and/or services to be provided by each NYS-certified Minority and Women-owned Business Enterprise (M/WBE), including the offeror if a NYS-certified M/WBE, and estimated (or actual if known) annual dollar value under the contract and reflect the MWBE participation goals specified in the contract or procurement document.

Will there be M/WBE participation for services provided under this contract? YES NO

Contract Overview

Offeror/Contractor Name: **Everi Games Inc.** Telephone: **512.334.7500** SFS Vendor ID: **1100059335**
 Address: **206 Wild Basin Rd S, Building B** Federal ID No: **731441316**
 City, State, Zip: **Austin, TX 78746** Solicitation No: **C190001**

NYS Certified M/WBE
 Fill out box below for each NYS-Certified M/WBE Contractor or Subcontractor

Name:	Classification	Description of Scope of Work (Subcontracts/Supplies/Services)	Annual Dollar Value of Subcontracts/Supplies/Services
Crisafulli Brothers Plumbing and Heating Contractors Inc.	<input type="checkbox"/> MBE <input checked="" type="checkbox"/> WBE <input type="checkbox"/> DUAL	<input checked="" type="checkbox"/> DIRECT (Spending directly fulfilling contract obligations) Description: Monthly HVAC Preventative Maintenance <input type="checkbox"/> INDIRECT (Spending in support of company operations.) Description: Copy of written agreement attached (Required for teaming)	\$ \$4000 - \$5000
520 Livingston Avenue Albany, NY 12206 (518) 868-0494 SFS Vendor ID: unknown			

Allie B's Cozy Kitchen	<input type="checkbox"/> MBE <input checked="" type="checkbox"/> WBE <input type="checkbox"/> DUAL	<input type="checkbox"/> DIRECT (Spending directly fulfilling contract obligations) Description: _____ <input checked="" type="checkbox"/> INDIRECT (Spending in support of company operations.) Description: Monthly Food Catering <input type="checkbox"/> Copy of written agreement attached (Required for teaming)	\$ \$4200.00
353 Clinton Ave Albany, NY 12206 (518) 729-3472 SFS Vendor ID: unknown			

VENDOR CERTIFICATION: I hereby affirm that the information supplied in this utilization plan is true and correct.

SUBMISSION OF THIS FORM CONSTITUTES THE OFFEROR/CONTRACTOR'S ACKNOWLEDGEMENT AND AGREEMENT TO COMPLY WITH THE M/WBE REQUIREMENTS SET FORTH UNDER NYS EXECUTIVE LAW, ARTICLE 15-A, § 15-C(1)(b) PART 1-2, AND THE ABOVE REFERENCED SOLICITATION. FAILURE TO SUBMIT COMPLETE AND ACCURATE INFORMATION MAY RESULT IN A FINDING OF NONCOMPLIANCE AND/OR TERMINATION OF THE CONTRACT.

Signature: 
 Print Name: **Dean Ehrlich**
 Title: **Executive VP, Games**
 Date: _____
 Telephone No: **512.439.3033**
 Email: **dean.ehrlich@everi.com**

M/WBE UTILIZATION PLAN

FOR AUTHORIZED USE ONLY			
Utilization Plan Approved:	<input type="checkbox"/> Y	<input type="checkbox"/> N	Date: _____
Notice of Deficiency Issued:	<input type="checkbox"/> Y	<input type="checkbox"/> N	Date: _____
Notice of Acceptance Issued:	<input type="checkbox"/> Y	<input type="checkbox"/> N	Date: _____
Reviewed By:	_____		Date: _____
Comment(s):	_____		

M/WBE UTILIZATION PLAN

INSTRUCTIONS: This form MUST be submitted with any bid, proposal, or proposed negotiated contract prior to contract award. This Utilization Plan must contain a detailed description of the supplies and/or services to be provided by each NYS-certified Minority and Women-owned Business Enterprise (M/WBE), including the offeror if a NYS-certified MWBE, and estimated (or actual if known) annual dollar value under the contract and reflect the MWBE participation goals specified in the contract or procurement document.

Will there be M/WBE participation for services provided under this contract? YES NO

Contract Overview

Officer/Contractor Name: **Everi Games Inc.** Telephone: **512.334.7500** SFS Vendor ID: **1100059335**

Address: **206 Wild Basin Rd S, Building B** Federal ID No: **731441316**

City, State, Zip: **Austin, TX 78746** Solicitation No: **C190001**

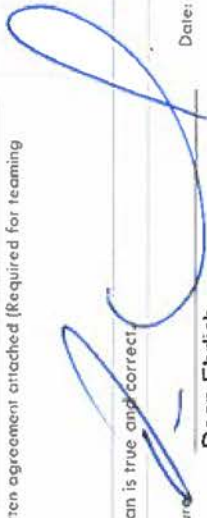
NYS Certified M/WBE
Fill out box below for each NYS-Certified M/WBE Contractor or Subcontractor

Name:	Classification	Description of Scope of Work (Subcontracts/Supplies/Services)	Annual Dollar Value of Subcontracts/Supplies/Services
D & L Janitorial Maintenance	<input checked="" type="checkbox"/> MBE	<input type="checkbox"/> DIRECT (Spending directly fulfilling contract obligations) Description: _____ <input checked="" type="checkbox"/> INDIRECT (Spending in support of company operations.) Description: Janitorial services <input type="checkbox"/> Copy of written agreement attached (Required for teaming)	\$ \$1500/mo or \$18,000/yr
1076 Cutler Street	<input type="checkbox"/> WBE		
Schenectady, NY 12303	<input type="checkbox"/> DUAL		
(518) 210-2173			
81-1378695			
unknown			

Name:	<input type="checkbox"/> MBE	<input type="checkbox"/> DIRECT (Spending directly fulfilling contract obligations)	\$ _____
Address:	<input type="checkbox"/> WBE	Description: _____ <input type="checkbox"/> INDIRECT (Spending in support of company operations.)	\$ _____
City, State, Zip:	<input type="checkbox"/> DUAL	Description: _____ <input type="checkbox"/> Copy of written agreement attached (Required for teaming)	
Telephone:			
Fed. ID. No:			

VENDOR CERTIFICATION: I hereby affirm that the information supplied in this utilization plan is true and correct.

SUBMISSION OF THIS FORM CONSTITUTES THE OFFEROR/CONTRACTOR'S ACKNOWLEDGEMENT AND AGREEMENT TO COMPLY WITH THE M/WBE REQUIREMENTS SET FORTH UNDER NYS EXECUTIVE LAW, ARTICLE 15-A, § 57(2) PART 1.42, AND THE ABOVE REFERENCED SOLICITATION. FAILURE TO SUBMIT COMPLETE AND ACCURATE INFORMATION MAY RESULT IN A FINDING OF NONCOMPLIANCE AND/OR TERMINATION OF THE CONTRACT.

Signature:  Date: **5/31/19**

Print Name: **Dean Ehrlich** Telephone No: **512.439.3033**

Title: **Executive VP, Games** Email: **dean.ehrlich@everi.com**

M/WBE UTILIZATION PLAN

FOR AUTHORIZED USE ONLY			
Utilization Plan Approved:	<input type="checkbox"/> Y	<input type="checkbox"/> N	Date: _____
Notice of Deficiency Issued:	<input type="checkbox"/> Y	<input type="checkbox"/> N	Date: _____
Notice of Acceptance Issued:	<input type="checkbox"/> Y	<input type="checkbox"/> N	Date: _____
Reviewed By:	_____	Date:	_____
Comment(s):	_____		

**MINORITY AND WOMEN-OWNED BUSINESS ENTERPRISES (MWBE)
EQUAL EMPLOYMENT OPPORTUNITY (EEO) POLICY STATEMENT****INSTRUCTIONS:**

OCFS-3460 is provided to Contractors/Subcontractors as a model policy statement and may be used if the Contractor/Subcontractor lacks an existing EEO Policy Statement as required pursuant to Article 15-A of the NYS Executive Law. The Contractor/ Subcontractor has the option to use this form or create an appropriate MWBE – EEO Policy Statement which shall include the following language to be submitted for approval.

M/WBE AND EEO POLICY STATEMENT

I, Dean Ehrlich, the (awardee/contractor) Everi Games, Inc. agree to adopt the following policies with respect to the project being developed or services rendered at One Broadway Center, Schenectady, NY 12305 and nine VLT Facilities (location of services)

M/WBE

This organization will and will cause its contractors and subcontractors to take good faith actions to achieve the M/WBE contract participations goals set by the State for that area in which the State-funded project is located, by taking the following steps:

- (1) Actively and affirmatively solicit bids for contracts and subcontracts from qualified State certified MBEs or WBEs, including solicitations to M/WBE contractor associations.
- (2) Request a list of State-certified M/WBEs from AGENCY and solicit bids from them directly.
- (3) Ensure that plans, specifications, request for proposals and other documents used to secure bids will be made available in sufficient time for review by prospective M/WBEs.
- (4) Where feasible, divide the work into smaller portions to enhanced participations by M/WBEs and encourage the formation of joint venture and other partnerships among M/WBE contractors to enhance their participation.
- (5) Document and maintain records of bid solicitation, including those to M/WBEs and the results thereof. The Contractor will also maintain records of actions that its subcontractors have taken toward meeting M/WBE contract participation goals.
- (6) Ensure that progress payments to M/WBEs are made on a timely basis so that undue financial hardship is avoided, and that bonding and other credit requirements are waived or appropriate alternatives developed to encourage M/WBE participation.

EEO

- (a) This organization will not discriminate against any employee or applicant for employment because of race, creed, color, national origin, sex, age, disability or marital status, will undertake or continue existing programs of affirmative action to ensure that minority group members are afforded equal employment opportunities without discrimination, and shall make and document its conscientious and active efforts to employ and utilize minority group members and women in its work force on state contracts.
- (b) This organization shall state in all solicitation or advertisements for employees that in the performance of the State contract all qualified applicants will be afforded equal employment opportunities without discrimination because of race, creed, color, national origin, sex disability or marital status.
- (c) At the request of the contracting agency, this organization shall request each employment agency, labor union, or authorized representative will not discriminate on the basis of race, creed, color, national origin, sex, age, disability or marital status and that such union or representative will affirmatively cooperate in the implementation of this organization's obligations herein.
- (d) The Contractor shall comply with the provisions of the Human Rights Law, all other State and Federal statutory and constitutional non-discrimination provisions. The Contractor and subcontractors shall not discriminate against any employee or applicant for employment because of race, creed (religion), color, sex, national origin, sexual orientation, military status, age, disability, predisposing genetic characteristic, marital status or domestic violence victim status, and shall also follow the requirements of the Human Rights Law with regard to non-discrimination on the basis of prior criminal conviction and prior arrest.
- (e) This organization will include the provisions of sections (a) through (d) of this agreement in every subcontract in such a manner that the requirements of the subdivisions will be binding upon each subcontractor as to work in connection with the State contract.

OCFS-3460 (Rev. 01-2018)

DESIGNATION

The following individual is designated as the Minority Business Enterprise Liaison responsible for administering the Minority and Women-Owned Business Enterprises-Equal Employment Opportunity (MWBE-EEO) requirements.

Agreed to this 5th day of June, 2019



(Signature of Designated Liaison)

Scott Henderson

(Printed Name of Designated Liaison)

Title: Senior Vice President Engineering Services/Procurement

M/WBE CONTRACT GOALS

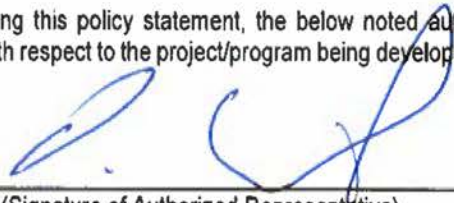
30 % Minority and Women's Business Enterprise Participation

_____ % Minority Business Enterprise Participation

_____ % Women's Business Enterprise Participation

CERTIFICATION

By signing and submitting this policy statement, the below noted authorized representative agrees to adopt the MWBE-EEO policies with respect to the project/program being developed or services rendered, at the location noted on this form.



(Signature of Authorized Representative)

Dean Ehrlich

(Printed Name of Authorized Representative)

Title: Executive VP, Games

Organization: Everi Games Inc.

Date: 5/31/19

APPENDIX K

Diversity Practices

- K.1: Diversity Practices Questionnaire**
- K.2: How to Score Diversity Practices**
- K.3: Diversity Practices Scoring Matrix**

Diversity Practices Questionnaire (Response worth up to 5 Technical Points)

Note: Points will not be awarded based on your company’s status as a certified MWBE firm; monies spend within your own firm; or training provided to your own employees. All points awarded will be based on the information provided in response to the questions herein pertaining to efforts made toward New York State certified MWBE firms.

I, Dean Ehrlich, as Executive VP, Games (title) of Everi Games Inc. firm or company (hereafter referred to as the company), swear and/or affirm under penalty of perjury that the answers submitted to the following questions are complete and accurate to the best of my knowledge:

1. Does your company have a Chief Diversity Officer or other individual who is tasked with supplier diversity initiatives? **Yes** or **No** Yes

If Yes, provide the name, title, description of duties assigned to the position and evidence of initiatives performed by this individual or individuals.

Scott Henderson, SVP of Engineering Services

Duties: Procurement

Initiatives: 2018 MWBE Study, MWBE Procurement Policy

2. What percentage of your company’s gross revenues (from your prior fiscal year) was paid to New York State certified minority and/or women-owned business enterprises as subcontractors, suppliers, joint-venturers, partners or other similar arrangement for the provision of goods or services to your company’s clients or customers?

3. What percentage of your company’s overhead (i.e. those expenditures that are not directly related to the provision of goods or services to your company’s clients or customers) or non-contract-related expenses (from your prior fiscal year) was paid to New York State certified minority- and women-owned business enterprises as suppliers/contractors?¹

4. Does your company provide technical training² to minority- and women-owned business enterprises? **Yes** or **No**

If Yes, provide a description of such training which should include, but not be limited to, the date the program was initiated, the names and the number of minority- and women-owned business enterprises participating in such training, the number of years such training has been offered and the number of hours per year for which such training occurs.

¹ Do not include onsite project overhead.

² Technical training is the process of teaching employees how to more accurately and thoroughly perform the technical components of their jobs. Training can include technology applications, products, sales and service tactics, and more. Technical skills are job-specific as opposed to soft skills, which are transferable.

C190001

Appendix K.1

5. Is your company participating in a government approved minority- and women-owned business enterprises focused mentor protégé program? **Yes or No**

No

If Yes, identify the governmental mentoring program in which your company participates and provide evidence demonstrating the extent of your company's commitment to the governmental mentoring program.

6. Does your company include specific quantitative goals for the utilization of minority- and women-owned business enterprises in its non-government procurements? **Yes or No**

No. Future-looking policy included.

If Yes, provide a description of such non-government procurements (including time period, goal, scope and dollar amount) and indicate the percentage of the goals that were attained.

7. Does your company have a formal minority- and women-owned business enterprises supplier diversity program? **Yes or No**

Yes.

If Yes, provide documentation of program activities and a copy of policy or program materials.

Please refer to Appendix E-13 - Everi Supplier Diversity Policy and Appendix E-14 - Women's Leadership Initiative

NOTE: All information provided in connection with the questionnaire is subject to audit and any fraudulent statements are subject to criminal prosecution and debarment.

Signature of Owner/Official  _____

Printed Name of Signatory Dean Ehrlich

Title Executive VP, Games

Name of Business Everi Games Inc.

Address 206 Wild Basin Rd S, Building B

City, State, Zip Austin, TX 78746

How to Score Diversity Practices

Diversity practices are the efforts of contractors to include New York State-certified Minority and Women-owned Business Enterprises ("MWBEs") in their business practices. Diversity practices may include past, present, or future actions and policies, and include activities of contractors on contracts with private entities and governmental units other than the State of New York. Assessing the diversity practices of contractors enables contractors to engage in meaningful, capacity-building collaborations with MWBEs.

This guide provides instructions on how to determine whether diversity practices should be scored on your procurement, step-by-step instructions as to how to apply diversity practices, and suggestions as to how to customize diversity practices to the particular needs of your organization.

Is My Procurement Subject to Diversity Practices?

Diversity practices are intended to be applied on procurements in which procurement personnel exercise their subjective judgment in selecting one or more successful contractors on the basis of best value, NOT on procurements that are awarded based upon lowest price. The following checklist illustrates when diversity practices should be scored as part of a procurement:

1. Is the procurement based upon best value (RFP or RFQ)? **Yes** No
2. Is the anticipated award \$250,000 or greater? **Yes** No
3. Is scoring for diversity practices practical, feasible, and appropriate? **Yes** No

If the answer to all three questions is "Yes," the procurement should be scored for diversity practices. If the answer to questions 1 or 2 is "No," no further action is needed and the procurement should not be scored for diversity practices. If the answer to question 3 is "No," such determination should be documented in writing and diversity practices should not be scored. For more information on when a procurement is subject to diversity practices, please see the frequently asked questions below.

frequently Asked Questions

May I score diversity practices and award points to contractors that are MWBEs based upon their MWBE certification on the same procurement? No. Procurements may award points to contractors based upon their efforts to collaborate with and promote MWBEs (diversity practices) OR award points to contractors based upon whether they are certified as MWBEs (quantitative factor), but may not score for both. Procurements may not be scored for diversity practices when a quantitative factor is applied.

When is it NOT practical, feasible, or appropriate to score diversity practices? In circumstances where MWBE firms are not available to participate as subcontractors or suppliers in the industry

that is the subject of the procurement, contractors' ability to implement diversity practices may be too minimal to score respondents to an RFP or an RFQ. However, it is important to note that diversity practices should be scored when MWBEs are available to participate as subcontractors or suppliers in the industry, even if such subcontracting or supplying opportunities do not exist on the specific project that is the subject of your procurement.

Additionally, certain methods of identifying contractors may not be conducive to scoring for diversity practices. For example, where an RFQ is to be used to identify the availability of contractors and inform the contents of a future RFP, it may be appropriate to defer scoring of diversity practices until the RFP used to select the successful contractor or contractors is ultimately released.

Should I score for diversity practices where multiple vendors will be selected via a procurement, and the award to each of them is anticipated to be less than \$250,000? Yes. Diversity practices should be scored where the aggregated spending via a procurement is expected to equal or exceed \$250,000, even if the amount allocated to each successful contractor is less than \$250,000.

Scoring for Diversity Practices

Once you determine to score diversity practices as part of a procurement, you must identify the number of points you intend to allocate to contractors' diversity practices and include appropriate language in your RFP or RFQ, score the diversity practices of contractors using the diversity practices matrix, and weight each score in accordance with the percentage of points allocated to diversity practices.

Where an organization determines to score diversity practices as part of determining best value on a procurement, the RFP or RFQ in question should include the following: (1) a provision indicating that diversity practices will be scored, (2) the maximum number of points that may be awarded based upon respondents' diversity practices, and (3) a diversity practices questionnaire that respondents may provide as part of their response to the RFP or RFQ. A sample provision indicating that diversity practices will be scored is provided below:

[Name of Agency] has determined, pursuant to New York State Executive Law Article 15-A, that the assessment of the diversity practices of respondents to this procurement is practical, feasible, and appropriate. Accordingly, respondents to this procurement shall be required to include as part of their response to this procurement, as described in [Section ####] herein, forms [Diversity Form Numbers].

The diversity practices questionnaire provided by the Division of Minority and Women's Business Development provides eight questions for respondents to answer. Your organization may include additional questions, as discussed in more detail on page 5. The following provides a guide to scoring responses to each of the questions.

Question 1

Question 1 solely addresses whether the respondent employs a chief diversity officer. In order to receive points for a response to question 1, a respondent should provide all of the information requested, including evidence of initiatives performed by the chief diversity officer. Merely identifying a chief diversity officer without providing the requested information should result in a score of zero.

Questions 2 and 3

These questions direct respondents to provide information on the share of expenditures that the respondents made with MWBEs. Only the prior fiscal year of a respondent should be taken into account when assigning a score to questions 2 and 3. Any additional data that respondents provide illustrating expenditures made with MWBEs in other fiscal years should be disregarded.

In addition, any data regarding expenditures made to businesses certified as MWBEs by an entity other than the State of New York should be disregarded. Expenditures made to businesses with certifications other than MWBE, such as Disadvantaged Business Enterprises and Service-Disabled Veteran-owned Business Enterprises, are not to be considered in this analysis.

Question 4

Respondents may score points in response to question 4 by identifying industry-specific technical training of MWBEs. Technical training is specific to the industry in question, and does not include generic training in skills that are transferrable across industries. Examples of trainings that do not qualify as technical training include trainings in managerial skills and leadership, effective communication, and professional development and networking. Examples of technical training topics include the use, installation, or safe handling of particular products, the use of industry-specific IT, and industry-specific sales and customer service strategies.

In assessing the robustness of a respondent's technical training, you should take into account the duration of the technical training program, the number of MWBEs served, and the total number of hours devoted to technical training of MWBEs. The characteristics of a robust technical training program will vary based upon the nature of the industry and the associated opportunities for MWBE training. However, characteristics of technical training programs fitting the "minimum" scoring criterion will typically be that the respondent has been providing technical training for one year or less, that the respondent has provided fewer than one hundred hours of technical training, or that the respondent has provided technical training to only one MWBE firm in a contracting area for which there is significant MWBE availability.

Question 5

In order for a respondent to receive points for its response to question 5, the respondent must provide documentation demonstrating its participation in a mentor-protege program approved by a governmental entity. Such governmental entity need not necessarily be the State of New York.

Appropriate documentation of the existence of a mentor-protégé program will vary based upon the approving governmental entity. Only documents generated by a governmental entity should be accepted to demonstrate the existence of a mentor-protégé program.

A robust mentor-protégé program must include the following elements:

- The mentee must be able to meaningfully participate in the delivery of contract requirements.
- For services contracts: at least one element of the scope must be performed by the MWBE with the Prime serving as mentor. Multi-year contracts must have a plan in place to expose the MWBE to each element of the scope through the lifetime of the contract.
- Mentor and mentee must enter into an agreement, approved by a governmental entity, which outlines the expectations of each party.
- Specific metrics must be identified which will be used to measure the effectiveness and success of the Mentor/Protégé relationship.

Question 6

Question 6 evaluates both the existence of MWBE goals on the part of the respondent in its own contracting, and the respondent's achievement of these goals. Whether a goal is robust depends on the availability of MWBEs in the industry in question. One tool to assist you in determining the availability of MWBE firms in the industry is the New York State Contract System MWBE Directory <<https://ny.newnycontracts.com/>>. This analysis should, to the extent possible, be based upon subcontracting activities that are available in the industry in which the respondent is engaged, not solely the availability of MWBE subcontractors for the procurement being made by your organization.

Once you have evaluated the robustness of the goal, you must take into account the share of the goal that the respondent has achieved. A respondent should only receive a robust score if the respondent has achieved a significant portion of an appropriate goal; achieving a small percentage of a robust goal should not entitle a respondent to a robust score.

Question 7

Question 7 considers whether a respondent has an immersive, formal program to promote the use of MWBEs as suppliers. A formal supplier diversity program must be documented via a program policy manual or similar document describing the requirements for participation and elements of the program, as well as documentation of program activities.

Characteristics of a supplier diversity program meeting the minimum requirement for the respondent to be awarded points could include a supplier diversity program with weak verification procedures focused solely on creating a list of diverse suppliers from which the respondent may procure goods or services. A robust supplier diversity program may be characterized by rigorous verification of MWBE status, plans for outreach to MWBE suppliers, and training and education programs designed to increase the capacity of MWBE suppliers.

Question 8

The final question considers the use of MWBEs on the procurement for which diversity practices are being scored. This is the only criterion that considers the circumstances of the procurement exclusively, without regard to the respondent's other activities to promote MWBEs. The robustness of a utilization plan is to be assessed based upon the availability of MWBEs to perform as subcontractors and suppliers to the respondent on the procurement. As with question 6, you should refer to the MWBE Directory in order to determine the availability of MWBEs.

Determine the Weighted Score

Once you have added the scores for all eight questions for a respondent, multiply that score based upon the weight you have assigned to diversity practices on the procurement. For example, if diversity practices account for 8% of the available points on your RFP and a respondent achieves a total score of 50 points for diversity practices on the diversity practices matrix, that respondent's weighted score is the product of 50 points and .08, or 4 points.

Customizing Diversity Practices

The eight questions reflected on the diversity practices questionnaire constitute the minimum required to assess the diversity practices of respondents. You may add additional questions to the diversity practices questionnaire to customize it to your procurement activities. In order to determine whether additional fields may be useful, consider some of the following questions:

- Are there particular resources or skills needed to serve as a subcontractor or supplier in the industry?
- Are there technical or financial barriers to entry in the industry?
- Could respondents facilitate MWBE training and participation in the industry in ways not reflected on the questionnaire?
- Are there specific types of MWBE subcontractors or suppliers that are particularly underutilized in the industry in question?

In the case that you decide to include additional questions on the diversity practices questionnaire, you must revise the diversity practices matrix accordingly to reflect any points to be awarded to respondents for additional questions.

New York State Diversity Practices Scoring Matrix

C190001

Questions

Q1 - CDO or other person tasked with function							Yes 5 pts	No 0 pts	Total 5				
Q2 - Percentage of prior yr. revenues that involved M/WBEs as subs or JVs/partners	20%+	15-19%	10-14%	5-9%	1-4%	0%	20 pts	14 pts	10 pts	6 pts	2 pts	0 pts	0
Q3 - Percentage of overhead expenses paid to M/WBEs	20%+	15-19%	10-14%	5-9%	1-4%	0%	16 pts	10 pts	7 pts	4 pts	1 pts	0 pts	0
Q4 - M/WBE Training			Robust	Moderate	Minimum	None	16 pts	8 pts	4 pts	0 pts	0 pts	0	0
Q5 - M/WBE Mentoring			Robust	Moderate	Minimum	None	12 pts	8 pts	4 pts	0 pts	0 pts	0	0
Q6 - Written M/WBE goals included in the Company's procurements			Robust	Moderate	Minimum	No	20 pts	12 pts	6 pts	0 pts	0 pts	6	6
Q7 - Formal Supplier Diversity Program			Robust	Moderate	Minimum	No	6 pts	2 pts	0 pts	0 pts	4	4	4
Q8 - Utilization Plan			Robust	Moderate	Minimum	No	5 pts	3 pts	1 pts	0 pts	5	5	5

Total Diversity Score
(Max 100 pts)

20

Weighted Score (Up to 10% of Technical)

1

C190001

Appendix L



PARTICIPATION OPPORTUNITIES FOR NEW YORK STATE CERTIFIED SERVICE-DISABLED VETERAN OWNED BUSINESSES

Article 17-B of the New York State Executive Law provides for more meaningful participation in public procurement by certified Service-Disabled Veteran-Owned Businesses ("SDVOB"), thereby further integrating such businesses into New York State's economy. The New York State Gaming Commission (the "Commission") recognizes the need to promote the employment of service-disabled veterans and to ensure that certified service-disabled veteran-owned businesses have opportunities for maximum feasible participation in the performance of Commission contracts.

In recognition of the service and sacrifices made by service-disabled veterans and in recognition of their economic activity in doing business in New York State, Bidders are expected to consider SDVOBs in the fulfillment of the requirements of the Contract. Such participation may be as subcontractors or suppliers, as proteges, or in other partnering or supporting roles.

I. Contract Goals

- A. The Commission hereby establishes an overall goal of 6% for SDVOB participation, based on the current availability of qualified SDVOBs. For purposes of providing meaningful participation by SDVOBs, the Bidder/Contractor should reference the directory of New York State Certified SDVOBs found at: https://ogs.ny.gov/veterans/Docs/CertifiedNYS_SDVOB.pdf. Questions regarding compliance with SDVOB participation goals should be directed to Michele June, Michcl.junc@gaming.ny.gov. Additionally, following Contract execution, Contractor is encouraged to contact the Commission to discuss additional methods of maximizing participation by SDVOBs on the Contract.
- B. Contractor must document "good faith efforts" to provide meaningful participation by SDVOBs as subcontractors or suppliers in the performance of the Contract (see clause TV below).

II. SDVOB Utilization Plan

- A. In accordance with 9 NYCRR § 252.2(i), Bidders are required to submit a completed SDVOB Utilization Plan on Form SDVOB 100 with their bid.
- B. The Utilization Plan shall list the SDVOBs that the Bidder intends to use to perform the Contract, a description of the work that the Bidder intends the SDVOB to perform to meet the goals on the Contract, the estimated dollar amounts to be paid to an SDVOB, or, if not known, an estimate of the percentage of Contract work the SDVOB will perform. By signing the Utilization Plan, the Bidder acknowledges that making false

representations or providing information that shows a lack of good faith as part of, or in conjunction with, the submission of a Utilization Plan is prohibited by law and may result in penalties including, but not limited to, termination of a contract for cause, loss of eligibility to submit future bids, and/or withholding of payments. Any modifications or changes to the agreed participation by SDVOBs after the Contract award and during the term of the Contract must be reported on a revised SDVOB Utilization Plan and submitted to the Commission.

- C. The Commission will review the submitted SDVOB Utilization Plan and advise the Bidder/Contractor of Commission acceptance or issue a notice of deficiency within 20 days of receipt.
- D. If a notice of deficiency is issued, Bidder/Contractor agrees that it shall respond to the notice of deficiency, within seven business days of receipt, by submitting to the Commission a written remedy in response to the notice of deficiency. If the written remedy that is submitted is not timely or is found by the Commission to be inadequate, the Commission shall notify the Bidder/Contractor and direct the Bidder/Contractor to submit, within five business days of notification by the Commission, a request for a partial or total waiver of SDVOB participation goals on SDVOB 200. Failure to file the waiver form in a timely manner may be grounds for disqualification of the bid or proposal.
- E. The Commission may disqualify a Bidder's bid or proposal as being non-responsive under the following circumstances:
 - (a) If a Bidder fails to submit an SDVOB Utilization Plan;
 - (b) If a Bidder fails to submit a written remedy to a notice of deficiency;
 - (c) If a Bidder fails to submit a request for waiver; or
 - (d) If the Commission determines that the Bidder has failed to document good faith efforts.
- f. If awarded a Contract, Contractor certifies that it will follow the submitted SDVOB Utilization Plan for the performance of SDVOBs on the Contract pursuant to the prescribed SDVOB contract goals set forth above.
- G. Contractor further agrees that a failure to use SDVOBs as agreed in the Utilization Plan shall constitute a material breach of the terms of the Contract. Upon the occurrence of such a material breach, the Commission shall be entitled to any remedy provided herein, including but not limited to, a finding of Contractor non-responsibility.

111. Request for Waiver

- A. **Prior to submission of a request for a partial or total waiver, Bidder/Contractor shall speak to the Commission for guidance.**
- B. In accordance with 9 NYCRR § 252.2(m), a Bidder/Contractor that is able to document good faith efforts to meet the goal requirements, as set forth in clause TV below, may submit a request for a partial or total waiver on form SDVOB 200, accompanied by supporting documentation. A Bidder may submit the request for waiver at the same time it submits its SDVOB Utilization Plan. If a request for waiver is submitted with the

C190001

Appendix L

SDVOB Utilization Plan and is not accepted by the Commission at that time, the provisions of clauses 11 (C), (D) & (E) will apply. If the documentation included with the Bidder's/Contractor's waiver request is complete, the Commission shall evaluate the request and issue a written notice of acceptance or denial within 20 days of receipt.

- C. Contractor shall attempt to utilize, in good faith, the SDVOBs identified within its SDVOB Utilization Plan, during the performance of the Contract. Requests for a partial or total waiver of established goal requirements made subsequent to Contract award may be made at any time during the term of the Contract to the Commission, but must be made no later than prior to the submission of a request for final payment on the Contract.
- D. If the Commission, upon review of the SDVOB Utilization Plan and Monthly SDVOB Compliance Report (SDVOB 101) determines that Contractor is failing or refusing to comply with the contract goals and no waiver has been issued in regards to such non-compliance, the Commission may issue a notice of deficiency to the Contractor. The Contractor must respond to the notice of deficiency within seven business days of receipt. Such response may include a request for partial or total waiver of SDVOB contract goals.

Waiver requests should be sent to Michele.june@gaming.ny.gov.

IV. Required Good Faith Efforts

In accordance with 9 NYCRR § 252.2(n), Contractors must document their good faith efforts toward utilizing SDVOBs on the Contract. Evidence of required good faith efforts shall include, but not be limited to, the following:

- (1) Copies of solicitations to SDVOBs and any responses thereto.
- (2) Explanation of the specific reasons each SDVOB that responded to Bidders/Contractors' solicitation was not selected.
- (3) Dates of any pre-bid, pre-award or other meetings attended by Contractor, if any, scheduled by the Commission with certified SDVOBs whom the Commission determined were capable of fulfilling the SDVOB goals set in the Contract.
- (4) Information describing the specific steps undertaken to reasonably structure the Contract scope of work for the purpose of subcontracting with, or obtaining supplies from, certified SDVOBs.
- (5) Other information deemed relevant to the waiver request.

V. Monthly SDVOB Contractor Compliance Report

In accordance with 9 NYCRR § 252.2(q), Contractor is required to report Monthly SDVOB Contractor Compliance to the Commission during the term of the Contract for the preceding month's activity, documenting progress made towards achieving the Contract SDVOB goals. This information must be submitted using form SDVOB IOI available at <https://ogs.ny.gov/veterans/>, and should be completed by the Contractor and submitted to the Commission, by the 10th day of each month during the term of the Contract, for the preceding month's activity to: vlichlc.junc@co.gaming.ny.gov.

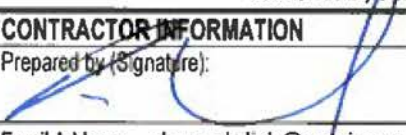
VI. Breach of Contract and Damages

In accordance with 9 NYCRR § 252.2(s), any Contractor found to have willfully and intentionally failed to comply with the SDVOB participation goals set forth in the Contract, shall be found to have breached the contract and Contractor shall pay damages as set forth therein.

SDVOB UTILIZATION PLAN

Initial Plan Revised plan Contract/Solicitation # C190001

INSTRUCTIONS: This Utilization Plan must contain a detailed description of the supplies and/or services to be provided by each NYS Certified Service-Disabled Veteran-Owned Business (SDVOB) under the contract. By submission of this Plan, the Bidder/Contractor commits to making good faith efforts in the utilization of SDVOB subcontractors and suppliers as required by the SDVOB goals contained in the Solicitation/Contract. Making false representations or providing information that shows a lack of good faith as part of, or in conjunction with, the submission of a Utilization Plan is prohibited by law and may result in penalties including, but not limited to, termination of a contract for cause, loss of eligibility to submit future bids, and/or withholding of payments. Firms that do not perform commercially useful functions may not be counted toward SDVOB utilization. Attach additional sheets if necessary.

BIDDER/CONTRACTOR INFORMATION		SDVOB Goals In Contract	
Bidder/Contractor Name: Everi Games Inc.	NYS Vendor ID: 14100059335	6 %	
Bidder/Contractor Address (Street, City, State and Zip Code): 206 Wild Basin Rd S, Building B, Austin, TX 78746			
Bidder/Contractor Telephone Number: 512.334.7500	Contract Work Location/Region: New York		
Contract Description/Title: New York State Gaming Commission Request for Proposals for New York Lottery Video Lottery System			
CONTRACTOR INFORMATION			
Prepared by (Signature): 	Name and Title of Preparer: Dean Ehrlich	Telephone Number: 512.439.3033	Date: 5/31/19
Email Address: dean.ehrlich@everi.com			
<i>If unable to meet the SDVOB goals set forth in the solicitation/contract, bidder/contractor must submit a request for waiver on the SDVOB Waiver Form.</i>			
SDVOB Subcontractor/Supplier Name:	REGIMENT TECHNOLOGY GROUP LLC		
Please identify the person you contacted:	Federal Identification No.:	Telephone No.: (914) 222-3071	
Address: 81 Pondfield Road Suite D279 Bronxville, New York 10708	Email Address: myles.bartley@regt-tech.com		
Detailed description of work to be provided by subcontractor/supplier: Office supplies and PCs			
Dollar Value of subcontracts/supplies/services (When \$ value cannot be estimated, provide the estimated % of contract work the SDVOB will perform): \$6000.00 or _____ %			
SDVOB Subcontractor/Supplier Name:			
Please identify the person you contacted:	Federal Identification No.:	Telephone No.:	
Address:	Email Address:		
Detailed Description of work to be provided by subcontractor/supplier:			
Dollar Value of subcontracts/supplies/services (When \$ value cannot be estimated, provide the estimated % of contract work the SDVOB will perform): \$ _____ or _____ %			

FOR [Agency] USE ONLY			
[Agency] Authorized Signature:	<input type="checkbox"/> Accepted	<input type="checkbox"/> Accepted as Noted	<input type="checkbox"/> Notice of Deficiency
NAME (Please Print):	SDVOB %/\$ _____	Date Received:	Date Processed:
Comments:			
NYS CERTIFIED SDVOB SUBCONTRACTOR/SUPPLIER INFORMATION: The directory of New York State Certified SDVOBs can be viewed at: http://ogs.ny.gov/Core/docs/CertifiedNYS_SDVOB.pdf Note: All listed Subcontractors/Suppliers will be contacted and verified by [Agency].			

ADDITIONAL SHEET

Bidder/Contractor Name:	Contract/Solicitation # <u>C190001</u>
-------------------------	--

SDVOB Subcontractor/Supplier Name:		
Please identify the person you contacted:	Federal Identification No.:	Telephone No.:
Address:	Email Address:	
Detailed Description of work to be provided by subcontractor/supplier:		
Dollar Value of subcontracts/supplies/services (When \$ value cannot be estimated, provide the estimated % of contract work the SDVOB will perform): \$ _____ or _____ %		
SDVOB Subcontractor/Supplier Name:		
Please identify the person you contacted:	Federal Identification No.:	Telephone No.:
Address:	Email Address:	
Detailed Description of work to be provided by subcontractor/supplier:		
Dollar Value of subcontracts/supplies/services (When \$ value cannot be estimated, provide the estimated % of contract work the SDVOB will perform): \$ _____ or _____ %		
SDVOB Subcontractor/Supplier Name:		
Please identify the person you contacted:	Federal Identification No.:	Telephone No.:
Address:	Email Address:	
Detailed Description of work to be provided by subcontractor/supplier:		
Dollar Value of subcontracts/supplies/services (When \$ value cannot be estimated, provide the estimated % of contract work the SDVOB will perform): \$ _____ or _____ %		
SDVOB Subcontractor/Supplier Name:		
Please identify the person you contacted:	Federal Identification No.:	Telephone No.:
Address:	Email Address:	
Detailed Description of work to be provided by subcontractor/supplier:		
Dollar Value of subcontracts/supplies/services (When \$ value cannot be estimated, provide the estimated % of contract work the SDVOB will perform): \$ _____ or _____ %		

Statement on Sexual Harassment

NOTE: See *Appendices E-2 Everi Employee Handbook, E-5 Everi Prohibited Harassment Policy, and E-6 Preventing Discrimination and Harassment Course* for our response to RFP Section 1.21 CERTIFICATION OF COMPLIANCE WITH STATE FINANCE LAW §139(I), in addition to *Appendix N Statement of Sexual Harassment*.

As part of our ongoing compliance and training programs, Everi Games Inc. requires that all employees receive training annually covering the following areas:

- Code of Business Conduct, Standards and Ethics
- Information System Resources and Access Security
- Avoiding Insider Trading
- Corporate Compliance Plan Training
- Preventing Discrimination and Harassment
- Workplace Safety and Health
- PCI – DSS Compliance
- Workplace Diversity and Inclusion

Everi Games Inc. provides these courses online to all employees, and requires employees to complete the online training courses in a timely fashion.

Statement on Sexual Harassment

By submission of this bid, each bidder and each person signing on behalf of any bidder certifies, and in the case of a joint bid each party thereto certifies as to its own organization, under penalty of perjury, that the bidder has and has implemented a written policy addressing sexual harassment prevention in the workplace and provides annual sexual harassment prevention training to all of its employees. Such policy shall, at a minimum, meet the requirements of section two hundred one-g of the labor law.

Contractor certifies that this statement provided to the Agency with respect to State Finance Law §139 (l) is complete, true and accurate.

Dean Ehrlich

Authorized Signatory



Signature

Executive VP, Games

Title

Everi Games Inc.

Company Name

Anti-Discrimination EO 177 Certification

NOTE: See *Appendices E-2 Everi Employee Handbook* and *E-5 Everi Prohibited Harassment Policy* for our response to RFP Section 1.22 EXECUTIVE ORDER NO. 177 CERTIFICATION, in addition to *Appendix O Anti-Discrimination EO 177 Certification*.

EO 177 Certification

The New York State Human Rights Law, Article 15 of the Executive Law, prohibits discrimination and harassment based on age, race, creed, color, national origin, sex, pregnancy or pregnancy-related conditions, sexual orientation, gender identity, disability, marital status, familial status, domestic violence victim status, prior arrest or conviction record, military status or predisposing genetic characteristics.

The Human Rights Law may also require reasonable accommodation for persons with disabilities and pregnancy-related conditions. A reasonable accommodation is an adjustment to a job or work environment that enables a person with a disability to perform the essential functions of a job in a reasonable manner. The Human Rights Law may also require reasonable accommodation in employment on the basis of Sabbath observance or religious practices.

Generally, the Human Rights Law applies to:

- all employers of four or more people, employment agencies, labor organizations and apprenticeship training programs in all instances of discrimination or harassment;
- employers with fewer than four employees in all cases involving sexual harassment; and
- any employer of domestic workers in cases involving sexual harassment or harassment based on gender, race, religion or national origin.

In accordance with Executive Order No. 177, the Bidder hereby certifies that it does not have institutional policies or practices that fail to address the harassment and discrimination of individuals on the basis of their age, race, creed, color, national origin, sex, sexual orientation, gender identity, disability, marital status, military status, or other protected status under the Human Rights Law. 3

Executive Order No. 177 and this certification do not affect institutional policies or practices that are protected by existing law, including but not limited to the First Amendment of the United States Constitution, Article 1, Section 3 of the New York State Constitution, and Section 296(11) of the New York State Human Rights Law.

Contractor:

By:  _____

Name: Dean Ehrlich

Title: Executive VP, Games

Date: May 31, 2019

PROPOSAL VALIDITY AND PROPOSAL BOND

Proposals must remain valid for a period of eighteen (18) months.

Each Vendor must submit a Proposal Bond with its Proposal. The Proposal Bond must be acceptable to the New York State Gaming Commission (the "Commission") in form and substance, and issued by a qualified issuer as described below, in the amount of one hundred thousand dollars (\$100,000). This Proposal Bond will guarantee the availability of the goods and services at the price(s) quoted in the Proposal for a period of eighteen (18) months after submission of the Proposal. In lieu of the Proposal Bond, the Commission will accept a certified check from the Vendor in this amount. The check or Proposal Bond shall be made payable to the New York State Gaming Commission.

The check or Proposal Bond will be returned to an unsuccessful Vendor upon the award of the Contract. The check or Proposal Bond of the Vendor awarded the Contract (the "Successful Vendor") will be retained by the Commission until the Contract is signed and approved, and until the Commission is furnished with an acceptable Performance Bond. The check or Proposal Bond will be forfeited to the Commission if the Successful Vendor fails to timely submit the Performance Bond or other security, as required, or fails to sign the Contract when required to do so by the Commission.

Bonds shall be issued by a reliable surety company with a record of successful continuous operation and licensed to do business in the State of New York.

LITIGATION BOND

Each Vendor must submit with the Proposal a Litigation Bond in the amount of one million dollars (\$1,000,000). A claim upon the Bond may be made by the Commission if the Vendor sues the New York Gaming Commission, the State of New York, or any of their officers, employees, representatives, other contractors, or sales agents with regard to any matter relating to this RFP, determination of responsiveness of Commission or the award of a contract pursuant to this RFP; and the Commission or other defendant is the prevailing party in such suit.

The purpose of the Bond is to permit the Commission or other defendants to recover damages, including the cost of appeal relative to the additional cost in compensation to the current vendor during implementation or conversion delay, and including reasonable attorneys' fees, expenses and court costs resulting from such litigation. The Litigation Bond shall remain in effect for a period of two (2) years from the date of submission of the Proposal.

PERFORMANCE BOND

Upon notification of the Contract award, the Successful Vendor will be required to obtain a Performance Bond or other acceptable form of security in the amount of twenty-five million dollars (\$25,000,000). The Performance Bond shall be maintained throughout the term of any resulting Contract or any extension thereof. The Performance Bond may be paid in full or in part to the

Commission if the Successful Vendor defaults in the performance of the Contract or has occasioned uncompensated liquidated damages.

The Performance Bond may be assessed liquidated damages if these damages have not been received by the Commission within thirty (30) calendar days of written notice to the Successful Vendor that they have been incurred.

Other forms of security may be acceptable but are subject to the Commission's discretion. Failure to post a replacement security within seven (7) days after notice that the proposed security is inadequate shall be grounds for immediate termination of the Contract.

Along with its Proposal, each Vendor must include a letter from a qualified surety company or agent acting on behalf of such surety stating that the Vendor will be able to secure a Performance Bond in the amount required by the RFP, should the Vendor be the Successful Vendor.

2.19 FIDELITY BOND

Upon notification of award and prior to Contract approval, the Successful Vendor must obtain a Fidelity Bond in the amount of five million dollars (\$5,000,000) covering any loss to the Commission due to any fraudulent or dishonest act on the part of the Successful Vendor's officers, employees, agents or subcontractors. Such an event, in the sole discretion of the Commission, could be grounds for termination of the Contract, whether or not the losses arising as a result thereof were paid under the Fidelity Bond.

Everi Games Inc. Response:

NOTE: See [Appendix E-18 Bond Requirements](#) for more information.

Everi Games Inc. agrees to supply the bonds as designated in this document. Bond information is located in [Appendix E-18](#).

4.1 Technical Proposal

Everi Games Inc. has read and understands the Terms and Conditions as outlined in Sections 1 and 2 of the New York Lottery Request For Proposal (RFP). Everi Games Inc. agrees to the terms and conditions as outlined and to the associated questions and answers provided in the various addendum to the RFP.

Further, Everi Games Inc. understands that, at the start date of the contract with Everi Games Inc. by the New York State Gaming Commission, Everi Games Inc. will be obligated to commence actions to ensure completion of the implementation of the central system and all associated hardware, software, and procedures in the time frame outlined in the RFP and attached addendum except where noted in Section 4.1.4 Sub-section 1a - WORK PLAN AND CENTRAL SYSTEM COMPONENTS.

1. ORGANIZATION AND FINANCIAL VIABILITY

Organization

Table 1: Bidder Information

Requirement	Bidder Information
<i>Name and address of business entity making the Proposal</i>	Everi Games Inc. Gaming Headquarters 206 Wild Basin Road South Bldg B Austin, TX 78746 (512) 334-7500
<i>Type of business entity (e.g., corporation, partnership, etc.)</i>	Corporation
<i>Place of incorporation</i>	Delaware

Requirement	Bidder Information
<p><i>Name and location of major offices, plants and other facilities that relate to the Bidder's performance under the terms of this RFP</i></p>	<p>Everi Holdings Inc. Corporate Headquarters 7250 S. Tenaya Way Suite 100 Las Vegas, NV 89113 (702) 855-3000 (800) 833-7110</p> <p>Everi Games Inc. Gaming Headquarters 206 Wild Basin Road South Bldg B Austin, TX 78746 (512) 334-7500</p> <p>Everi Production Facility – Austin 4616 West Howard Lane Suite 500 Austin, TX 78728</p> <p>PNOC - Everi Primary Data Center One Broadway Center 3rd Floor and Suite 701 Schenectady, NY 12305</p> <p>BNOC - Everi Backup Data Center 11 North Pearl Street, Suite 1211 Albany, NY 12207</p>

4.1 Technical Proposal

Requirement	Bidder Information
<p><i>Name, address and function of any and all subcontractors, associated companies, or consultants to be involved in any phase of this project</i></p>	<p>Hitachi Vantara 15231 Avenue of Science Suite 100 San Diego, CA, 92128-3437, United States Phone #:800-446-0744</p> <p>Trident Computer Resources Inc. 151 Industrial Way East Eatontown, NJ 07724 732-544-9333</p> <p>Tyco Fire and Security (ADT Security Services, Inc.) 76 Capital Drive West Springfield, MA 01089 413-781-2189</p> <p>Eaton 115 Globe Ave STE A Mountainside, NJ 07092 800-843-9433</p> <p>HT Lyons 3 Rexford Way Halfmoon, NY 12065 518-785-4800</p> <p>Lantek Communications N.Y. Inc. 580 Fishers Station Drive Victor, NY 14564 Contact: Mark Sabin - 585-924-6980 X-104</p> <p>Com-Bell Systems 561 Acorn Street, Suite C Deer Park, NY 11729 Phone: (631) 586-3891</p> <p>Iron Mountain 218 W Yard Rd Feura Bush, NY 12067 518-767-2490</p> <p>Cordo & Company, LLC 119 Washington Ave, Suite 2C Albany, NY 12210 518-445-2535</p>

Requirement	Bidder Information
<p><i>Name, address, telephone number and e-mail address of Bidder's representative to contact regarding all contractual matters concerning this Proposal</i></p>	<p>Keith Riggs SVP of Engineering 206 Wild Basin Road S. Bldg. B Austin, TX 78746 keith.riggs@everi.com 512-334-7601 972-762-5357</p> <p>Dean Ehrlich EVP, Games 206 Wild Basin Road S. Bldg. B Austin, TX 78746 dean.ehrlich@everi.com 512-439-3033</p>
<p><i>Name, address and telephone number of Bidder's representative authorized to bind the organization to the terms and conditions of its Proposal</i></p>	<p>Dean Ehrlich EVP, Games 206 Wild Basin Road S. Bldg. B Austin, TX 78746 dean.ehrlich@everi.com 512-439-3033</p>
<p><i>Name, address, telephone number and e-mail address of Bidder's representative to contact regarding arrangements for site visits or demonstrations, if required.</i></p>	<p>Keith Riggs SVP of Engineering 206 Wild Basin Road S. Bldg. B Austin, TX 78746 keith.riggs@everi.com 512-334-7601 972-762-5357</p>

4.1 Technical Proposal

Requirement	Bidder Information
<i>Bidder's Federal Employer Identification Number</i>	73-1441316
<i>Bidder's organizational chart by staff title</i>	See <i>Everi Appendix E-1</i> .
<i>A summary of the Bidder's mission, culture and guiding philosophy</i>	<p>“Everi is a diverse collection of brilliant and talented individuals committed to giving patrons and operators alike a premium experience on the casino floor.</p> <p>We are accountants and artists, engineers and visionaries. We dream, design, program, and build. We listen, help, and serve.</p> <p>We believe in the values of Transparency, Collaboration, Passion, Integrity, Strength, Innovation, Inspiration, and Quality.</p> <p>Together, we are Everi.”</p>

Requirement	Bidder Information
<p><i>Indicate the Bidder's hiring practices, including suitability standards.</i></p>	<p>Equal Employment Opportunity</p> <p>Everi Games Inc. takes pride in being an equal opportunity employer. It is the policy of the Company to provide employment, training, compensation levels, promotion opportunities, and all other aspects of employment without discriminating on the basis of gender, sex, sexual orientation, gender identity, race, color, religion, national origin, age, physical or mental disabilities, military status, veteran status, marital status, or any other consideration made unlawful by applicable state and federal discrimination laws to all qualified employees and applicants. In addition, Everi Games Inc. will make reasonable accommodations, including modifications of Company policies and procedures in appropriate cases, for qualified individuals with disabilities and for sincerely held religious beliefs, if the Company can do so without undue hardship. You are encouraged to visit with Human Resources if you have questions about this, or other Company policies.</p> <p>Diversity Policy</p> <p>This Policy details EVERI's commitment to diversity in employment and general business practices. EVERI supports and offers a welcoming environment to all staff members, suppliers, and customers. We respect and honor individual and cultural differences as an enriching part of our corporate culture. The EVERI Diversity Policy will be disseminated through new hire orientation, bulletin board postings, and inclusion in this Handbook.</p> <p>Open Door Policy</p> <p>Effective interaction among peers, supervisors, and subordinates is critical to the success of the Company. Regardless of the issue, at Everi Games Inc., we believe that through an Open Door Policy of Communication we can promptly resolve concerns that occur within the employment setting. The Human Resources Department is always available to assist employees. If the issue cannot be solved through consultation with your immediate supervisor, we encourage you to make an appointment with your Department Manager, or contact the Human Resources Department.</p>

4.1 Technical Proposal

Requirement	Bidder Information
<p><i>A list of the Bidder's strengths in relation to the work defined in this RFP, including employee capacity to undertake and successfully carry out the proposed services</i></p>	<p>Strengths:</p> <p>Since 1996, Everi Games Inc. (formerly Multimedia Games) has been a leader in processing high speed, electronic gaming outcomes delivered by central systems from remote data centers. Everi Games Inc. has administered the New York Central Determinant system since 2003. Since contract inception in 2003, Everi Games Inc. has continued to deliver advanced technical solutions, infrastructure, and field support for over 15,000 Video Lottery Terminals and 2,000 Electronic Table Games.</p> <p>Everi Games Inc. is the leader in implementing, and deploying interactive Class II bingo games and gaming systems, as well as interactive Class III video lottery gaming systems. Our systems provide the most comprehensive and flexible solutions for creating, delivering, managing, recording, auditing, and tracking both gaming and player activities. Our central system architecture is fully compatible with emerging computing, communications technologies and wherever possible, employs standardized protocols and commercially available software. Our proposed system links proven games from top vendors and provides the greatest possible flexibility for continued and new revenue generating activities, which will emerge during the life of this contract and beyond.</p> <p>Employee Capacity:</p> <p>Everi Games Inc. recruits and retains some of the top talent in the industry. With over 1,000 employees and over 700 in Gaming Technology, Everi Games Inc. has the personnel capacity, staffing models, and project experience to meet any technical, administrative, or developmental project need by the Commission.</p> <p>Everi Games Inc. already has existing tenured, highly skilled professionals in New York, many of which have supported the contract since 2003, onsite and ready to provide any ongoing and future support needs.</p> <p>Everi Games Inc. currently has 17 full time, fully-allocated staff members in the Schenectady, New York office consisting of Management, Developers, and Analysts. We have 22 full time, fully-allocated Field Service personnel in New York supporting customers at gaming facilities across the state. In addition, we have 3 full time, Network and System Architects in Austin, Texas, allocated to support the Commission with 6 more System Architects on staff to allocate for project support.</p>

Requirement	Bidder Information
<p><i>A list of Bidder’s accounts lost or resigned from over the past two years and explanation of why such loss occurred</i></p>	<p>Central System Accounts: Chewelah June of 2018 - Unable to reach mutually agreeable business terms. Two Rivers March 2018 - Facility Closed</p>
<p><i>Indicate any penalties or liquidated damages over \$10,000 assessed against Bidder by gaming jurisdictions.</i></p>	<p>See Everi Appendix E-2.</p>
<p><i>To the extent not already provided in the Vendor Responsibility Questionnaire, describe key corporate personnel, ownership control, and facilities available to satisfy the requirements of the RFP. This information will be used in conjunction with the Vendor Responsibility Questionnaire.</i></p>	<p>See Everi Appendix E-3.</p>

Financial Viability

In order to determine the Bidder’s financial ability to perform under the Contract, the Commission requires the following financial information:

- a. Audited financial statements prepared by an independent certified public accountant (or equivalent for non-U.S. companies) for the Bidder for the last three (3) years (most recent and two prior fiscal years). If the Bidder is a subsidiary of another corporation, the financial statements of the Bidder, as well as the consolidated financial statements of the parent company, shall be submitted. If the Bidder is a parent corporation, parent-only financial statements, if available, and statements for the operating division that will perform these services shall be submitted.*

[See Appendix E-3 Everi Annual Reports 2016-2018](#), which describes in more detail our response to this section.

4.1 Technical Proposal

If audited parent-only or Contractor/subsidiary statements are not available, the Commission will accept unaudited statements provided the Bidder's chief financial officer certifies that the statements are current, accurate and complete.

Not applicable.

Bidder's Hiring Practices and Suitability Standards

b. If the Bidder is a subsidiary and will rely on the financial resources of the parent to perform this contract, the parent must certify, in writing, the availability of its resources to the Bidder.

Not applicable. Everi Games Inc. has the financial capabilities to secure resources necessary for the performance of the Contract.

c. The Bidder must provide a letter of commitment from a creditor, if borrowing will provide any or all of the capital necessary for the Bidder to perform any work for any contract resulting from this RFP.

Not applicable. Everi Games Inc. has the financial capabilities to secure resources necessary for the performance of the Contract.

d. The Commission reserves the right to require any additional information necessary to determine the financial integrity and responsibility of the Bidder.

Everi Games Inc. acknowledges the Commission's right to require additional information.

2. EXPERIENCE

The Bidder must demonstrate in its Proposal that its organization is of sufficient size and has the qualifications and experience required to perform the requested services defined in the RFP. The Bidder should include sufficient detail to demonstrate the relevance of such qualifications and experience to the RFP and Contract, by providing the following:

- a. Description of the experience of the Bidder's organization that would be considered relevant to the successful accomplishment of the scope of work required herein and whether any of that experience was as a prime or subcontractor relationship. Provide the prime and subcontractor roles, if applicable.*

Since 1996, Everi Games Inc. (formerly Multimedia Games) has been a leader in processing high speed, electronic gaming outcomes delivered by central systems from remote data centers. In fact, we have been operating games from central systems since 1988.

In many markets and jurisdictions, our company is credited with being the developer of the first video lottery systems similar to that specified in the New York Gaming Commissions Request for Proposals. Over the past 16 years, our central system operated in New York has processed more than \$300 billion in wagers placed — and has distributed more than \$250 billion in prizes. This represents more than 150 billion individual player transactions and more than 55 billion winning outcomes delivered.

Our innovations have pushed the gaming industry's technology envelope. As a result, Multimedia Games was purchased for over \$1 Billion in 2014, by Global Cash Access, the dominant payments provider in the gaming industry. The combined companies (Everi Games Inc.) continue to make giant strides in back office systems development, new gaming systems, game introductions, innovative communications and networked technologies. These advancements have helped position Everi Games Inc. as a leader in the world of banking and central gaming systems. In fact, Everi Games Inc. is the only gaming company that has linked, interactive games currently in operation in more than 130 locations across the United States that are being played in settings 24 hours a day, seven days a week. Also, operating in a 24/7 timeframe, our video lottery systems have achieved “up-time” on par with the current operations in New York meeting or exceeding the standards specified by the New York State Gaming Commission - to our knowledge an achievement unequalled by any other central determinant lottery system provider.

Industry experts agree there is a simple reason for this success: the personnel that Everi Games Inc. has assembled represent the best in the industry: in technology, development, and marketing. This response to the New York State Gaming Commissions Request for Proposals is based on the latest gaming systems technology, our experience in operating data centers, and our experience in delivering gaming laboratory-certified and field-proven central lottery systems. The system we propose not only assures the greatest probability of continued financial success for the state of New York, but also goes further by anticipating and delivering future technology needs. This offering eliminates risk, while delivering the flexibility required to meet the evolving needs of players and operators.

NOTE: Everi Games Inc. is compliant with RFP Section 1.3 MINIMUM QUALIFICATIONS. See the corresponding tables in the *Gaming System Experience* section below, for more information.

4.1 Technical Proposal

- b. A description of the three most comparable accounts that the Bidder has been involved in within the last five (5) years. The description should not exceed one (1) page per project.

NOTE: See the corresponding tables in the *Gaming System Experience* section below for our response.

Gaming System Experience

The description of experience shall be detailed and cover all gaming contracts which the Bidder and any subcontractors have had and all experience similar to this Contract which qualifies the Bidder to meet the requirements of this Contract. Included shall be the names, titles, addresses and telephone numbers of organizations, which may be contacted to verify qualifying experience. This information will also be used to evaluate whether the Bidder meets the minimum qualifications.

Each experience statement shall also include the following:

- a. *Name of lottery or gaming enterprise(s) and size of contract (annual sales and number of gaming devices supported by the central system);*
- b. *The promised delivery dates and actual delivery dates of such central system;*
- c. *The term of the contract including effective dates;*
- d. *Reason for contract termination/expiration, if contract is no longer in effect;*
- e. *Types of services directly provided by the Bidder under the contract and whether the Bidder was a prime contractor or subcontractor;*
- f. *Number of facilities serviced under the contract; and*
- g. *Number of terminals at each facility.*

Our Gaming System Experience encompasses the following comparable systems, each described in more detail below:

- New York Gaming Commission – Video Lottery Program
- Washington State Tribal Lottery System
- Class II Central System – The Chickasaw Nation

New York Gaming Commission – Video Lottery Program

Business Entity: New York State Division of the Lottery

Fiscal 2018 Sales: \$39,944,504,851

Contract Term: 12/17/2002 – 12/31/2019

Promised Delivery Date: January 2004

Actual Delivery Date: January 2004

Service Provided: Video Lottery Terminal System

Number of Facilities: 9

Number of Terminals: 17,334

Over the last 16 years, Everi Games Inc. as the primary contractor, has been a valued partner to the New York State Gaming Commission and has been central to the success of the Video Lottery program. Since the first installation in late 2003, we have supported both the growth in Video Lottery Terminals supported, now at over 15,000 and the introduction of Electronic Table Games, now at over 2000. While the growth in the number of games supported has been remarkable, at the same time, with the guidance of the Gaming Commission and strong partnerships with the gaming manufacturers, our current system has supported the growth in average win per day per device, nearly doubling over a span of 15 years. The innovative technology, strong partnership and superior service that Everi Games Inc. provides to the New York State Gaming Commission through this system generates approximately \$2 billion in revenue on an annual basis and over \$39 Billion in sales in the form of CoinIn.

<u>Video Gaming Facility</u>	<u>VLT's</u>	<u>ETG's</u>	<u>Total</u>
Resorts World Casino @ Aqueduct Racetrack*	4,602	939	5,541
Resorts World Casino (for Nassau OTB)*	0	534	534
Empire City Casino @ Yonkers Raceway	4,700	522	5,222
Saratoga Casino Hotel	1,547	64	1,611
Finger Lakes Gaming & Racetrack	1,175	0	1,175
Jake's 58 Hotel & Casino	901	99	1,000
Hamburg Gaming	893	0	893
Batavia Downs Gaming	846	0	846
Vernon Downs Casino	512	0	512
<u>Total Video Gaming Machines as of 4/24/2019</u>	15,176	2,158	17,334

*Co-located

Our experienced team of software, hardware, and field service technicians have logged thousands of hours installing and supporting the New York Video Lottery Central System. This field proven, stable and robust system meets the unique demands and challenges of New York State Gaming Commission's complex gaming requirements and demanding operational needs. Our proprietary gaming network in New York links more than 15,000 video lottery terminals across nine locations, offering players a chance to win state wide-area or local area jackpots.

4.1 Technical Proposal

Washington State Tribal Lottery System

Business Entity: Cowlitz Tribal Gaming Authority

Fiscal 2018 Sales: \$265 Million

Contract Term: 2/21/17 - Current

Promised Delivery Date: April 2017

Actual Delivery Date: April 2017

Service Provided: Washington State Tribal Lottery System

Number of Facilities: 1

Number of Terminals: 173

Multimedia Games (now Everi Games Inc.) began operating video lottery central determination systems in Washington State under the state's compact agreement with Native American tribes in June 1999. This compact requires that the system be based on an electronic scratch video lottery system that displays the results to players on electronic video player terminals.

Everi Games Inc. has successfully installed 28 video lottery central determination gaming systems in 28 different casinos representing 100% penetration of the Washington Tribal Lottery System market. This system is a derivative of the current New York Video Lottery Terminal Central System, generating game sets and delivering subsets to site controller(s) for ultimate delivery to the video lottery terminals. All of the components of the system are located within the casino and do not communicate to any components outside of the casino. Everi Games Inc. is the primary contractor for each site, providing a wide range of video lottery gaming system services and support, including hardware, system software, game software, and infrastructure components.

NOTE: See *Appendix E-7 Washington State Tribal Lottery System Casinos and Install Dates* for a full list of the casinos where this system is installed, along with the number of Everi Games Inc. Video Lottery Terminals connected to it.

Everi Games Inc. provides separate, but integrated computer hardware for game manufacturing, game ticket dispensing, game sales, and game playing. This hardware consists of manufacturing computers, the Central Computers, and video lottery terminals (VLT), including multiple back office servers that manufacture sets of electronic lottery tickets and distribute them on demand to players sitting at terminals networked throughout the casino.

The results of wagers are displayed in a variety of graphical slot machine game formats that entertain the player. In addition to the hardware and software necessary to run the central system, Everi Games Inc. manufactures, installs, and services VLTs. Currently, more than 1700 of our VLTs are in operation, consisting of new generation games, of which we have a distinguished line up of game titles enjoying some of the best performance in the VLT space. On average, we annually produce approximately 75 VLT titles for the Washington market. All of these interactive games are variations of lottery outcomes and are played in fundamentally the same way.

We provide security features that ensure the integrity of hardware and software of games manufactured, stored, dispensed, and played. All security features are approved by the Washington State Gambling Commission.

Class II Central System

Business Entity: The Chickasaw Nation

Fiscal 2018 Sales: \$3.6 Billion

Contract Term: 1/16/03 - Current

Promised Delivery Date: 1/16/03

Actual Delivery Date: 1/16/03

Service Provided: Class II Bingo System and Player Devices

Number of Facilities: 15

Number of Terminals: 4422

Our experience is also evident in its Class II gaming system offerings. We are a pioneer in the Class II gaming space, building from its inception the technology, infrastructure, and systems that serve that market today. Currently, our Class II gaming systems and electronic player terminals are operating in 107 independent gaming centers throughout North America. Each independent location is linked over our virtual private network to the central systems that drive game outcome delivery, which are located at redundant locations in the state of Oklahoma.

To facilitate Class II Gaming, the system must ensure that before play commences the minimum number of players or bingo cards required for a particular game have been placed into a quorum. A random number generator is used to produce, in sequence, the ball draw for each game. These numbers are transmitted via Everi Games Inc. virtual private network, and appear simultaneously on all interconnected electronic player stations participating in the game. Players are able to daub their cards and declare a bingo by interacting with the electronic player terminal touch screen or pressing a mechanical button.

The factors that distinguish one game from another are the minimum number of players or bingo cards required to commence a game, the predetermined patterns required in order to win prizes, and the size and frequency of prizes. Each game is accompanied by its own unique graphics and sound. Our current offering of high-speed, interactive Class II bingo games consists of new generation games; of which we have a distinguished line up of game titles enjoying some of the best performance in the Class II Bingo space. On average, we annually produce approximately 75 Class II titles. All of these interactive games are variations of bingo and are played in fundamentally the same way and may contribute to local area or wide area progressive prize pools.

The amount wagered on our Class II gaming system exceeded an estimated \$9 billion in calendar year 2018.

NOTE: See *Appendix E-8 Class II Games and Casinos* for more information on over 100 locations where Everi Games Inc. has in excess of 10,000 Class II games installed. Although these games do not fit the definition of a video lottery game as defined by the New York State Gaming Commission, it does highlight our experience in operating secure, large, distributed, high performance networks and systems that generate billions of dollars for its gaming partners.

4.1 Technical Proposal

References

Provide references, relevant to any of the requested services, as outlined below:

- a. Bidder shall submit three references;
- b. If submitting a joint Proposal, provide three (3) references for each company; and
- c. If utilizing a subcontractor for any significant portion of the work, provide two (2) references for each subcontractor.

References must include company name, contact person (name, title, phone number, e mail address and mailing address) and include a general statement of the type of engagement performed for this reference.

The Commission reserves the right to contact references as many times as is necessary, and to contact as many references as is necessary, to obtain a complete understanding of the Bidder's performance and experience. The Commission also reserves the right to request additional or alternative references to those provided in the Proposal. References will be used to substantiate the Technical Proposal.

Our references are provided in the tables below:

Reference - Washington State Tribal Lottery System	
Name of Business Entity	Cowlitz Tribal Gaming Authority
Reference Contact	Jeff Walker Vice President Gaming (360) 727-3843 jwalker@ilaniresort.com
Address	1 Cowlitz Way, Ridgefield, WA 98642
Service Provided	Washington State Tribal Lottery System (Accounting Monitor System and Video Lottery Terminals) See <i>Gaming System Experience - Washington State Tribal Lottery System</i> section above for more details.

Reference - New York State Gaming Commission - Video Lottery Program	
Name of Business Entity	New York State Division of the Lottery
Reference Contact	Thomas Annapolis Director, Division of Gaming Division (518) 388-3300 Thomas.Anapolis@gaming.ny.gov
Address	One Broadway Center, Post Office Box 7500, Schenectady, New York 12301-7500
Service Provided	Video Lottery Terminal System See <i>Gaming System Experience – New York Gaming Commission – Video Lottery Program</i> section above for more details.

Reference - Class II Central System	
Name of Business Entity	The Chickasaw Nation
Reference Contact	Scott J. Emerson Executive Officer, Gaming and Retail Operations Chickasaw Nation Department of Commerce 580-272-5832 Scott.emerson@chickasaw.net
Address	2020 Lonnie Abbot Blvd., Ada, Oklahoma 74280
Service Provided	Class II Bingo System and Player Devices See <i>Gaming System Experience – Class II Central System</i> section above for more details.

4.1 Technical Proposal

3. PROJECT MANAGEMENT AND STAFFING

The Proposal must include the information listed below:

- a. *Identify all staff (name and title/position), including a full-time dedicated staff project director, and other personnel to be used under an ensuing Contract. The project director shall have overall responsibility for all work conducted pursuant to this RFP. Exceptions may be made only with the approval of the Commission.*

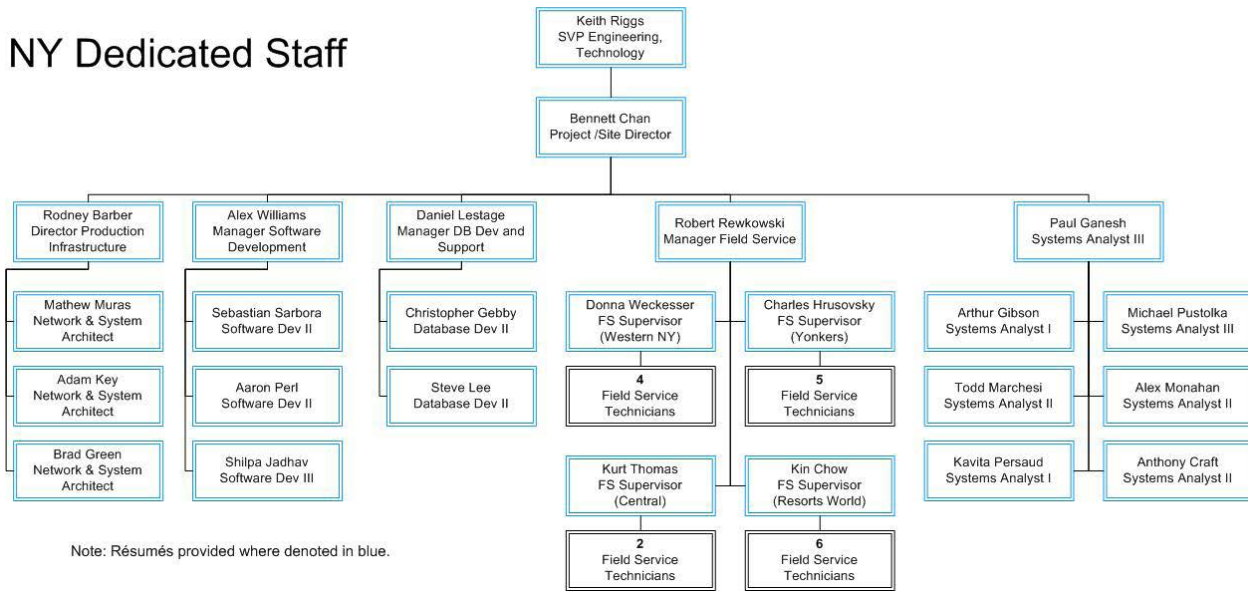
Note: If staff is “To Be Determined,” Bidder must indicate the staff title, and the qualifications and attributes required for the position.

- b. *Provide resumes (not biographies) for fill proposed staff indicating the relevant experience of each. Biographies do not provide sufficient information to allow for adequate evaluation of the individual’s capabilities.*
- c. *Indicate the role each staff member will have in the project and the anticipated percentage of time allocated for each in the proposed work effort, including all on site personnel to monitor the central system.*
- d. *Indicate the role, if any, that proposed staff has had in previous projects with the organization, particularly those presented in the Proposal under gaming experience.*
- e. *If applicable, list all subcontractors to be utilized, including each subcontractor’s name and address, contact person (name, title, phone number, e-mail address and mailing address), and a complete description of work to be subcontracted to each. Descriptive information relative to the subcontractor’s organization and capabilities must be included. If the Bidder intends to utilize subcontractors, but has yet to identify them, the Proposal must include a description of the credentials that will be sought of such subcontractor(s). If the Bidder does not intend to utilize subcontractors, the Bidder should indicate the same in the Technical Proposal.*

NOTE: See [Appendix E-1 Organizational Chart and Resumes](#) for a detailed breakdown of the entire organizational chart (executive staff included) and all required resumes.

Below is the dedicated staff organizational chart proposed by Everi Games Inc.

NY Dedicated Staff



Below is the proposed breakdown of all required staffing roles and allocations.

NOTE: See *Appendix E-16 Project Management and Staffing Roles and Allocations* for a detailed breakdown of the proposed staff roles and allocations.

NY Project and Sustaining Staffing					
Name	Title	Role	Previous Role Experience	Allocation (%)	
				Projects	Sustaining
Bennett Chan	Sr Director of Operations	Project Director	NY-Director VLT Software Development	100	100
Alex Williams	Manager Software Development	Software Development and Support	NY-VLT Software Development	100	100
Aaron Perl	Software Developer	Software Development and Support	NY-VLT Software Development	100	100
Sebastian Sarbora	Software Developer	Software Development and Support	NY-VLT Software Development	100	100
Shilpa Jadhav	Software Developer	Software Development and Support	NY-VLT Software Development	100	100
Daniel Lestage	Manager DB Development and Support	Database Development and Support	NY-VLT Database Development	100	100
Christopher Gebby	DB Developer	Database Development and Support	NY-VLT Database Development	100	100
Steve Lee	DB Developer	Database Development and Support	NY-VLT Database Development	100	100
Robert Rewkowski	Manager Field Service	Field Service	NY-Central System and VLT Deployment	100	100
Charles Hrusovsky	Field Service Supervisor (Western NY)	Field Service	NY-Central System and VLT Deployment at Empire City Casino	100	100
Donna Weckesser	Field Service Supervisor (Yonkers)	Field Service	NY- Central System and VLT Deployment Finger Lakes Gaming	100	100
Kin Chow	Field Service Supervisor (Central)	Field Service	NY-VLT Deployment-Resorts World	100	100
Kurt Thomas	Field Service Supervisor (Resorts World)	Field Service	NY-Empire City Expansion	100	100
Paul Ganesh	Systems Analyst	Central System Monitoring	NY-Central System Monitoring	100	100
Alex Monahan	Systems Analyst	Central System Monitoring	NY-Central System Monitoring	100	100
Anthony Craft	Systems Analyst	Central System Monitoring	NY-Central System Monitoring	100	100
Arthur Gibson	Systems Analyst	Central System Monitoring	NY-Central System Monitoring	100	100
Kavita Persaud	Systems Analyst	Central System Monitoring	NY-Central System Monitoring	100	100
Michael Pustolka	Systems Analyst	Central System Monitoring	NY-Central System Monitoring	100	100
Richard Rodriguez	Systems Analyst	Central System Monitoring	NY-Central System Monitoring	100	100
Todd Marchesi	Systems Analyst	Central System Monitoring	NY-Central System Monitoring	100	100
Rodney Barber	Director of Production Infrastructure	Network and System Design and Support	NY- Facility DB Migration & Jakes 58 Infrastructure Design	100	25
Adam Key	Network and System Architect	Network and System Design and Support	Class II/III Tribal Wide Area Progressive Gaming infrastructure	100	25
Mathew Muras	Network and System Architect	Network and System Design and Support	Class II/III Tribal Gaming Infrastructure Design and Deployment	100	25
Brad Green	Network and System Architect	Network and System Design and Support	NY-Central System and Infrastructure Deployment	100	100

4.1 Technical Proposal

4. WORK PLAN AND CENTRAL SYSTEM COMPONENTS

The Proposal must include a detailed Work Plan that identifies all aspects of the project, including specific deliverable dates, implementation process, central system configuration and features. More specifically, the work plan should do the following:

1. *Describe the approach to the project, including:*

Everi Games Inc. would continue to provide a reliable and stable system for the eight (8) existing Video Lottery Gaming (VLG) Facilities in New York, making the required transition period defined by The Commission seamless and attainable. Everi Games Inc. would also continue the practice of being innovative and proactive in upgrading our software and hardware platforms to ensure game play is not adversely impacted, should we have the privilege of being retained as the Central System for this market by the New York Gaming Commission.

The key advantages Everi Games Inc. has in meeting the proposed transition plan are as follows:

- All current Video Lottery Terminals (VLTs) and Electronic Table Games (ETGs) already operate with the Central System
- All infrastructure, cabling and monitoring are already in place and operational
- All controls and processes to support the Gaming Commissions auditability and operational requirements are established

Awarding Everi Games Inc. the Contract, will ensure the ongoing revenue and operational continuity are in no way disrupted, eliminating risk and maximizing the revenue capabilities to maintain both current and future revenue streams for the state of New York.

- a. *A detailed timeline and process for account transition and implementation, including the plan for developing, initiating, and operating this project. Any components that are under development or not production-ready must be identified, as well as the stage of development and the expected date of readiness. Include the date of completion and “go-live” dates.*

All components of the currently deployed and operational Central System are already in place and are production-ready making the transition period seamless and risk free. The work plan below details additional enhancements, which are in progress or will be initiated in the event that the Central System Contract is awarded to Everi Games Inc.

NOTE: See *Appendix E-15 Work Plan Details* for more information.

Everi Games Work Plan

	Phase 1 Vision	Phase 2 Evaluation	Phase 3 Engineering	Phase 4 Transition	Phase 5 Integration
	Phase 1 Vision & Objectives	Phase 2 Evaluation & Planning	Phase 3 Engineering & Validation	Phase 4 Transition	Phase 5 Integration & Stabilization
Activities & Outcomes	List of activities ->	List of activities ->->	List of activities ->->->	List of activities ->->->->	List of Activities ->->->->->
	Finalize requirements with the Commission to develop and release an updated VLT ICD to support enhancements to Central System and VLT Operations. Completion: November 2019	Review recommended ICD changes with game manufacturers. Document questions and concerns. Completion: December 2019	If proposed approach to Promotions (Section 19 of Bidders Response) is approved by Commission. Build on existing VLT Service to support direct crediting of VLTs and validate across all game manufacturers. Completion: To Be Determined based on approval and Game Manufacturers ability to meet implementation details.	Operations can continue uninterrupted with existing system hardware and software. Completion: Not applicable	If proposed approach to Promotions (Section 19 of Bidders Response) is approved by Commission. Work with Commission to determine first facility to release and burn in with option to gradually increase number of facilities per deployment effort. Completion: To Be Determined based on approval and Game Manufacturers ability to meet implementation details.
	Finalize requirements with the Commission to develop and release an updated VLT ICD to support enhancements to Central System and ETG Operations. Completion: November 2019	Evaluate use of existing SAS Long Poll (i.e. AFT Transfer) with game manufacturers as a viable option to support Credit Download. Document questions and concerns. Completion: January 2020	If proposed approach to Promotions (Section 19 of Bidders Response) is approved by Commission. Build on existing SAS Host Service to support direct crediting of ETG's and validate across all game manufacturers. Completion: To Be Determined based on approval and Game Manufacturers ability to meet implementation details.	Operations can continue uninterrupted with existing system hardware and software. Completion: Not applicable	Work with Commission to determine first facility to release and burn in with option to gradually increase number of facilities per deployment effort. Completion: To Be Determined based on approval and Game Manufacturers ability to meet implementation details.
	Finalize requirements with the Commission to develop and release an updated Player Tracking ICD to support enhancements to Central System and integrate with VLTs and ETG's. Completion: November 2019	Share and review updated protocol document with Player Tracking providers. Document questions and concerns. Completion: January 2020	If proposed approach to Promotions (Section 19 of Bidders Response) is approved by Commission. Extend current Player Tracking interface to support Free Play offers to patrons who have reached defined milestones. Leverage existing remote connectivity with Player Tracking providers for interoperability testing and validation. Provide the same support for new and interested Player Tracking providers as needed. Completion: To Be Determined based on approval and Player Tracking Providers ability to meet implementation details.	Current Player Tracking support for existing providers can continue to operate as is with existing hardware and software implementation. Completion: Not applicable	Work with Commission to determine first facility to release and burn in with option to gradually increase number of facilities per deployment effort. Completion: To Be Determined based on approval and Player Tracking Providers ability to meet implementation details.
	Identify the latest commercially viable Microsoft SQL Server Platform to transition Manufacturing/Central system to Completion: December 2019	Steps: - Compile and review conversion checklist for previous successful migrations. - Leverage what can be reused and add new line items where applicable. Evaluation include determining if proprietary application changes are needed - Create validation steps Completion: March 2020	Steps: - Build out proof of concept environment to support simulation of conversion procedures - Develop application changes where necessary. Multiple cycles may be needed - Execute Validation steps. Multiple cycles may be needed Completion: February 2021	Current Manufacturing/Central infrastructure will continue to operate as is with no interruption to Central System operations. Completion: Not applicable	If prior phases go as planned, we do not have concerns meeting this timeframe. Completion: June 2021

Work Plan Timeline

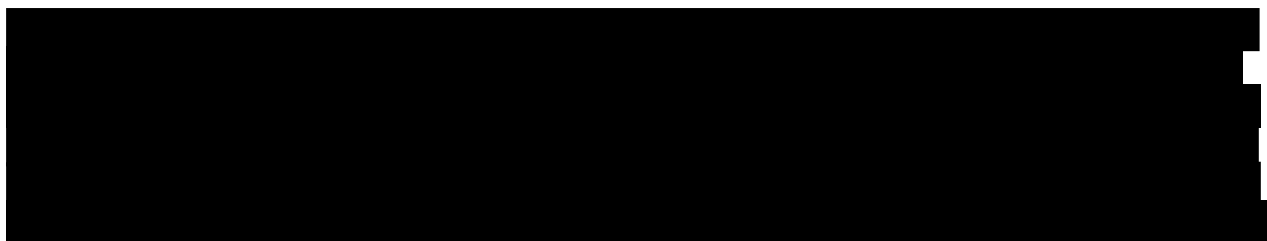
b. *Affirm that the central system will provide monitoring and game outcomes based on a finite pool.*

The proposed Everi Games Inc. Video Lottery Central System meets or exceeds all the primary objectives of the New York Gaming Commission including:

Determine game outcomes from a finite pool.

The proposed Everi Games Inc. Video Lottery Central System meets or exceeds all the primary objectives of the New York Gaming Commission including:

Determine game outcomes from a finite pool.



4.1 Technical Proposal

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

- c. *Describe how data encryption will be accomplished, including which encryption algorithm will be used, for communications between the site controllers and the central system.*

[REDACTED]

[REDACTED]

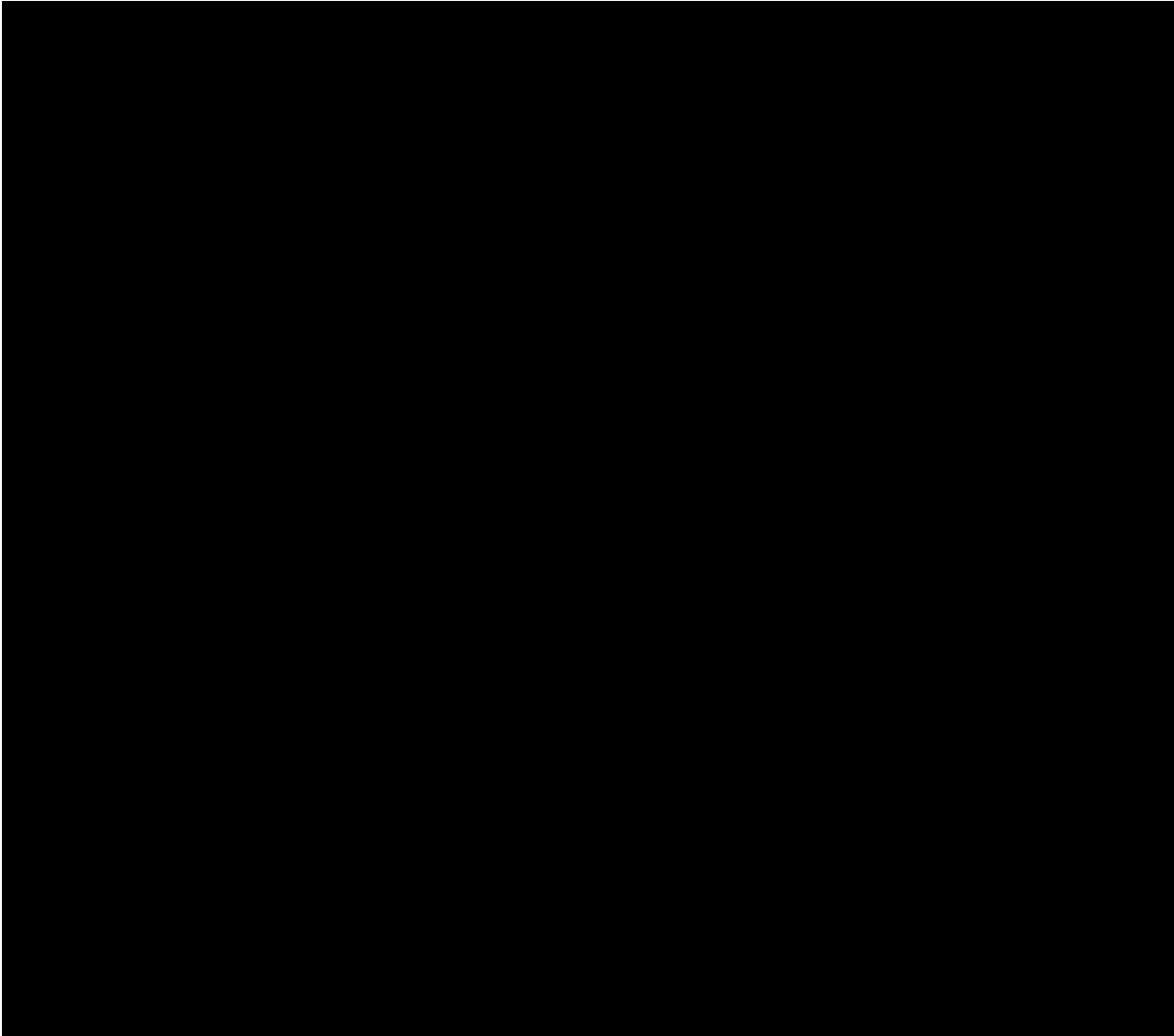
[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

4.1 Technical Proposal



d. *Describe the proposed approach to providing training to each of the following groups of Commission staff:*

Everi Games Inc. recognizes the need to provide comprehensive training to the Commission and facility staff and is prepared to provide a uniform, yet flexible training program for the Administrators, Analysts, Programmers, Testing Specialists, Accounting, Auditing, and Security groups. The training course and training manuals are tailored for each group as detailed below, and will be customized for any other group of personnel necessary. Training will be conducted at the request and approval of the Gaming Commission, as it deems necessary.

- *Administrators/Analysts/Programmers - All central system functions, administration functions, operating system, database concepts, and report writer.*

Administrators, Analysts, and Programmers will be trained on the specific commands, inquiries, and menu structure of all application, administration, operating system, and reporting functions. Database concepts and the structure of the databases will be described.

- *Testing specialists - Use of site controller, PC-based central system simulator, site controller simulator, and standalone site controller.*

Testing Specialists will be trained on the functionality, commands, reports, menu structures, and use of the Site Controller, the Central System, and any other relevant system, such as the Archive and Data Backup servers and peripherals. In lieu of simulators, the Everi Games Inc. team will use a fully functioning QA system in a lab environment for training.

- *Accounting/Auditing - All accounting/auditing functions, meter maintenance and invoicing.*

Accounting and auditing staff will be trained on the specific commands, inquiries, reports, menu structures, and functions of meter maintenance, invoicing, and the bank account sweep process.

- *Security - Events, cash vouchers, cash voucher problem resolution, and cash voucher validations.*

Security staff will be trained on the specific commands, inquiries, menu structures, and reports for event logs and warnings, cash voucher production, cash voucher validations, and all other security functions. They will learn game play functionality, cash voucher production, and how to utilize the system to resolve cash voucher problems.

If deemed necessary by the Commission, all Commission staff will take part in the following multi-stage training process:

- *Training Manuals – Everi Games Inc. will provide individuals in each group with a training manual customized for their function. The manual will be written in a simple and easy-to-understand format with step-by-step instructions for using the software. The manual will contain screenshots of the software, illustrating the functionality of the system.*
- *Training Courses – Everi Games Inc. personnel will conduct role-based customized classroom sessions for the Commission staff that provides in-depth training on their use of the system. Each course engages in hands-on training to ensure they have a complete understanding of the system.*
- *All training materials will be made available to accommodate the hiring of new personnel over the course of the contract period.*

This includes the following:

- *Training Manuals – As described above.*
- *Video Training Courses – Everi Games Inc. will film the individual training courses described above and create a video training course that can be used to educate individual Commission staff as they are hired. The video training courses include the full course as initially taught by the instructor as well as demonstrations of all necessary software functionality and use.*

In addition to Commission staff training, Everi Games Inc. recognizes the need to train Video Lottery Terminal facility personnel. Everi Games Inc. will provide the same multi-stage training process (training manuals, on-site and video training courses), if deemed necessary by the Commission to the Video Lottery Terminal facility personnel as described above.

2. *Identify how many management and validation terminals (including printers) will be installed at each individual facility. Bidders should use the table in Exhibit 1, Current Gaming Devices,*

4.1 Technical Proposal

to estimate the volume of sales and validation activity to determine the number of terminals required. Describe how management terminals will be connected to the central system.

As the current Central System provider for the Commission, Everi Games Inc. has worked with the Commission and Video Lottery Terminal (VLT) Facilities to determine the suitable amount of Validation and Management Terminals needed at each site and for the Commission staff in Schenectady, New York. We have an inventory of Management Terminals (MTs) and Validation Terminals (VTs) at each facility and at the Commission’s headquarters. The Everi Games Inc. Central System is a highly scalable solution. As needed, the Commission can add more Validation and Management Terminals on request. The current inventory will be maintained and added to as needed, as described in the table below:

Facility Location	Number of VTs	Number of MTs	Number of Printers
Aqueduct	26	36	6
Batavia	4	10	5
Finger Lakes	5	12	2
Hamburg	6	14	3
Saratoga	7	16	3
Suffolk	5	18	6
Vernon	5	11	3
Yonkers	16	29	9
Commission	-	19	1
Network Operations Center	-	29	2
Total	74	194	40

Currently Deployed Management Terminals, Validation Terminals and Printers

3. *Provide a description of the central system communications.*

NOTE: See *Appendix E-4 RFP Part 3 Scope of Work*, which describes in more detail our response to RFP Section 3.1 SYSTEM OVERVIEW.

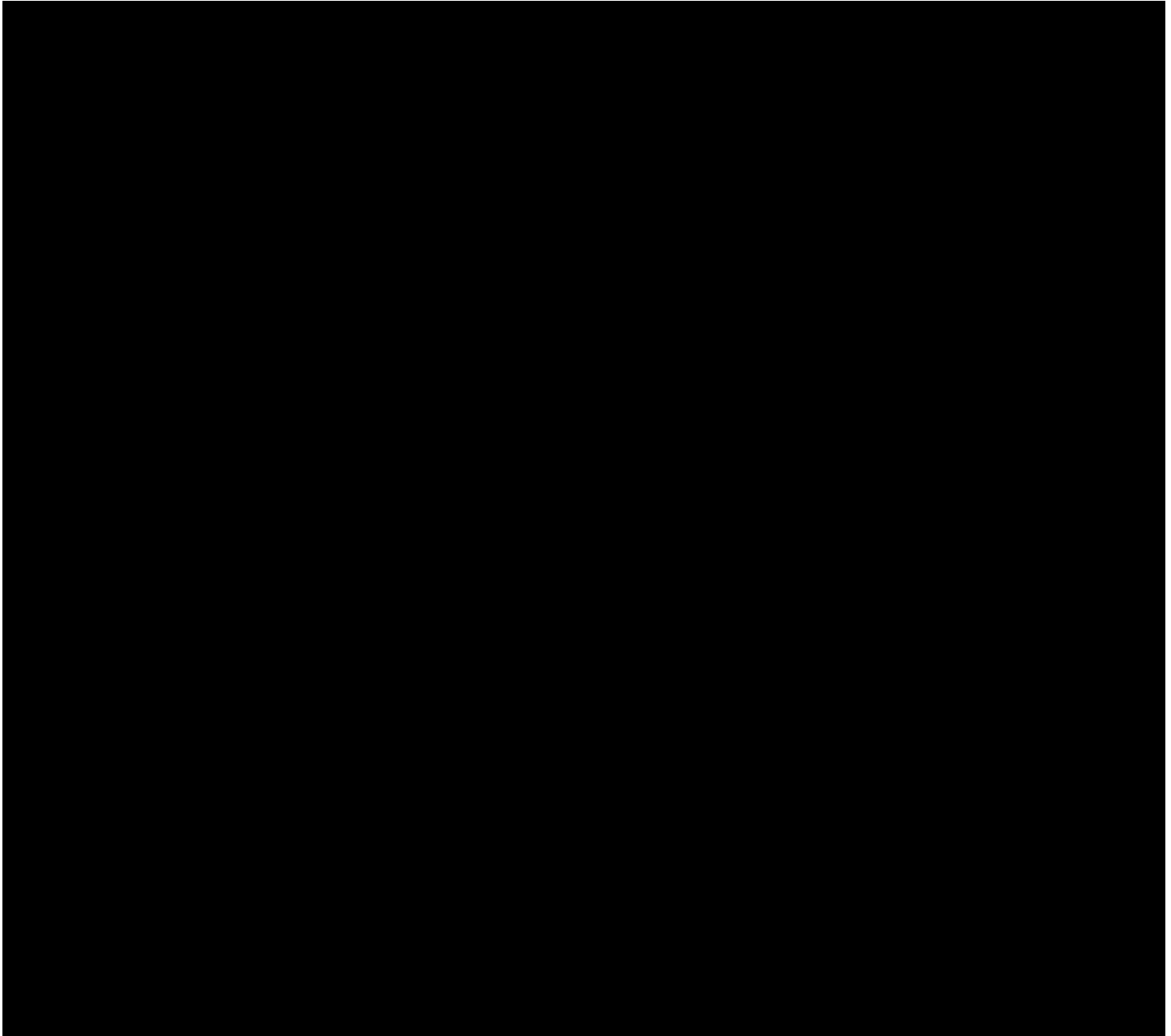
NOTE: See *Appendix E-4 RFP Part 3 Scope of Work*, which describes in more detail our response to RFP Section 3.3 COMMUNICATIONS NETWORK

The Everi Games Inc. technical solution detailed in the following sections meets or exceeds the New York Gaming Commission’s requirements. Everi Games Inc. provides:

- Demonstrated experience deploying and operating video lottery systems and central systems
- A proven highly redundant network with software and hardware design that maximizes system uptime and revenue
- A flexible platform using open standard interfaces and reporting tools that support the broadest range of commercially available video lottery terminals
- A central systems software architecture that enables game-style options, such as progressive

pools and bonus rounds with high player appeal that generate more revenue

Illustrated below, is the general network configuration of the system along with several redundancy and fail-over features.



The key features of the Everi Games Inc. system include:

- Scalability that makes it easy to expand the system capacity.
- Redundancy with hot fail-over throughout the system to avoid down time.
- Simple, standardized and straightforward interfaces with the Video Lottery Terminals (VLTs) so that the system can work with any VLT and Electronic Table Games (ETG) manufacturer.

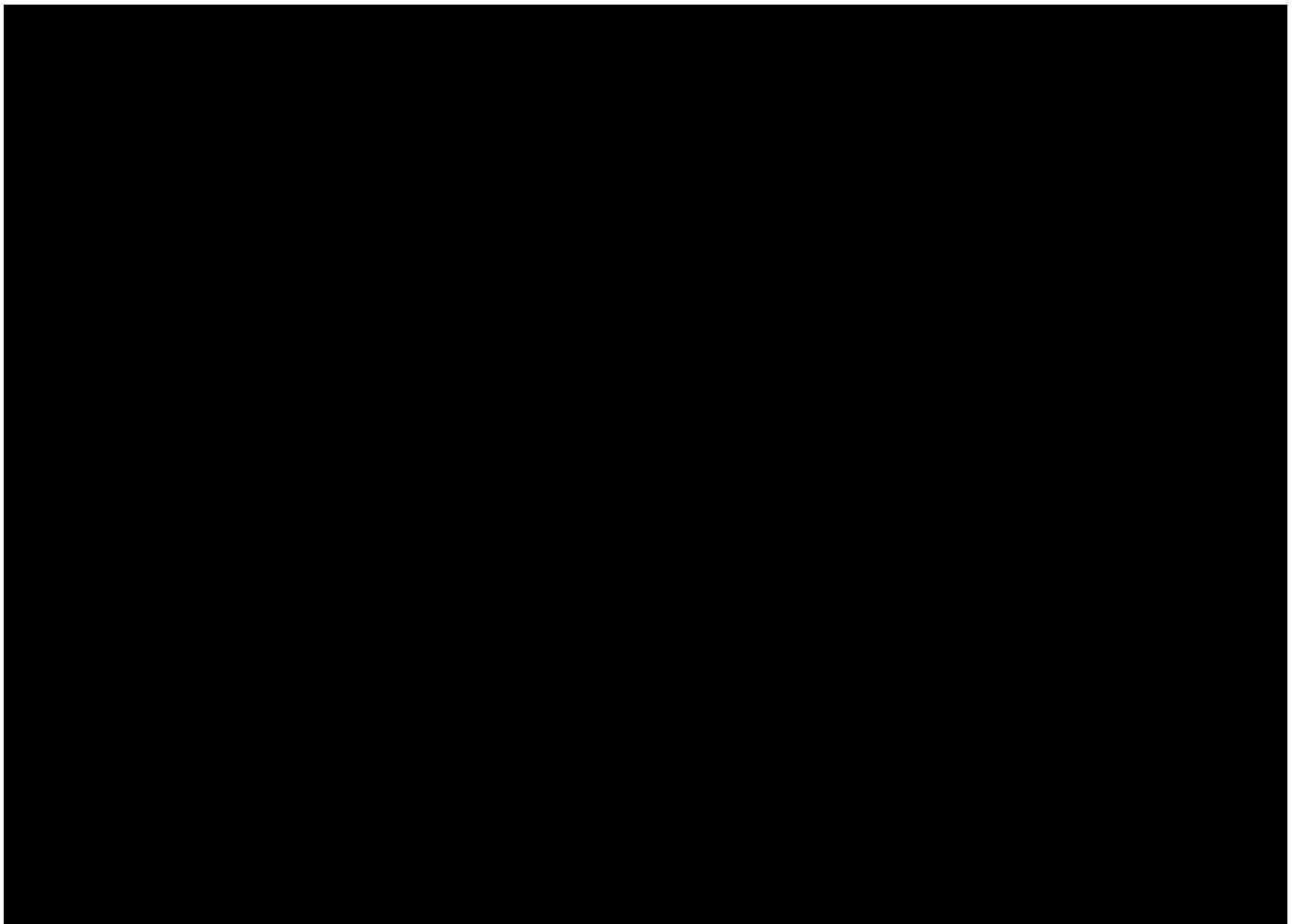
4.1 Technical Proposal

In addition to the original VLT providers in Bally, SDG, Spielo, and IGT, newcomers such as Shuffle Master, have added both VLT's and ETGs to the floor. We have successfully integrated ETGs provided by IGT, InterBlock, Alfastreet, Shuffle Master, and Star Games further demonstrating our system's adaptability.

Security is a paramount concern and interfacing with VLTs from multiple manufacturers is required, therefore communications protocols must serve several functions in this system:

- VLT communications must be simple and easy to implement for any number of VLT manufacturers
- All communications must be secure and impervious to tampering. The communications protocols employed are illustrated in the figure below.
- Ethernet – The industry is rapidly moving away from legacy, RS232 based communication protocols. Using an Ethernet based protocol allows the Everi system to maximize the potential number of VLT manufacturers.
- Commonly used protocols for all support level communications in the Everi Games Inc. Video Lottery System (VLS) for which there are ample documentation and industry support.

Security at every level. All communications outside the Primary Data Center (PDC) and Backup Data Center (BDC) are encrypted.



The Commission and facility operators manage, monitor, and operate the system through the Everi Games Inc. Management Terminal that runs on designated PCs connected to the system. The Management Terminal serves as a container for Everi Games Inc. Management Screens, which are designed to provide form and functions for operating specific facets of the system.

Site Controller Communications Protocol

There are different protocols for VLT communication and ETG communication. Everi will provide all documentation materials on the protocols to the Commission and to any existing or potential game vendor(s) upon request. Everi understands that any delays in game vendors releasing their product could equate to potential lost revenue. Everi stands by its commitment to provide ongoing support to game vendors in order to support new title releases, the staff at Everi is willing and well prepared to support and assist vendors to integrate with the Everi Central System as demonstrated by our current VLT Central System Operations in New York.

VLT Service Communications Protocol

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

4.1 Technical Proposal

[REDACTED]

[REDACTED]

[REDACTED]

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

ETG Communications Protocol

For communication between the Site Controller and the ETGs, Everi Games Inc. proposes to continue to use the GSA SAS 6.02 protocol. It is also a well-known protocol that many ETG vendors already support. A Smart Interface Board (SMIB) is mounted and connected to the ETG. The SMIB communicates to the ETG over a serial port connection and relays all information from the ETG to the Everi Games Inc. SAS Host over a standard Ethernet connection.

[REDACTED]

[REDACTED]

The ETG maintains various monotonically increasing meter values as play or other events occur. For example, there are meters for total coin in/out. As credits are wagered on the gaming machine the total coin in will increase and as prizes are awarded the total coin out will increase.

[REDACTED]

This design conforms to industry standard implementations and provides very robust and versatile system for interacting with the ETGs.

The protocol consists of two primary message types, long polls, and general polls. Long polls are generally used to request specific information such as meter values from the ETG, or update configurations on the ETG

Everi Games Inc. has designed its interfaces to maximize the VLT and ETG manufacturer options for the New York Gaming Commission. Our approach is to make it as simple as possible for manufacturers to implement by using industry standard, well-documented protocols. Protocols supported by Everi Games Inc. will not restrict the Commission to a single VLT or ETG manufacturer. In fact, Everi Games Inc. has selected protocols that maximize the manufacturer choices for the Commission.

In addition to being formatted and built using industry standard technologies that are easy to implement, our VLT protocol has been in use in the industry for 15+ years. It is an established and mature protocol that has supported a multitude of VLTs performing high volume transactions concurrently across multiple VLT vendors. Current VLT vendors include, but are not limited to:

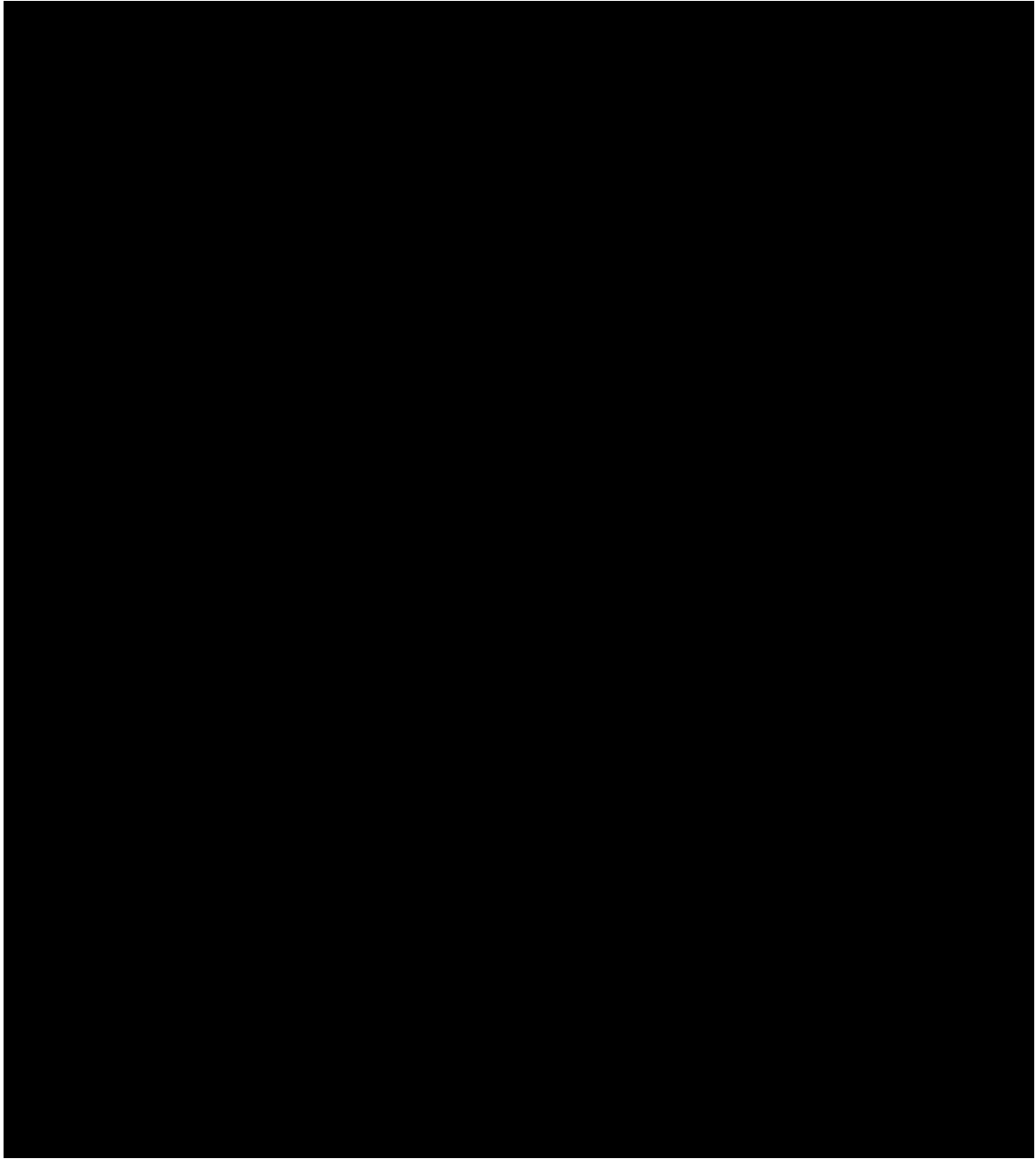
- Bally
- SDG
- Spielo
- IGT
- Shuffle Master

The ETG protocol is an implementation of the GSA SAS 6.02. This is another well documented and established protocol that is familiar to most in the gaming industry. Any ETG that is compatible with the GSA SAS 6.02 should be able to directly connect to the Everi Central System with little to no modification. ETG vendors we have integrated with include, but are not limited to:

- Alfastreet
- IGT MP series
- Interblock
- Shuffle Master

The Everi Games Inc. VLS systems utilize standard commercially available data lines to connect the sites to the Primary and Backup Datacenters (PDC and BDC).

4.1 Technical Proposal



4. *Describe how each of the components of the central system will be handled, policies and procedures relating to each component, security, the role of any third-party processor to be used, any applicable schedules (funds availability, etc.), and any other pertinent information pertaining to the services required by the Commission.*

A. Primary Data Center

- i. *Describe the proposed hardware configuration of the central system that will be installed in the Commission's primary data center.*



[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

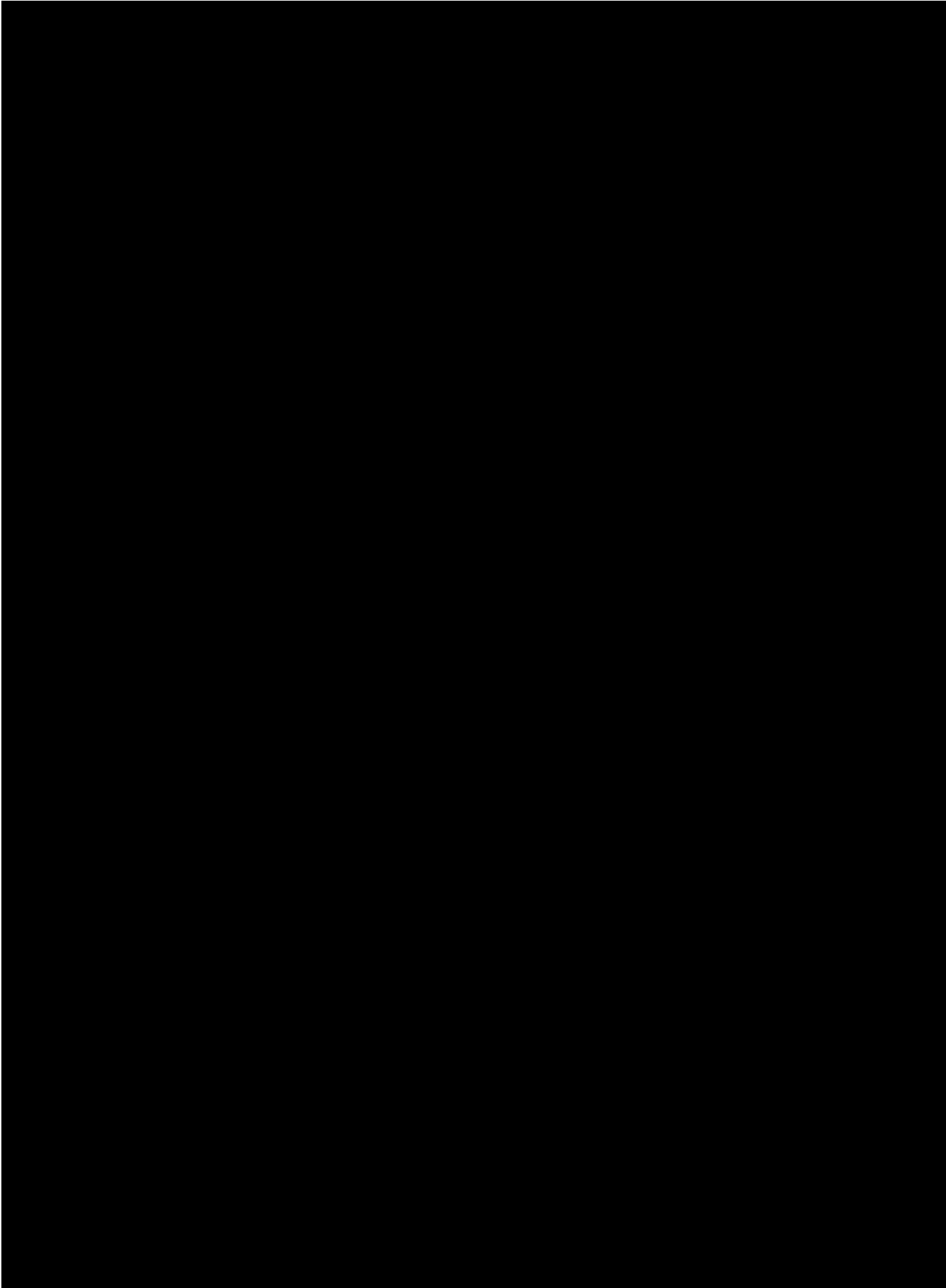
[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

4.1 Technical Proposal



[Redacted]

[Redacted]

- | [Redacted]
- | [Redacted]
- | [Redacted]
- | [Redacted]
- | [Redacted]
- | [Redacted]
- | [Redacted]
- | [Redacted]
- | [Redacted]
- | [Redacted]
- | [Redacted]
- | [Redacted]
- | [Redacted]
- | [Redacted]

[Redacted]

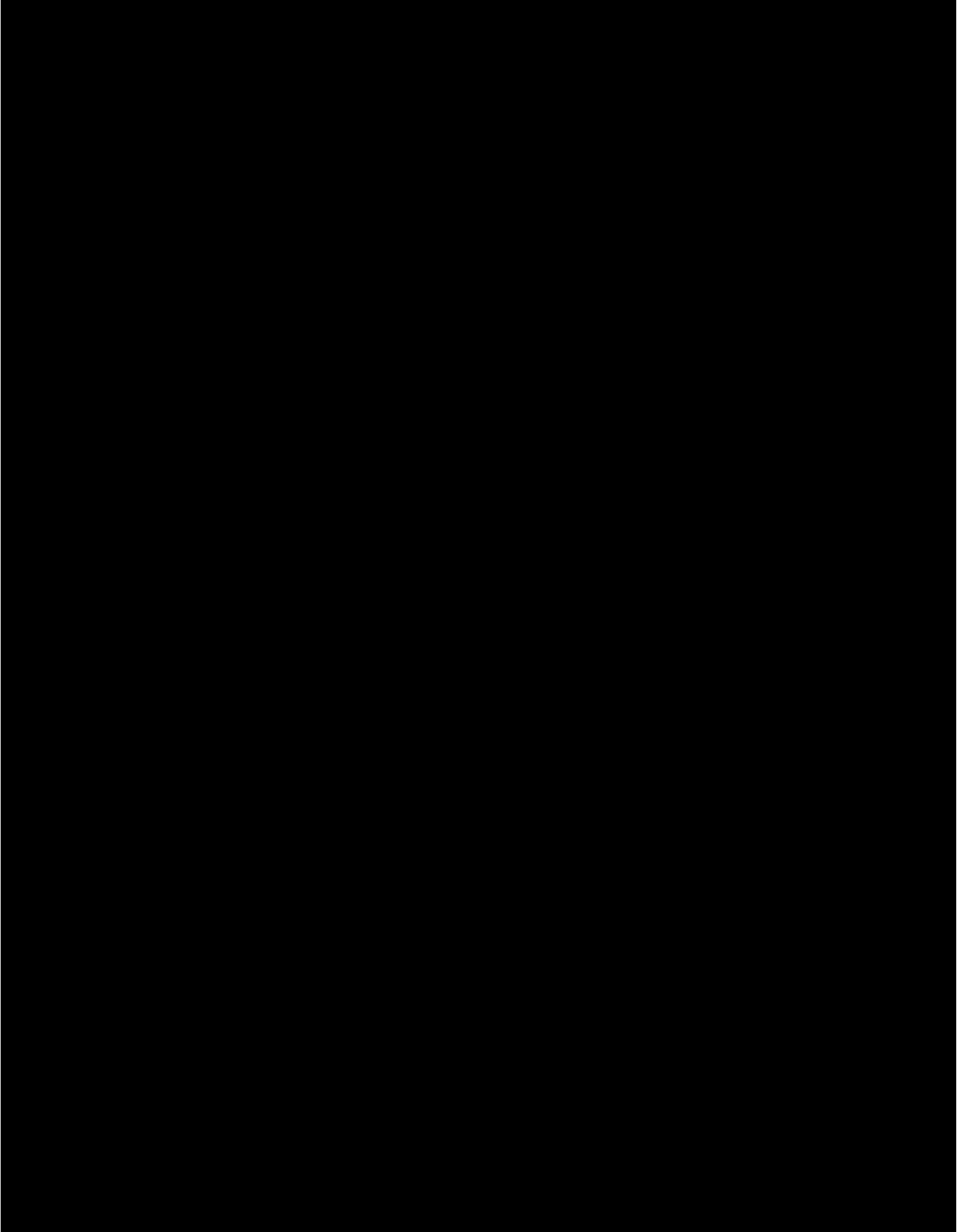
[Redacted]

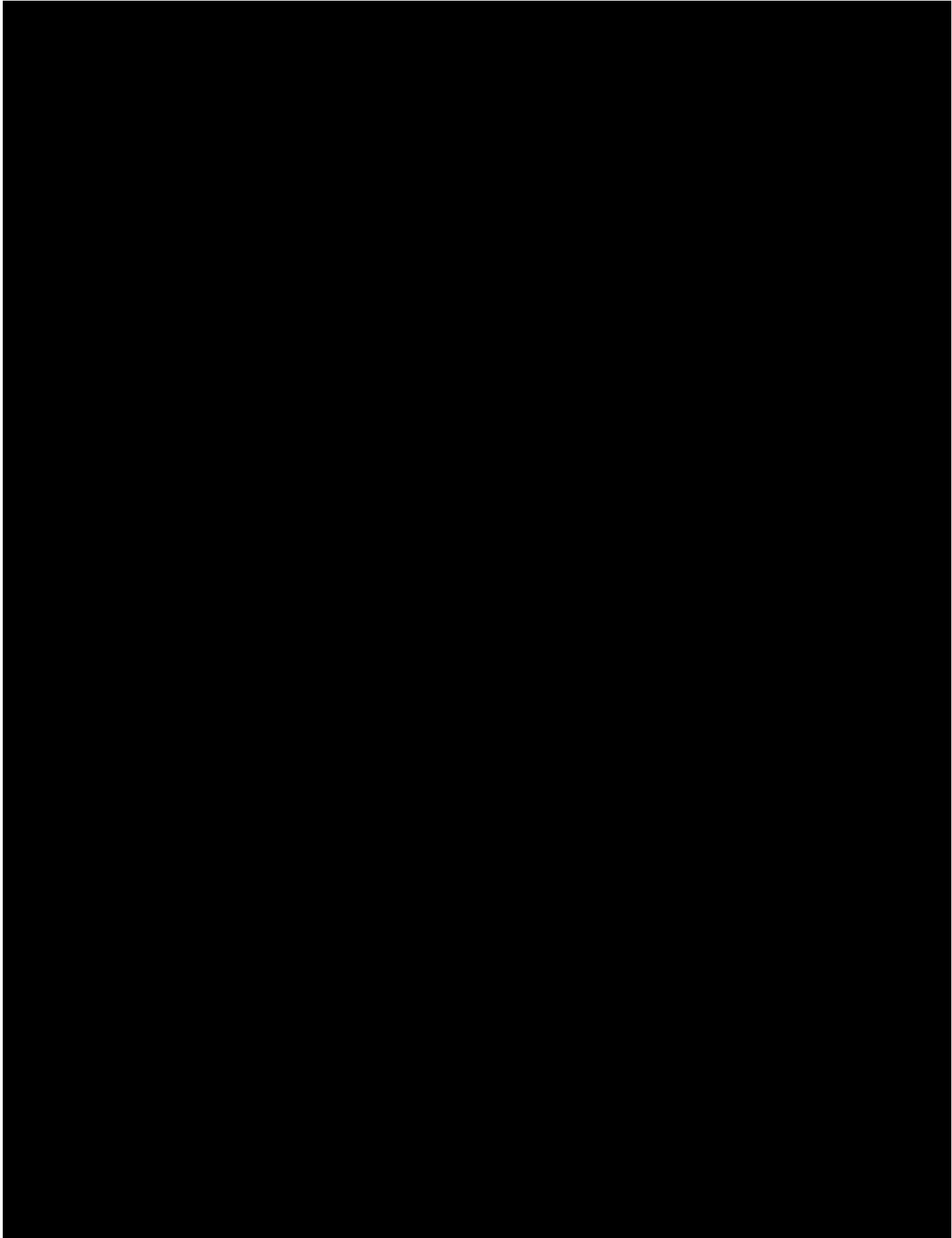
[Redacted]

[Redacted]

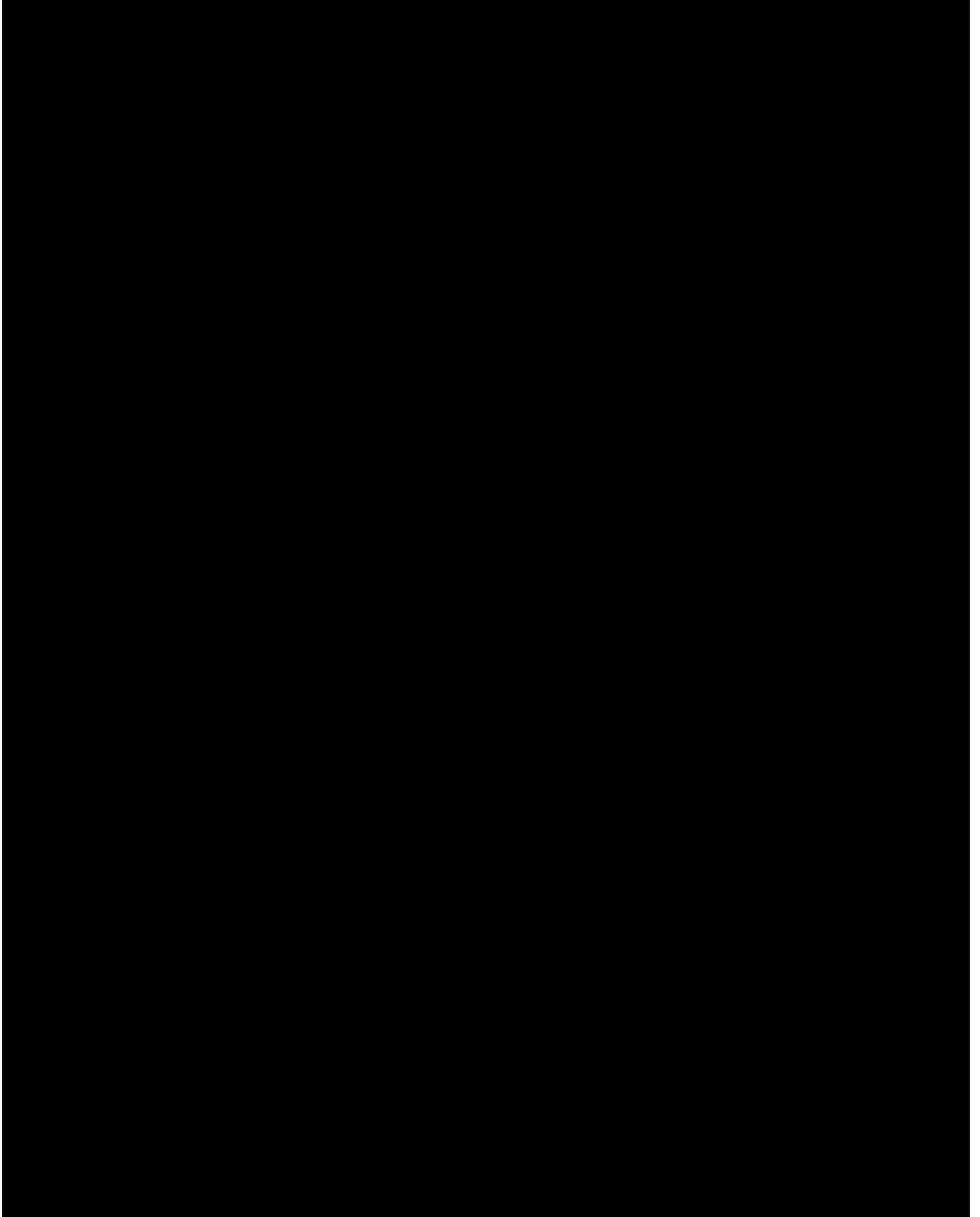
[Redacted]

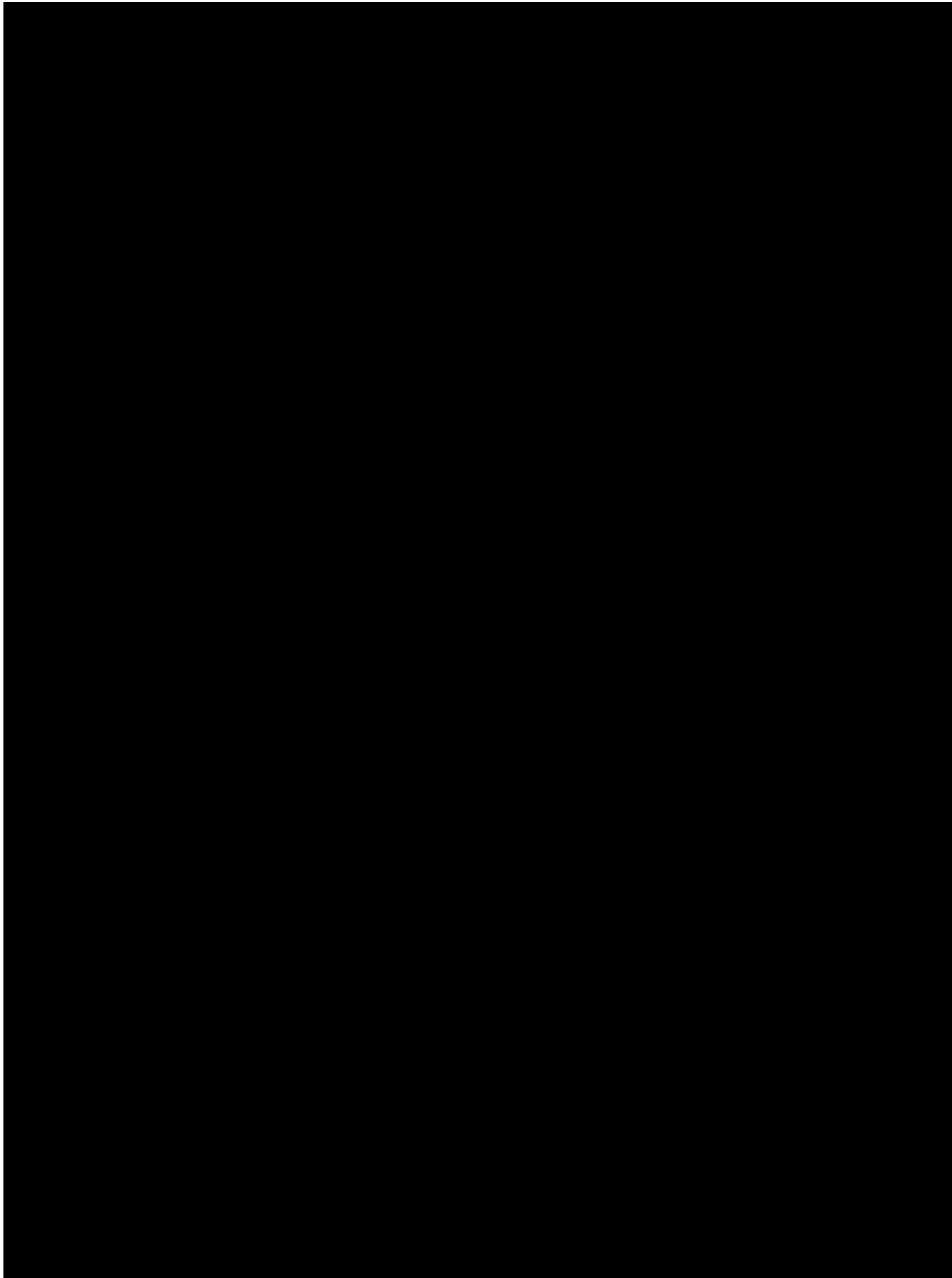
4.1 Technical Proposal



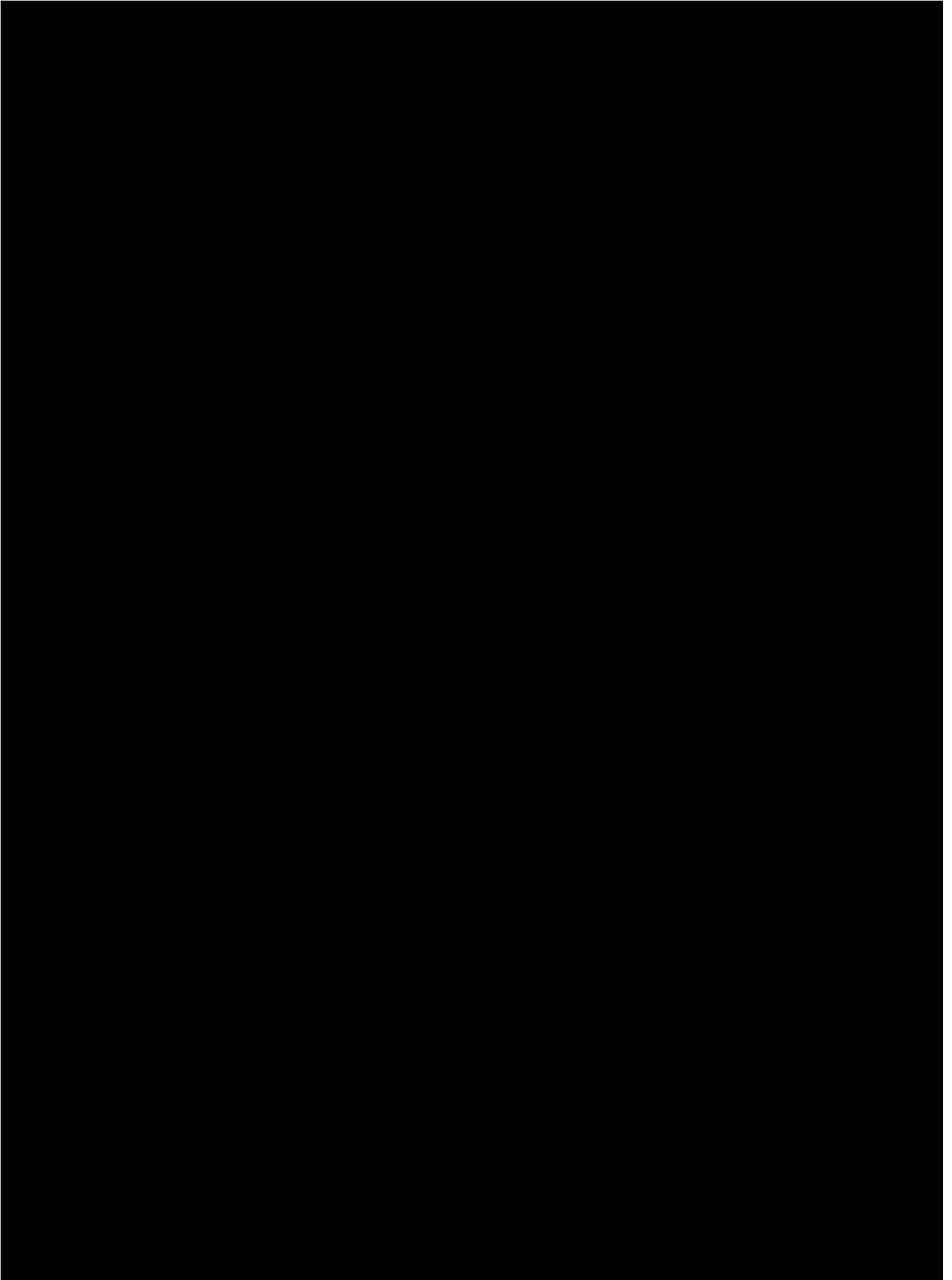


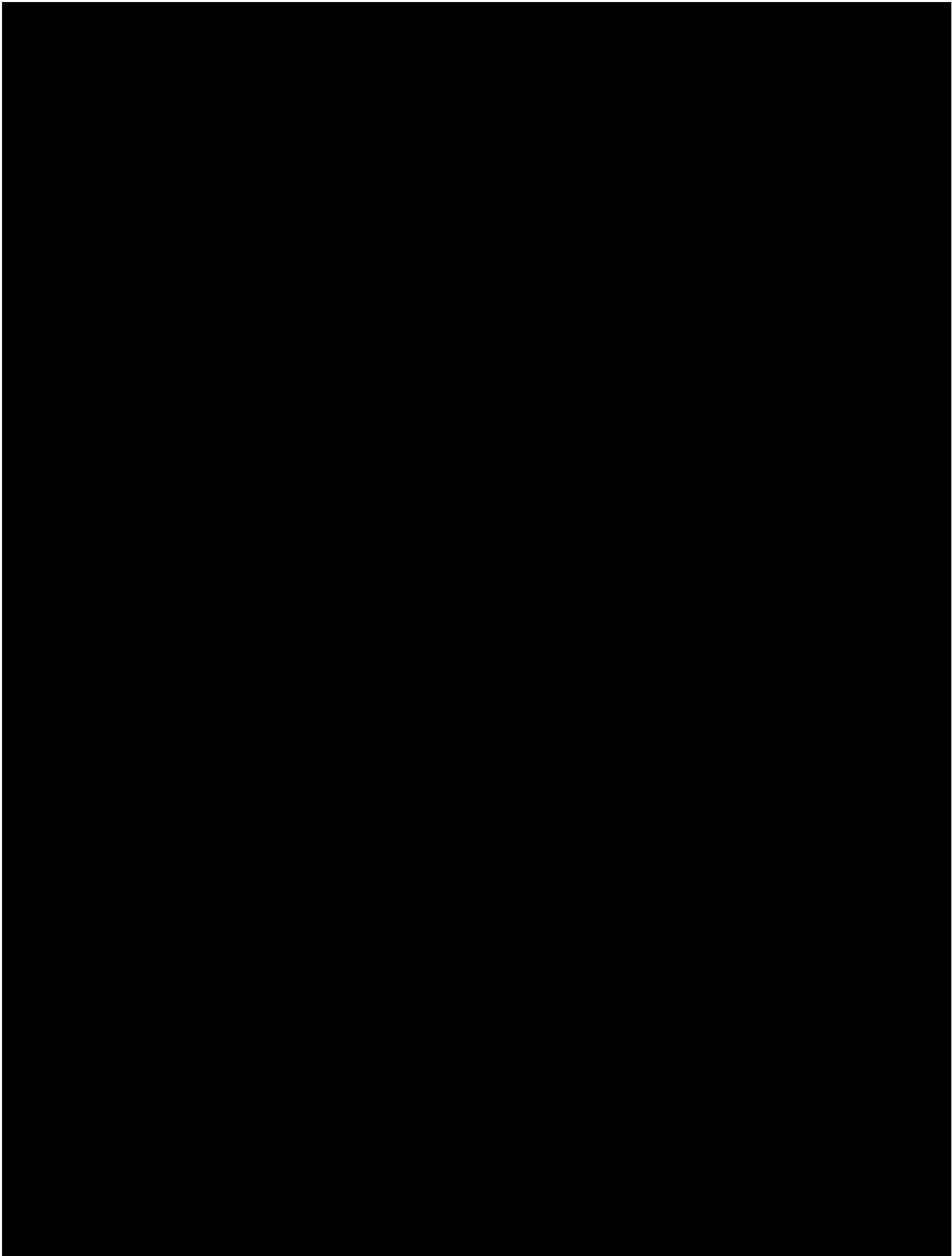
4.1 Technical Proposal



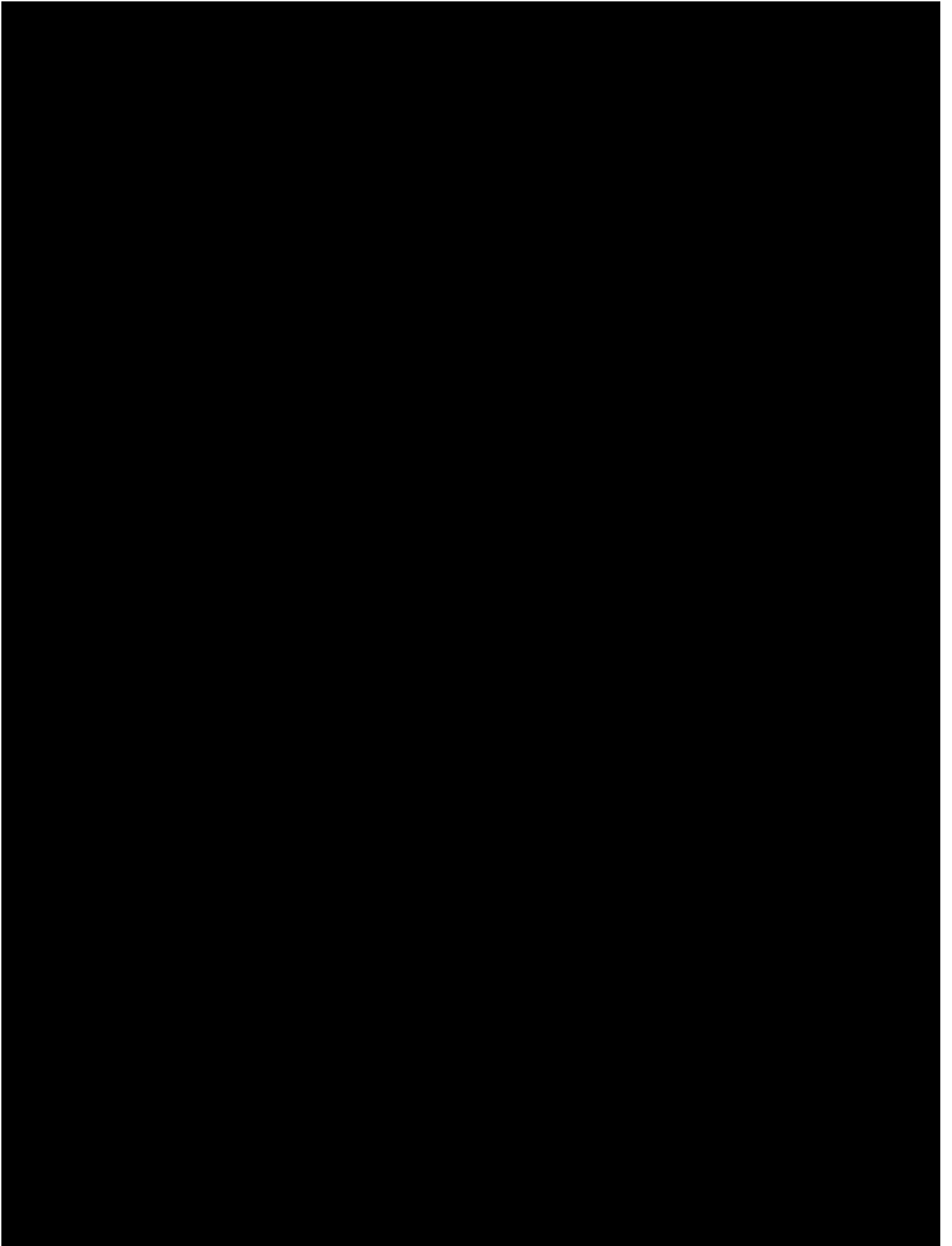


4.1 Technical Proposal





4.1 Technical Proposal



[REDACTED]

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

4.1 Technical Proposal

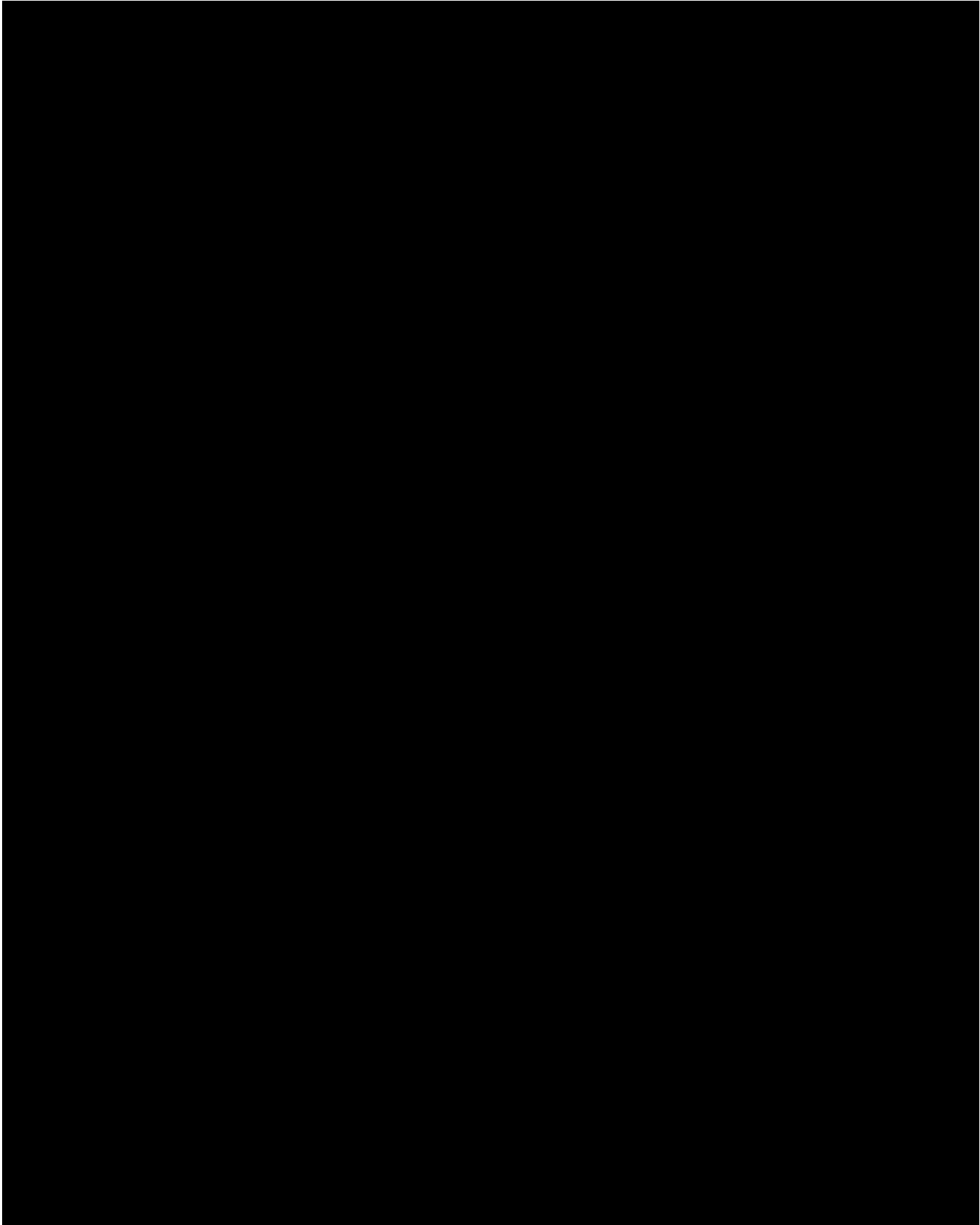
ii. Describe the system software that will be installed on the central system. All third-party software products and tools that will be used on the system should be described.

[REDACTED]

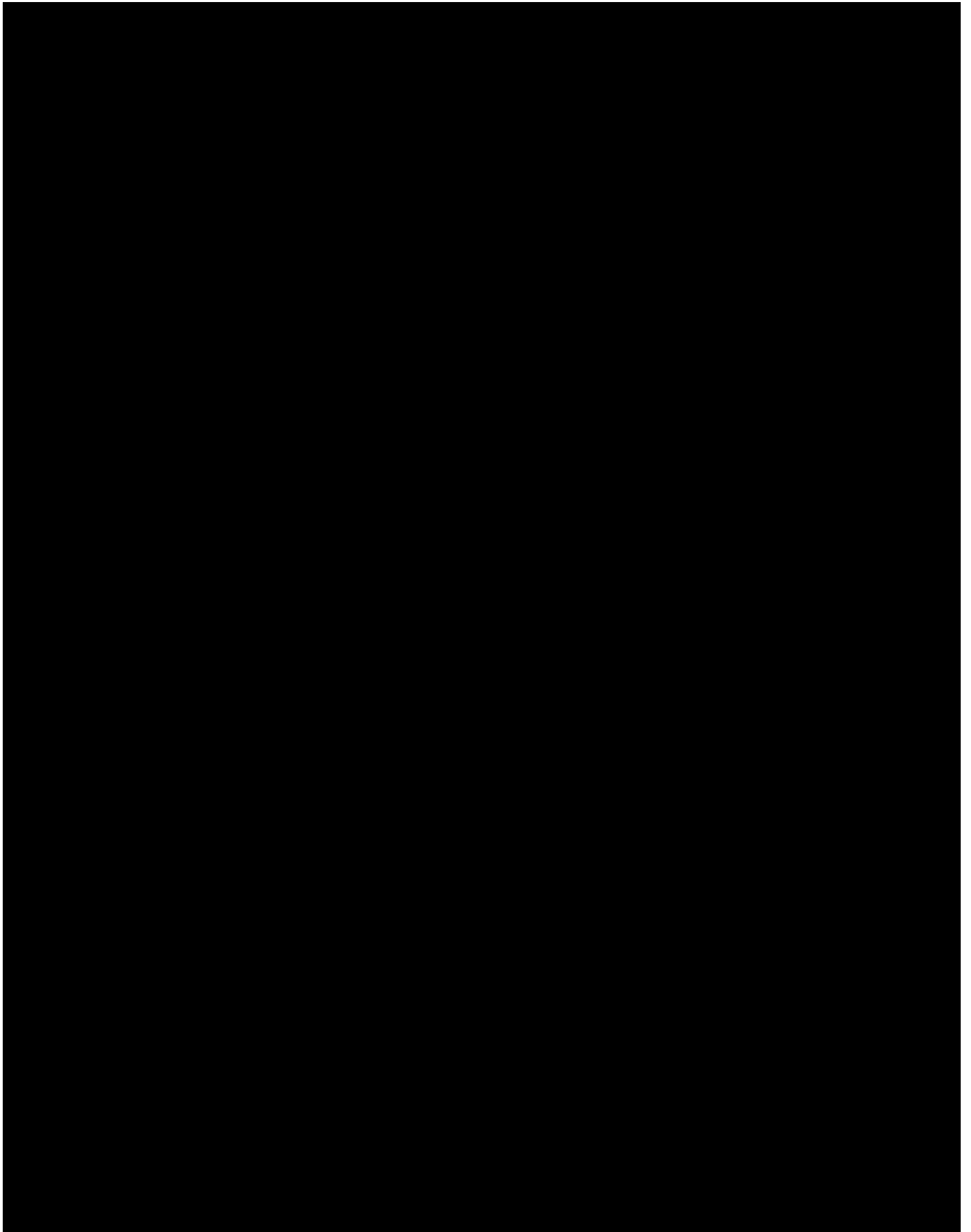
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

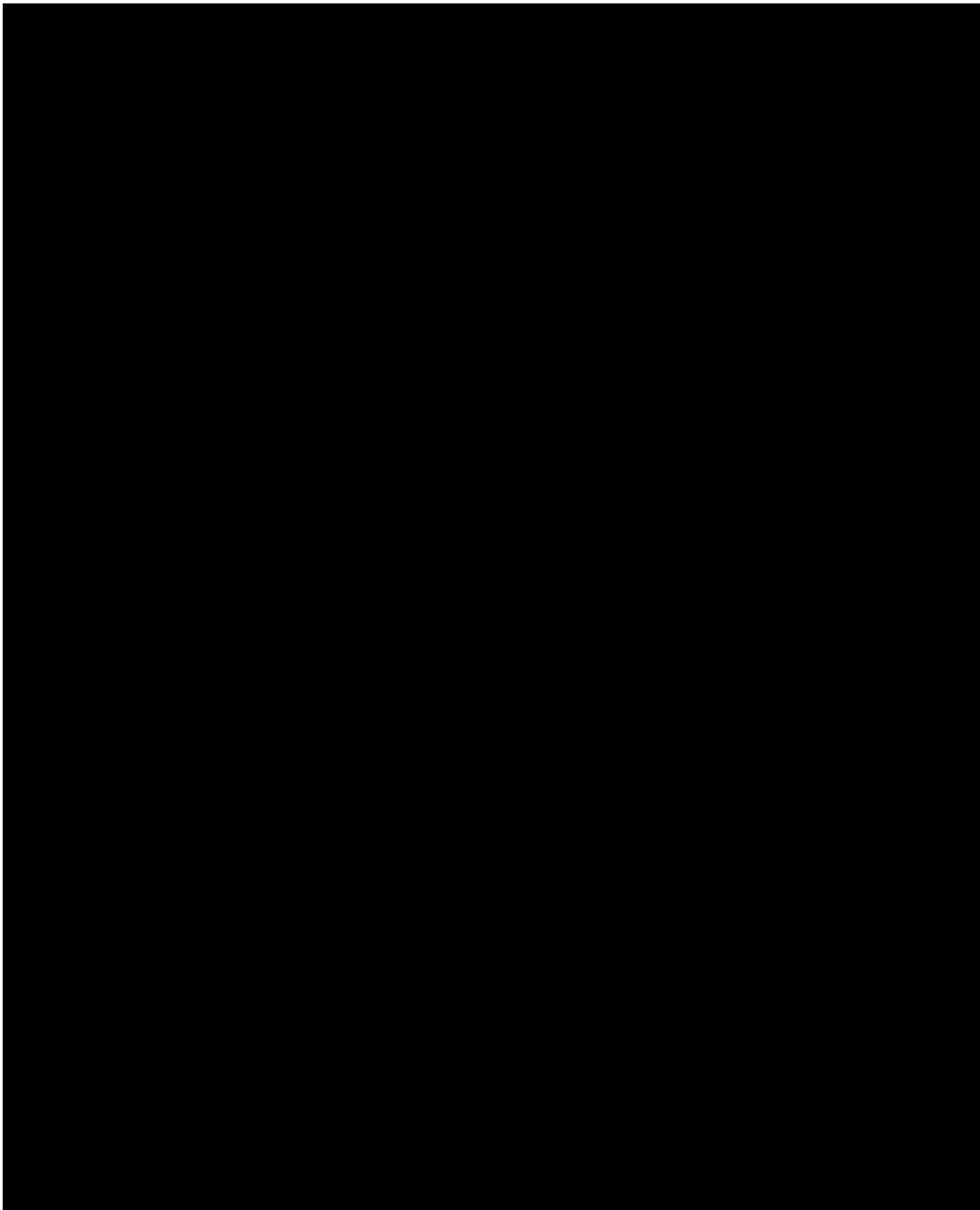
[REDACTED]

[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]

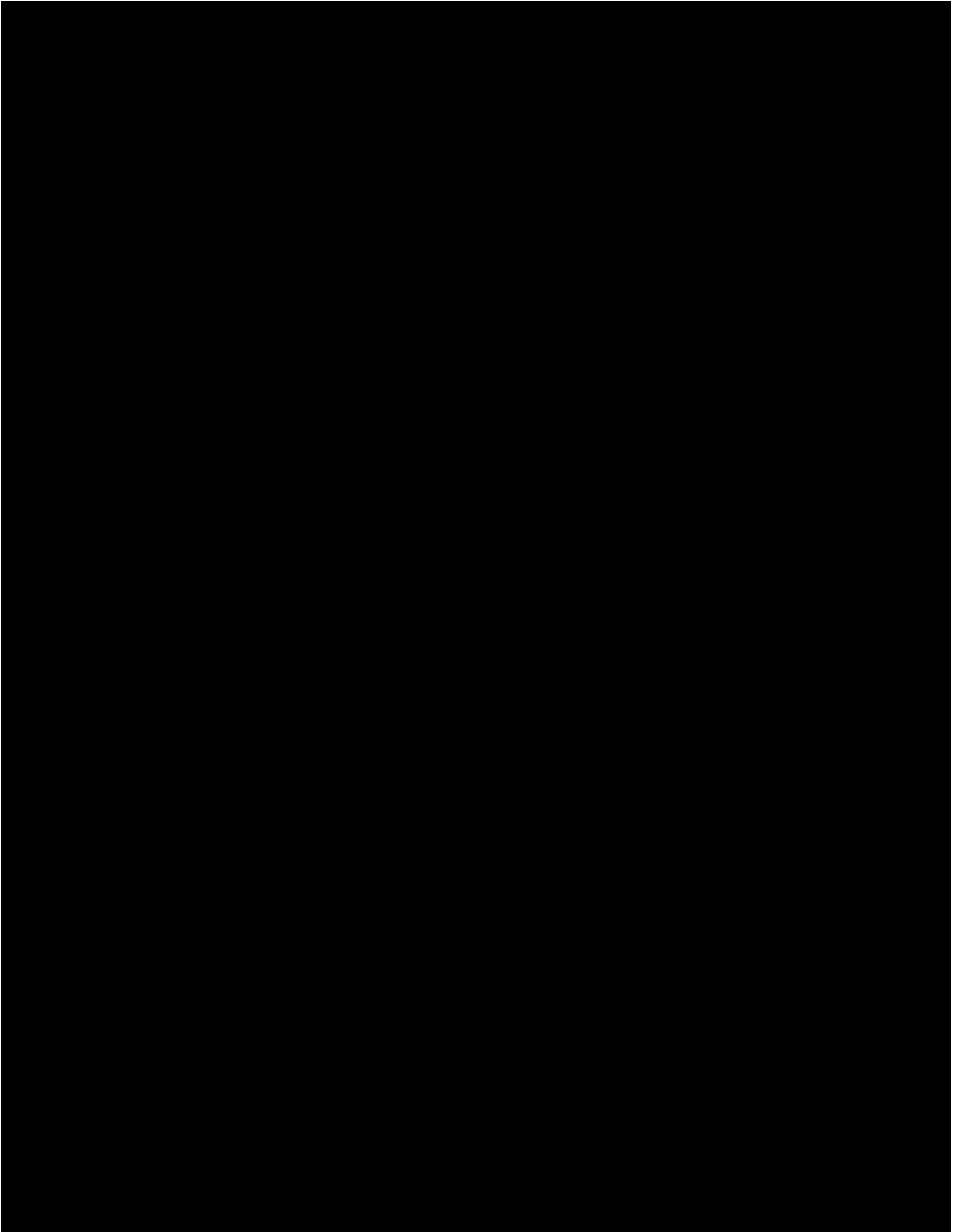


4.1 Technical Proposal





4.1 Technical Proposal



iii. *Describe the methods, communications protocol, and equipment that will be used to connect the primary site central system to the backup central system located in the Contractor's backup data center.*

[Redacted]

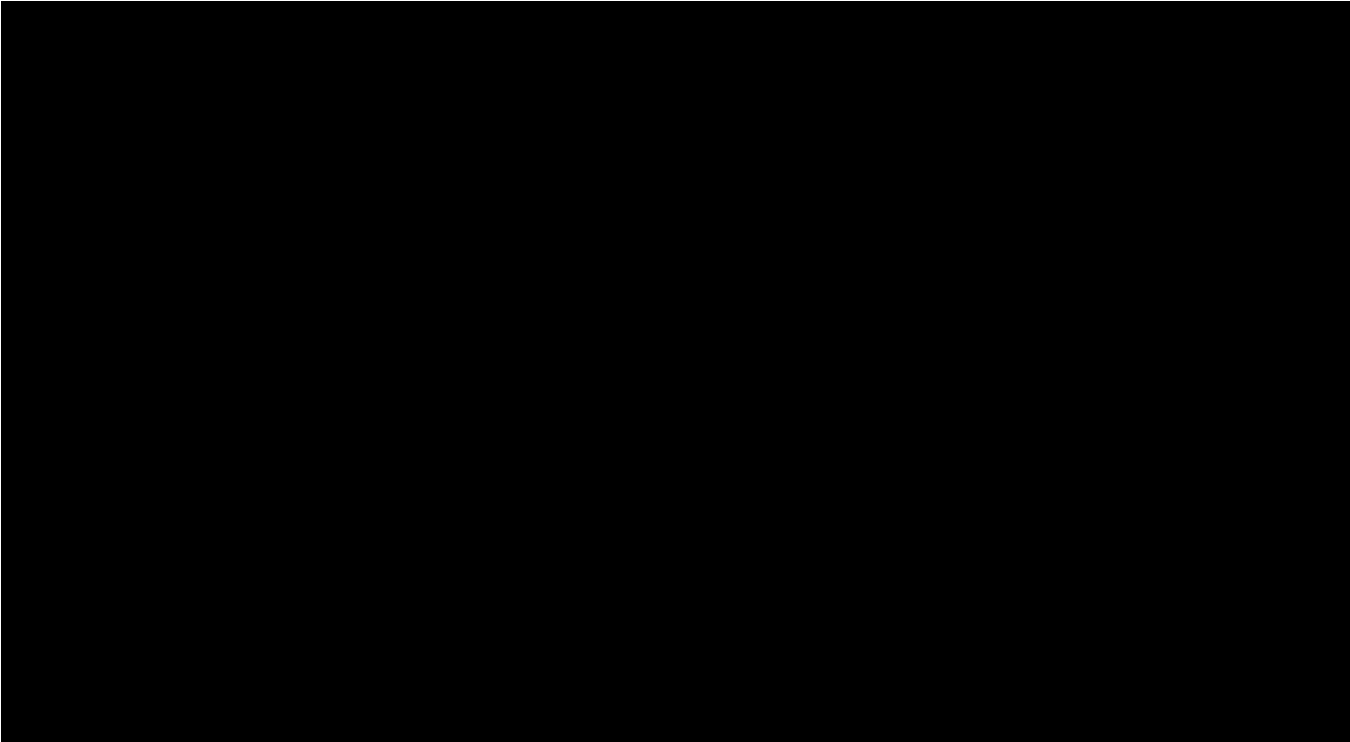
iv. *Describe the communications capacity required and the process for performing high-speed data file transfers over this connection.*

[Redacted]

v. *Describe the capabilities for keeping data on the two systems synchronized. This could include real-time remote disk logging or periodic file transfers.*

[Redacted]

4.1 Technical Proposal



B. Backup Data Center

- i. Describe the proposed hardware configuration of the central system that will be installed in the backup data center.*

Backup Data Center System Hardware Specifications



- | [Redacted]
- | [Redacted]
- | [Redacted]
- | [Redacted]
- | [Redacted]
- | [Redacted]
- | [Redacted]
- | [Redacted]
- | [Redacted]
- | [Redacted]
- | [Redacted]
- | [Redacted]
- | [Redacted]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

[REDACTED]

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

4.1 Technical Proposal

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

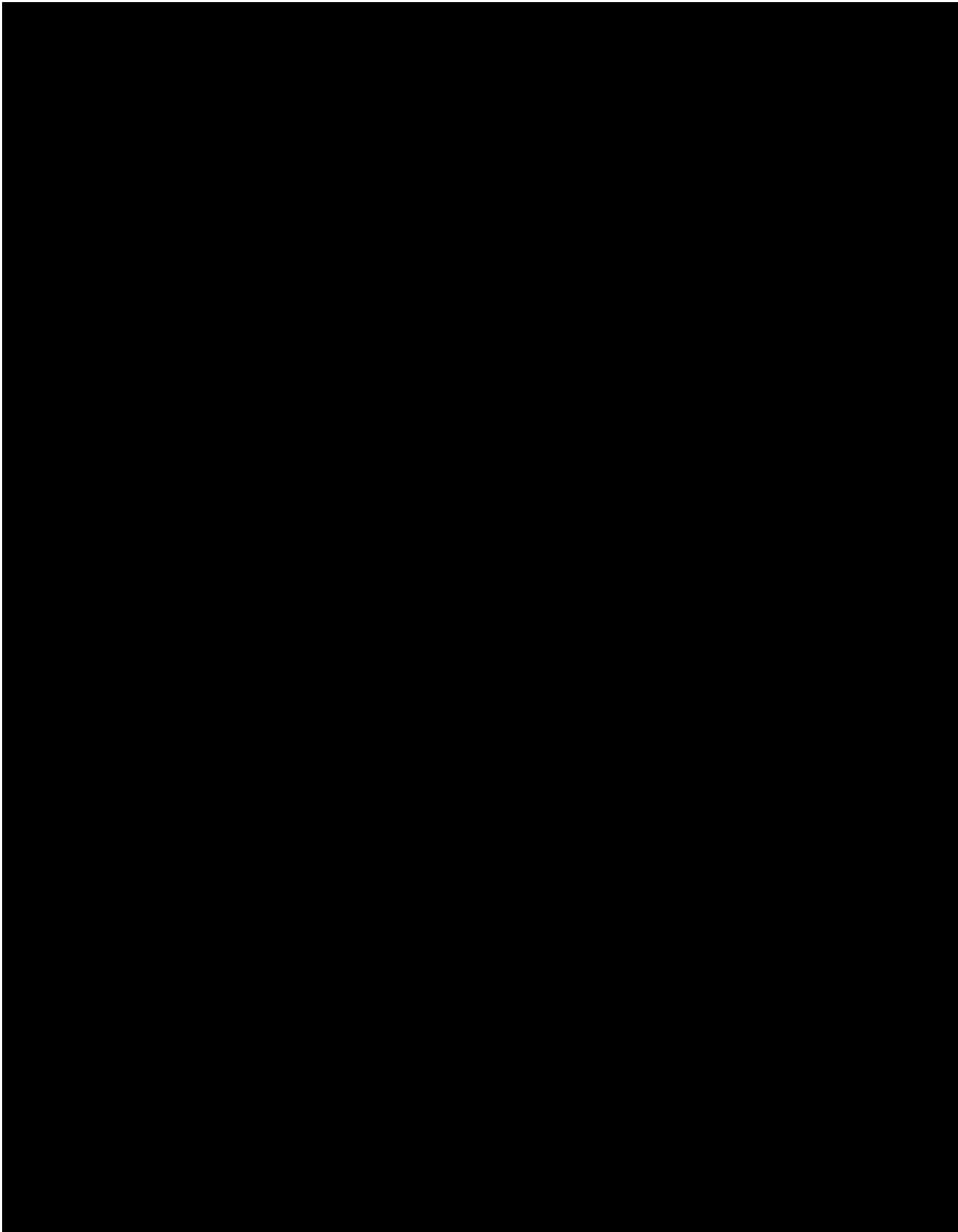
[REDACTED]

[REDACTED]

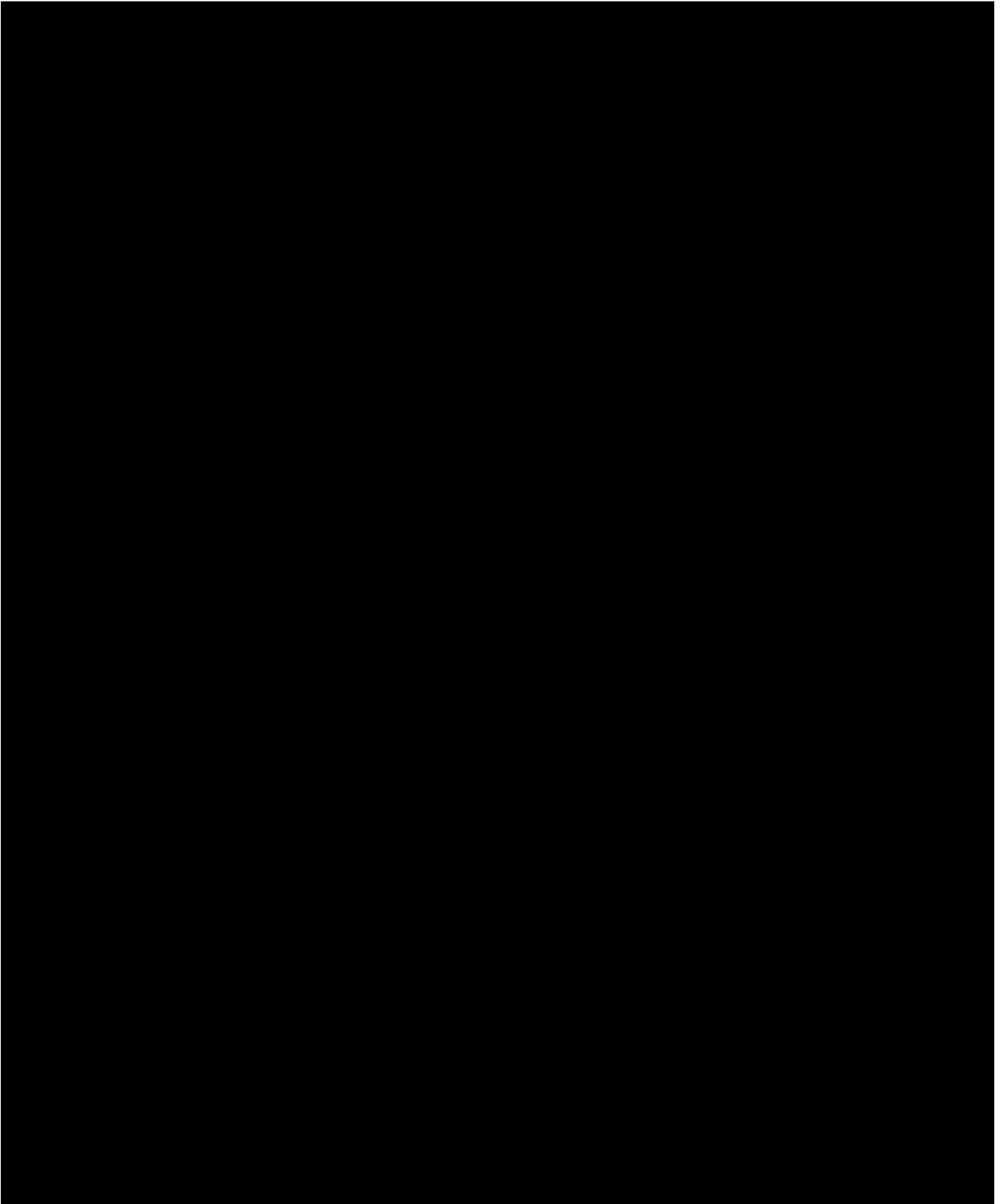
[REDACTED]

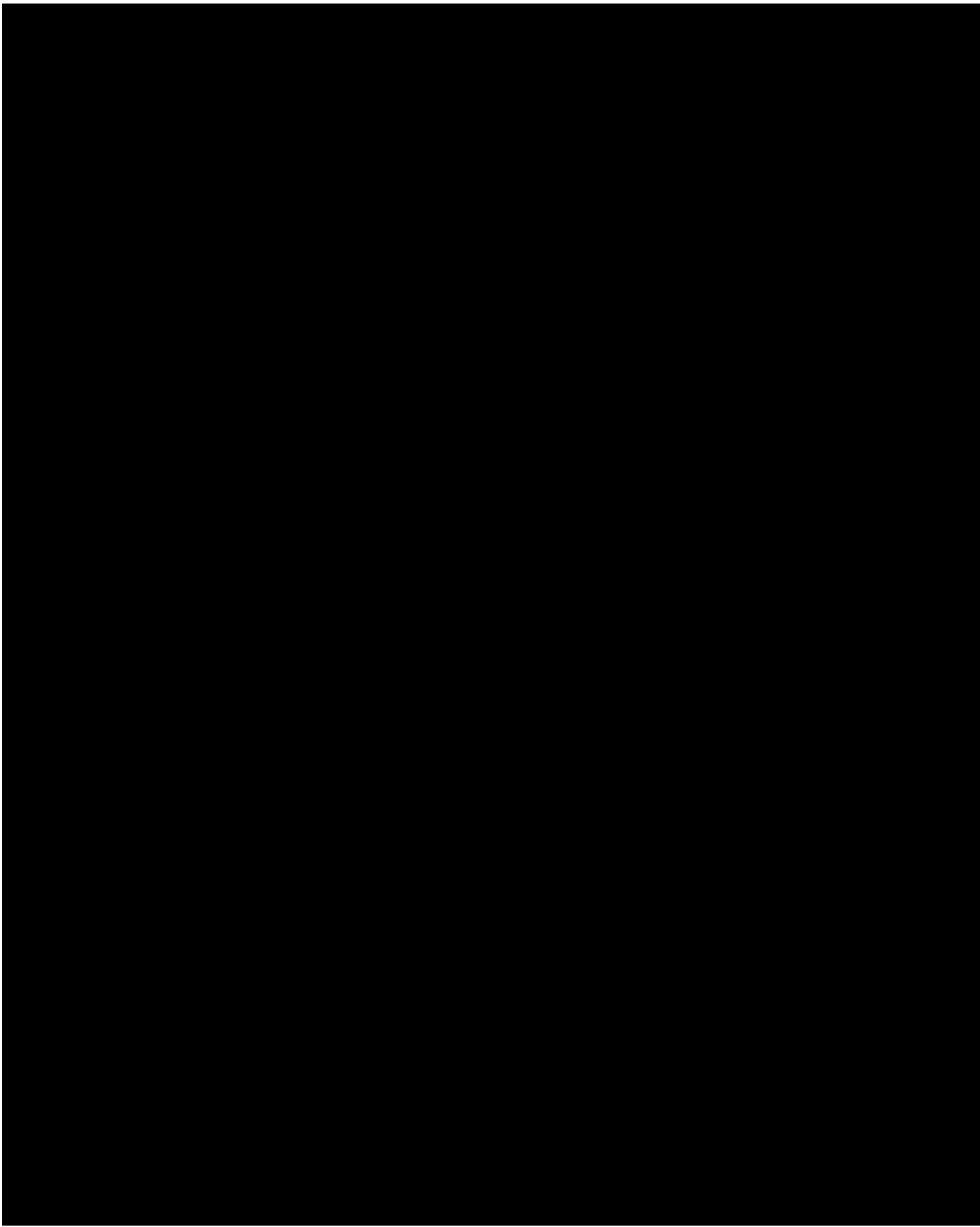
[REDACTED]

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

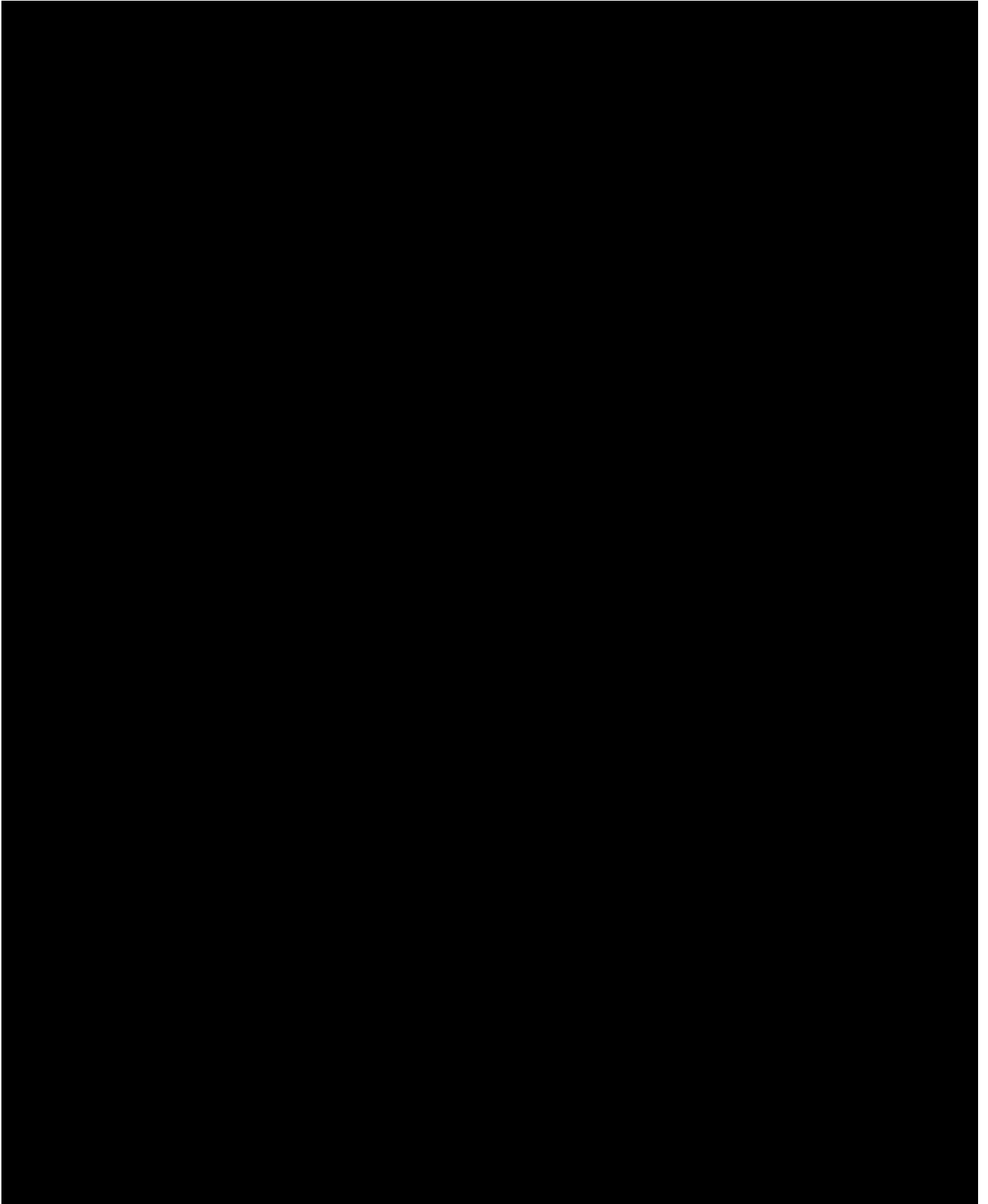


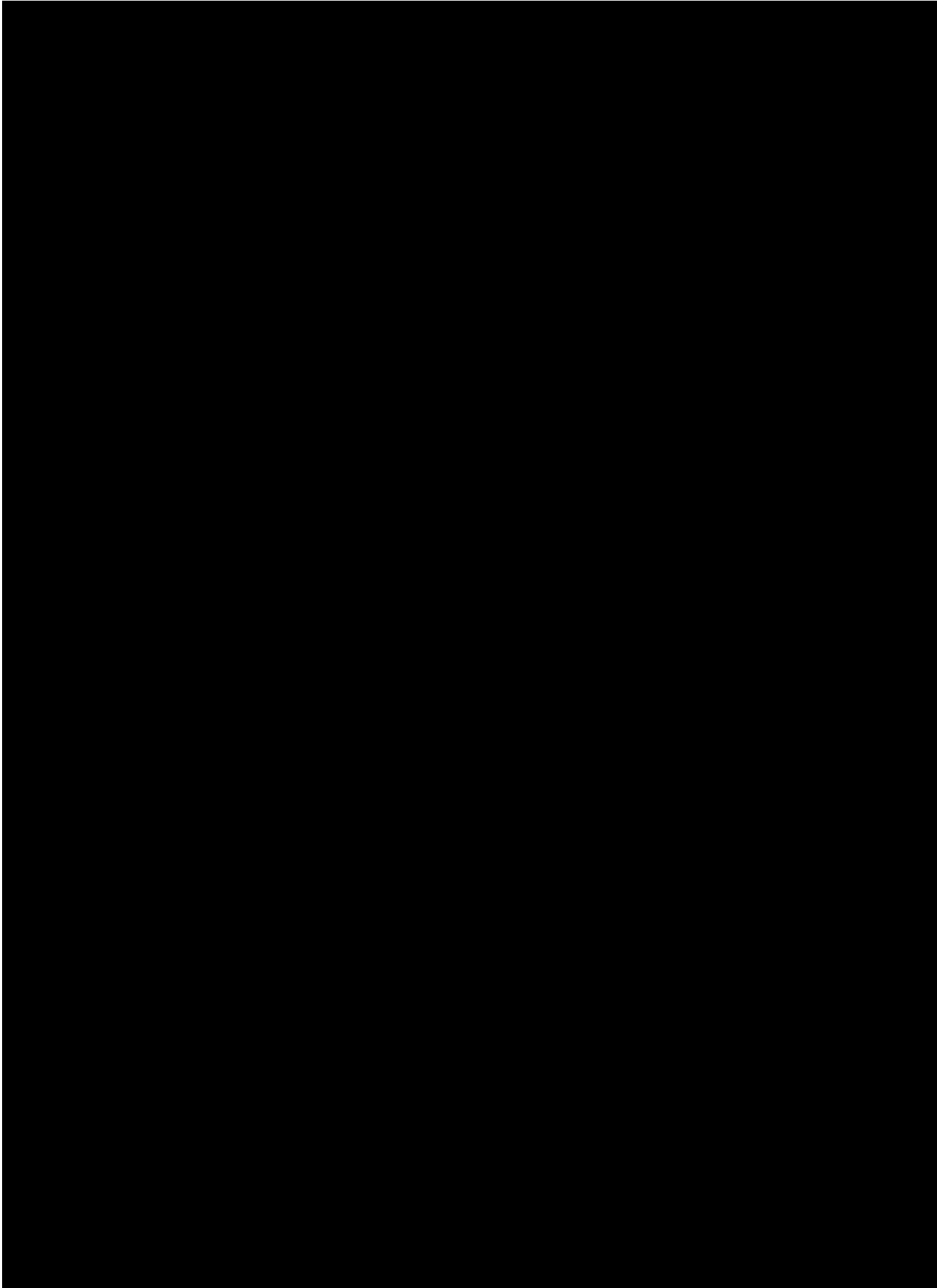
4.1 Technical Proposal





4.1 Technical Proposal





4.1 Technical Proposal

[REDACTED]

[REDACTED]

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

[REDACTED]

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

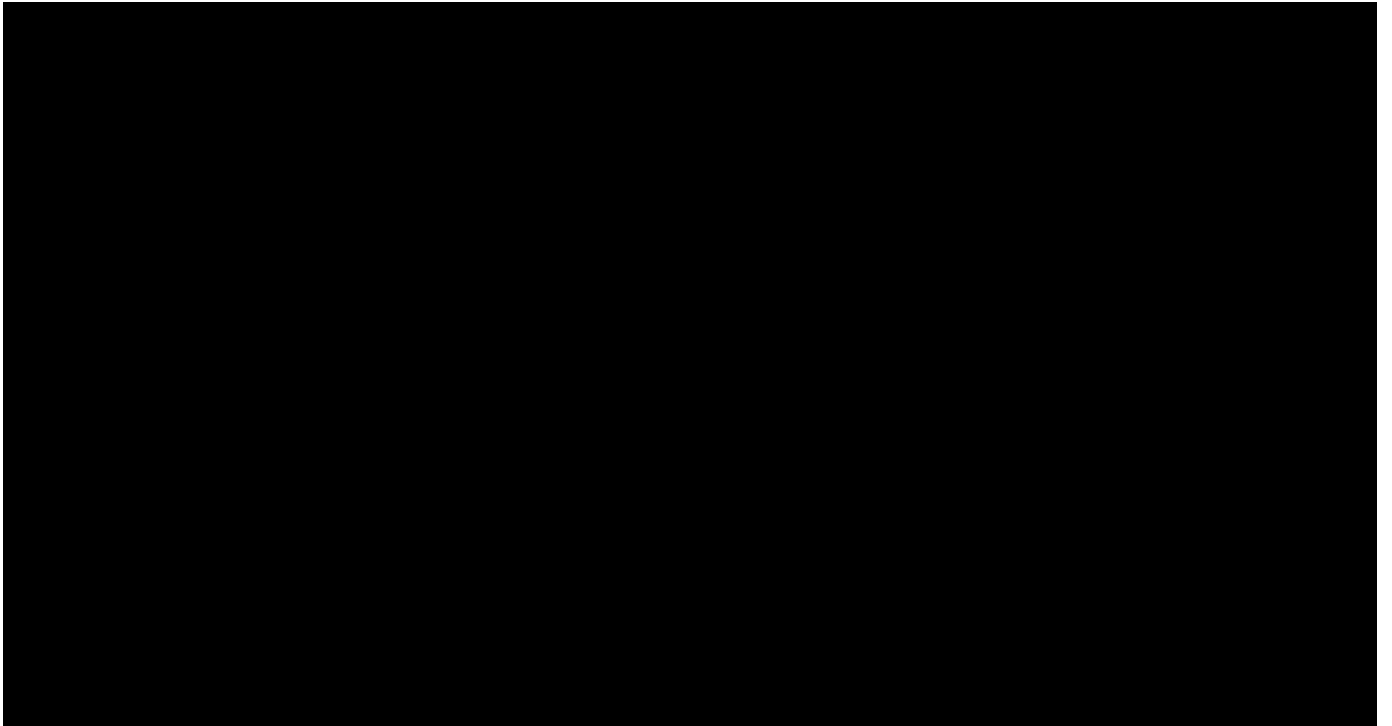
[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

4.1 Technical Proposal



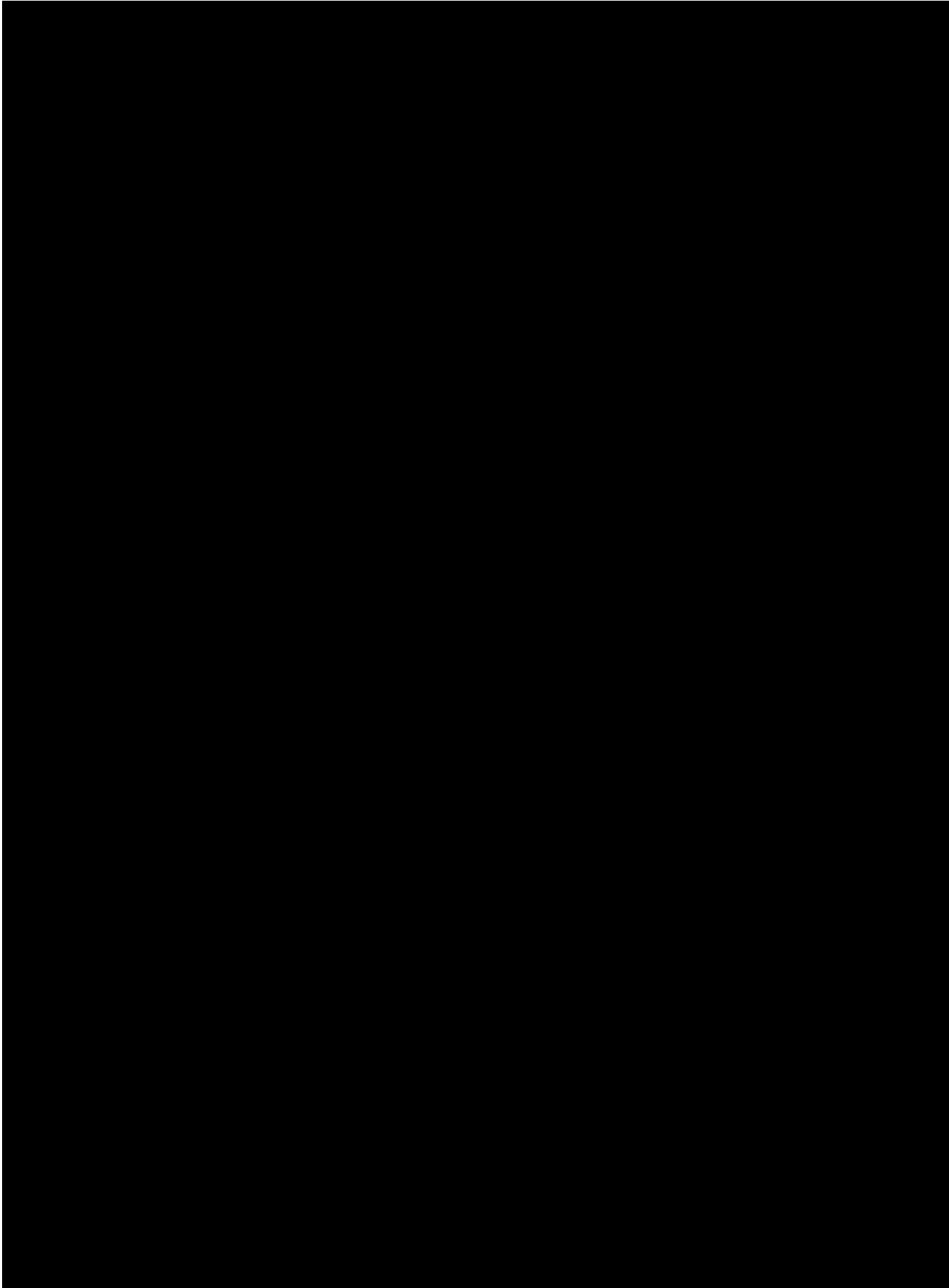
ii. Describe the hardware vendors, processor types and models, and peripheral configuration (e.g., drive types and capacities, media storage types and connections, printer types and speeds, etc.) and the process that will be implemented to deliver uninterrupted service in the event of a failure at the primary site.

NOTE: See [Section 4.1.4.4.A.i](#) above.

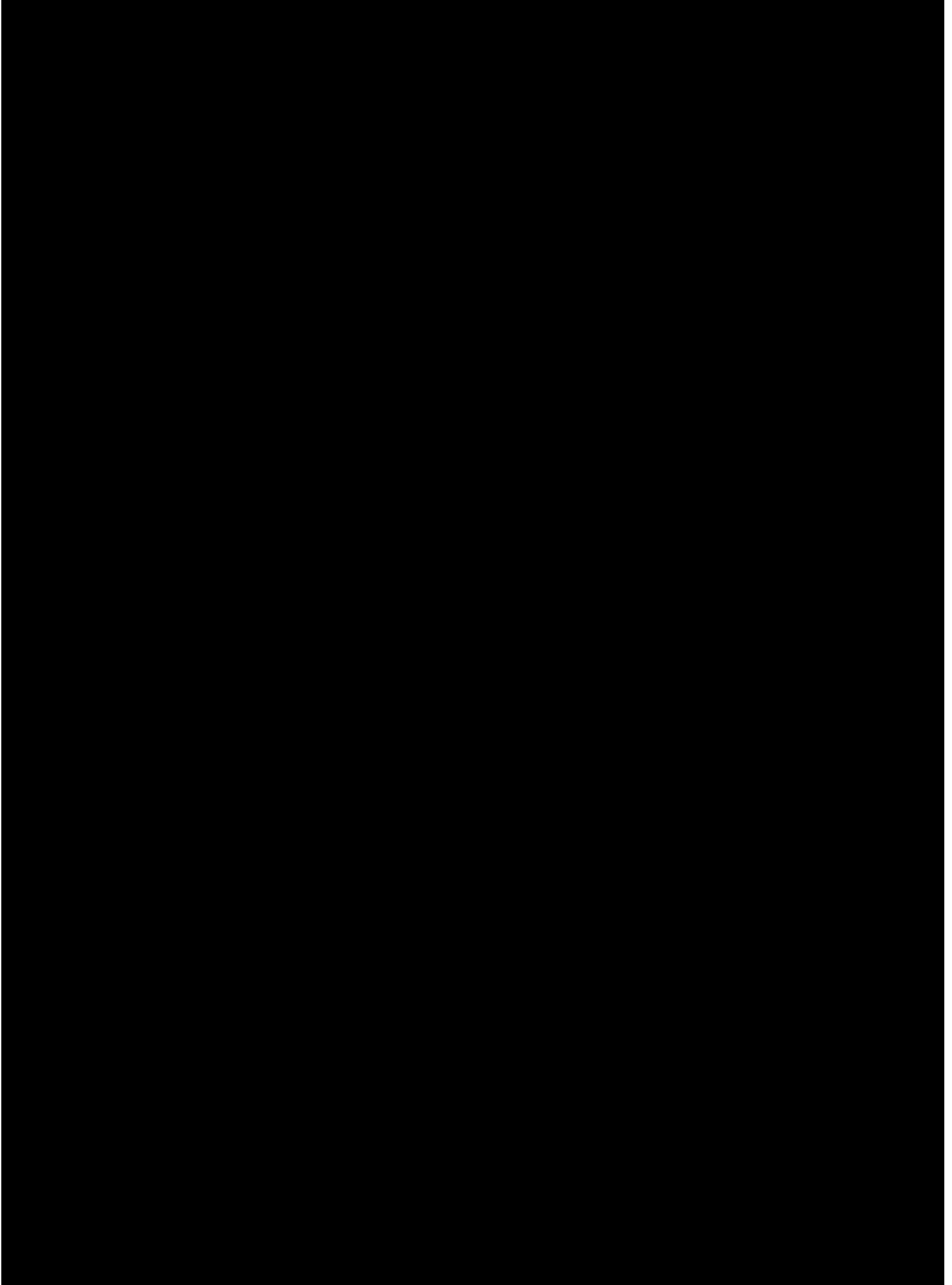
iii. Describe the system software that will be installed on the central system at the backup data center and all third-party software products and tools that will be used on the system.

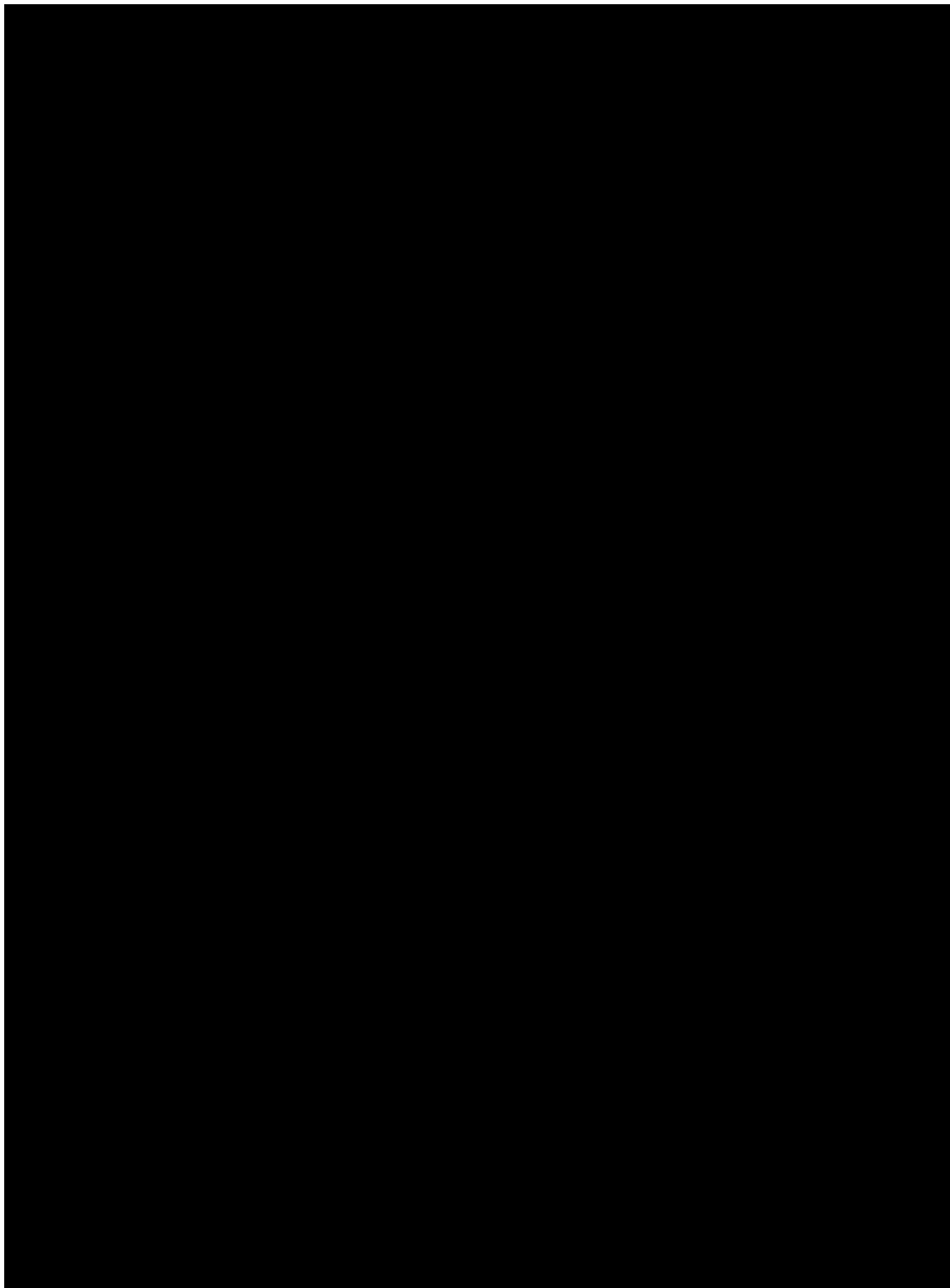
[Redacted]

[Redacted]	[Redacted]
[Redacted]	[Redacted]
[Redacted]	[Redacted]
[Redacted]	[Redacted]
[Redacted]	[Redacted]
[Redacted]	[Redacted]
[Redacted]	[Redacted]
[Redacted]	[Redacted]
[Redacted]	[Redacted]
[Redacted]	[Redacted]

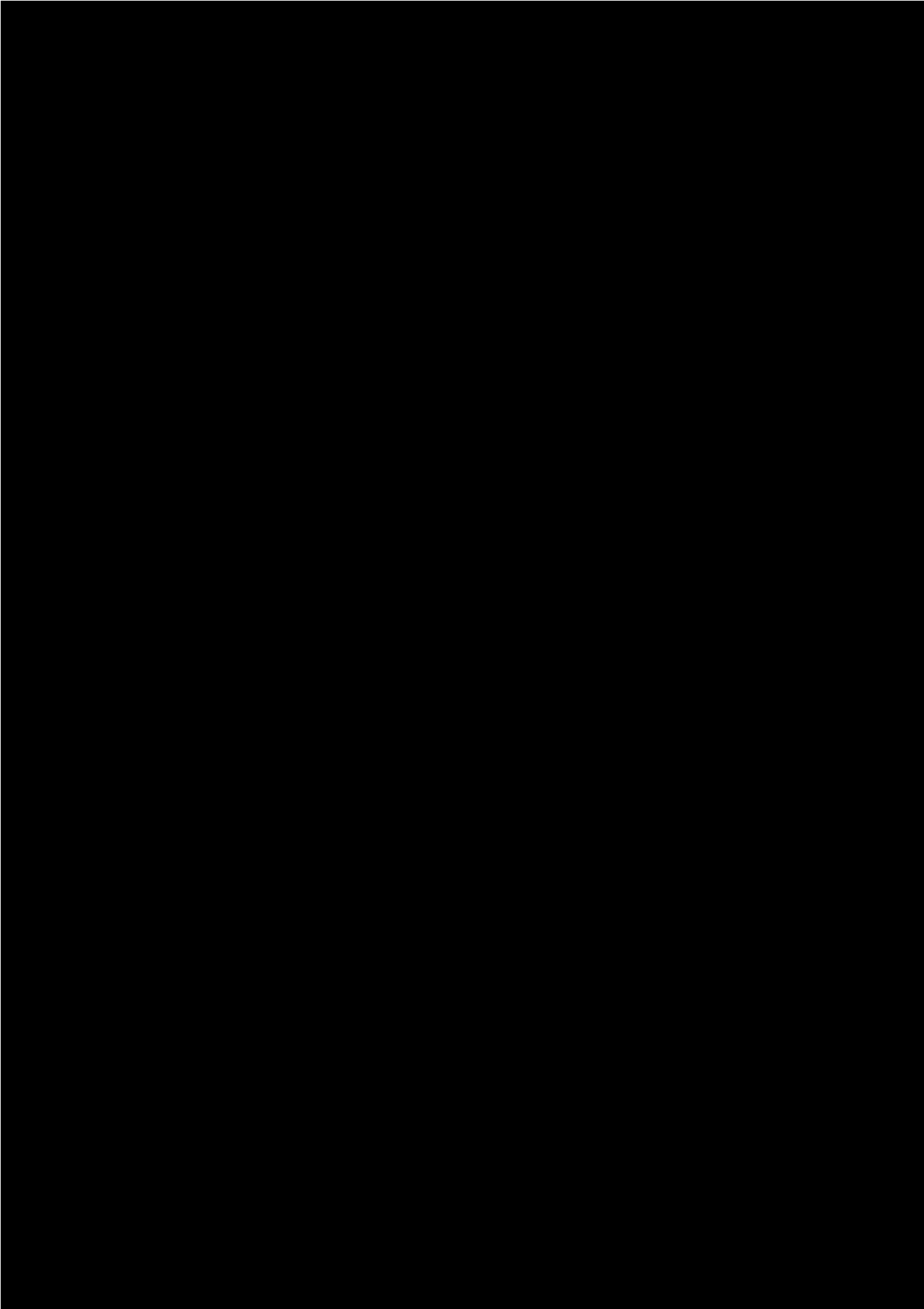


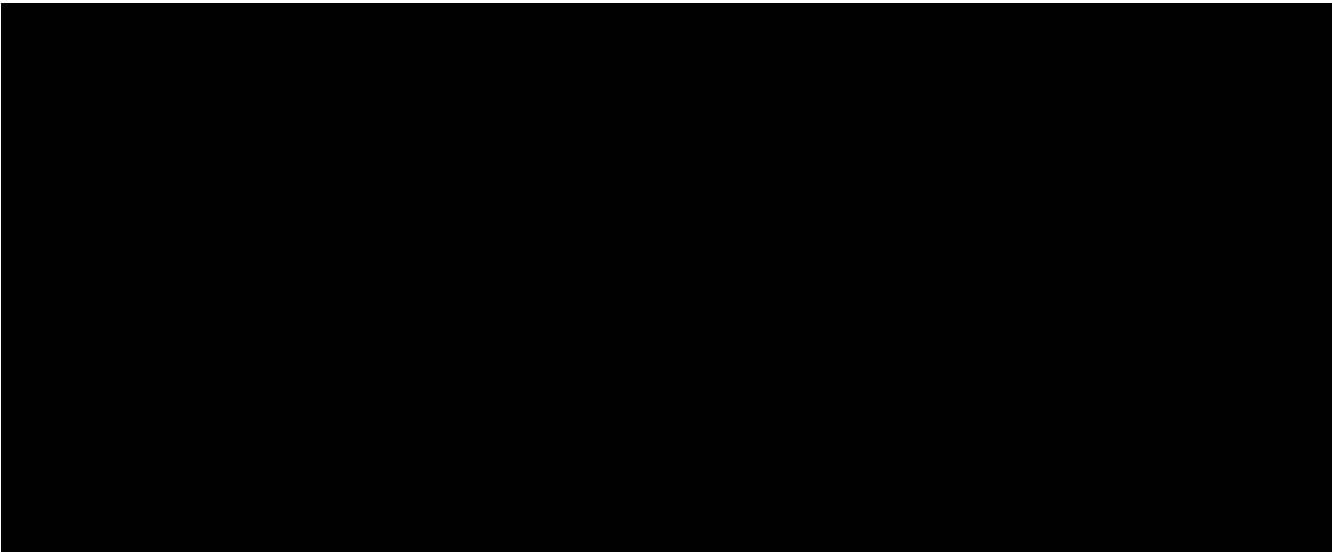
4.1 Technical Proposal





4.1 Technical Proposal

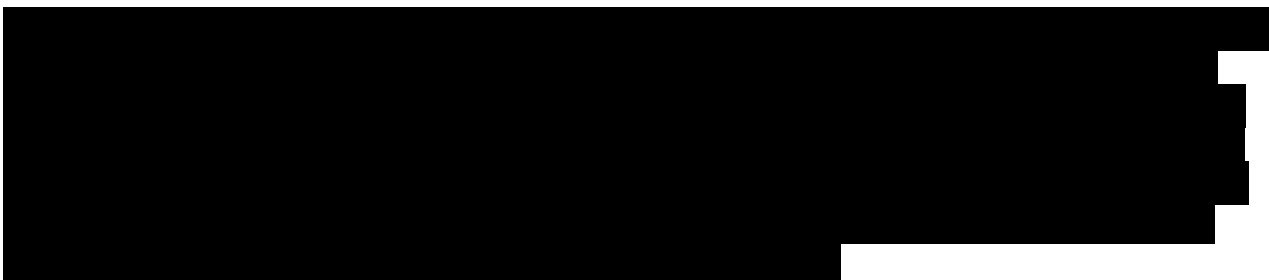




iv. *Describe the methods, communications protocol and equipment that will be used to connect the backup site central system to the primary central system.*



v. *Describe how data and application software will be maintained at the backup site such that an immediate transfer of operation to the backup site will be accomplished in the event of a failure at the primary site, including the methods and timing that will be used to transfer current data from the primary central system to the backup central system.*



C. Test System

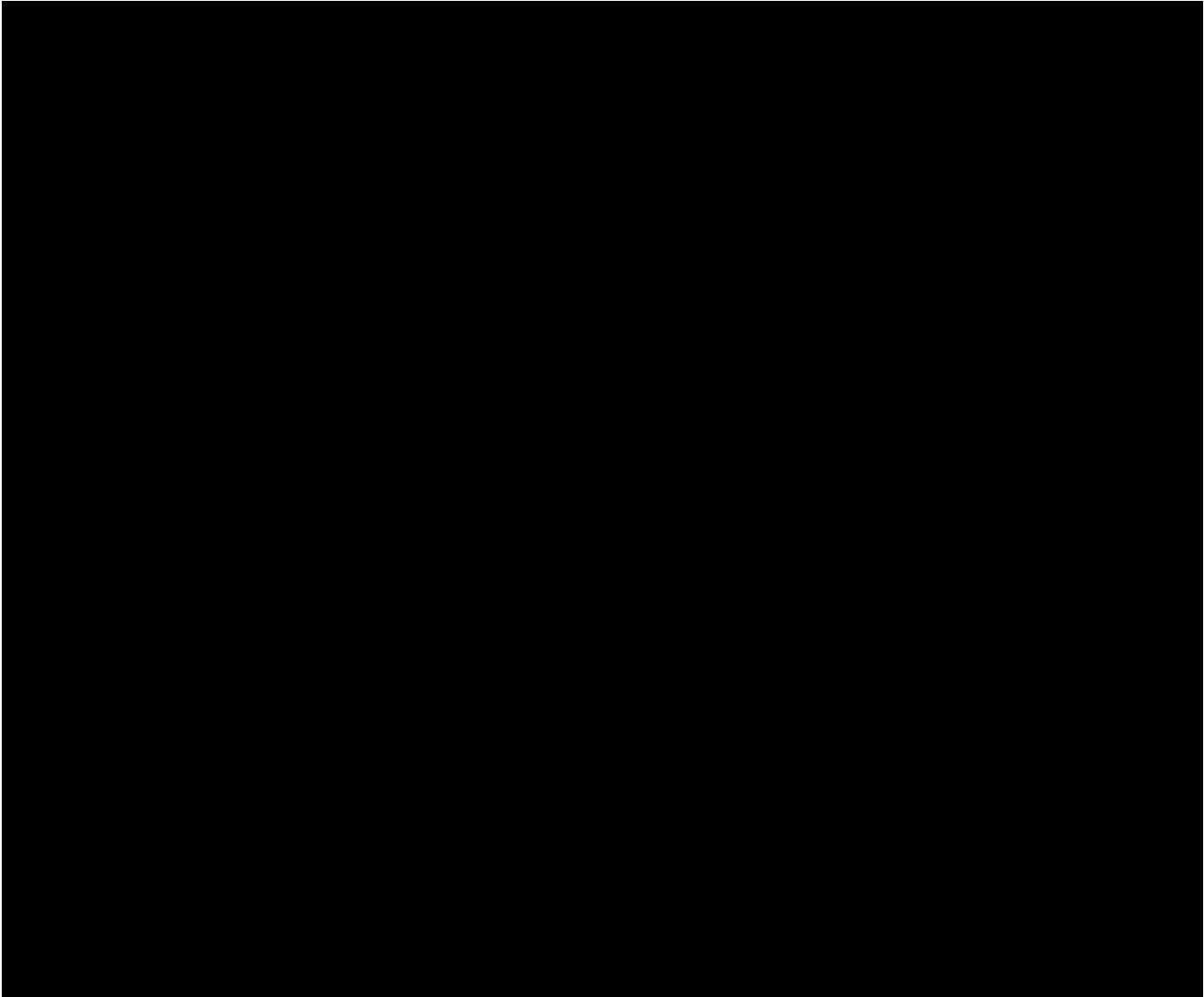
Describe the test system capabilities.

NOTE: See [Appendix E-4 RFP Part 3 Scope of Work](#), which describes in more detail our response to Section 3.4.C TEST SYSTEM.

Everi Games will provide a separate development and test environments to support development and testing defect fixes and/or new features developed for Everi Games Inc. applications. The test environment imitates the hardware platforms and operating systems in the production environment

4.1 Technical Proposal

as closely as possible, except as required for configuration testing. Everi Games Inc. maintains strict separation of control, in that the Development staff maintains responsibility for development of changes and the Quality Assurance (QA) staff maintains responsibility for testing and approving those changes. Changes are moved to the production environment only after development, QA, third party test lab (GLI) and evaluation by the Commission is completed.



NOTE: See *Section 3.16 SUPPORT FOR TESTING CENTRAL SYSTEM SOFTWARE* for more information.

D. Availability

Affirm the central system will be active 24 hours per day and that it conforms to the conditions required by Section 3.4.D of the RFP.

NOTE: See *Appendix E-4 RFP Part 3 Scope of Work*, which describes in more detail our response to RFP Section 3.4.D AVAILABILITY.

Central System Availability

Everi Games Inc. has designed a highly-fault tolerant and redundant system using enterprise level hardware and software. Critical components are designed to be hot swappable without system interruption and are intended to prevent performance degradation or loss of system functionality due to single software or hardware failure. All systems are configured with the resources necessary to run well below their maximum capacity, even during extended, high-volume periods.

Although the New York Gaming Commission is currently approved to operate Video Lottery Games for up to 20 hours per day continuously, the Central System and Site Controllers will be available 24 hours per-day even during times of maintenance.

During those 4-hours of non-gaming activity, system updates and maintenance are performed with no disruption to normal gaming operations.

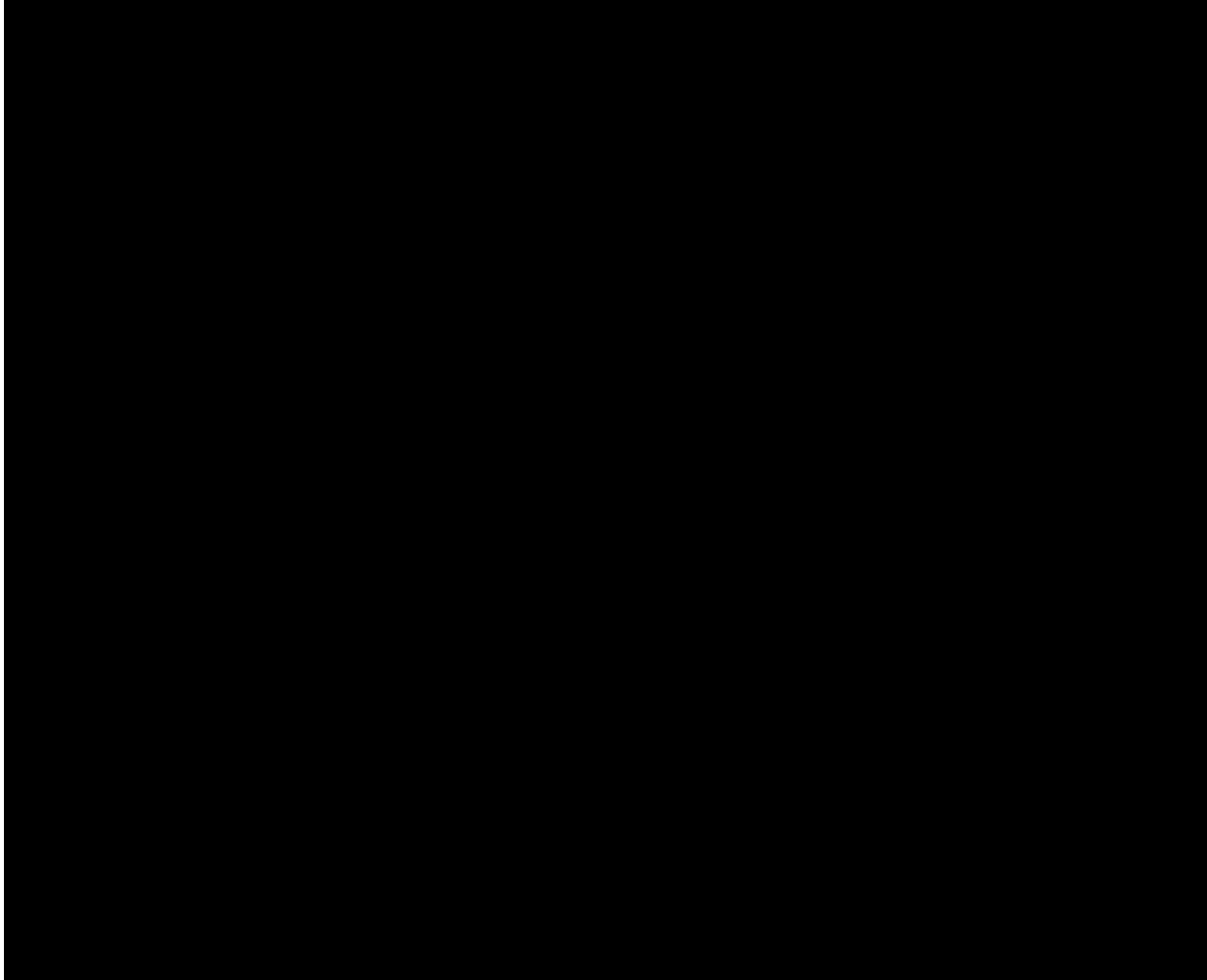
24x7 Gaming

Support for 24-hour gaming operations can be achieved with a set of hardware and software updates to the current version of the Central System.

[REDACTED]

[REDACTED]

4.1 Technical Proposal



E. Capacity and Growth Capability

Describe in detail how the Bidder proposes to handle System Requirements identified in Part 3 of this RFP for the number of facilities and terminals indicated in Exhibit 1, Current Gaming Devices, and how scalability will be handled if it is necessary to increase those numbers.

As detailed throughout Section 3.4 CENTRAL SYSTEM SPECIFICATIONS, as well as throughout Section 3.17 FACILITY SITE CONTROLLER SPECIFICATIONS of the RFP, Everi Games Inc. has designed the Central and Site system infrastructure with a high degree of flexibility and scalability to support current and future requirements of the VLS system. Everi Games Inc. has designed each facility based on their specific requirements with expandability in mind. Based on Everi Games Inc. recommended average of 240 gaming devices connected to each Site Controller (Gaming Server) we can support the minimum requirement of 22,000 gaming devices detailed in this RFP. Depending on how these gaming devices are deployed throughout the current gaming environments statewide, Everi Games Inc. will need to evaluate each facility independently.

During the evaluation, we will identify if any additional hardware such as network switches, storage, and site controllers (Gaming Servers) are needed. Working with our hardware supplier, we will place an order for the equipment, which could take up to six weeks to arrive. Everi Games Inc. will work with the facilities and game vendors to deploy this new equipment once approval from the

Commission is given.

F. Data Retention and Archiving

Describe how data archiving and reporting will be implemented.

NOTE: See *Appendix E-4 RFP Part 3 Scope of Work*, which describes in more detail our response to Section 3.4.F DATA RETENTION AND ARCHIVING.

Tier 1 Data Retention, Backups and Redundancy

Everi Games Inc. recommends retaining 60 days of data on Tier 1 (Site Controller Level). This is the current configuration for the VLT System we support in New York and is well below the Commissions requirement of having no more than 4 months of current data at Tier 1. Each Site Controller system contains redundant database servers that record all transactional data as it occurs. Data is written to a highly robust Storage Area Network (SAN) configured with Redundant Array of Independent Disks (RAID) storage. In addition to this inherent fault tolerant configuration, Full SQL Database Backups are taken daily with Transaction Log backups running every 15 minutes. This offers opportunity for very granular point in time restores in the event of data corruption for example. Once the daily Full SQL Backups have completed, tape backups are executed to backup both Full SQL Backups and the Transaction Log Backups for the day. Tapes follow a rotation and are shipped to the NOC as an offsite backup solution.

At the Central System level, there are also redundant database servers at both the Primary and Backup Data Centers that also write its data to RAID storage. Full SQL Backup are run daily with Transaction Log backups running every 15 minutes followed by tape backups to encapsulate everything for the day.

Database archiving logs are maintained so that the correct tape can be recalled in the event of a disaster, reporting request, or for research. Everi Games Inc. utilizes enterprise-class backup and disaster recovery software that provides scalable, industrial grade protection for data, applications, and servers throughout the VLS environment. This software along with the enterprise-grade hardware detailed in Section 3.4.A – Primary Data Center (Backup Tape Library) provide on and off-site data retention that is exercised for retrievability at regular intervals.

Backup Software - Examples

Software	Description
HP Data Protector	This software provides an interface that is used to schedule recurring backups of data residing on disk to Tier 3 media (Tape).
VMware VEEAM	This software utilizes VMware level snapshots to provide point-in-time backups of running Virtual Guests within our Virtualized Environments.

Tier 2 - Second Database Server (Online Data Store – ODS)

4.1 Technical Proposal

Everi Games Inc. has continually strived to over-deliver on the requirements set for by the New York Gaming Commission. With over a decade of experience servicing the New York Gaming Commission, Everi Games Inc. has proven the ability to greatly extend the data retention beyond the 15-month minimum requirement at Tier 2 and also exceeds the 6 additional years requirement for Tier 3. The Everi Central System's Tier 2 retention now stands at an additional 7 years of actively readable data for adhoc report querying. This is in addition to the current year. Reports may be built on-demand, as deemed necessary by the New York Gaming Commission.

Tier 3 – Data Tape Storage

Data older than 8 years (current year plus last full 7 years) is moved to the tape backup as required for the third tier storage. This is a separate database server on the Central System that maintains and stores data on tape. These tapes are generated each day from the second-tier server and are manually moved to archive.

All three tiers of data retention have the ability to be accessed as needed in order to facilitate any adhoc data access from the report writer applications. Tier 1 and Tier 2 are easily combined on demand, while Tier 3 data retrieval begins with a manual request for data tape restoration, followed by the adhoc merging of data sets between all necessary Tiers in order to fulfill the original data request.

Data Archiving Solution

The Everi Games Inc. data retention plan also includes the storage of all file and record layouts in the latest version, with each subsequent backup, so that retrieving data in a usable format will not compromise current data formats. In addition to this, the archive server maintains the most up-to-date information on all formats and record layouts so that inquiry by the Commission is possible to determine if any file research will be an issue. If there is ever a reason to look research historical layouts, the relevant backups can be access, restored and researched. Adhoc queries can also be modified as needed to account for layouts that been upgraded since the original backups were created.

Everi Games Inc. believes this is the most robust solution for the Commission and provides the Commission with additional resources for retrieval and use of the historical data from all of the databases maintained on the Central System and the Site Controllers.

G. Security Controls

The Everi Games Inc. VLS will be implemented using a Single-Sign-On (SSO) methodology. SSO allocates a single user name for each user on the system and provides facilities for authenticating the user and determining permissions for each point of access (POA). Everi Games Inc. will leverage Microsoft Active Directory (MS AD) as the SSO identity source. All users will be required to remember a personalized password that meets specific requirements including but not limited to: minimum password length, maximum password age, must meet complexity requirements (combination of character case, numbers, special characters), remembered password history. Everi Games Inc will implement the specific settings based on technology improvements and current best practice recommendations.

All users, both at the central datacenters and the facilities, will have accounts in MS AD that will determine their level of access on the system. Users can log in with their authorized ID and password information on any POA. This system will allow centralized logging of all activity on the entire system, and allows the Commission to maintain ultimate control of authorized users and their activities.

- i. Describe how remote maintenance access to the central system by the Contractor and any other external access will be restricted.*

[Redacted]

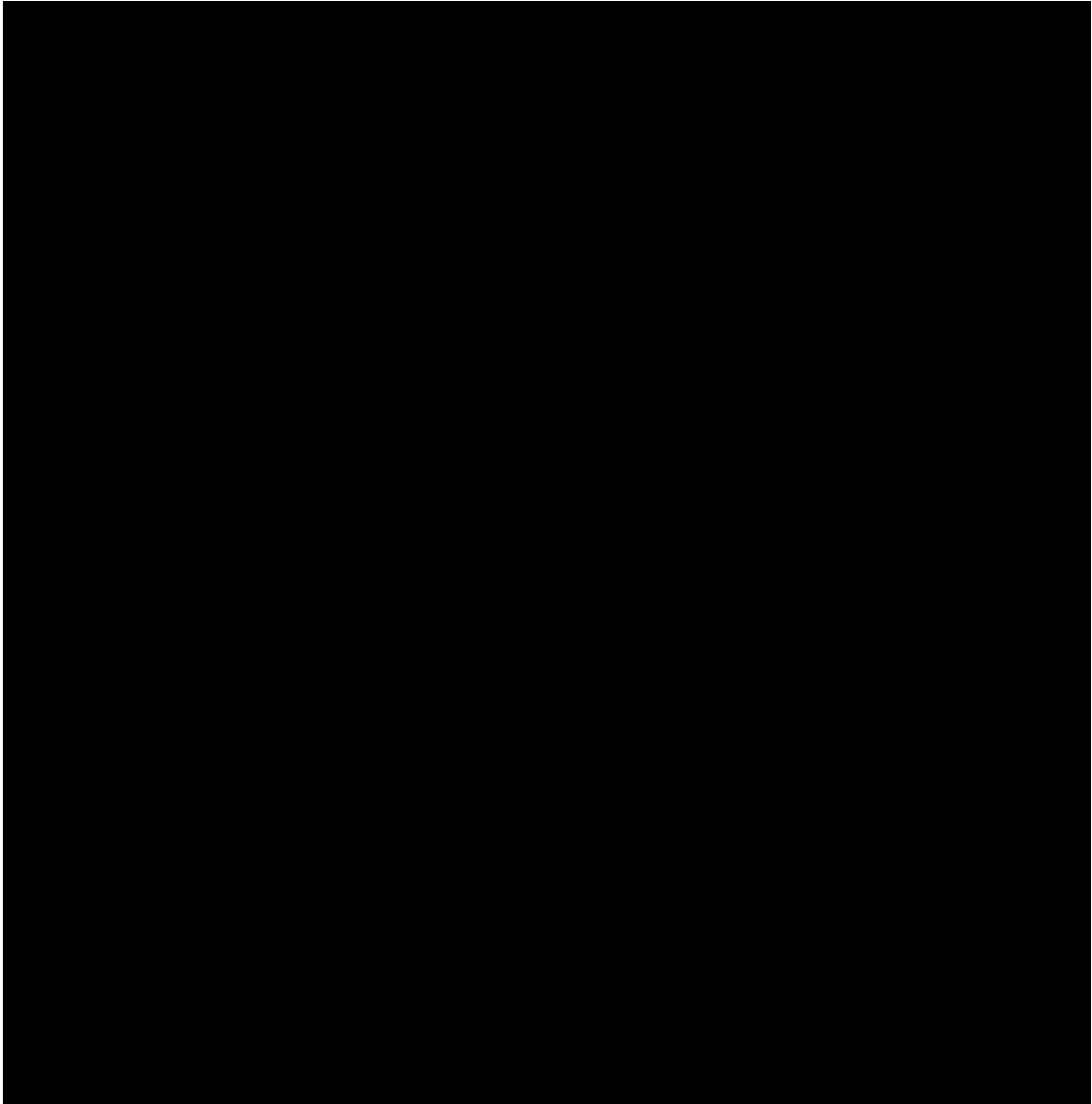
[Redacted]

- ii. All access to processes, databases and system libraries shall be controlled and monitored at the user level. A user is defined as a Contractor employee, a facility employee, or a Commission employee. Describe controls that exist in this area.*

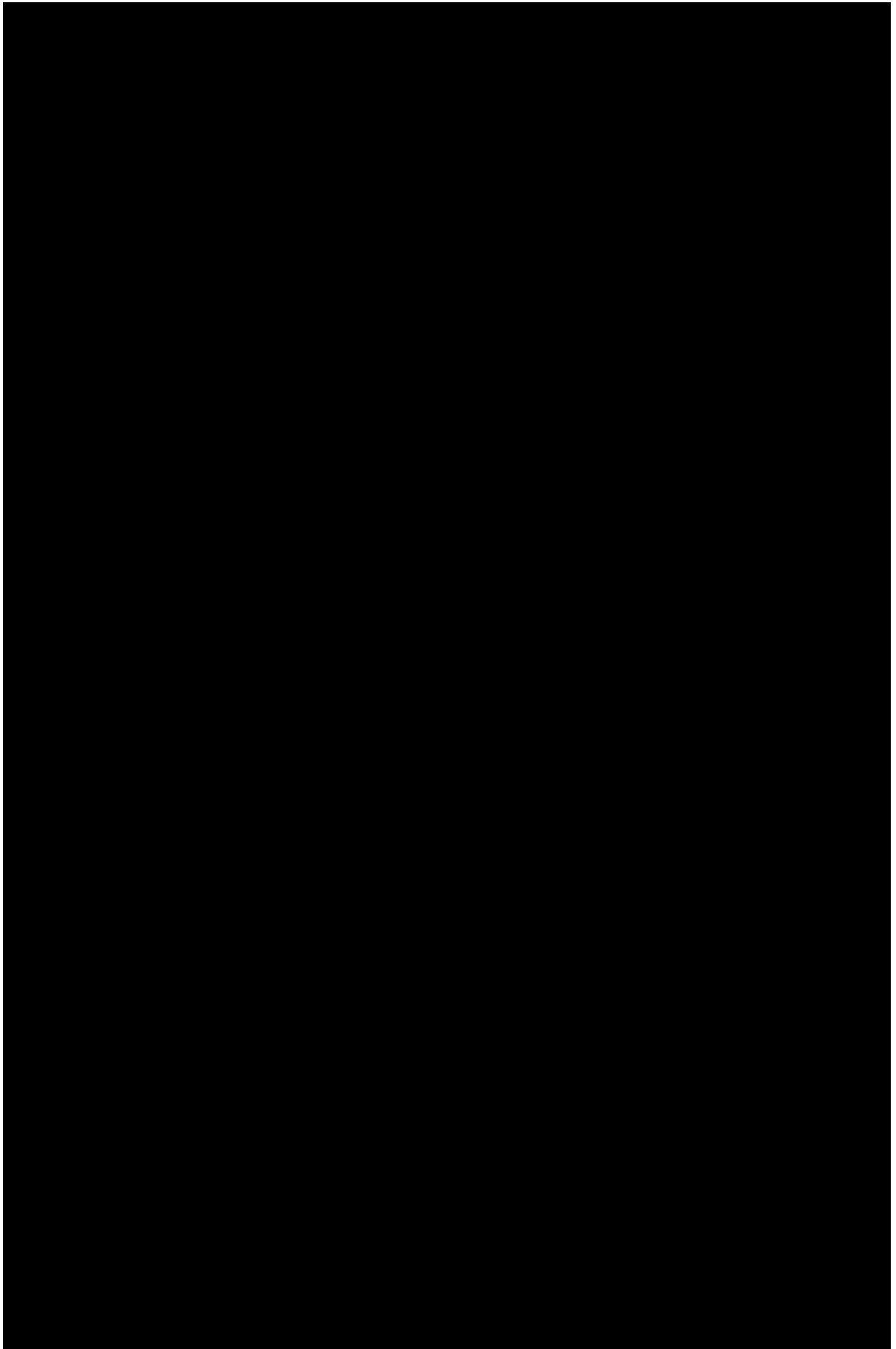
4.1 Technical Proposal

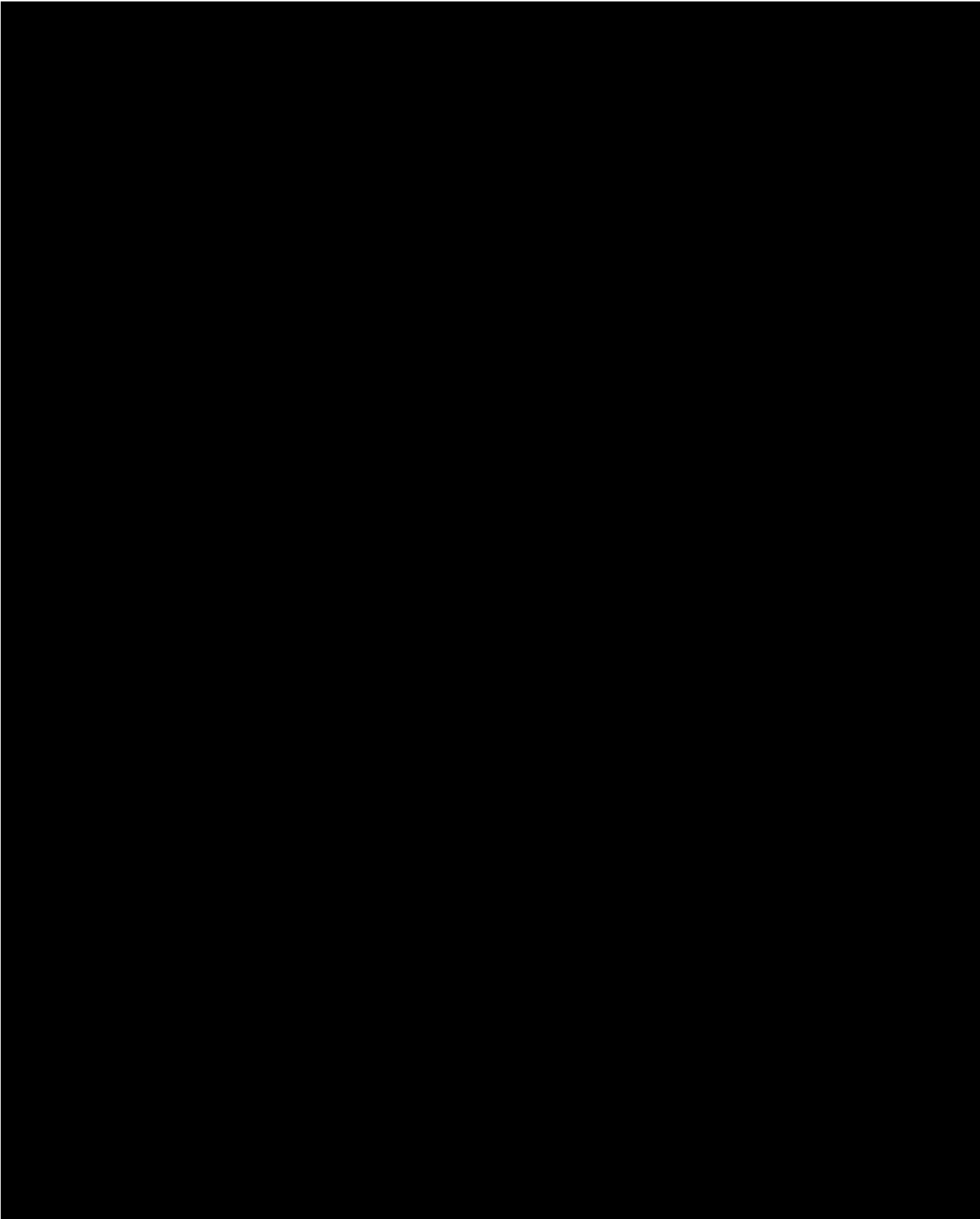
[Redacted]

[Redacted]



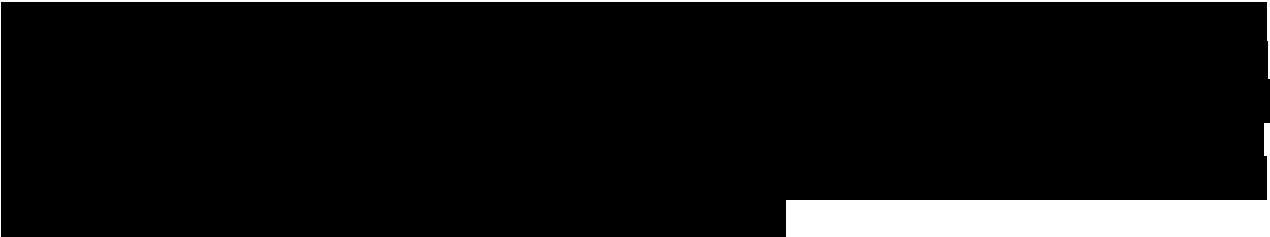
4.1 Technical Proposal



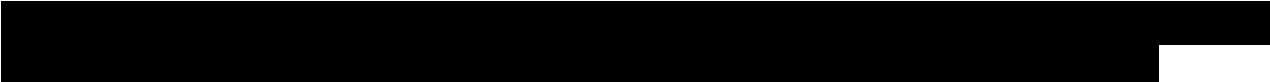


iii. Describe the capability to set up user access accounts with flexibility in granting user access rights at the system level (not within the application) to databases, application programs and operating system functionality, and how specific access rights, such as read, update, and delete, are available, including the ability to selectively report on events in the system security log files.

4.1 Technical Proposal

- 
- iv. *Describe the central system's ability to selectively monitor user log-ins, log outs and the use of application and system programs by logging details (e.g., date, time, user ID) of each occurrence, and exception logs and reports that are available, including the ability to selectively report on events in the system security log file.*

- 
- v. *Describe the central system's ability to control access by week, day or time period.*

- 
- vi. *The movement of software between test and production source and object code libraries must be restricted and controlled. Describe controls that will be implemented over software migration and controls that exist over access to, and modification of, any application source code resident on the central system.*

Software Migration

No software will be introduced to the production system without first being subjected to both the Everi Games Inc. software release process and the Commission's software release process.

The Everi Games Inc. software release process involves of running through a checklist to ensure that all tests have been performed, that the software version is correct, all changes have been documented, and all required approvals have been obtained. Everi Games Inc. and the Commission will execute an acceptance process before installing any software on the production system. Only authenticated users with the appropriate permissions can install software on the system.

All software installation activities are monitored and recorded within the New York Database Integrity Check report, as well as patch management software, which provide daily reports and detailed explanations of any database and software modifications, to ensure that changes can be tracked and audited at the user level implementing the change. This software migration process also links back all reported modifications to the approval process. Deployment team needs to submit a formal

request to the Network Operations Team via email to have their administrator accounts enabled to complete the install. This will only occur once a Change Request has been formally submitted and approved by the Commission.

In addition, Everi Games Inc. has implemented software source code auditing and tracking that allows for tracking deployed production system software components back to development source code. This allows Everi Games Inc. and the Commission to identify, for any production software component, the developers responsible for any changes.

Security Controls

Everi Games Inc. has enacted process controls to ensure that gaming system integrity is protected in the following key areas:

- **Application Change Management:** New applications and changes to existing applications are authorized, implemented, tested, approved, and documented.
- **System Software Change Management:** Implementation and changes to existing system software are authorized, tested, approved and documented.
- **Network Security:** Controls restrict user access, limit ingress/egress communications, and prevent unauthorized devices from connecting to the network.
- **Physical and Environmental Controls:** Physical access to computer and network equipment, storage media, and program documentation is limited to properly authorized individuals.
- **Logical Access:** Logical access to data and programs is limited to authorized individuals.
- **Job Scheduling:** Processing tasks are appropriately authorized and scheduled.
- **Communication and Network Security:** The communication network is monitored; identified problems are reported to the telecommunications/network providers and monitored until resolved.
- **Output Documents:** Reports and exports are complete, accurate and distributed to authorized persons according to a preconfigured schedule.
- **VLT Data:** Game outcome and transaction data is completely and accurately transmitted to Video Lottery Terminals.
- **Backup and Disaster Recovery:** Appropriate backup and recovery procedures are in place so that data, transactions, and applications necessary for financial reporting can be recovered.

Everi Games Inc. engages an independent audit company to perform an annual SOC1 Audit and Report to ensure Everi Games Inc. meets defined security controls.

5. General System Software

Proposals should fully describe how its central system supports the specifications in Section 3.5.

Everi Games Inc. Response To Describe How It Fully Supports Specifications in Section 3.5:

[REDACTED]

4.1 Technical Proposal

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

4.1 Technical Proposal

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

- | [Redacted]
- | [Redacted]
- | [Redacted]
- | [Redacted]
- | [Redacted]
- | [Redacted]

[Redacted]

[Redacted]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

4.1 Technical Proposal

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Bidders should describe their capability to interface between the central system and current player tracking software packages operated by the facilities.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

Describe the central system's software components that will be used to support the operation of the central system. This description should include at least the following elements:

[REDACTED]

- *Name, version and vendor of operating system software,*

[REDACTED]

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

4.1 Technical Proposal

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

[REDACTED]

[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]

[REDACTED]

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

Standard Software Installed on Servers

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

4.1 Technical Proposal

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

- *Name, version and vendor of application development language(s);*

Development Languages

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

- *Name, version and vendor of database management system software; and*

Database Management

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

- *Name, version and vendor of report writers, screen generators, code generators, or other software products used to develop and operate the central system.*

Development Tools

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

4.1 Technical Proposal

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

[REDACTED]

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

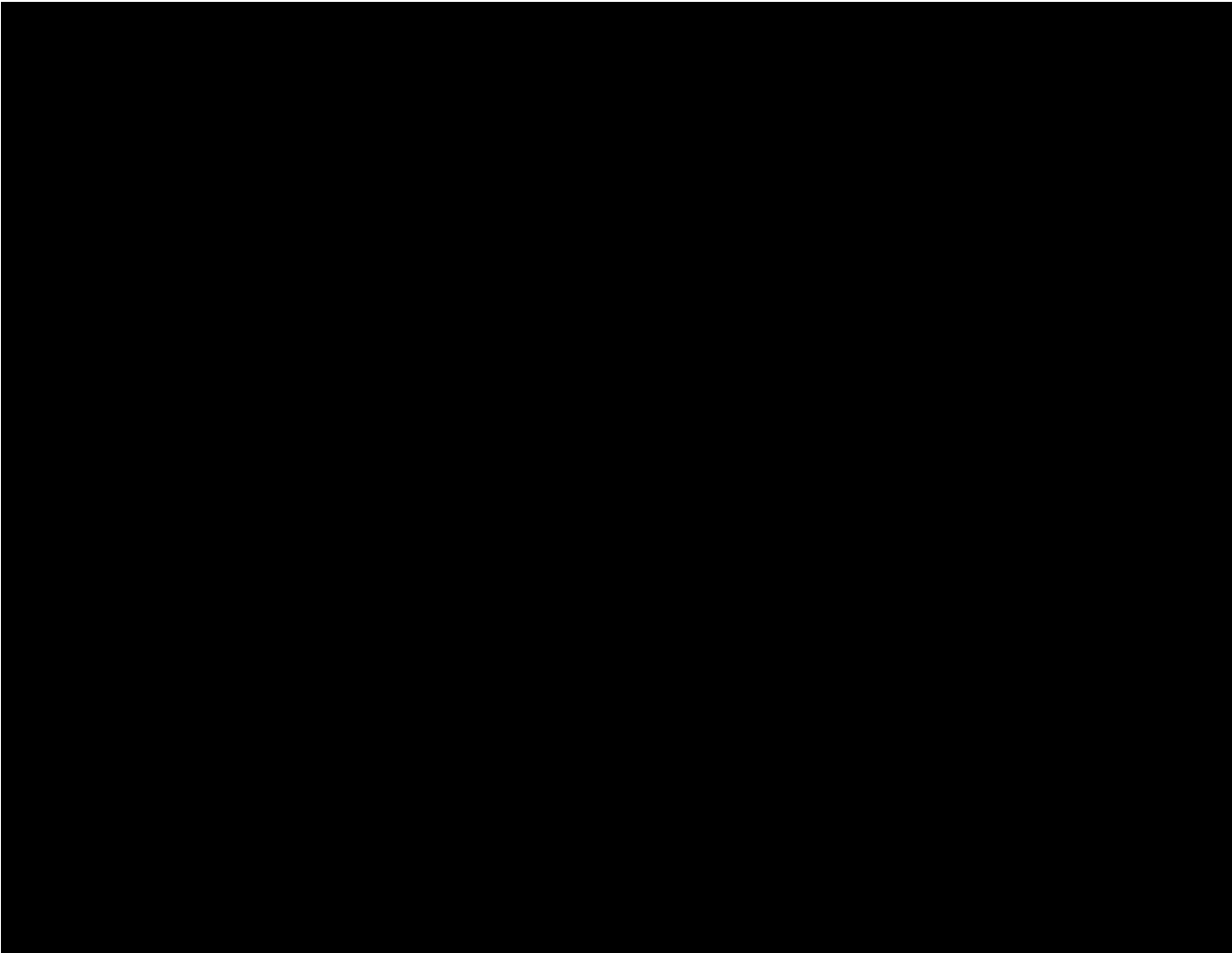
Describe plans to administer software version control and implement software enhancements throughout the life of the contract (i.e., what process will be followed, lead-times needed to ensure thorough yet responsive updates).

Software Version Control

Everi Games Inc. uses multiple systems for software version control. Some of the core components are:

[REDACTED]

4.1 Technical Proposal

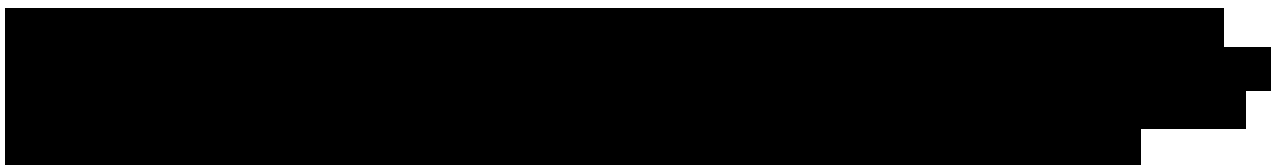


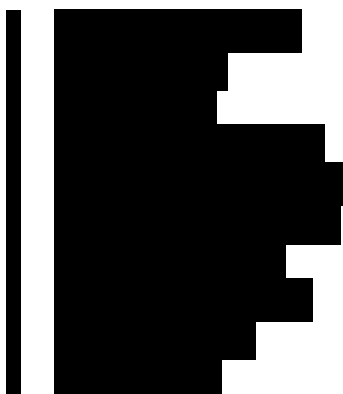
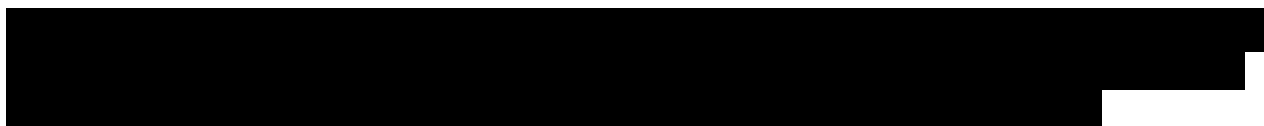
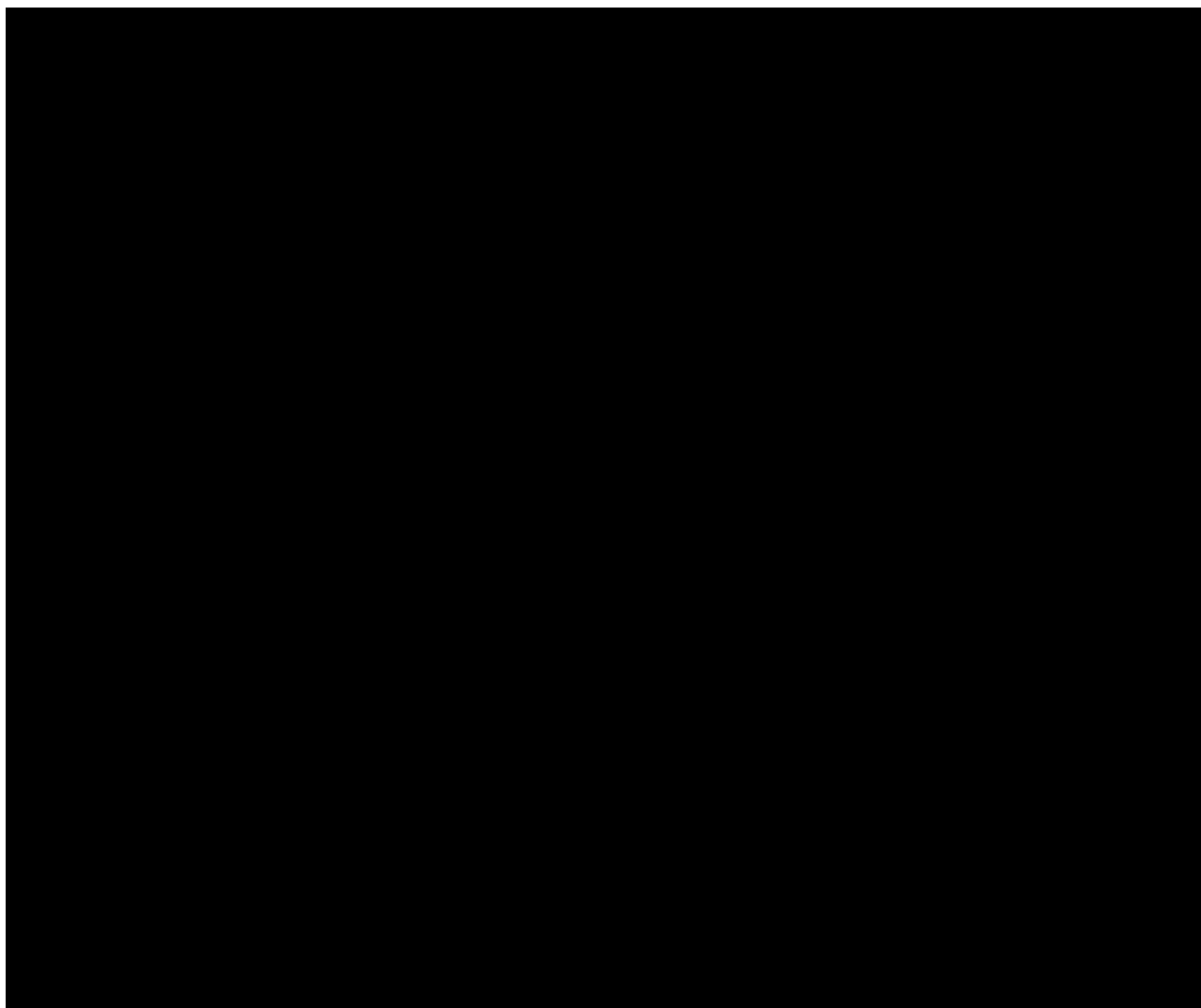
6. Central System Monitoring and Data Maintenance

Identify information maintained by the central system and the site controller, including, but not limited to:

- i. Describe how information pertaining to monitoring of active and inactive VLTs in the field will be provided and other similar types of transaction and status information that is available. Include samples of standard screen and report formats.*

NOTE: See [Appendix E-4 RFP Part 3 Scope of Work](#), which describes in more detail our response to RFP Section 3.6 SYSTEM MONITORING AND DATA MAINTENANCE.





4.1 Technical Proposal

• [Redacted text block]

[Redacted text block]

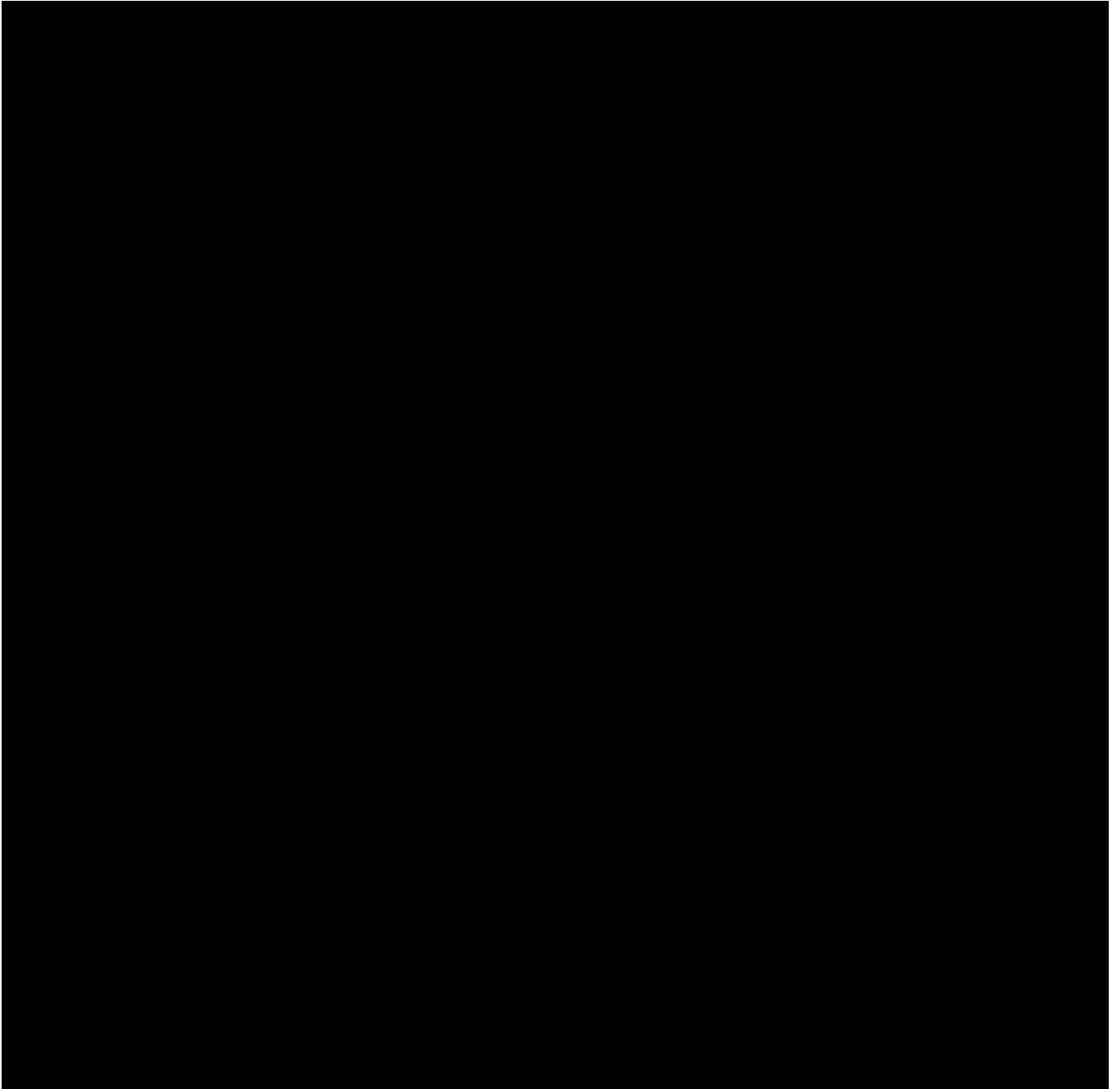
[Redacted text block]

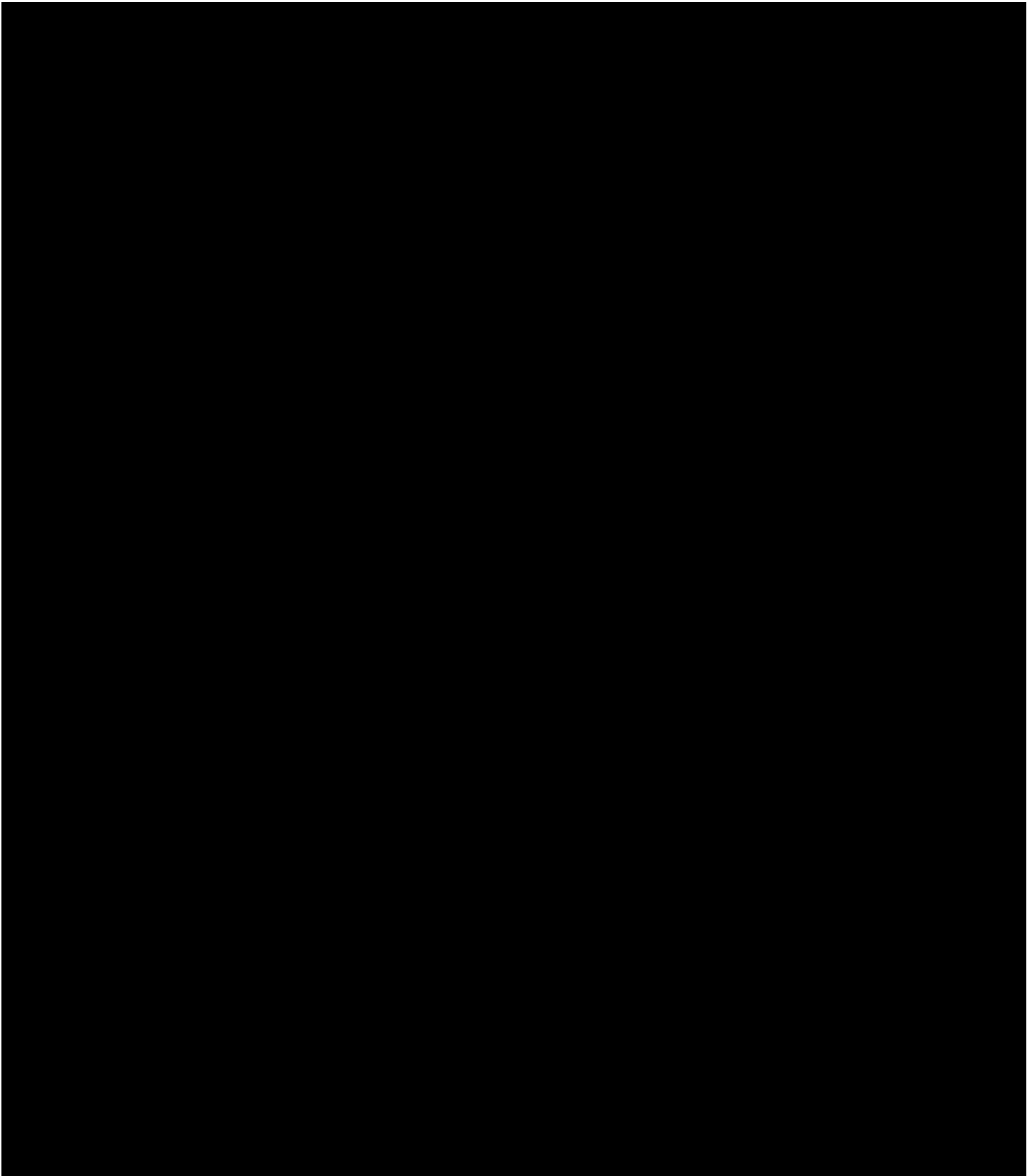
[REDACTED]

[REDACTED]

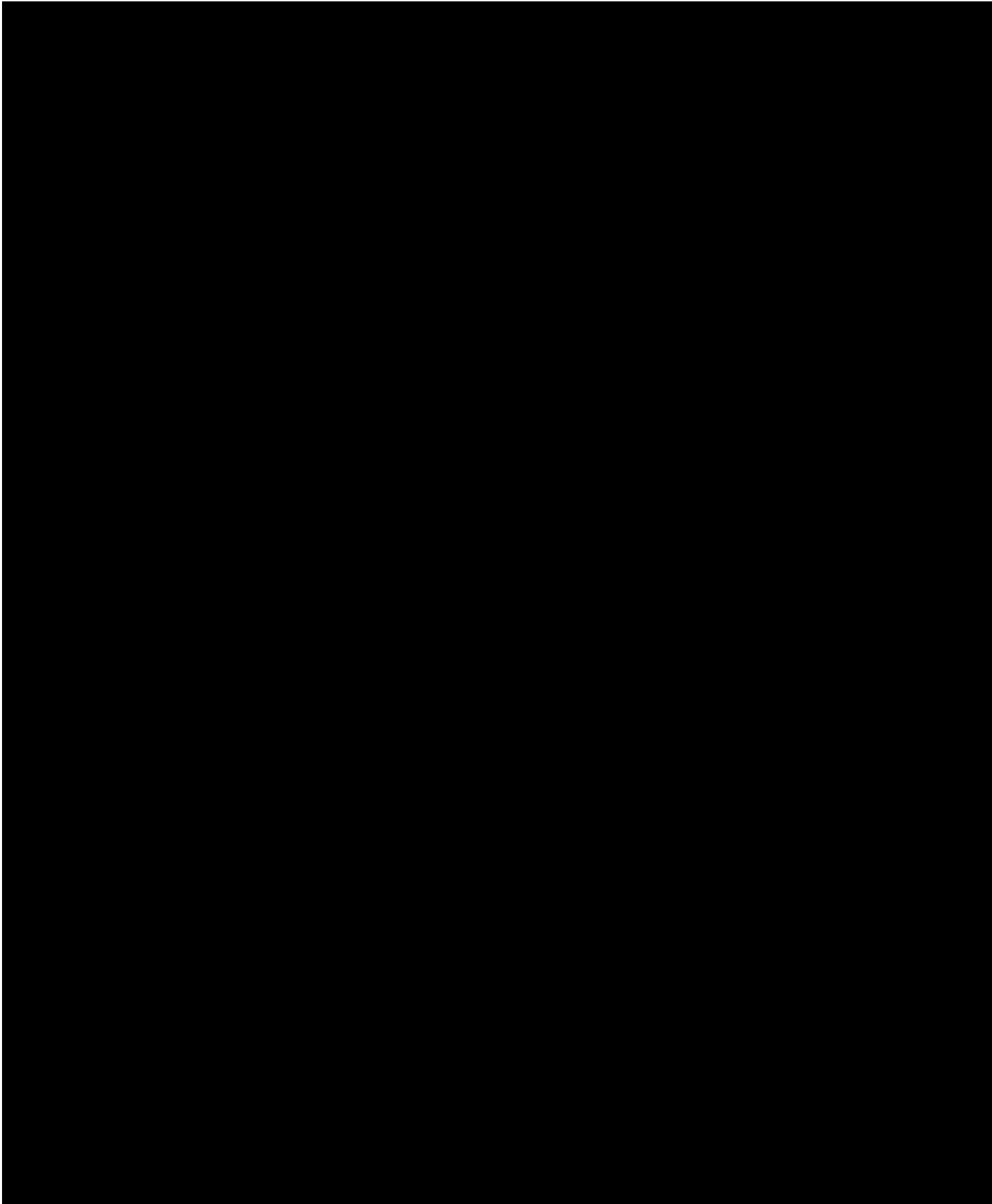
[REDACTED]

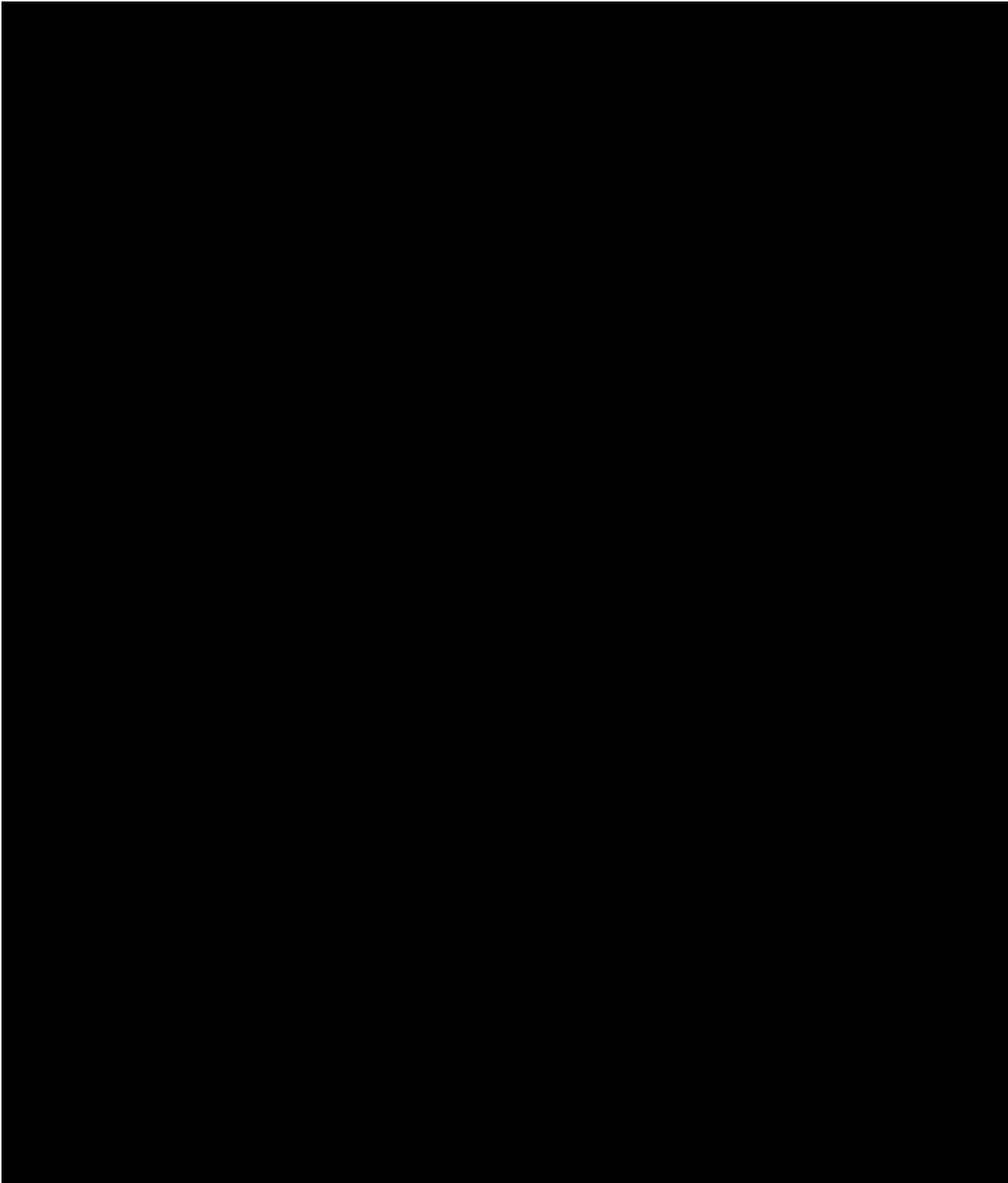
4.1 Technical Proposal



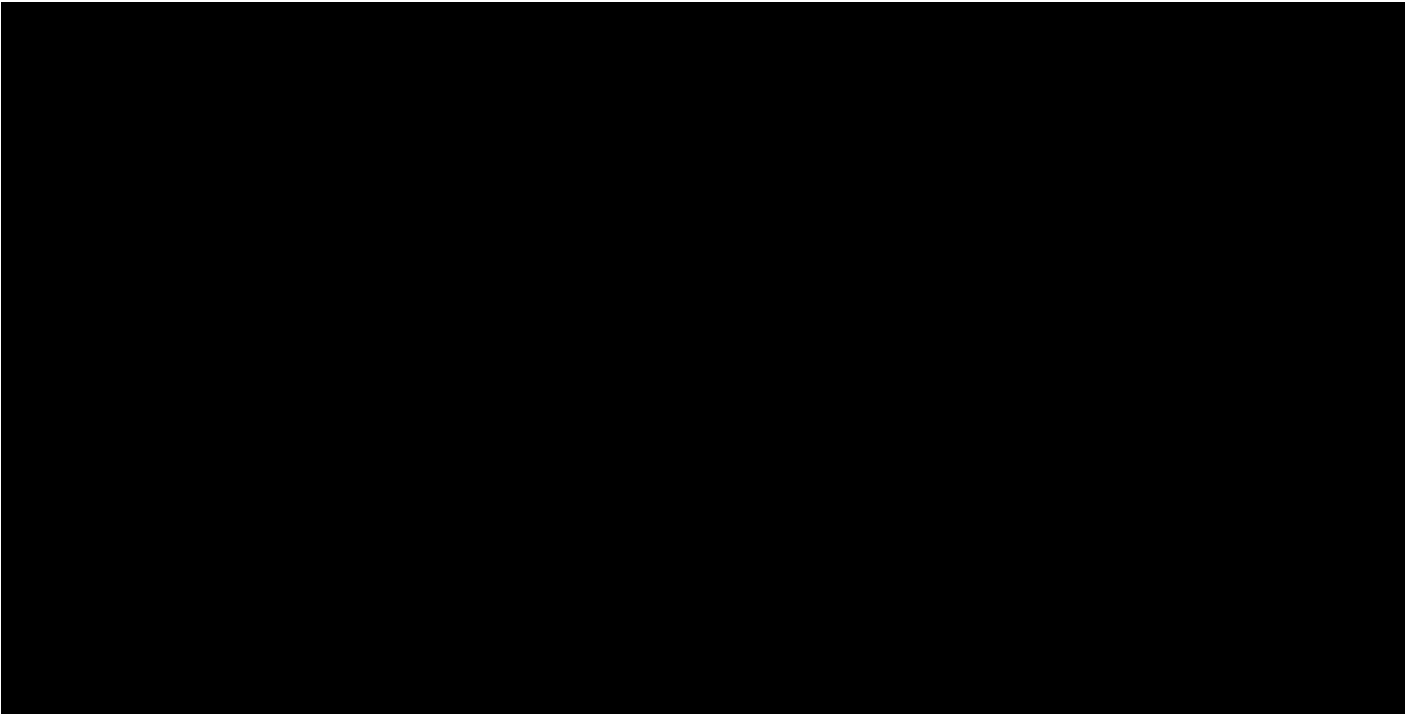


4.1 Technical Proposal





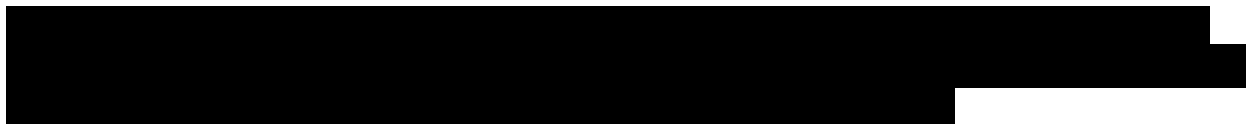
4.1 Technical Proposal



ii. *Describe how the functionality will be provided to allow Commission personnel to add, modify, delete, inquire, and report on all information stored on the central system, and what controls exist to restrict its use.*

The ability to research Video Lottery Terminal (VLT) history, Player information (where applicable), standard reports, research disputes, and interact with the live site databases with ad-hoc reports will be available on the Management Terminals (MT).

The MT will be used to add, update, delete, and inquire on Facility information, VLT Game Vendors and Models, site controllers, game parameters, and other information in the database. In order to protect the integrity of the Central System, when unusual data inquiry/modification requests that are outside the scope of normal gaming operations, where data corrections are required, will be completed by Everi Games Inc. Database Administrators (DBAs). Instances where this is possible can include, but are not limited to; gaming device malfunctions, incorrect data feeds loaded by facility users and incorrect data entry of offline voucher activity. When this is necessary, Everi Games Inc. will meet with the Commission, ascertain the specifics of the data inquiry/modifications and collaborate with the Commission to determine the best approach in collecting and/or modifying the data in question, if it is deemed necessary and advisable.



iii. *Bidders must identify how many active games per gaming device, and how many games system-wide, the central system will support. Describe any limitations the central system has in this area.*

The Everi Games Inc. Central Determinant System currently deployed in New York is supporting 700+ different VLT game themes and the 5-6 different ETG themes that are currently approved to be on the floor. Everi Games Inc. is committed to always supporting the latest and greatest game themes and will work with the gaming device vendors and the Commission, when needed, to ensure that the game library requested by the Commission and facility operators is supported.

The Everi Games Inc. Central Determinant System can support up to 9999 games on a single ETG due to the data type chosen on a few key message fields. The VLT ICD does not have a specific limit related to the number of games on a multi-game device.

iv. *Bidders are required to address in their Proposal how a potential attempt to launder money can be identified. Describe an algorithm of cash-in to credits played that will flag a transaction as potentially suspicious.*

Illegal Activity Safeguards

The Site Controller databases and site monitoring software have business rules applied for identifying potential illegal activities. These business rules will not be limited to identifying money laundering, and could be applied to different types of activity, and can be modified as experience with the system grows.



7. Games Software/Checksum

Management of video lottery game software is a critical aspect of the overall security of the central system. The following specifications are required to ensure that only approved software is used in gaming devices. Bidders should fully describe how the central system will perform each of the following functions:

- i. Define new software to the central system and enter all characteristics including games. Identify all software by gaming device manufacturer.*

All game software must pass third-party testing certification. Accompanying this submission for certification is a software definition file specifying signature verification data for the game. This file contains all the relevant information to identify the gaming software, manufacturer and the checksum/signature results for later verification. After the software passes the third-party certification, the Commission receives the software definition files for the game. When new gaming software is scheduled to be deployed to the gaming floor the Commission physically hands the software definitions to the Everi staff in the New York Network Operations Center (“NOC”). The NOC then imports the software definitions into the Everi Central System.

- ii. Load software images to the central system and identify each stored image by gaming device manufacturer.*

ETGs follow the process outlined in the GSA SAS 6.02 protocol. The signature calculation utilizes a 16-bit CRC algorithm with a variable verification seed. The gaming machine performs this CRC computation on all relevant memory and software. The software definition file provides the CRC and seed values to verify the game software against a standard Excel file with one row per game configuration. Each row contains enough information to uniquely identify a game configuration along with the seed and checksum values:

- Manufacturer Name
- Game Name
- Game Version
- Game ID
- Additional ID
- Paytable ID
- Payout Percentage
- Seed
- Checksum

The Excel files containing the checksum information is placed in a specific location in the Everi Central System then a process is run that reads the Excel file into the site controller. From this point on, the system is ready to validate games running on the floor against the newly imported checksum information.

VLTs follow the process outlined in the Everi VLT ICD protocol. The VLT vendors provide a file containing a signature, and the VLT vendor provides a strong hashing signature algorithm (SHA512, PBKDF2, SCrypt, Argon2, etc.) and uses that algorithm to compute a signature against the game software contents in its entirety. The result is placed in an XML software definition file that contains the manufacturer, a unique identifier for the game, and the generated signature. The Everi Management Terminal is then used to import the software definition file into the system. During the import, a CRC-32 of the vendor provided signature hash is calculated, and this is ultimately stored in the system for later verification. If no signature hash is specified by the vendor, but a software image is provided, the Management Terminal will perform a CRC-32 against the entire software image.

iii. Perform a mathematical process on the software image and compare this result to the result on an identical process performed by a gaming device on its software.

Checksum processes are performed on all gaming devices on the floor. The vendor provides the expected result for the software image. Third-party certification (GLI, BMM, etc.) validates and verifies the expected result. Then there are also physical regulations on accessing and transporting the files containing the expected checksums. All these precautions ensure that a valid expected checksum is loaded into the system. The ETGs and VLTs use similar but different mathematical processes to validate gaming software images.

ETGs communicate with Everi's SAS Host and adhere to the GSA SAS 6.02 protocol. Section 6 ROM SIGNATURE gives additional details on this process:

4.1 Technical Proposal

SECTION 6 ROM SIGNATURE

6.1 Verification

Any gaming machine may be required to perform a calculation to verify the contents of its game ROM(s) upon request. All of the gaming machine's program memory that influences game outcomes must be included in this calculation. The ROM signature calculation utilizes the 16-bit CRC algorithm, defined in Section 5, with the variable ROM verification seed.

The gaming machine receives a two-byte ROM verification seed to initiate a signature calculation using its ROM contents as data. The gaming machine reads its relevant ROM address space in a serial manner. For gaming machines with multiple byte wide ROMs, the signature of the first ROM is used as the seed for the second ROM, and so on. For gaming machines that utilize interleaved memory, the least significant byte of each word is used to calculate the signature of the lower ROM. The resultant signature is then used as the initial seed for calculating the signature over the most significant byte (i.e., upper ROM).

While performing this computation, the gaming machine must continue to respond to all communications. A gaming machine is expected to compute its signature as soon as possible after receiving the ROM verification seed. The ROM signature is returned to the host in response to the first general poll received after completing the signature calculation. This is a known exception to the rule for responding to a general poll, and the host takes care of this anomaly. If a second signature calculation request is received while a calculation is in progress or a ROM signature response is pending transmission, it supersedes the initial request.

Excerpt from GSA SAS 6.02 on performing ROM Signature Checksums

The Everi SAS Host uses these specifications for checksum verification. The checksum value imported from the software definition file from the vendor is a computation of a CRC-16, that adheres to the definition specified in Section 5 of the GSA SAS 6.02 protocol:

SECTION 5 CYCLICAL REDUNDANCY CHECK

5.1 Convention

The CRC follows the basic CCITT convention by starting with the most significant byte, least significant bit and applying the CRC polynomial $x^{16}+x^{12}+x^5+1$. Figure 5.1 details a fast CRC calculating routine from the public domain. The routine can be used to generate message CRCs as well as the variable-seed calculation needed for ROM signatures.

```
//Function: CRC
//Purpose: Calculate the 16-bit CRC of a string using
//         a byte-oriented tableless algorithm. The
//         routine inputs are the buffer pointer, the
//         buffer length, and the seed for the
//         calculation. The magic number 010201 octal
//         is derived from the CRC polynomial
//         x^16+x^12+x^5+1.
//Passed in: unsigned char, int, unsigned short
//Passed out: unsigned short

unsigned short CRC(unsigned char *s, int len, unsigned
                  short crcval)
{
    register unsigned c,q;
    for (; len; len--)
    {
        c = *s++;
        q = (crcval ^ c) & 017;
        crcval = (crcval >> 4) ^ (q * 010201);
        q = (crcval ^ (c >> 4)) & 017;
        crcval = (crcval >> 4) ^ (q * 010201);
    }
    return (crcval);
}
```

Figure 5.1
CRC Algorithm

Excerpt from GSA 6.02 on the CRC-16 Algorithm

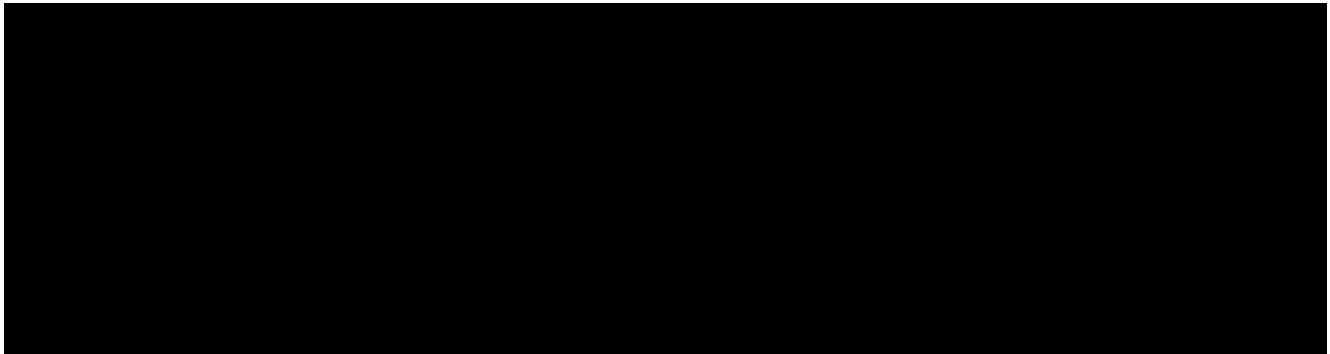
For VLTs the main signature algorithm used is determined by the VLT vendor. The signature specified by the VLT vendor is processed further by a CRC-32 based on the binary polynomial:

$$x^{26} + x^{23} + x^{22} + x^{16} + x^{12} + x^{11} + x^{10} + x^8 + x^7 + x^5 + x^4 + x^2 + x + 1$$

The CRC-32 checksum provides an excellent level of protection because it is difficult to produce a working version of the software with a checksum identical to the approved version. It is easily implemented on any platform and will reliably reflect single bit changes.

Game software should not be permitted to run if a checksum process fails. The Everi Central System validates and verifies that all checksum processes are successful before enabling a gaming device for play. The Everi SAS Host and VLT Service both require that checksum verification is successful through their respective protocols.

- For ETGs, the long poll framework provides a method for the Everi SAS Host to request the ETG to perform a checksum as specified by the protocol. The Everi SAS host will lock out play from the ETG if that ETG does not pass checksum verification.
- For VLTs, before being enabled for play there is a specific checksum command that triggers the VLT to regenerate their strong signature and perform a checksum of that value. If all verification does not pass successfully the VLT will be locked out, as defined in the Everi VLT ICD 2.18:



iv. Game software shall not be permitted to run if a checksum process fails.

The checksum signature verification process outlined will not allow gaming devices to operate if the checksum process fails. All Everi’s staff is dedicated to ensuring the gaming floor is active and the integrity of the system has not been compromised. Upon any software checksum failure, Everi’s staff is notified and the suspect gaming device is diagnosed to ensure that only Commission approved software is active and running. At the request and direction of the Commission, software can be removed from the system.

v. Any software that fails a checksum process shall be removed from the central system.

NOTE: See *Appendix E-4 RFP Part 3 Scope of Work*, which describes in more detail our response to RFP Section 3.7 SOFTWARE MANAGEMENT.

The Everi Games Inc. Central System manages the game software for all manufacturers to ensure that only Commission approved software is used in VLTs and ETGs. This is accomplished by requiring all game software on the gaming floor to have passed a checksum signature verification process.

Define new software to the system and enter all characteristics including games. All game software must pass third-party testing certification. Accompanying this submission for certification is a software definition file specifying signature verification data for the game. This file contains

4.1 Technical Proposal

all the relevant information to identify the particular gaming software and the checksum/signature results for later verification. After the software passes the third-party certification, the Commission receives the software definition files for the game. When the gaming software is scheduled to go onto the gaming floor the Commission physically hands the software definitions to the Everi Games Inc. staff in the New York Network Operations Center (NOC). The NOC then imports the software definitions into the Everi Games Inc. Central System.

Load software images to the central system and identify each stored image by gaming device manufacturer. The process for loading images for gaming devices into the central system for VLTs and ETGs are very similar but do have their differences.

ETGs follow the process outlined in the GSA SAS 6.02 protocol. The signature calculation utilizes a 16-bit CRC algorithm with a variable verification seed. The gaming machine performs this CRC computation on all relevant memory and software. The software definition file provides the CRC and seed values to verify the game software against in a standard Excel file with one row per game configuration. Each row contains enough information to uniquely identify a game configuration along with the seed and checksum values:

- Manufacturer Name
- Game Name
- Game Version
- Game ID
- Additional ID
- Paytable ID
- Payout Percentage
- Seed
- Checksum

The Excel files containing the checksum information are placed in a specific location in the Everi Games Inc. Central System, then a process is run that reads the Excel file into the site controller SQL Server. From this point on, the system is ready to validate games running on the floor against the now imported checksum information.

VLTs follow the process outlined in the Everi Games Inc. VLT ICD protocol. The VLT vendors provide a file containing a signature, but it is up to the VLT vendor to decide on a strong hashing signature algorithm (SHA512, PBKDF2, SCrypt, Argon2, etc.) and compute that against their entire game software. The result is placed in an XML software definition file that contains the manufacturer, a unique identifier for the game, and the generated signature. The Everi Games Inc. Management Terminal is then used to import the software definition file into the system. During the import, a CRC-32 of the vendor provided signature hash is calculated, and this is ultimately stored in the system for later verification. If no signature hash is specified by the vendor, but a software image is provided the Management Terminal will perform a CRC-32 against the entire software image. The VLT replicates the same processes for validation.

Perform a mathematical process on the software image and compare this result to the result on an identical process performed by a gaming device on the device's software. Checksum processes are performed on all gaming devices on the floor. The vendor provides the expected result for the software image. Third-party certification (GLI, BMM, etc.) validates and verifies the expect-

ed result. Then there are also physical regulations on accessing and transporting the files containing the expected checksums. All these precautions ensure that a valid expected checksum is loaded into the system. The ETGs and VLTs use similar but different mathematical processes to validate gaming software images.

ETGs communicate with our SAS Host and adhere to the GSA SAS 6.02 protocol. Refer to the Section 6 ROM SIGNATURE example below, for additional details on this process:

SECTION 6 ROM SIGNATURE

6.1 Verification

Any gaming machine may be required to perform a calculation to verify the contents of its game ROM(s) upon request. All of the gaming machine's program memory that influences game outcomes must be included in this calculation. The ROM signature calculation utilizes the 16-bit CRC algorithm, defined in Section 5, with the variable ROM verification seed.

The gaming machine receives a two-byte ROM verification seed to initiate a signature calculation using its ROM contents as data. The gaming machine reads its relevant ROM address space in a serial manner. For gaming machines with multiple byte wide ROMs, the signature of the first ROM is used as the seed for the second ROM, and so on. For gaming machines that utilize interleaved memory, the least significant byte of each word is used to calculate the signature of the lower ROM. The resultant signature is then used as the initial seed for calculating the signature over the most significant byte (i.e., upper ROM).

While performing this computation, the gaming machine must continue to respond to all communications. A gaming machine is expected to compute its signature as soon as possible after receiving the ROM verification seed. The ROM signature is returned to the host in response to the first general poll received after completing the signature calculation. This is a known exception to the rule for responding to a general poll, and the host takes care of this anomaly. If a second signature calculation request is received while a calculation is in progress or a ROM signature response is pending transmission, it supersedes the initial request.

4.1 Technical Proposal

Our SAS Host uses these specifications for checksum verification. The checksum value imported from the software definition file from the vendor is a computation of a CRC-16, that adheres to the definition specified in Section 5 of the GSA SAS 6.02 protocol:

SECTION 5 CYCLICAL REDUNDANCY CHECK

5.1 Convention

The CRC follows the basic CCITT convention by starting with the most significant byte, least significant bit and applying the CRC polynomial $x^{16}+x^{12}+x^5+1$. Figure 5.1 details a fast CRC calculating routine from the public domain. The routine can be used to generate message CRCs as well as the variable-seed calculation needed for ROM signatures.

```
//Function: CRC
//Purpose: Calculate the 16-bit CRC of a string using
//         a byte-oriented tableless algorithm. The
//         routine inputs are the buffer pointer, the
//         buffer length, and the seed for the
//         calculation. The magic number 010201 octal
//         is derived from the CRC polynomial
//         x^16+x^12+x^5+1.
//Passed in: unsigned char, int, unsigned short
//Passed out: unsigned short

unsigned short CRC(unsigned char *s, int len, unsigned
                  short crcval)
{
    register unsigned c,q;
    for (; len; len--)
    {
        c = *s++;
        q = (crcval ^ c) & 017;
        crcval = (crcval >> 4) ^ (q * 010201);
        q = (crcval ^ (c >> 4)) & 017;
        crcval = (crcval >> 4) ^ (q * 010201);
    }
    return (crcval);
}
```

Figure 5.1
CRC Algorithm

For VLTs, the main signature algorithm used is determined by the VLT vendor. The signature specified by the VLT vendor is processed further by a CRC-32 based on the binary polynomial:

$$x^{26} + x^{23} + x^{22} + x^{16} + x^{12} + x^{11} + x^{10} + x^8 + x^7 + x^5 + x^4 + x^2 + x + 1$$

The CRC-32 checksum provides an excellent level of protection because it is difficult to produce a working version of the software with a checksum identical to the approved version. It is easily implemented on any platform and will reliably reflect single bit changes.

Game software should not be permitted to run if a checksum process fails. The Everi Games Inc. Central System validates and verifies that all checksum processes are successful before enabling a gaming device for play. The Everi Games Inc. SAS Host and VLT Service both require that checksum verification is successful through their respective protocols.

For ETGs, the long poll framework provides a method for the Everi Games Inc. SAS Host to request the ETG to perform a checksum as specified by the protocol. The Everi Games Inc. SAS host will lock out play from the ETG if that ETG does not pass checksum verification.

For VLTs, before being enabled for play there is a specific checksum command that triggers the VLT to regenerate their strong signature and perform a checksum of that. If all verification does not pass successfully the VLT will be locked out, as defined in the Everi Games Inc. VLT ICD example below:

Any software failing a checksum process should be removed from the system. All parties involved have an interest in ensuring that the entire gaming floor is available and ready for play by patrons entering the facility. The checksum signature verification process outlined will not allow gaming devices to operate if the checksum process fails. Our staff is dedicated to ensuring the gaming floor is active and the integrity of the system has not been compromised. Upon any software checksum failure, our staff is notified and the suspect gaming device is diagnosed to ensure that only Commission approved software is active and running.

8. Cash Voucher Production and Validations

- i. Describe the algorithm used to generate cash voucher serial numbers that are unique across the entire system, regardless of which gaming device produces the number and when it is produced.*

The Everi Central System cash voucher serial number production process utilizes current gaming industry standards. Through Everi's cash voucher production and validation system, a globally unique identifier ("GUID") is assigned to each cash voucher to identify it in the system. All vouchers are recorded in and have their status tracked in the Everi Central System's Relational Database Management System (RDMS). This process ensures that valid voucher serial numbers cannot be predicted and the origination of a voucher can be validated.

Cash vouchers are created by gaming devices either when players request to cash out or automatically when a jackpot has been won. Each voucher includes a unique 18-digit serial number and corresponding industry standard Interleaved 2 of 5 barcode for validation purposes.

4.1 Technical Proposal



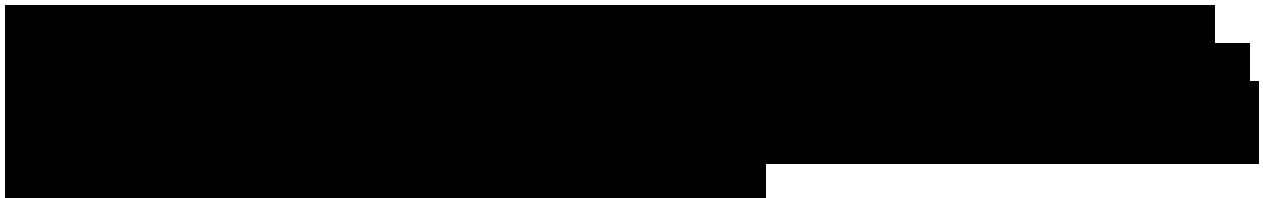
Sample Voucher Printed by a Gaming Device

For Video Lottery Terminals (VLTs), all voucher serial numbers are generated from the Central System/Site Controller and transmitted to the VLT to be printed. The gaming device receives the 18-digit serial number and prints it below the corresponding barcode:

To guarantee uniqueness across the system, the serial number is constructed by encoding the bits of a unique source number.

The source number is generated by adding byte offset values of the following fields:

- Facility ID – The integer ID representing the facility in the Everi Central System.
- Device ID – The five digit number representing the gaming device in the Site Controller
- Time Seed – The time that the voucher was generated, with a precision to a thirty-three milliseconds.



Electronic Table Games (ETGs) use a process known as the *Secure Enhanced Validation Algorithm* for producing vouchers. When the ETG needs a voucher due to a patron pressing the cash out button or winning a jackpot, the ETG can directly generate a serial number to be used for the voucher. The serial number generated, and all its corresponding information is communicated to the Everi Central System through the Everi SAS Host. All information concerning the voucher is then recorded and tracked in the appropriate SQL server databases.

The voucher serial numbers are 16-digit numbers with 2 leading zeros generated using a secure algorithm. This algorithm is seeded with two values from the Everi system, known as the Validation ID, and Sequence Number. Each ETG is assigned a different Validation ID and Sequence Number from the Everi System. The Sequence Number is incremented as part of the serial number generation algorithm with every number generated. The Everi system tracks the usage of these numbers and assigns the numbers appropriately to ensure that they are unique for all devices at the facility. This process ensures that valid voucher serial numbers cannot be predicted, the origination

of a voucher can be validated, and it is only possible to cash out a voucher number once within the timeframe of one year for which the Voucher is valid.

The full algorithm for the generation of the serial numbers on ETGs is described in the GSA SAS 6.02 protocol, an excerpt is included for reference.

4.1 Technical Proposal

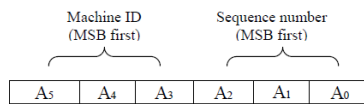
15.15 Secure Enhanced Validation Algorithm

In secure enhanced validation mode, cash out ticket and handpay validation numbers are generated by the gaming machine using seed values provided by the host. The encoded number is calculated using the gaming machine validation ID and the current validation sequence number. The gaming machine validation ID is a 3 byte unsigned value assigned to the gaming machine by the host. The validation sequence number is a 3 byte unsigned value that is initialized by the host. The gaming machine validation ID and initial validation sequence number are provided by long poll 4C, Set Secure Enhanced Validation ID (see page 15-10). The host may change these values at any time it chooses. If the gaming machine is in the process of creating a validation number when new values are sent by the host, it may either finish creating the validation number from the existing values, then save the new values to be used for the next validation, or use the new values to create the current validation number.

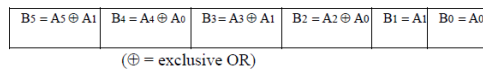
The validation sequence number is *not* the sequential ticket number that is printed on every ticket. The validation sequence number is always incremented immediately prior to being used to create each validation number. Therefore, the actual validation sequence number is not used as is in the first validation number calculated following receipt of data in a long poll 4C.

After incrementing the validation sequence number, the six binary bytes composed of the gaming machine validation ID and new validation sequence number are converted by the validation algorithm into a 16-digit BCD number that includes a check-digit. The following steps are employed in the encoding process.

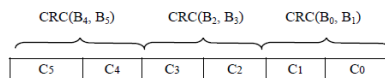
Step 1: Place the gaming machine validation ID and the sequence number in an array of 6 bytes.



Step 2: Array A gets transformed into array B as follows:

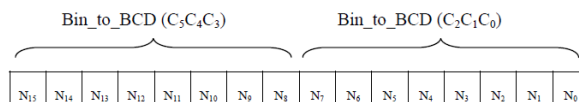


Step 3: Array B gets transformed into array C as follows:



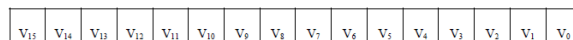
where CRC(B_i, B_j) represents a CRC calculation, as per Section 5, with seed 0, over the bytes B_i and B_j in the respective order.

Step 4: Array C gets transformed into an array of digits N as follows:



Where Bin_to_BCD (C_iC_jC_k) represents the conversion from binary to BCD of the number C_iC_jC_k

Step 5: The array of digits N gets transformed into the array of digits V as follows:



$$V_7 = N_7 | ((\sum_{j=0}^7 N_j) \pmod{5} \ll 1)$$

$$V_{15} = N_{15} | ((\sum_{j=0}^{15} N_j) \pmod{5} \ll 1)$$

$$V_k = N_k \text{ for all } k \text{ 0 through 6, and 8 through 14.}$$

The finished packed BCD validation number will be ordered with V₁₅ as the MSB and V₀ as the LSB.

Example:

Machine ID 0x654321
Sequence number 0x000001

Step 1	65	43	21	00	00	01
Step 2	65	42	21	01	00	01
Step 3	41		7D	29	53	D8
Step 4	0	4	2	9	1	8
Step 5	6	4	2	9	1	8

The BCD validation number will be 6 4 2 9 1 8 8 1 8 5 4 4 6 1 0 4.

GSA SAS 6.02 Section 15.15

- ii. *Describe how the production and recording of cash vouchers are affected when communications between the site controller and central system are interrupted, including, but not limited to, what happens if communications are interrupted during the transaction as well as if communications have been interrupted prior to the time the cash voucher is requested.*

The Central Determinant System does not require connections to the central database in order to create cash vouchers. Any connection disruption between the facility database and the central database will not affect the production and recording of cash vouchers on the Facility Controller. The Central database is only needed for voucher redemptions (never for voucher creation) if the net amount of the voucher exceeds thresholds specified by the Commission.

- iii. *Describe the manner in which cash voucher and validation transactions are recorded and updated on the central system.*

NOTE: See *Appendix E-4 RFP Part 3 Scope of Work*, which describes in more detail our response to RFP Section 3.8 CASH VOUCHER PRODUCTION AND VALIDATIONS.

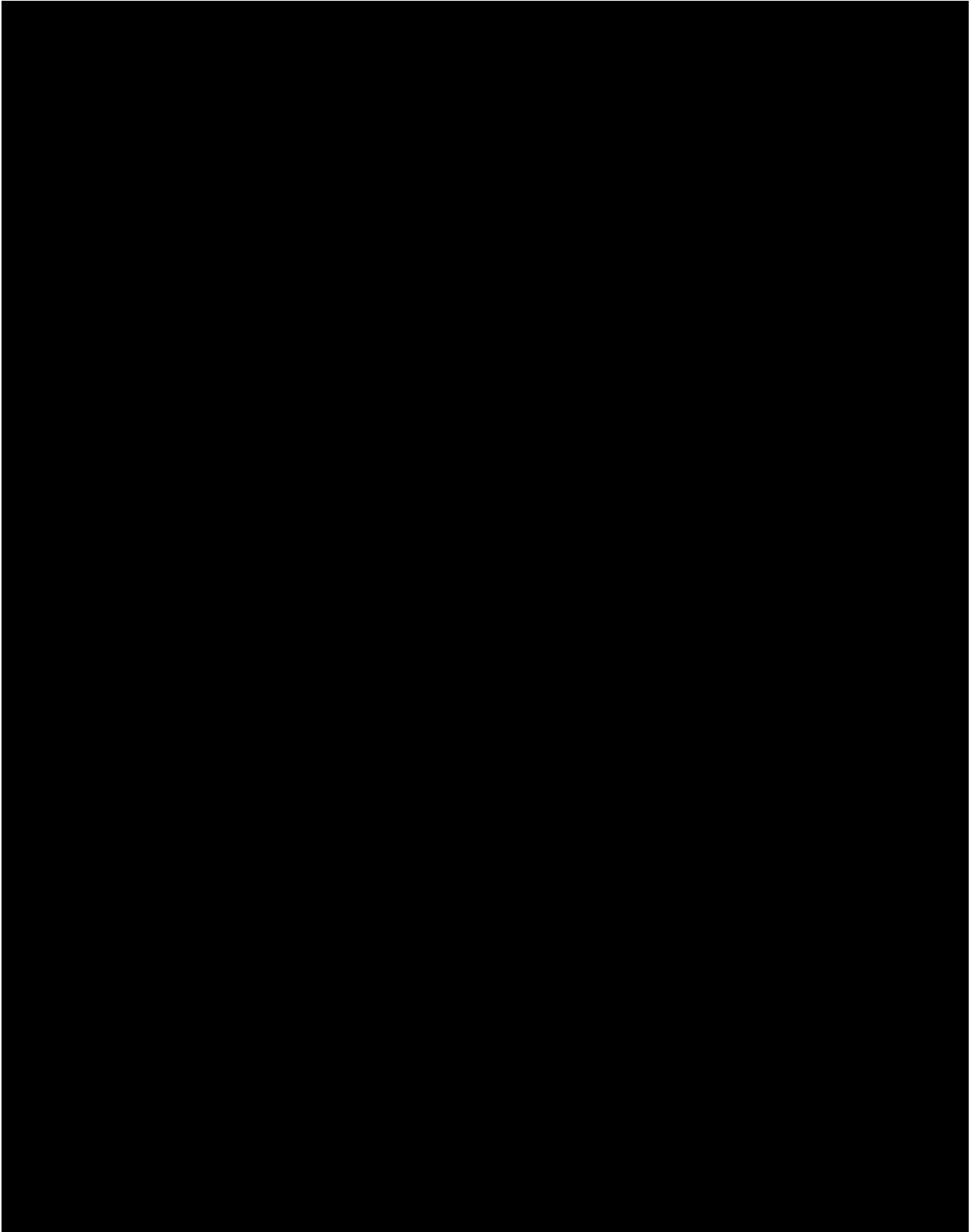
Everi Games Inc. has added enhancements to its Central System where the central database is only needed for voucher redemptions if the net amount of the voucher exceeds thresholds specified by the Commission. If these thresholds are crossed, specific withholdings (delinquent child support, public assistance or State taxes in arrears) are then checked for at the central database and logged as needed in the facility database. For all other vouchers (that do not cross these thresholds), validation of the voucher is handled on the facility databases. This enhancement reduces calls to the central databases and minimizes disruptions to a positive patron experience at each facility.

Within 45 days, players can redeem cash vouchers at the issuing facility using the Validation Terminal program. Once the 45-day period has lapsed, the vouchers are expired and the full list of expired vouchers is provided to the Commission to load into their system, so that vouchers may be cashed out at Commission approved locations. The Commission may at any time request the 45-day limitation to be adjusted and Everi Games Inc.'s Database Administrators (DBAs) will present a plan to make the respective modifications, including those involved in voucher redemption as well as relating reporting suite changes.

To redeem a voucher, the verifying attendant scans the voucher bar code with the validation or Management Terminal bar code scanner (the preferred method), or alternatively, the voucher ID number may be manually entered if the bar code scanner is not available.

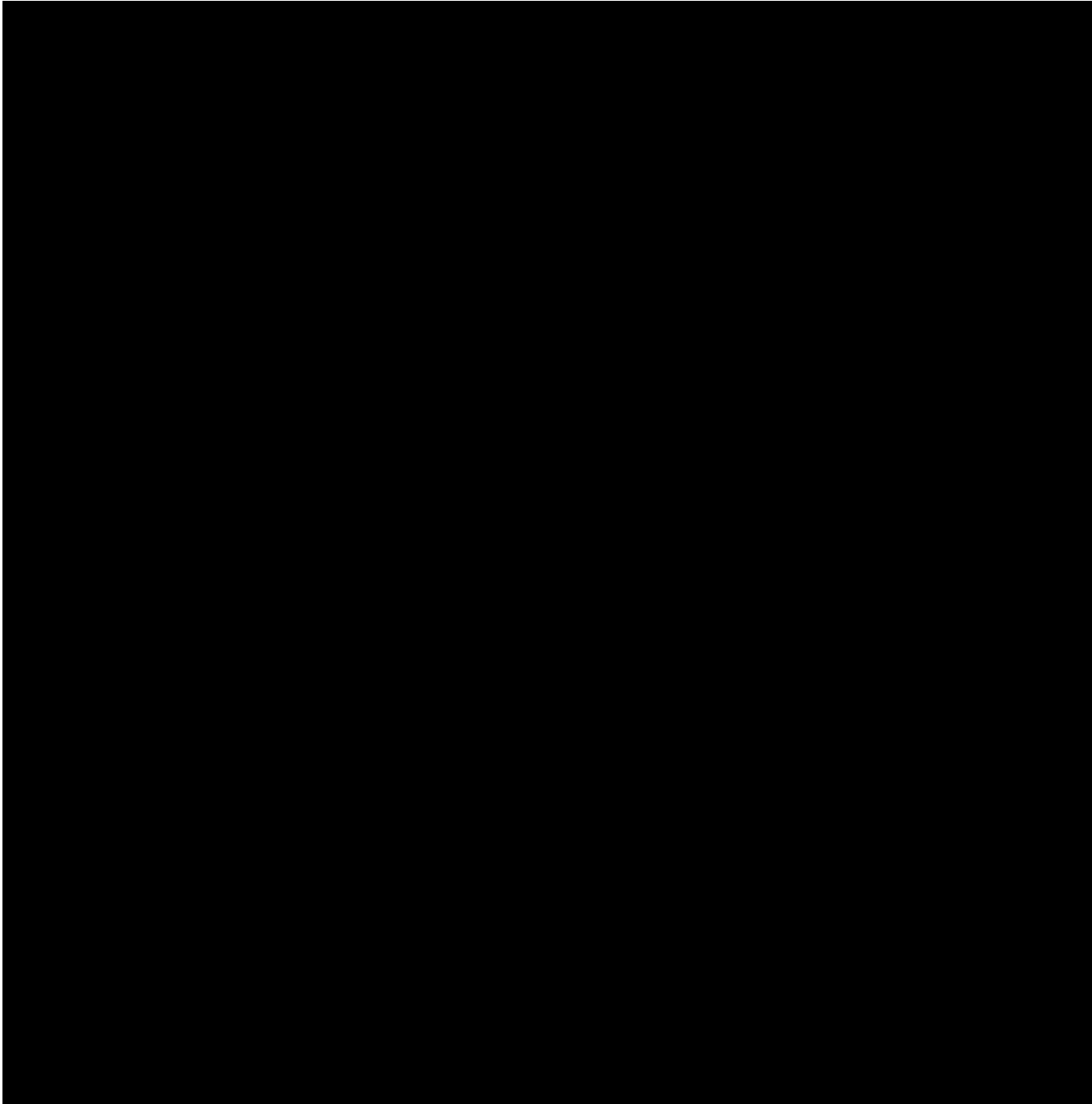
Vouchers are redeemed using a Validation or Management Terminal using the process illustrated in the figure below.

4.1 Technical Proposal



The cash voucher validation process performs a look up to the Voucher Database Record Table to verify the serial number (Voucher ID) has been entered correctly. The Voucher ID provides a globally unique, secure, redundant, and complete identification of each voucher.


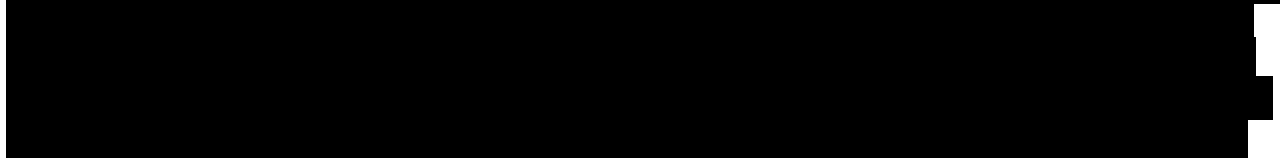




iv. *Describe how the validation system will handle withholdings and offsets from prizes that meet certain thresholds.*

NOTE: See *Appendix E-4 RFP Part 3 Scope of Work*, which describes in more detail our response to RFP Section 3.8 CASH VOUCHER PRODUCTION AND VALIDATIONS.

Cash Voucher Central Validation

All cash voucher and validation transactions are updated on the facility database level. 


4.1 Technical Proposal

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

The system can check the lists to identify any additional withholding and retain it. Any tax withholding is performed prior to DSS withholdings. During End of Day processing, Everi Games Inc. provides an output file via FTP to the Commission for their internal processing and adjustment of

balances based upon the amounts collected during the previous gaming day’s operations for each facility.

Withholding percentages for both IRS and DSS can also be defined using the Management Terminal. For any voucher that has had withholdings applied, the details are stored in the Central System’s TaxAndOffset Database, detailing the voucher effected, gross winnings, net winnings along with the detailed amounts for each applicable withholding. Special conditions such as withholding due to child support are noted in the “Codes” field of the Voucher Database Record Table

File Naming Conventions













The files are named in the format: SC_FILETYPE_MMDDYYYY, with the possible sites at this time being:

Site Name	Acct. Code
Vernon Downs	VD
Saratoga	SA
Aqueduct	AQ
Yonkers	YO
Monticello	MO
Finger Lakes	FL
Buffalo	BU
Batavia	BA
Suffolk	SK

File Feed Specifications

- `_Setoffs_*.csv`



4.1 Technical Proposal

[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]

- [REDACTED]

[REDACTED]

[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]

[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]

v. Describe the format and content of the database record key that will be used to ensure that duplicate keys do not occur.

[REDACTED]

4.1 Technical Proposal

9. Application Security Controls

Describe application security controls as required in Section 3.9.

The central system shall provide gaming device control capabilities to select Commission personnel using management terminals to immediately activate and deactivate the following:

- an individual site controller (all gaming devices attached to the site controller must be disabled automatically);
- single or multiple games on an individual gaming device;
- a single game across multiple gaming devices;
- all gaming devices of a given manufacturer's gaming device model;
- all gaming devices of a given manufacturer using a game identification number that matches a given game identification number; and
- all gaming devices in each facility location.

NOTE: See *Appendix E-10 Working with the Central System Management Terminal*, for more details about central system security controls.

The hardware components in both the Central System and the Site Controllers must register with the Central System and maintain constant contact. The object that monitors this connection can be instructed to disable or reboot the component, as well as execute a task or stop a running site controller. Each VLT and ETG must register and connect to the VLT Service and SAS Host on the Site Controller. Once the VLT or ETG is enabled, it is registered in the active terminal list. Devices can be selected by vendor, game, bank, location, or individual VLT from any Management Terminal (located either at the Commission headquarters or the Facility). After selection, the group of devices can be disabled, reset, etc.

The Everi Games Inc. Management Terminal has built-in filtering on all screens where devices are selectable in a grid. This allows a very dynamic and granular selection of gaming devices based on many combinations of attributes and configurations. Authorized Commission personnel can use this functionality from a Management Terminal to:

- If necessary, the entire site controller gaming floor can be disabled. This can also be disabled or enabled partially by targeting specific VLT Services or SAS Hosts. This can be done while allowing Validation Terminal redemptions to continue to occur.
- Activate or deactivate one or all games available on an individual gaming device. Activating a single game on a multigame device is dependent on the information and controls the multigame device exposes to the Everi Games Inc. system. Some gaming devices will only present control for a single game even though it is a multigame device. In all cases, all games on an individual device can be disabled as necessary.
- Activate or deactivate an individual game or all gaming devices.
- Activate or deactivate all gaming devices by a certain manufacturer or given manufacturer's gaming device model.
- Activate or deactivate all gaming devices using a game identification number.

- Activate or deactivate all gaming devices at a given facility or group of facilities.
- Send commands to an individual gaming device or group of gaming devices such as lock, clear lock, shutdown, reboot, and compute checksum.

The central system shall record and report (through a printed report or management terminal display), by gaming device and facility, all instances of open gaming device doors, service call buttons, error conditions, out-of-service conditions, loss of power, loss of communications, logic area access, cash compartment access, failed integrity checks, and any other events as designated by the Commission or approved in writing by the Commission, including issues with site controllers.

Event Recording and Reporting

The system logs every event that occurs on any gaming device connected to the system in the event log table on the Site Controller. The event log captures the event type, date, time, and VLT Registration ID. The system records and reports the following events and many others:

- LOCKED_DOOR_OPEN
- DOOR_OPENED
- DOOR_CLOSED
- EMPLOYEE_LOGGED_IN
- EMPLOYEE_LOGGED_OUT
- LOCKED_BA_JAM
- LOCKED_BA_FULL
- LOCKED_PRINTER_OOP
- LOCKED_PRINTER_JAMMED
- LOCKED_TILT
- LOCKED_CLOSE_SESSION_FAILED
- LOCKED_PRINT_VOUCHER_FAILED
- LOCKED_BEGIN_SESSION_WITH_CASH_FAILED
- LOCKED_BEGIN_SESSION_WITH_VOUCHER_FAILED
- LOCKED_BEGIN_SESSION_WITH_SESSION_ID_FAILED
- LOCKED_REGISTRATION_FAILED
- LOCKED_CREDIT_CASH_FAILED
- LOCKED_CREDIT_VOUCHER_FAILED
- LOCKED_SOFTWARE_ERROR
- LOCKED_MALFORMED_MESSAGE
- LOCKED_GAME_MALFUNCTION
- LOCKED_COMMANDED
- POWER_FAILURE
- CANCELED_CREDIT_HAND_PAY
- PROGRESSIVE_JACKPOT
- LOW_RAM_BATTERY
- LOST_CONNECTION
- RAM_CORRUPTION
- LOCKED_CHECKSUM_FAILED
- LOCKED_WIN_THRESHOLD_EXCEEDED

4.1 Technical Proposal

- LOCK_CLEARED
- CALL_ATTENDANT_ON
- CALL_ATTENDANT_OFF
- Other events that the Commission designates necessary

The event interface is also extendable by the gaming device vendors. The gaming devices may register and trigger additional events of their choosing and they will be displayed on the Everi Games Inc. Management Terminal and reporting.

Similarly, events are logged for Validations Terminals and Management Terminals. All logins and attempted logins are logged in the event log as well. The Windows event logs are also filtered for pertinent events and then incorporated into the database event log. Everi Games Inc. also utilizes multiple real-time monitoring software applications that send specific system related events to the Everi Games Inc. New York Network Operations Center (NOC). The 24/7 staff at the NOC is then able to directly respond to events as needed.

Additionally, Everi Games Inc. has created an interface to interact with 3rd Party Dispatch Systems of choice. This feature opens the door for improving the customer experience by driving prompt responses to VLT issues and servicing customer requests. 3 of the 8 New York VLT Sites have adopted this service while another 3 have started discussions to implement. Below are the current supported alerts with options to add, as requested by the gaming facilities and ultimately approved by the Commission.

Alert Name	Alert Description
Locked Door Open	An Electronic Gaming Machine door was opened without an employee logged in.
Door Opened	An employee opened an Electronic Gaming Machine door.
Door Closed	An employee closed an Electronic Gaming Machine door.
Employee Logged In	An employee logged into an Electronic Gaming Machine.
Employee Logged Out	An employee logged off of an Electronic Gaming Machine.
Bill Acceptor Jammed	Electronic Gaming Machine Bill Acceptor jam detected.
Bill Acceptor Full	Electronic Gaming Machine Bill Acceptor cash can full.

Alert Name	Alert Description
Printer Out of Paper - Locked	Electronic Gaming Machine Voucher printer out of paper.
Printer Jammed - Locked	Electronic Gaming Machine Voucher printer jam detected.
Tilt - Locked	Unknown Electronic Gaming Machine error.
Close Session Failed - Locked	Electronic Gaming Machine is unable to close session.
Print Voucher Failed - Locked	Electronic Gaming Machine is unable to print voucher.
Begin Session With Cash Failed - Locked	Electronic Gaming Machine is unable to begin cash session.
Begin Session With Voucher Failed - Locked	Electronic Gaming Machine is unable to begin voucher session.
BeginSessionWithSessionID Failed - Locked	Electronic Gaming Machine is unable to resume session.
Registration Failed - Locked	Electronic Gaming Machine is unable to register instance.
Credit Cash Failed - Locked	Electronic Gaming Machine is unable to credit cash to session.
Credit Voucher Failed - Locked	Electronic Gaming Machine is unable to credit voucher to session.
Software Error - Locked	Unhandled Electronic Gaming Machine exception, failed assert, or unexpected behaviour.
Malformed Message - Locked	MALFORMED_MESSAGE detected.
Game Malfunction - Locked	Electronic Gaming Machine detects Play failure.
Lock Command Received	Electronic Gaming Machine received LOCK command.
Power Failure Detected	Electronic Gaming Machine recovered from a power failure.
Canceled Credit Hand Pay	Credit was paid by employee on Electronic Gaming Machine.

4.1 Technical Proposal

Alert Name	Alert Description
Progressive Jackpot Won	Progressive jackpot prize won on VLT. (<u>VLT games only</u>)
Low RAM Battery Detected	Battery low on Electronic Gaming Machine backup RAM.
Communications Failure Detected	Electronic Gaming Machine recovered from lost connection.
RAM Corruption Detected	RAM corruption or errors detected on Electronic Gaming Machine.
Checksum Failed - Locked	Incorrect software package installed on Electronic Gaming Machine.
Win Threshold Exceeded - Locked	The win threshold was exceeded on Electronic Gaming Machine. Attendant required.
Lock Cleared	Locks were successfully cleared on Electronic Gaming Machine.
Player Logged In	Payer card has been inserted into Electronic Gaming Machine.
Player Logged Out	Player card has been removed from Electronic Gaming Machine.
Change Light On	Player has activated the “Call Attendant” light.
Change Light Off	Player has deactivated the “Call Attendant” light.

The central system shall be able to direct event transactions to selected printers. There must be a capability to filter the events that appear on each printer.

Event Printing and Filtering

All events can be printed on the Management Terminal as needed to any output device on the entire system. The Management Terminal allows users to subscribe to different event types and further filter the events by any of the data displayed, as illustrated below. Each event contains information about its type, location, and severity. This provides a detailed and dynamic method to print only the information required at the printer it will be most useful.

Subscriptions

Active Subscriptions

Game Malfunction - Locked , Info
Money Laundering Detected, Info
Printer Out of Paper - Locked , Info
Voucher Printer Out Of Paper, Info
Win Threshold Exceeded - Locked , Info

Select All

Subscription Priority

Critical High Low Info

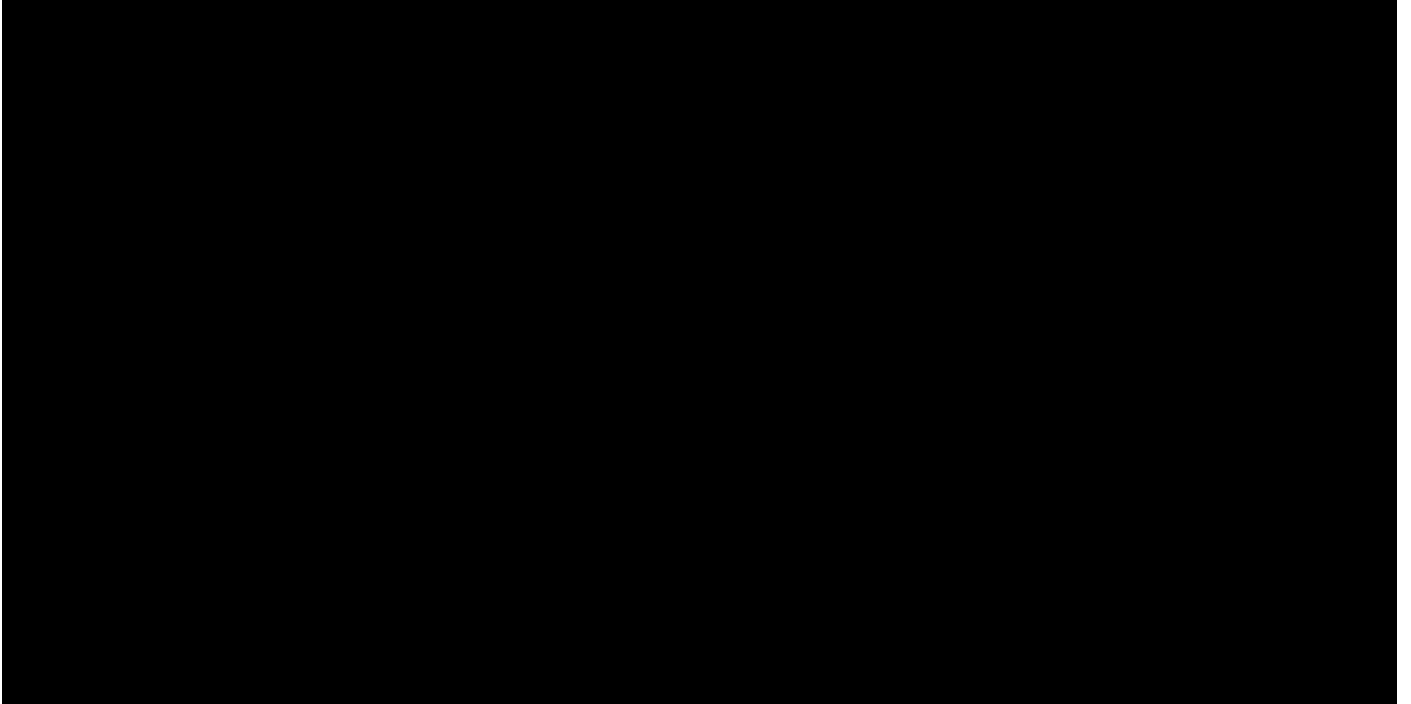
Available Alerts

SAS: Generate Signature Failed
SAS: Handpay Cancelled By Player
SAS: Handpay Paid
SAS: Handpay Pending
SAS: Handpay Reset
SAS: Host Service Disabled
SAS: Host Service Enabled
SAS: Host Service Notification
SAS: Host Service Started
SAS: Host Service Stopped
SAS: Invalid SasAddress
SAS: Locks were successfully cleared
SAS: Long Poll Timeout
SAS: Machine Out Of Service By Attendant
SAS: Machine Serial Number is unusable
SAS: Multi-denom Extensions Required
SAS: Not Enabled For Play
SAS: Operator Changed Options
SAS: Powered On
SAS: Progressive jackpot prize won
SAS: R&M Clear Detected In Database

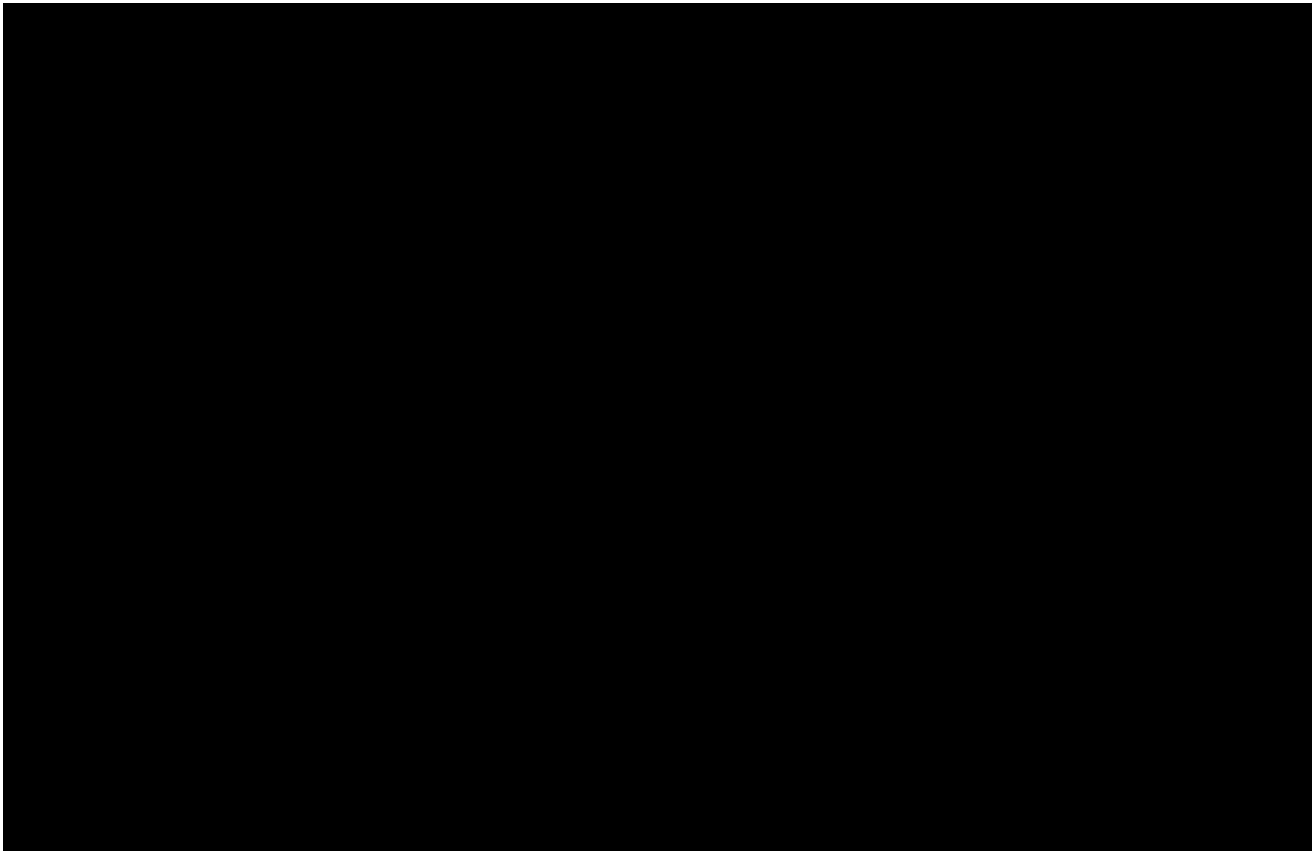
Select All

Subscriptions Example

4.1 Technical Proposal



The Alerts Report can also be used to display and print all events that occurred during a specific date range, as illustrated in the Alerts Report example below.



The Everi Games Inc. Central System also supports integrating with Slot Dispatch Systems. The events from the gaming devices are sent in real-time to a third-party system that directly coordi-

nates staff to respond to the events directly. Everi Games Inc. has successfully integrated with William Ryan Group, Inc. to provide dispatch services. All event and cash voucher transactions shall be date- and time-stamped.

Transaction Time Stamping

All event and cash voucher transactions are date and time-stamped as needed. Foreign keys exist on many database tables, linking related records to parent/child tables. Where records do not have date and time stamps, Everi Games Inc. is able to reasonably determine at what point the records were inserted, either through foreign keys or other related transactional activity.

Everi Games Inc. synchronizes time throughout the entire Central System using a GPS enabled Network Time Protocol (NTP) Server. The Windows Active Directory server synchronizes with that NTP server then populates that data to all domain servers and workstations. This same process occurs on Cisco switches.

The timestamp on events or transactions is the date and time that the event or transaction was recorded in the Facility Data Server; it is not the date and time on the Validation Terminal or VLT, which is printed on the Voucher. The Cash Out Receipt has the timestamp returned from the Facility Data Server.

10. Progressive Jackpots

- i. *The central system must support the use of progressive jackpots. Describe what options exist for progressive jackpots, including progressive games that involve:

 - Multiple gaming devices within a facility's location;
 - Gaming devices across facility locations in a selected group; and
 - Statewide progressive jackpots.*
- ii. *Describe how progressive jackpot amounts are calculated.*
- iii. *Describe how progressive jackpot amounts are communicated to the gaming devices that are participating in progressive jackpots.*
- iv. *Describe how cash vouchers that include progressive jackpot winnings will be validated.*
- v. *Describe how gaming device meters are used to record progressive jackpot plays.*

NOTE: See *Appendix E-4 RFP Part 3 Scope of Work*, which describes in more detail our response to RFP Section 3.10 PROGRESSIVE JACKPOT.

Progressive Jackpots

The Everi Games Inc. Progressive Jackpot solution is designed to provide maximum flexibility within the Central System by supporting multiple gaming devices within a Facility, gaming devices across all Facility locations, and wide area progressive jackpots where multiple sites can participate in the same progressive game. Progressive Games are tied directly in to the Central System to provide facilities for voucher redemption, progressive jackpot reporting, and progressive jackpot administration.

4.1 Technical Proposal

Progressive Jackpot Description

The Everi Games Inc. Central System supports progressive jackpot games for both Local and Wide area games.

Local Progressive Jackpots

Local Progressive Jackpots can be used at a particular facility and are driven by groups of gaming devices at that facility. Gaming device manufacturers must configure their devices to conform to the rules of a particular jackpot (pay table, credit amount, participation percentage, and probability of progressive award must be the same for each game participating in a progressive pool). In addition, the gaming devices participating in the progressive pool must draw tickets produced using the same tickets generation rules.

There is no limit to the number of gaming devices that participate in a progressive jackpot pool, and no limit to the number of simultaneous progressive pools in operation at a site.

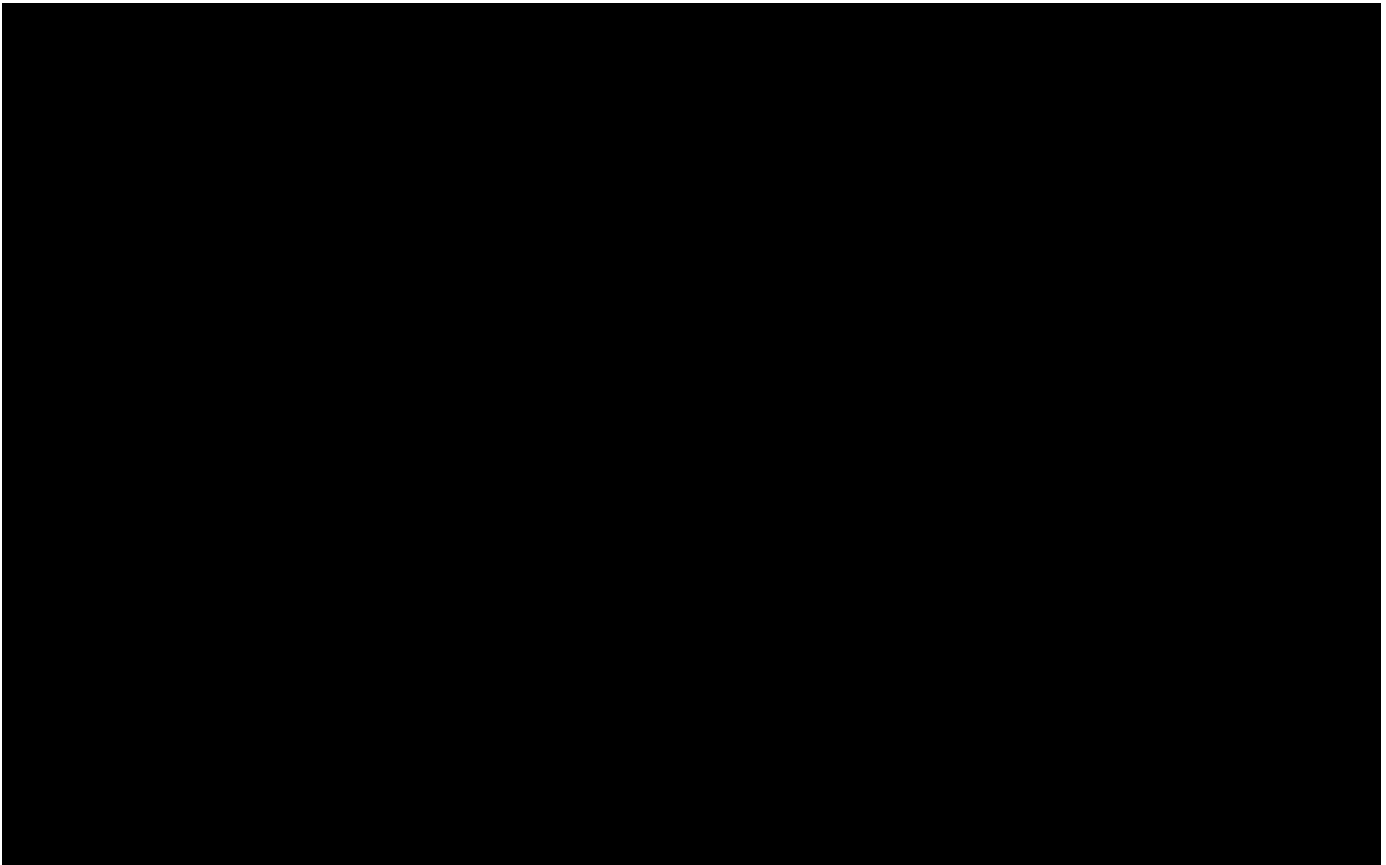
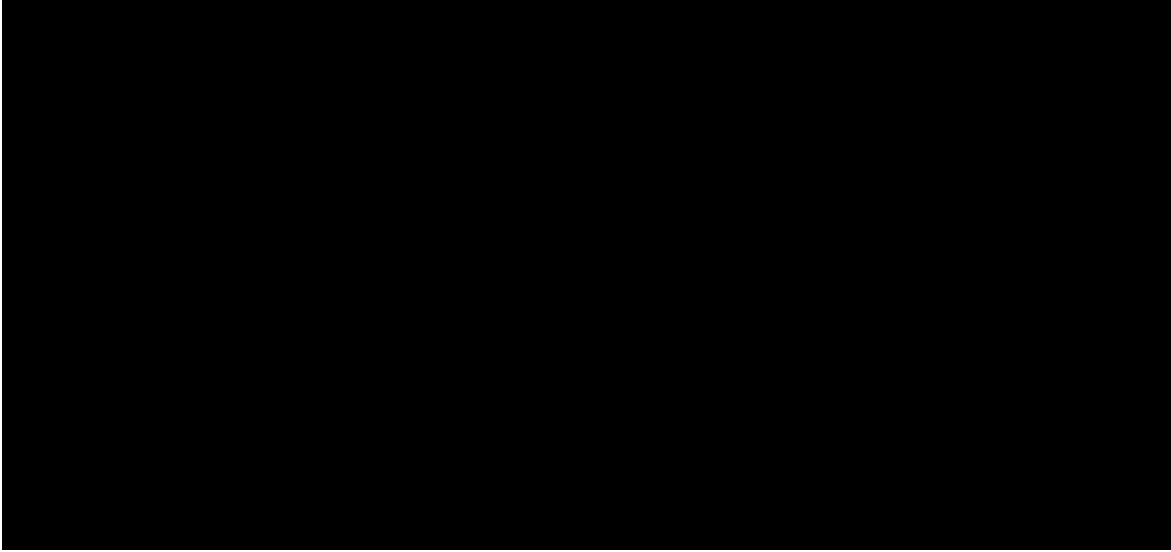
Local Progressive Jackpot amounts are calculated in real-time as purchases are made on participating machines. The Progressive Jackpot is seeded based on a value contained in the ticket data for that particular progressive, and is increased with each purchase based on parameters contained in the ticket data. When the system detects that a particular gaming device has been sent the winning progressive ticket record, it creates an additional win record with the amount in the progressive pool. It then sends the record to the winning gaming device, resets the progressive pool to the seed value and transmits the newly reseeded amount to the signage that displays the progressive pool balance as well as all other gaming devices participating in that Progressive Pool.

When two machines win at close to the same time — an apparent tie, the first winner will be determined by the timestamp value assigned by the database, which is guaranteed to be unique and is assigned based on the time that the win is registered on the Central System. The first ticket registered will win the amount in the progressive database, causing the amount to be reset to the seed. The second ticket registered will win the seed amount plus the amount of the second Players individual play contribution to the jackpot.

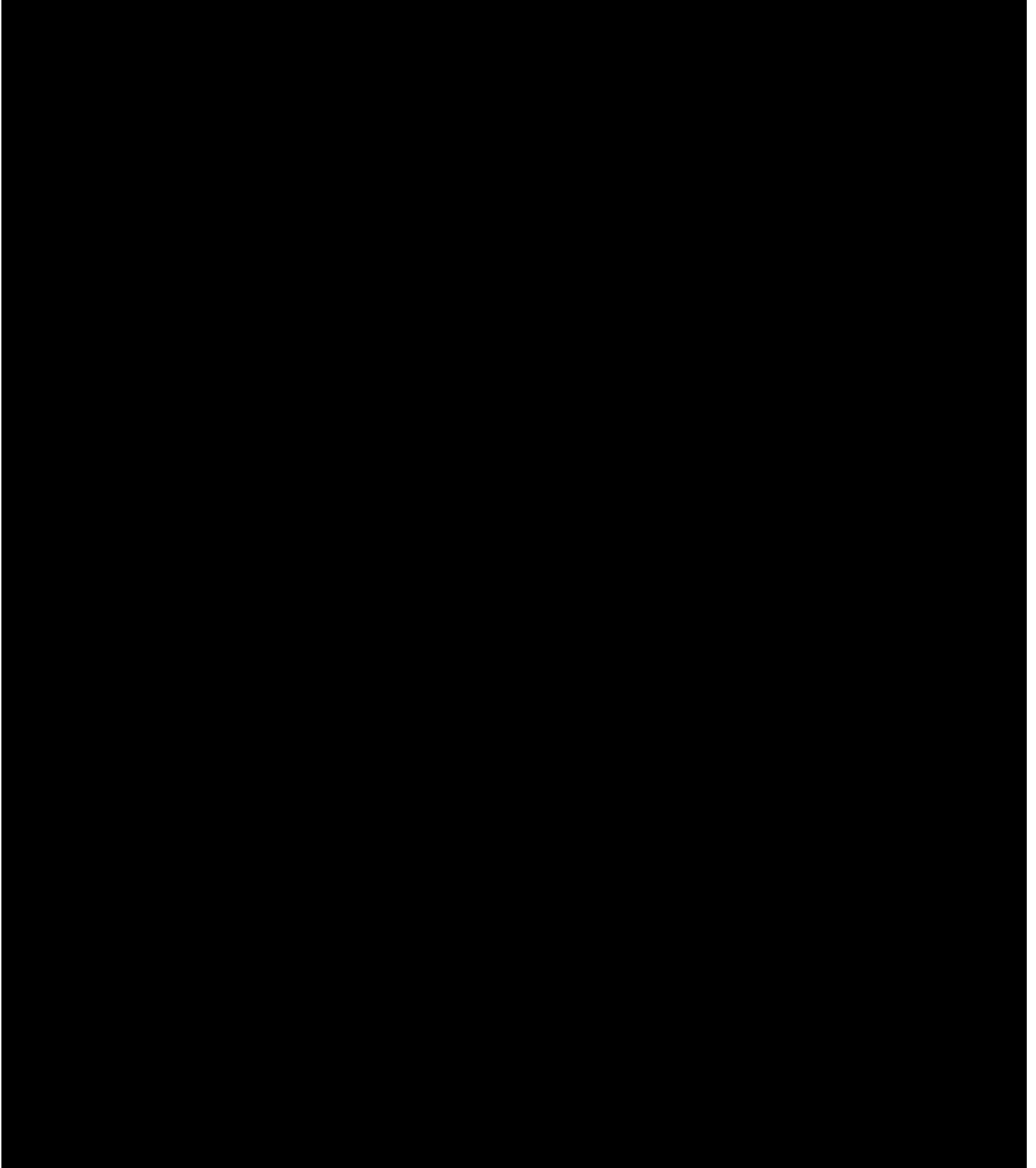
Management Terminal Screens

[REDACTED]

[REDACTED]



4.1 Technical Proposal



Wide Area Progressive Jackpots

Wide Area Progressive Jackpots are similar to Local Progressive Jackpots, except that the Progressive Pool Amount and associated data are kept on the Central System. These amounts are updated by each site controller every ten seconds, or on request. If a site detects that it has a winning ticket on a wide area progressive, it notifies the central database, which requests updates from all other sites for that particular progressive. If all participating sites are on-line, the award is communicated to the winning site, and the progressive amount is reset. The award is handled at the winning site in the same way as the Local Progressive Jackpot system.

Should the Central System be unavailable, or if one or more Site Controllers attached to a wide area progressive are not available, then manual verification will be necessary.

The Central System will prompt the Network Operation Center to attempt to contact non-reporting sites and pull wide area data from them. After completing this process, the Central System operator can validate the win and the process will complete automatically.

It is important to note that under normal operating conditions, no operator intervention will be required to operate both local and wide-area progressives, other than authorizing games for play at installation. The manual process described above will only be necessary in extreme circumstances where a prolonged system communication failure has occurred.

4.1 Technical Proposal

Everi Games Inc. feels that it is important that players receive the quickest possible turn-around on wins and payouts, regardless of the system's operating condition. Player loyalty and satisfaction are key to the success of the Commission Central System.

Progressive Jackpot Calculation

Progressive jackpot amounts are calculated in real-time based on actual sales and initial seed values. The calculated progressive jackpot amount is stored on either the Facility Controller database or the Primary Data Center (depending on if it is a local or wide-area jackpot), and progressive wins are awarded the current real-time value of the jackpot when they are registered.

Progressive Jackpot VLT Communication

Progressive amounts (both wide area and local), are communicated with gaming devices every 30-60 seconds (this is configurable) for display purposes only. Progressive wins on the system trigger immediate updates of all progressives, before showing the reduced seed amount.

Winnings Validation

Progressive Wins are handled in the same way as other jackpot wins on the gaming device. No special action is required unless the progressive win triggers one of the business rules affecting vouchers (i.e., IRS reporting, delinquent payments to the Department of Social Services, etc.).

VLT Meters Used to Record Jackpot Pays

The Facility Controller sends progressive amount updates to all progressive gaming devices at a specified interval (the default is every 30 seconds). The individual gaming devices can be configured to scroll a text message on each update, whether or not the amount actually changed. Gaming devices use these updates to insure that their meters are synchronized within a few cents. Each gaming device also independently sets the scrolling rate of its display so that it increments constantly between updates.

11. Site Controller and Gaming Device Communications

The central system must communicate with all site controllers for the purposes of exchanging commands, requesting data, and transmitting data. Describe the protocol for the site controller, and how each element in Section 3.11 will be achieved.

NOTE: See *Appendix E-4 RFP Part 3 Scope of Work*, which describes in more detail our response to RFP Section 3.11 SITE CONTROLLER AND GAMING DEVICE COMMUNICATIONS.

Site Controller and Gaming Device Communications

The Everi Games Inc. Central System has a robust and dynamic interface for defining configurable attributes for the gaming devices and the entire system as a whole. These attributes are configurable in the Everi Games Inc. Management Terminal and upon changing, the new values are communicated to all services or impacted devices. The same is also true for sending commands to various parts of the system. The command interface allows for an instruction to be given in the Everi

Games Inc. Management Terminal and it will be transmitted through the various communication protocols to its intended destination. The ability to view/edit a configuration attribute or send a specific command from the Management Terminal is controlled individually through user/group based security permissions. The attribute and command interfaces are extendable easily by gaming device vendors. They can register their own configuration attributes and commands that the Everi Games Inc. system will maintain in the Management Terminal. Gaming devices are also required to support certain attributes and commands to ensure that the Everi Games Inc. Central System can control and perform certain duties.

Gaming Device Keep Alive

All gaming devices have mechanisms to maintain constant communication with the site controller. VLTs and ETGs do function through different protocols, so the behavior differs in some areas but the end result is the same. The site controller and the gaming devices communicate with each other consistently at set intervals. VLTs use a keep alive system while ETGs use a system where the site controller is constantly polling the ETG for information.

VLT Keep Alive

Keep Alives ensure that there is constant communication between the site controller and the VLTs. If there is inactivity for too long a Keep Alive message is sent from the VLT to the Everi Games Inc. VLT service. The Keep Alive message only contains a unique identifier for the VLT, they do however serve an important purpose to ensure the connection status is active and online. The Everi Games Inc. VLT ICD outlines a very configurable process for how the VLT and the Everi Games Inc. VLT Service will interact. See the excerpt below from Everi Games Inc. VLT ICD 2.18 on Keep Alive Processing:

20 Keep Alive Processing

The KeepAlive message is sent by the VLT as a heartbeat to maintain connected status with the site controller. Some communication with the service is required during an interval prescribed by the system attribute “sysMGAMKeepAliveInterval”. If a VLT has not sent some message during the period prescribed by “sysMGAMKeepAliveInterval”, it is required to send this KeepAlive message. If no messages are received from the VLT by the central system during the period prescribed by the system attribute “sysMGAMConnectionTimeout”, the connection will be dropped and the session with the VLT will be closed. KeepAlive processing begins at the time a RegisterInstanceResponse message is received by the VLT. KeepAlive processing is performed on a per-service basis.

- The sysMGAMKeepAliveInterval can be configured between 1 and 3600 seconds.
- The sysMGAMConnectionTimeout can be configured between 1 and 60 seconds.

ETG Polling Rate

The communication protocol for ETGs requires constant polling of information from the Everi Games Inc. SAS Host to the SMIB/ETG. The GSA SAS 6.02 specifies that the host must constantly poll the ETG at intervals in the range of 40 to 5000 milliseconds. The Everi Games Inc. SAS Host

4.1 Technical Proposal

does this message polling in the 40 to 200 millisecond range, which is well below the required 3-second interval.

Site Controller Communication

The Everi Games Inc. VLT Service and SAS Host are in constant communication with the facility's central database. As events occur on the VLTs and ETGs they are immediately recorded into the corresponding SQL server databases. This includes the production and redemption of cash vouchers, the recording of events on the gaming devices, wagering activity, and all information required to thoroughly and accurately maintain gaming operations.



If a VLT Service loses connection with the Site SQL server, all VLTs will reconnect to a different VLT Service that does have connectivity and all transactions will be logged as normal. If no VLT Service is available the VLTs will be unavailable for play.

If a SAS Host loses connection with the SQL server, all ETGs will reconnect to a different SAS Host that does have connectivity and all transactions will be logged as normal. The ETGs are able to continue wagering in certain scenarios where vouchers do not need to be validated against the Everi Games Inc. system. All wagers performed, vouchers created, and all other relevant transactions during that gap in communications are cached on the ETG until connectivity is reestablished. ETGs can accept cash and print a maximum of 31 vouchers while the SAS Host is unavailable. This helps to mitigate any potential loss of revenue.

Game Play Hours

Each facility database will contain business rules and data defining the hours of operation allowed. These can be updated as deemed appropriate by the Commission to adjust the hours of operations for holidays or seasonal hours. Bill Acceptors will be automatically disabled 10 minutes before close and can be re-enabled 1-2 hours before open to allow vendors time to check the floor ahead of time. At close, a message is sent to disable and force the Electronic Gaming Machine's to voucher out. In the event the Electronic Gaming Machine ignores the requests due to the way they prioritize messages, our system is designed to continue sending the messages to disable for open sessions up to 10 minutes after close.

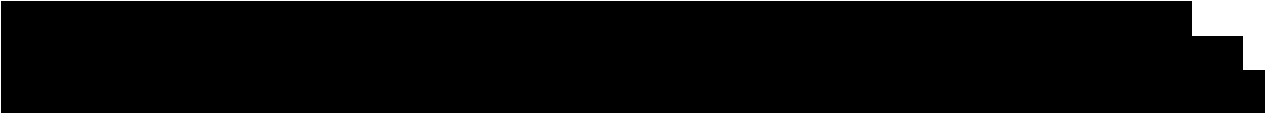
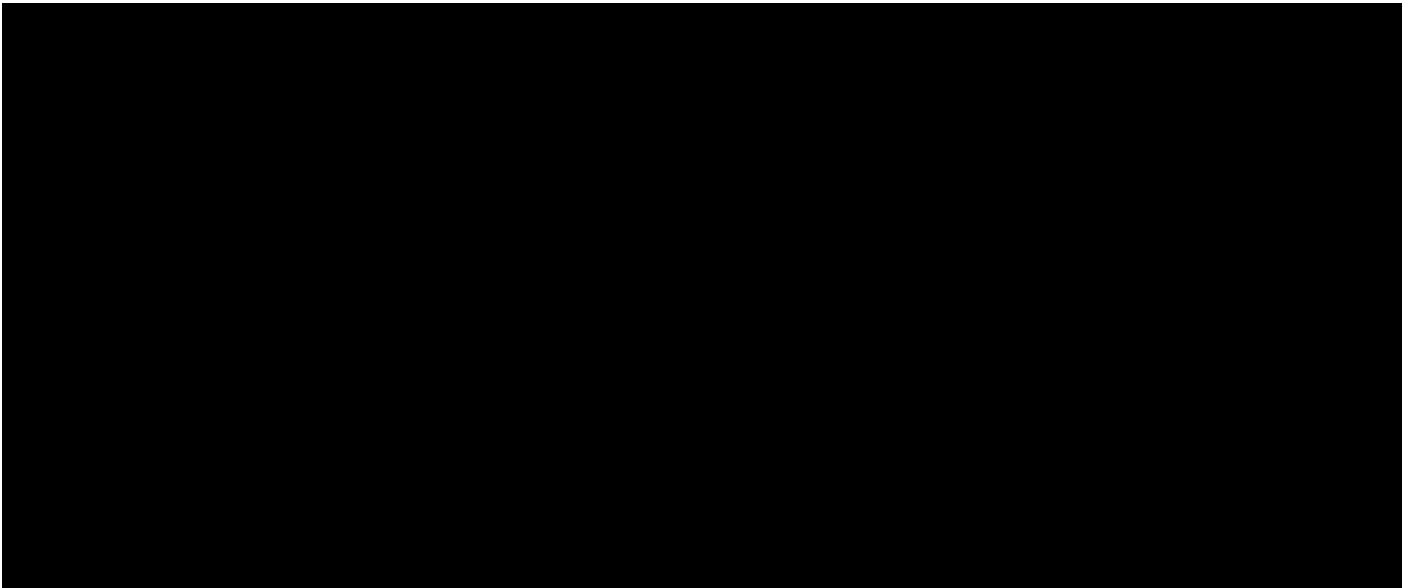
For reporting, management, and security purposes, the Facility Controllers and the Primary Data Center are designed to be operational 24 hours per day, 7 days per week, and 365 days per year. In addition to a pre-open game play alarm, Everi Games Inc. also provides a Transactions Outside of Gaming Hours report weekly to assist in verifying that transactions stopped as intended for the week.

Everi Games Inc. has developed multiple procedures to download and install new site controller software. Everi Games Inc. will only install new software in accordance with policies and regulations set by the Commission regarding changing the system.

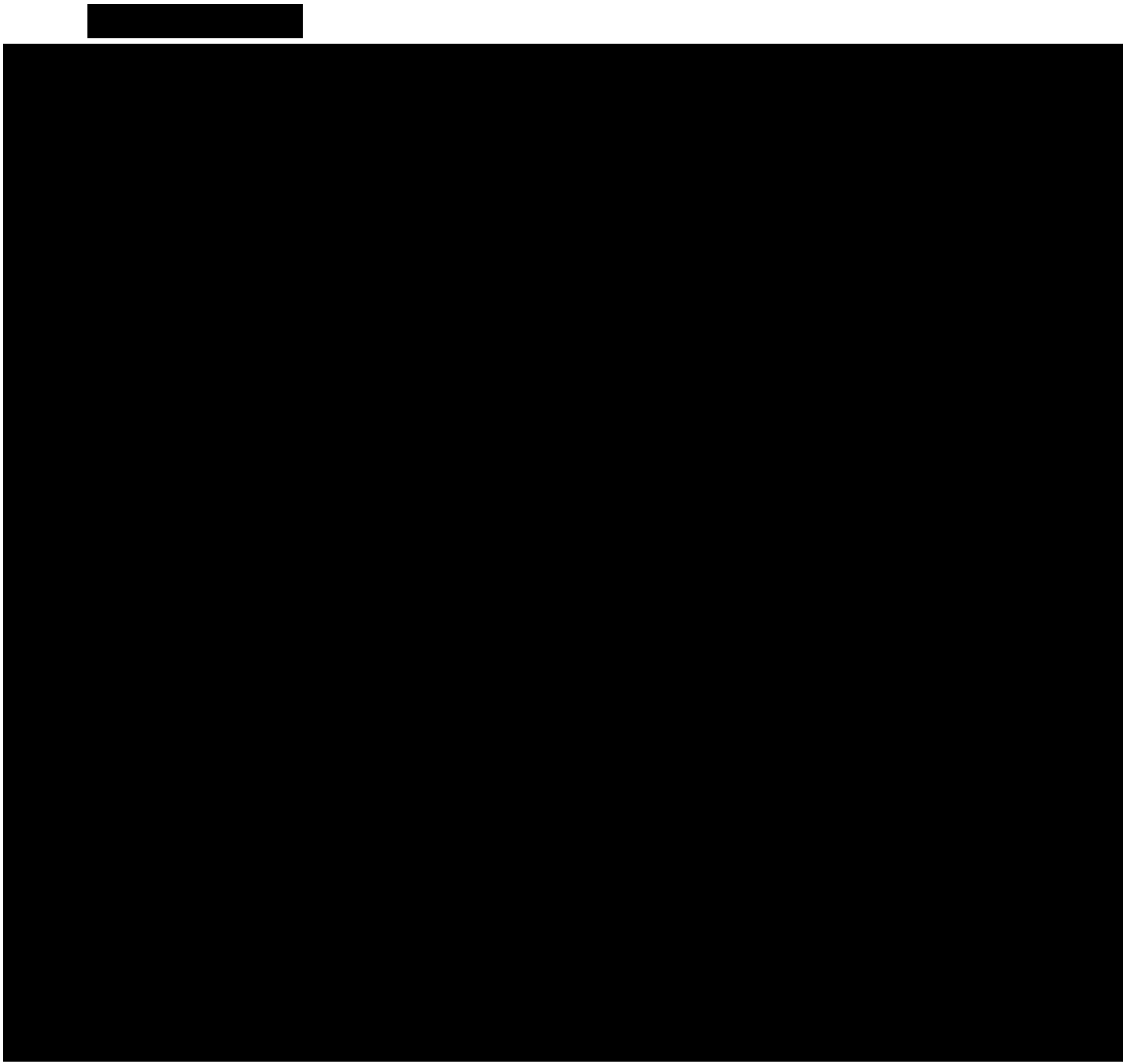
Install packages are generated comprising all of the components required for the upgrade. The install package is generally staged at the facility (pushed down from Primary Network Operations Center) or on a server in the Everi Games Inc. New York Network Operations Center if the upgrade is to take place at that level. When initiated, the package will download and install the required software and SQL files to the appropriate locations as specified in the approved change request. This process consistently installs updates across one or all facilities in a reliable and efficient manner.

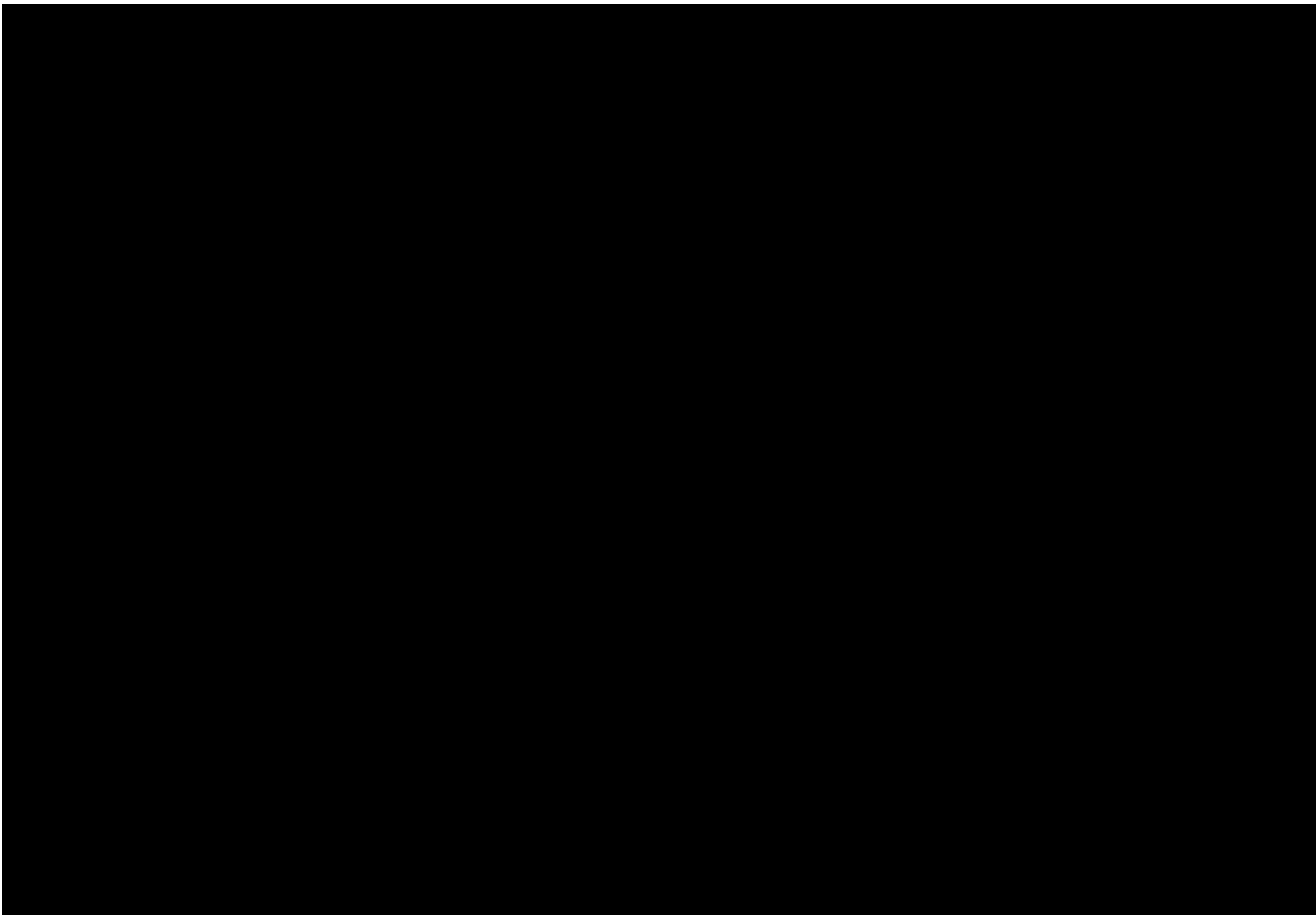
VLT Game Download

Our Central System supports the ability to download game software to VLTs. 

4.1 Technical Proposal





The VLT then downloads all resources required to install and run the new game software.

Checking for new game software to download occurs when the VLT reregisters with the VLT Service. This happens when the VLT restarts; this can be initiated by sending a command to the VLT to reboot or clear all locks. Filters are available to target specific VLTs or VLT groups. The VLT must still pass all checksum signature verification to ensure that it is running a valid and approved software configuration. This is a proven and simple way to manage and download game software to the VLTs.

All basic gaming site information is stored both at the servers hosted at the Everi Games Inc. New York Network Operations Center (NOC) and the servers at the facility. This includes the name, address, license number, accounting code, and additional information. This information is readily available for use on all gaming devices for display, voucher printing, reports, and any other pertinent locations. Any updates to the facility's core information are updated in both locations or propagated from one to the other.

Central System Downloads of Gaming Device Communication Parameters

As stated in section 3.11.A, there is an attribute for controlling the length of time the gaming device can continue to operate since the last successful communication with the site controller:

- `sysMGAMConnectionTimeout`

4.1 Technical Proposal

The `sysMGAMConnectionTimeout` attribute specifies the amount of time of inactivity before the connection to the VLT is dropped. It is currently set to 60 seconds. All attributes are configurable via the Management Terminal with appropriate permissions and approvals.

ETGs operate slightly differently. There are many configurable values that are used by the Everi Games Inc. SAS Host to control the ETGs however, the GSA SAS 6.02 has very specific guidelines on how ETGs should respond during periods of no activity that does not allow for configuration of these intervals. See the excerpt below from GSA SAS 6.02 Section 4 Error Conditions:

Link Down Detection

A gaming machine must consider the communications link to be down if it is not being actively polled by the host. At a minimum, the link must be considered down if the gaming machine has not received any address byte for five seconds (see Section 4.2, loop break indication), or has not received any implied acknowledgement (as defined in Section 3.1) from the host for 30 seconds.

Network Operations Center to on-site Facility Communications

Communication between the servers at the Everi Games Inc. New York Network Operations Center (NOC) and the servers at the facility on-site are mainly governed by monitoring tools as referenced in section 3.11.B. They are covered under a continuous monitoring and alerting system.

In addition, the on-site SQL servers at the facility send keep alive messages to the SQL servers at the NOC using an interval of 10-seconds. The frequency of the keep alive messages can be adjusted as necessary. Any failure in the keep alive messages results in another incident reporting safeguard. Any disruption in connectivity from the facilities to the primary NOC will result in switching functionality to the backup NOC. The functionality of switching between the primary and backup NOC is exercised regularly as a normal operating procedure to ensure that when it is needed, it is available.

During any period where both the primary and backup NOC is not reachable by the facility's servers, the impact to normal gaming operations is minimal. Gaming devices are still able to function as normal accepting cash, vouchers, and performing wagers.

VLT wagering may be impacted if communication to the primary or backup NOC cannot be re-established for an extended period. The facility servers are equipped to handle distributing wager outcomes in the absence of the NOC servers. There is however a limit on how long they can function without connection to the NOC servers. In our experience, this type of outage has never lasted long enough to interrupt actual game play, due to all of the safeguards and fail-safes in place.

The only other operational impact that the primary and backup NOC being unavailable to the facility servers is limited voucher redemptions. Limited vouchers are affected as opposed to non-limited vouchers in that they require withholding setoffs from the winner such as child support, public assistance, and New York State tax liability. The information received from the Commission on who owes these setoffs is hosted on the NOC servers. If both primary and backup NOC servers are unavailable, limited voucher redemption is not available until connections are re-established so that these setoffs can be withheld.

The networks connecting the NOC and the facilities are monitored carefully and diligently. Any outage between the server locations during gaming hours only lasts for very short durations and is generally caused by extreme weather conditions. Everi Games Inc. also maintains multiple non-dependent connections to the NOC servers such that both connections to the primary NOC and both connections to the backup NOC is truly a rare occurrence with minimal impact to facility operations.

12. Periodic Application Processing

- *Describe process to collect meters;*

Due to the nature of how VLTs interact with the system all accounting and sales data (“meters”) are collected and posted to the facility database as transactions occur on the VLT. The VLT initiates the transaction (for example, voucher in/out cash in/out, or credits wagered/won) and then the VLT Service and database determine and record the result of the transaction, sending the result to the VLT afterwards. In this way all meter data is recorded in the database before the VLT receives the information.

ETGs are polled for meter updates periodically every 10 seconds and when certain key events occur. Events that trigger the SAS Host to poll the gaming device meters include:

- Cash Inserted
- Voucher Inserted/Printed
- Hand pay Reset
- Game Changed
- Cash Box Removed
- Player Card Inserted/Removed
- Device Enable/Disabled
- Game Locked

The meter data from the ETGs and VLTs are combined in the transactional and reporting tables in the database to provide detailed and accurate reporting.

- *Describe edits on received meter data for validity and reasonableness;*

Everi Games Inc. provides balancing reports for the Commissions Finance and Audit team. Data anomalies for VLT’s range from uncommon to non-existent but due to the inherent design of SAS, we do see some data anomalies for ETG’s when these machines encounter a hard fault. When these data anomalies are discovered, Everi Games Inc. performs research to determine the reasonably correct values and the results of our research is reviewed with the Commissions Finance and Audit. With their approval we update the reporting rollup data but not the actual transactions. This allows us to maintain an audit trail of what actually got recorded with the proper paperwork to document what edits were actually made.

- *Provide exception reports showing rejected meter data and reason for rejection;*

Evaluation of the meter data is performed on a routine basis to ensure that from an accounting per-

4.1 Technical Proposal

spective all transactions balance correctly. The daily aggregate meter values for each gaming device are reviewed and any anomalies are researched on the system level and on the gaming device level. As applicable, a weekly report is provided to the Commission detailing all anomalous meter data and the reason for the issue.

- *Provide capability to correct rejected or erroneously posted meters (corrections must propagate forward to include most recently received meters);*

If the hold is impacted or when requested, it is possible to update the reporting rollup data but the direct meter data and the actual transactions will not be updated on the system. This allows an audit trail to be maintained of the actual events given by the gaming device, while still providing updated financial reporting.

- *Provide daily activity summary report by facility;*

There are automated scheduled reports that provide daily, weekly, and monthly exports. It is also possible to use the Management Terminal to specify a custom timeframe. The same reporting suite is available across all sites. There are also statewide-consolidated daily game play activity reports in Excel format made available to the Commission.

- *Provide report showing facilities and gaming devices not responding to request for meter data; and*

As a part of its inherent design, Everi Games provisions comprehensive logging as part of our VLT and SAS gaming services. As needed, we leverage SPLUNK to generate reports demonstrating gaming devices not behaving as expected. This research process is driven by the reports we provide to the Commission for balancing activity for the Gaming Day. These reports are provided to the Game Vendors to help them understand what needs to be corrected when applicable.

- *Demonstrate how the central system will receive information electronically from the Commission on a daily basis of players who by action of the facility or player are banned from participating in gaming activities in the State of New York, and lock any voucher presented by an individual who appears on the exclusion list referenced in Section 3.8.F.*

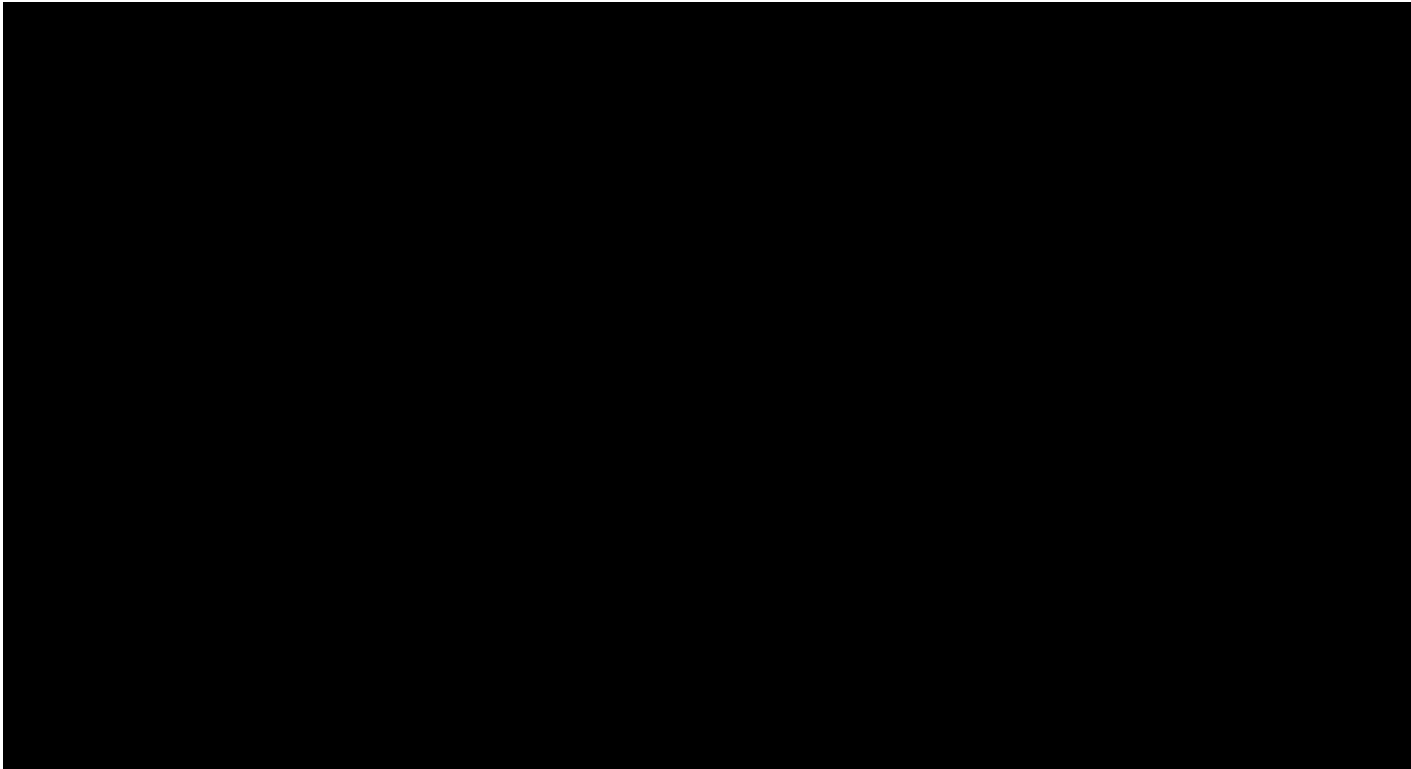
Responsible Gaming

Everi Games Inc. recognizes and agrees with the need to establish strong processes to allow for maintaining a responsible gaming environment. In accordance with this and in collaboration with the Commission, Everi Games Inc. has created a process by which responsible gaming can be enforced through the use of the Winner Exclusion feature, where a patron's ability to cash out a limited voucher can be blocked at the point of redemption.

Blocked Voucher Redemption

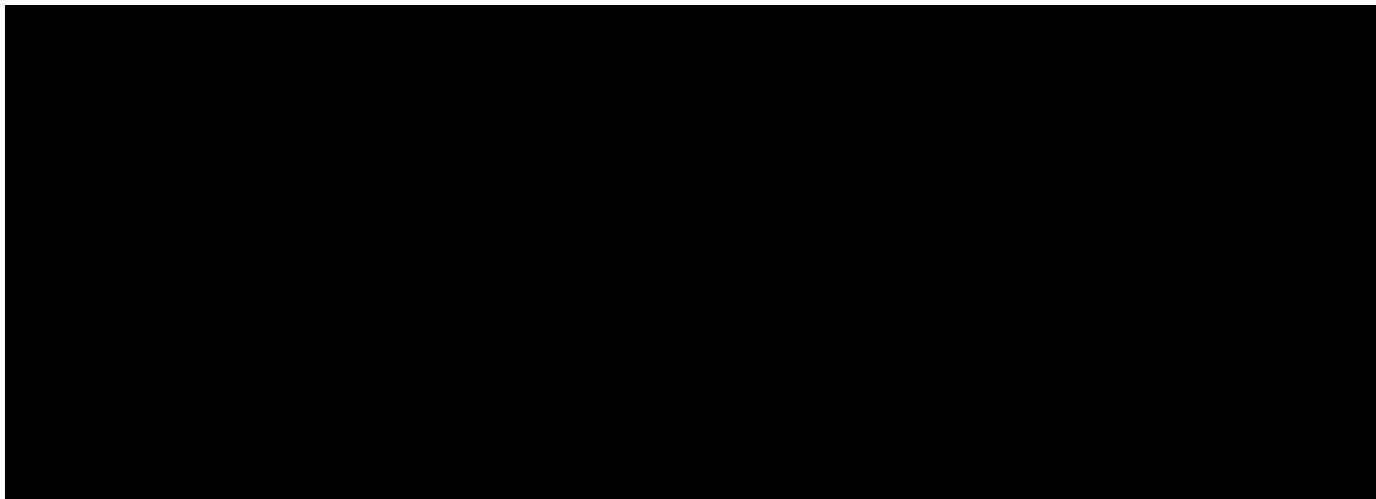
Each time a patron attempts to redeem a limited voucher which requires the collection of the patron's Social Security Number, the redemption is verified against central to check whether or not the patron's SSN is present on the Winner Exclusion patron table. If the patron is found to exist

on the list, the Management Terminal Voucher Management screen will display that the patron is on the exclusion list by the “Excluded” field being highlighted green and “YES” being present in the field. The Suspect field will also be marked in the same way. At this point, the redemption is blocked and the patron cannot redeem the voucher. The voucher is then taken into custody by the facility and not returned to the patron.



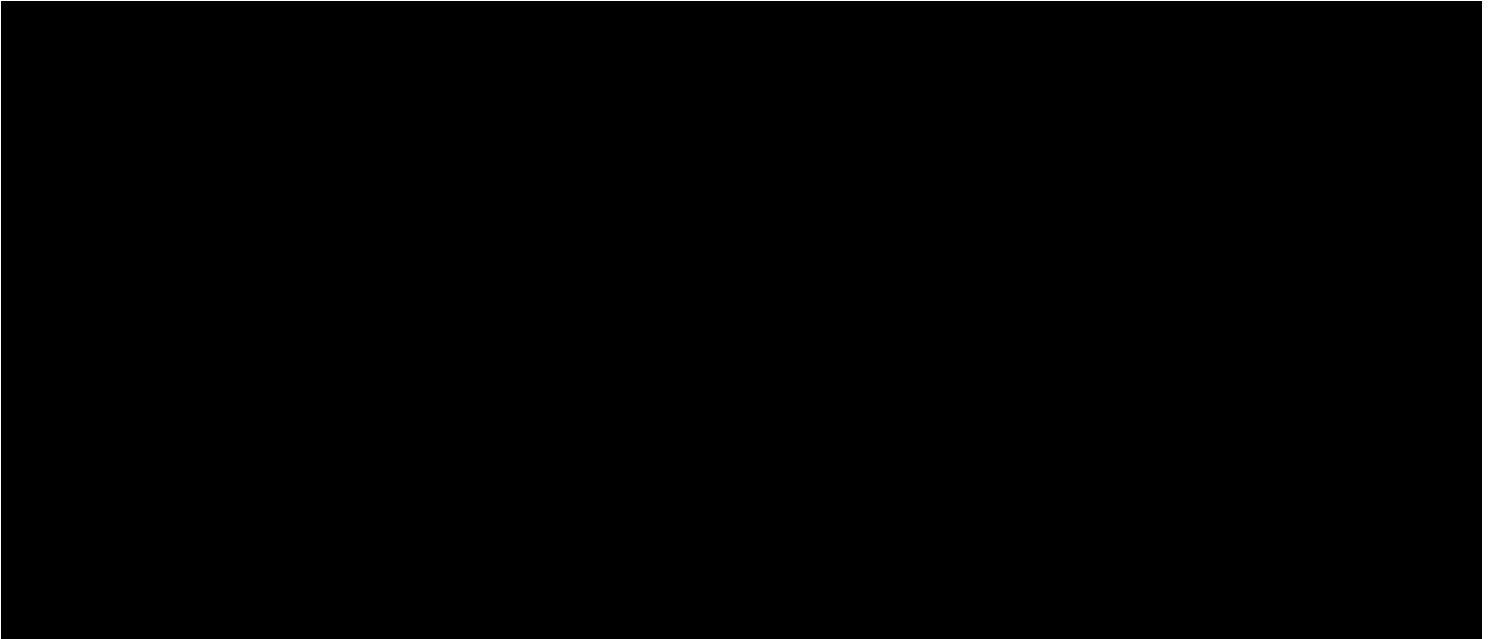
Approving Voucher Redemption

If the patron chooses to dispute the status of the Social Security Number on the exclusion list, the facility will follow Commission approved processes to validate that indeed the patron should not be on the exclusion list. Once the appropriate processes have been followed, the voucher can be pulled up again through the Management Terminal Voucher Management screen and the “Mark as NOT Suspect” button can be clicked, as illustrated in the figure below.

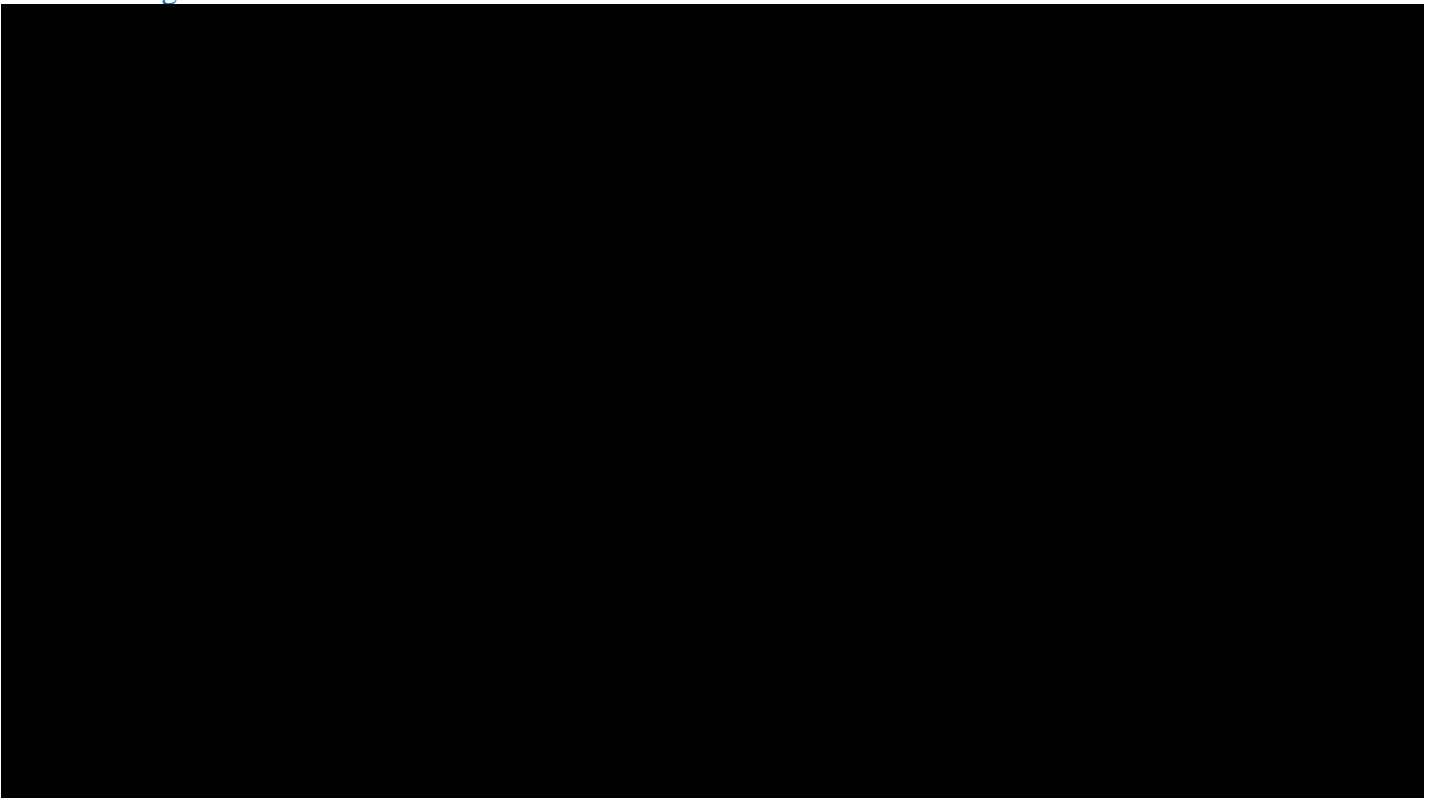


4.1 Technical Proposal

The Management Terminal user is then prompted to enter a comment for unmarking the voucher as Suspect, as illustrated in the figure below.



Once the Management Terminal user has unmarked the voucher as Suspect, the Suspect field will no longer be highlighted green and will change to “NO”. This allows the user to proceed with approving payment. The “Approve Payment” button is now clicked and a confirmation box prompting to proceed is displayed, as illustrated in the figure below. Clicking Yes to this confirmation box allows for the redemption of the voucher to take place. An important distinction to make here is that only this one voucher has been approved for payment. The affected patron is not removed from the exclusion this by this process. This is handled separately as described below in the Populating Winner Exclusion Lists area.



Populating Winner Exclusion Lists

Reasons for Bans

- **Commission-Exclusion:** The Commission may exclude a patron for any reason the Commission deems necessary.
- **Self-Exclusion:** A patron can self-exclude themselves by a process as defined by the Commission.
- **Facility Exclusion:** A patron can be excluded by any facility for violating the rules of the facility as the operational management team at the facility deems necessary.
- **Employment Related Exclusions:** In accordance with Commission rules, employees involved in the support and/or administration of the Central System are banned from playing at any facility overseen by the Commission. These employees include, but are not limited to Commission employees, vendor employees and facility employees.

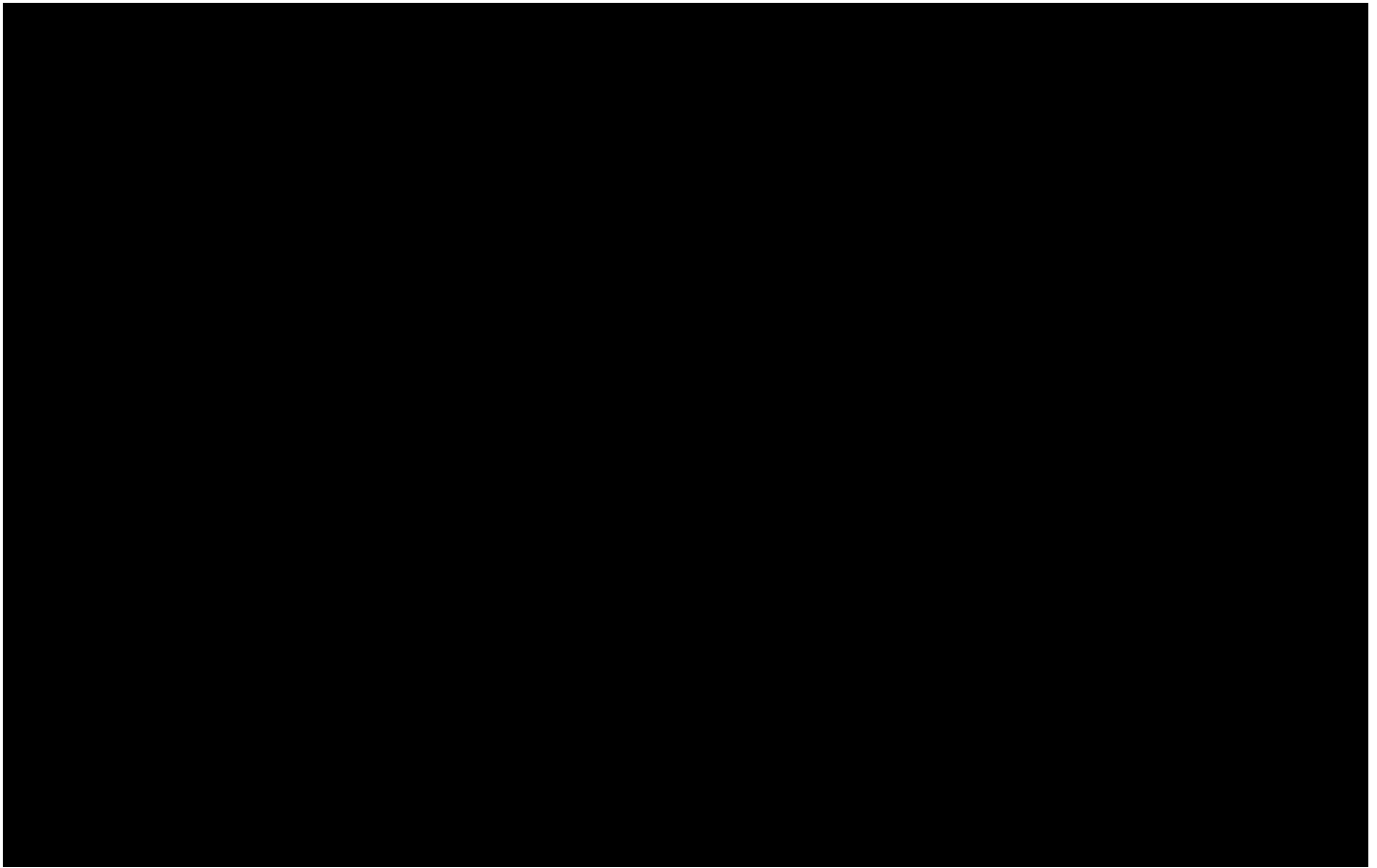
Adding Patrons to the Winner Exclusion list

- **Daily Commission File Feed:** The Commission provides a daily “change file feed” to Everi Games Inc. The “change file feed” is defined as a list of patrons for whom a change needs to be effected on the Winner Exclusion list. The bans may be extended to all facilities overseen by the Commission or targeted to specific sites, as deemed necessary by the Commission or by local facilities. Bans are put in place by the Commission by providing all relevant patron data and a StatusType flag:
 - o **A (Add):** A new patron can be added to the list, which will add them to the Winner Exclusion list in the database.
 - o **L (Lift Ban) *:** A patron already existing on the Winner Exclusion list in the database, can be sent on the feed to be removed.
 - o **U (Update Only):** Only demographic and PII data can be updated using an Update record. The Social Security Number cannot be updated.

* Also updates the demographic and PII data, to ensure data on the feed is accurate in the system any time files are loaded.

4.1 Technical Proposal

- Facility Additions: Facilities may ban patrons as they deem necessary via the Management Terminal using the Winner Exclusion screen, as illustrated in the figure below:



13. Network Operations Center Reports

- i. Describe any other management, operational, and marketing reports produced by the central system.

Network Operations Report Specifications

[REDACTED]

Although Everi Games Inc. will provide the database schema to the Commission upon award of the contract to Everi Games Inc., the report formats will be approved by the New York Gaming Commission, per established process. A full listing and sampling of all reports mentioned in the following sections can be found in the Appendix E-12 Central Determinant System Reports Definition.

The following sections describe the available ad-hoc and standard reporting features available on demand using the Management Terminal. The standard reports allow users to input a date range to generate a report and can be run on a daily, weekly, range of weeks, annual, and Year to Date (YTD). Data will be summarized as needed by day to minimize database size and maximize performance. For complicated reports that rely upon extending ranges and/or addition tables that have not been summarized, Everi Games Inc. can arrange for the generation of the specific set of data as needed by the Commission.

Ad Hoc Reporting Capabilities

SSRS enables the easy creation of almost any report imaginable. Report types include subreports, conditional, summary, cross-tab, form, drill down, OLAP, Top N, and multiple details.

Sales Trend Reporting Capabilities

The following is a list of standard reports available from the Management Terminal (MT) that the Commission can use for reporting on sales trends and play trends by facility, gaming device manufacturer, gaming device model and game as needed.

- BETTING TRENDS REPORT
- COUPON REDEMPTION BY PROMO – CUMULATIVE USAGE REPORT
- COUPON REDEMPTION BY PROMO – DAILY USAGE REPORT
- CREDITS PLAYED BY HOUR REPORT
- DETAILED ACTIVITY BY BANK REPORT
- DETAILED ACTIVITY BY DENOMINATION REPORT
- DETAILED ACTIVITY BY DEVICE REPORT
- DETAILED ACTIVITY BY MANUFACTURER REPORT
- ETG CREDITS PLAYED BY HOUR REPORT
- ETG NET WIN BY HOUR REPORT
- NET WIN BY HOUR REPORT
- NET WIN SUMMARY REPORT
- NET WIN VARIANCE REPORT
- PROGRESSIVE CONTRIBUTION AND JP WINS REPORT

4.1 Technical Proposal

- PROGRESSIVE JACKPOT HISTORY REPORT - LOCALS
- PROGRESSIVE JACKPOT HISTORY REPORT - WAP
- SALES ACTIVITY ROLLED UP BY DENOMINATION REPORT
- SALES ACTIVITY ROLLED UP BY DENOMINATION (W/ MD BREAKOUT) REPORT
- SALES ACTIVITY SNAPSHOT BY MANUFACTURER REPORT
- VGM USAGE PER HOUR REPORT
- WAP SEED SHARING REPORT SITE LEVEL

Revenue, Payout, and Net Sales Reporting Capabilities

In addition to the reports list above (3.13.B), the following is a list of standard reports available from the Management Terminal (MT) that the Commission can use for reporting on revenue, payout, and net sales by facility, gaming device manufacturer, gaming device model and game as needed.

- CASH DRAWER DETAIL REPORT BY DRAWER
- CASH DRAWER ERROR REPORT
- CASH DRAWER SUMMARY REPORT
- CHECKS ISSUED REPORT
- DAILY REMITTANCE TO NYS GAMING COMMISSION
- OUTSTANDING PURCHASE VOUCHER REPORT
- OUTSTANDING VOUCHER REPORT
- TAX AND SETOFF SUMMARY BY CUSTOMER NAME
- TAX AND SETOFF SUMMARY BY DRAWER
- W-2G REPORT CONSOLIDATION 2004-2012
- W-2G REPORT CONSOLIDATION 2013 - CURRENT

Daily Activity Reports

Daily activity reports capable of providing activity summarized by gaming device terminal manufacturer, gaming device model and game as needed are all available via the reports mentioned above in 3.13.B and 3.13.C. In addition to the aforementioned reports, the following activity reports and data feeds also exist within the Everi Games Inc. reporting infrastructure:

- ABANDONED VOUCHERS REDEEMED REPORT
- ALERTS REPORT
- GAME ASSIGNMENT REPORT
- KIOSK SOFT COUNT REPORT
- PROMOTIONAL VOUCHERS LOOKUP REPORT
- PURCHASE VOUCHER CASH DRAWER DETAIL REPORT
- PURCHASE VOUCHER DETAIL REPORT
- SESSION HISTORY BY SESSION ID REPORT
- SESSION HISTORY BY VOUCHER REPORT
- SOFT COUNT INTERFACE VARIANCE REPORT
- SOFT COUNT RECONCILIATION REPORT
- SYSTEM USERS AND GROUPS LIST
- UNREDEEMED PURCHASE VOUCHER REPORT

- SECURITY LOG REPORT
- Bally Coupon Redemption by Promo Weekly Usage
- Daily XLS Detailed Device Export Rollup ETGs Only
- Daily XLS Detailed Device Export Rollup with Progressives
- Deleted Game Summary
- Detailed Activity by Device
- Detailed Activity By Denom
- IGT Coupon Redemption by Promo Weekly Usage
- Spielo Coupon Redemption by Promo Weekly Usage
- Weekly Benchmark Report

Transactions Outside of Gaming Hours

Everi Games Inc. provides for the oversight of any transactions that occur outside of established gaming hours by utilizing the Transactions Outside of Gaming Hours report.

ii. *Samples of proposed central system reports should be included in the Proposal.*

NOTE: See *Appendix E-12 Central Determinant System Reports Definition*, for all report samples.

14. Application System Access and Use

Affirm the central system will comply with the requirements in Section 3.14.

[REDACTED]

Central system interfaces shall be through user-friendly menus or a Windows-based interface.

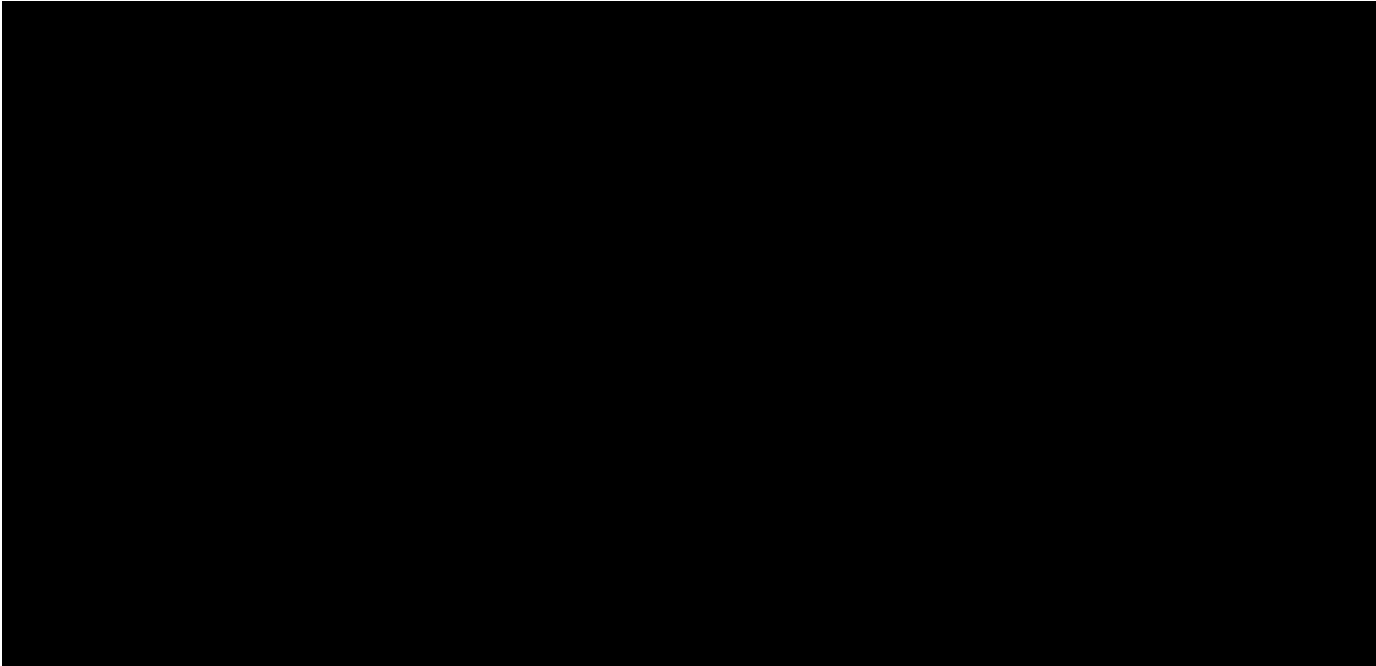
[REDACTED] itive.

NOTE: See *Appendix E-10 Working with the Central System Management Terminal*, for more information.

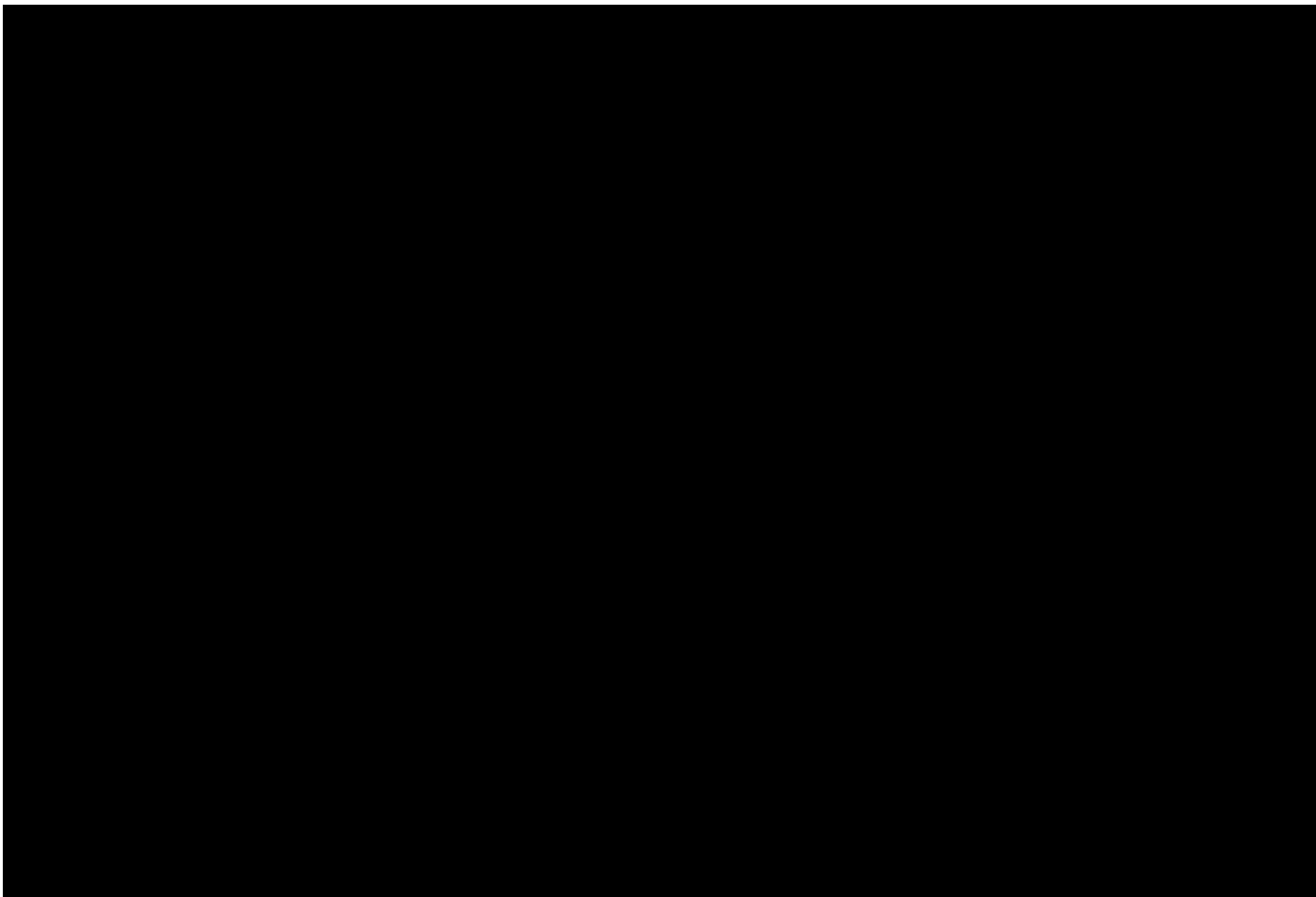
Custom menus must be able to be defined for each authorized user or group of users. The central system must have a controlled and restricted process for setting up and modifying user menus that can be used at any time during the day without support from the Contractor.

[REDACTED]

4.1 Technical Proposal



For any parts of the central system that are menu-driven, the central system should allow accelerated navigation for experienced users. This navigation would allow a user to go to a screen that may be several menu levels deep, and from one screen to another; rather than always having to back out of and through the full menu structure.



[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

4.1 Technical Proposal

15. Application Documentation

Affirm the central system will comply with the requirements in Section 3.15.

NOTE: See *Appendix E-4 RFP Part 3 Scope of Work*, which describes in more detail our response to RFP Section 3.15 CENTRAL SYSTEM DOCUMENTATION.

We affirm that the central system complies with the requirements in Section 3.15 as detailed below.

CENTRAL SYSTEM DOCUMENTATION

When Everi Games Inc. delivers its Central system to the Commission, it will be accompanied by a full set of documentation.

System and Application Documentation

In addition to an overview of the system and how it works, the documentation will contain the following:

- White papers for operating systems, commercial off-the-shelf software products, libraries, and configuration files
- Installation instructions for Everi Games Inc. applications
- Operations manuals for key components of Data Centers, Facility Controllers, Management Terminals, and Validation Terminals
- Operations manuals for commercial off-the-shelf products included with the system

- A high level system design guide that describes the overall operations of the system as well as the theory behind the operations. This guide will include all of the top-level system design documents and diagrams, including process diagrams, logical data flow diagrams, and process physical view diagrams. It describes all system inputs and outputs, the purpose of all necessary files and databases, and an inventory of all components necessary to operate the system.
- VLT Interface Control Document (ICD) that lists the format and protocol for all VLT to Site Controller communications. This document should be supplied to all VLT Game Vendors that the Commission qualifies. The VLT ICD will contain message formats, example code, and UML sequence diagrams that document necessary interfaces. Common interface scenarios will be documented in detail and a list of off-nominal situations with the correct interface sequences will be maintained and added to as the system matures
- Commission Mainframe ICD that describes all interactions and data formats used between the Everi Games Inc. Central System and the Commission mainframe computer

Database Documentation

In addition to the application documentation described above, Everi Games Inc. will provide detailed and extensive database documentation for this critical system element. Everi Games Inc. recognizes the importance of managing the databases. The Facility Controller, Primary Data Center, and Backup Data Center databases will be documented with the following:

- Database Design Diagrams that show the table structure and data content of the databases
- Entity Relationship Diagrams (ERDs) that show the relationships between table entries throughout the database
- Data Flow Diagrams that are critical to understanding how the database works and how changes might affect performance
- Data Dictionary that defines each item and element in the database

Each of these database documents will be supplied by Everi Games Inc. and will be maintained and provided to the Commission as the software is updated.

Documentation Maintenance

Everi Games Inc. maintains its software documentation as part of its normal software development process. All changes to the software are documented in each new release. Before changes are accepted into formal test, the required changes to the documentation must be recorded and delivered to the quality assurance department.

16. Support for Testing Application Software

- i. Describe any transaction similar to test data generators available as part of the central system.*

As described in Section 3.4.C – Central System Specifications – Test System, Everi Games Inc. will provide separate development and test environments for testing bug fixes and/or new features developed for Everi Games Inc. applications. These separate development and test environments do

4.1 Technical Proposal

not impact the production hardware or network; they exist independently of the production system and contain their own data and software programs.

The purpose of the test systems is to perform testing and verification of software changes, perform acceptance testing, and simulate the release of software modifications and enhancements prior to updating the production system. The test system has all the capabilities of the Central System, including front-end processing and network testing so that Site Controllers and attached gaming devices can be used to fully test the Everi Games Inc. Central System. These test systems are always accessible and function without degrading the performance or fault-tolerant capabilities of the production environment.

All updates to functionality go through multiple phases of development and testing using different test environments including user acceptance testing with the Commission staff to ensure that all requirements have been accomplished and testing by the Commission approved independent test lab. The test systems described are used to verify the accuracy and integrity of the new software prior to being used in production.

ii. Describe testing tools available in the central system.

NOTE: See *Appendix E-4 RFP Part 3 Scope of Work*, which describes in more detail our response to RFP Section 3.16 SUPPORT FOR TESTING CENTRAL SYSTEM SOFTWARE.

Test Tools

The Everi Games Inc. Central System provides the necessary tools to conduct efficient and effective testing. The Software Development Life Cycle (SDLC) employed encompasses in-depth testing procedures. Firstly, multiple development only environments are used. These are fully functional standardized systems that encompass an entire system with all of the capabilities of the Everi Central System. These development environments are fully virtualized. This means that a copy of the entire development system can be copied and backed up as needed to facilitate proper software development and testing.

The systems also support point-in-time snapshot creation and restoration that has proved invaluable in duplicating the same scenario under different conditions for thorough testing by the development team. Testing by the individuals who made the change is required, followed by an in-depth code review process to ensure correct functionality and coding standards are achieved.

The changes then go through testing in an in-house Quality Assurance (QA) department to validate all changes and improvements were performed correctly and in accordance with all requirements and use-cases. This occurs on a separate testing system that always reflects the clean state of the actual production environment. All updates are applied and installed using the same process as the one they will ultimately be applied to the production environment with as to ensure that the testing is 100% valid. Modifications are then reviewed and tested by a third-party impartial company. This process as a whole ensures stable, reliable, high-throughput software at every level.

Additionally, existing tools are used or created if necessary to ensure that the highest quality product is delivered. Some of these testing tools include:

- Automated Unit Testing
- Individual client simulators
 - o Gaming Device Simulator
 - o Kiosk Simulator
 - o Directory Service Simulator
- Hardware peripheral Simulators
- Service simulators
- Load and performance testing tools
 - o VLT Load Tester
 - o SAS Load Tester
 - o Cash Drawer Transaction Load Tester
- Black box testing tools
 - o Testing individual components with targeted random inputs ranges to verify the expected outputs.
- Memory Leak and Stabilization testing tools
 - o Evaluate performance and stability over long periods of time under high activity and load.
- Restored production data/Emulate data with similar characteristics
 - o Productions database restores can be performed with all sensitive information removed for test purposes.
 - o Data is generated for test purposes that match different scenarios identified in the production data.

Our stringent testing procedures combined with a myriad of different testing tools and a high level of attention to detail produces high-performant, stable and reliable software designed for the specific needs of the jurisdiction.

Everi Games Inc. understands and agrees that modifications and enhancements to the Central System are necessary. The Everi Games Inc. solution is built on the following criteria:

- Maximize revenues
- Comply with statutory requirements
- Meet new policy determinations
- Implement desired improvements in the Central System’s capabilities and performance
- Keep pace and be forward thinking in the industry

In order to ensure the continued accuracy and integrity of the Central System, all software changes to the system will be subjected to a comprehensive and on-going testing program, including ac-

4.1 Technical Proposal

ceptance testing by Everi Games Inc. Quality Control, prior to being provided to an independent testing lab for their acceptance testing as described in Section 3.2.10.

The Everi Games Inc. Quality Control mission is to ensure the delivery of software that is of high quality, high reliability, and meets or exceeds the expectations of customers. The Quality Control department tests software and hardware utilizing the processes set forth in test processes developed by Everi Games Inc. staff.

The purpose of the test processes are to ensure that all quality control members take the necessary steps to achieve the quality mission as described above. Believing the key to the Everi Games Inc. test process is organization, the test process can be summed up in the following high-level steps:

- Define Commission Requirements, which involves meeting with Commission Management, Operations, Finance and Marketing staff to define specific functions that require modifications or additions.
- Organize Project which involves writing a test plan and defining schedules, resources, and the budget.
- Design and Build System Test, which involves identifying test cycles, phases, and cases, as well as entrance and exit criteria and expected results. The test manager will generate a test script for the individual test cases. The test conditions are derived from the software design document and test documents.
- Design and Build Test Procedures which involves setting up procedures for reporting errors and test results, such as bug tracking databases and test tracking spreadsheets.
- Build Test Environment which involves requesting and building hardware, software, and data set-ups.
- Execute Tests by Phase, which involves running each test phase as detailed in the test plan.
- Signoff, which occurs when all pre-defined exit criteria have been achieved.

Test Tools

The ability to extract data from the production environment is a critical aspect of the Everi Games Inc. testing process. Central System functionality allows specific sets of data from the production environment, such as all data related to a particular facility or gaming device, to be replicated to the test environment for testing purposes. This can include the imitation of specific events in the production environment. The replication functionality is strictly controlled and monitored.

The Everi Games Inc. Quality Control department utilizes the following test tools, as described in the subsections below.

XRay

XRay is a complete Test Management tool for Jira, the chosen ticketing and project management tool of Everi Games Inc. unless we identify a better alternative in the future. It is a full-featured application that does not require any other software in order to run. XRay supports the entire testing life cycle: test planning, test design, test execution and test reporting. This is done by using special

Jira issue types, so all of the benefits of Jira can be used. The aim is to help improve the quality of our systems through effective and efficient testing. That's why XRay already supports both manual and automated tests.

SAS and VLT Load Testers

Everi Games Inc. has created SAS and VLT Load Testers to automate the creation of data, with a diversity of features to simulate game play, voucher creation, multiple win scenarios (jackpots, progressives, etc.), along with many other features. In addition to automating data creation, the Everi Games Inc. load testers allow substantial amounts of data to be rolled up and aggregated during End of Day processing. This aggregated data is later used for an assortment of other testing such as reporting suite change validation and data validation.

DGI Testing Tool

The DGI Testing tool allows QUALITY CONTROL to read the raw message output from VLT and SAS Load Testers and devices. Messages such as Card In, Card Out, Deposit, Play, Voucher In, Voucher Out, and others which allow for QUALITY CONTROL verification of these messages.

VMware vSphere

Everi maintains a test system that is virtually operating on its own on a daily basis. Through load testers and automation of activities such as End Of Day processing, transactions that one would find in a live facility are generated and summarized every day to ensure data is in place to support testing a variety of scenarios. VMware vSphere is leveraged for creating snapshots of the entire testing system. This can be used when testing multiple runs of the same report or procedural change (End of Day Report, new Proc being installed, etc.). It also lets QUALITY CONTROL keep an active copy of the production system that they can revert to at any time

SoapUI

SoapUI is used to test various aspects of the kiosk. It simulates requesting vouchers, redeem vouchers, get attributes, and voucher printed. This is used to test any functionality related to this service without having to have a physical kiosk in front of them, and also allows for simulating multiple scenarios at once.

Everi Verify

Everi Verify is used to create checksums for any system software being submitted to GLI. GLI requires all submitted software to have a checksum attached to the submission. This tool was created internally and creates the GLI required checksum.

4.1 Technical Proposal

17. Facility Site Controller

*The Bidder should specify the number of site controllers planned for each facility based on the number of gaming devices shown in the table in **Exhibit 1, Current Gaming Devices**.*

Based on the extensive Video Lottery System (VLS) experience of Everi Games Inc., the specifications for the Primary Data Center (PDC) and Backup Data Center (BDC) will support both the minimum requirements set forth by the RFP, as well as account for additional growth.

At the facility level, Everi Games Inc. has proven that our Central Determinant System scales easily by adding additional Gaming Servers (VLT and SAS Host servers) while still allowing for redundancy in the event a Gaming Server or multiple Gaming Servers experience hardware or software failures.

A. Site Controller Hardware

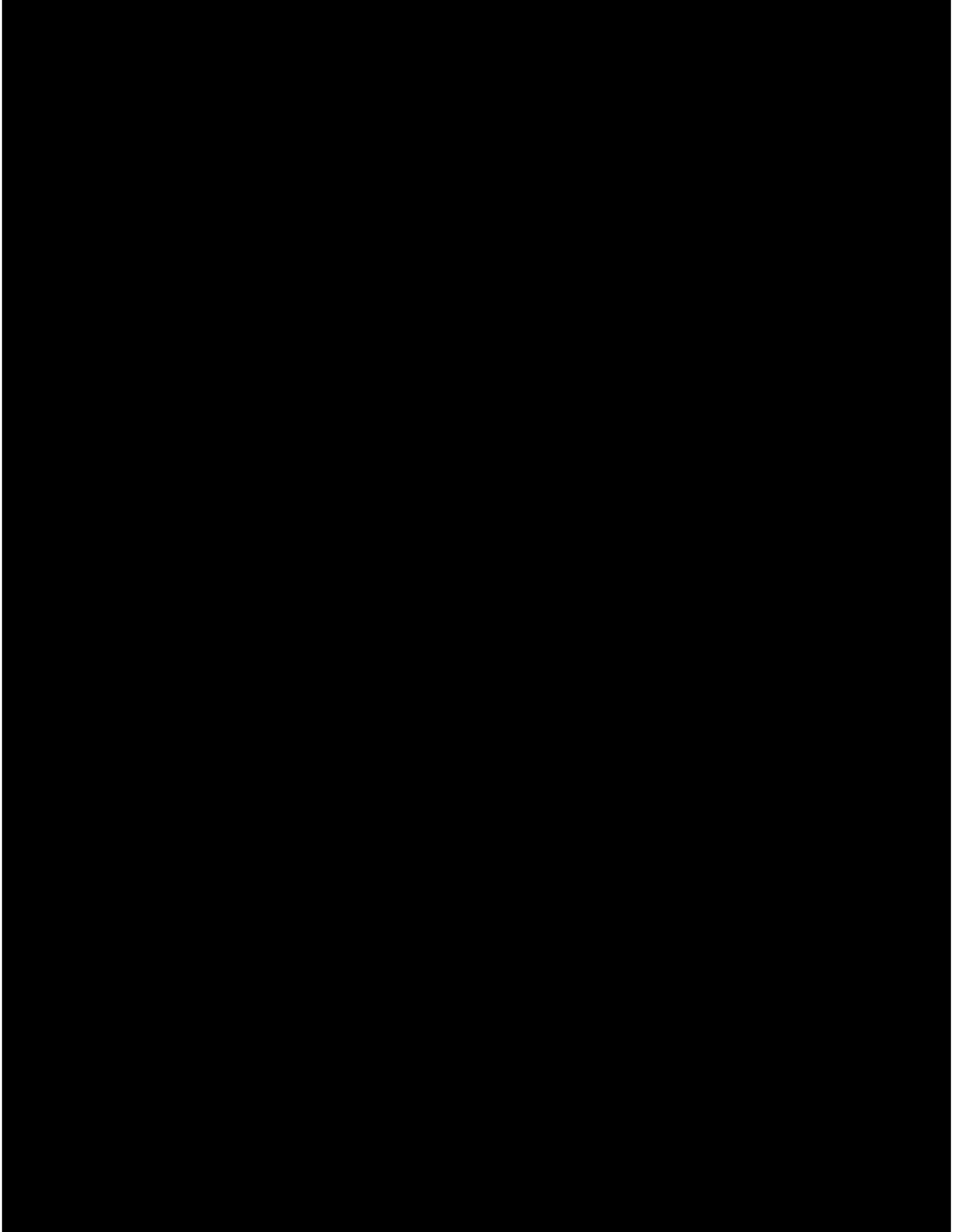
- i. *Describe site controller's available functionality and its standard and optional data input/output components.*
- ii. *Describe the physical characteristics of the site controller, including:*
 - *Size and weight*
 - *Memory size, expansion options, and upgrade procedure*
 - *How buttons and internal components are protected from liquid spills, including results of liquid spill tests*
 - *Print method and speed*
 - *Method, capacity, and expansion options of any data storage capabilities*
 - *Other configuration options and environmental requirements*
- iii. *Describe how each site controller will support any combination of gaming devices attached to it and identify the maximum number of devices each site controller can support.*

Provide information related to site controller power requirements.

NOTE: See [Appendix E-4 RFP Part 3 Scope of Work](#), which describes in more detail our response to RFP Section 3.17 FACILITY SITE CONTROLLER SPECIFICATIONS (A).



4.1 Technical Proposal



[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

4.1 Technical Proposal

- [Redacted]
- | [Redacted]
- | [Redacted]
- | [Redacted]
- | [Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]	[Redacted]
[Redacted]	[Redacted]
[Redacted]	[Redacted]
[Redacted]	[Redacted]
[Redacted]	[Redacted]
[Redacted]	[Redacted]
[Redacted]	[Redacted]
[Redacted]	[Redacted]
[Redacted]	[Redacted]
[Redacted]	[Redacted]
[Redacted]	[Redacted]
[Redacted]	[Redacted]

[REDACTED]

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

4.1 Technical Proposal

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

[REDACTED]

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

4.1 Technical Proposal

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

[REDACTED]

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

[REDACTED]

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

B. Site Controller Network Connectivity

- i. *Describe the operation of site controllers and any events that occur should the site controllers lose communications capability with the central system.*

[REDACTED]

4.1 Technical Proposal

[REDACTED]

- 1 [REDACTED]

- 1 [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

4.1 Technical Proposal

[REDACTED]

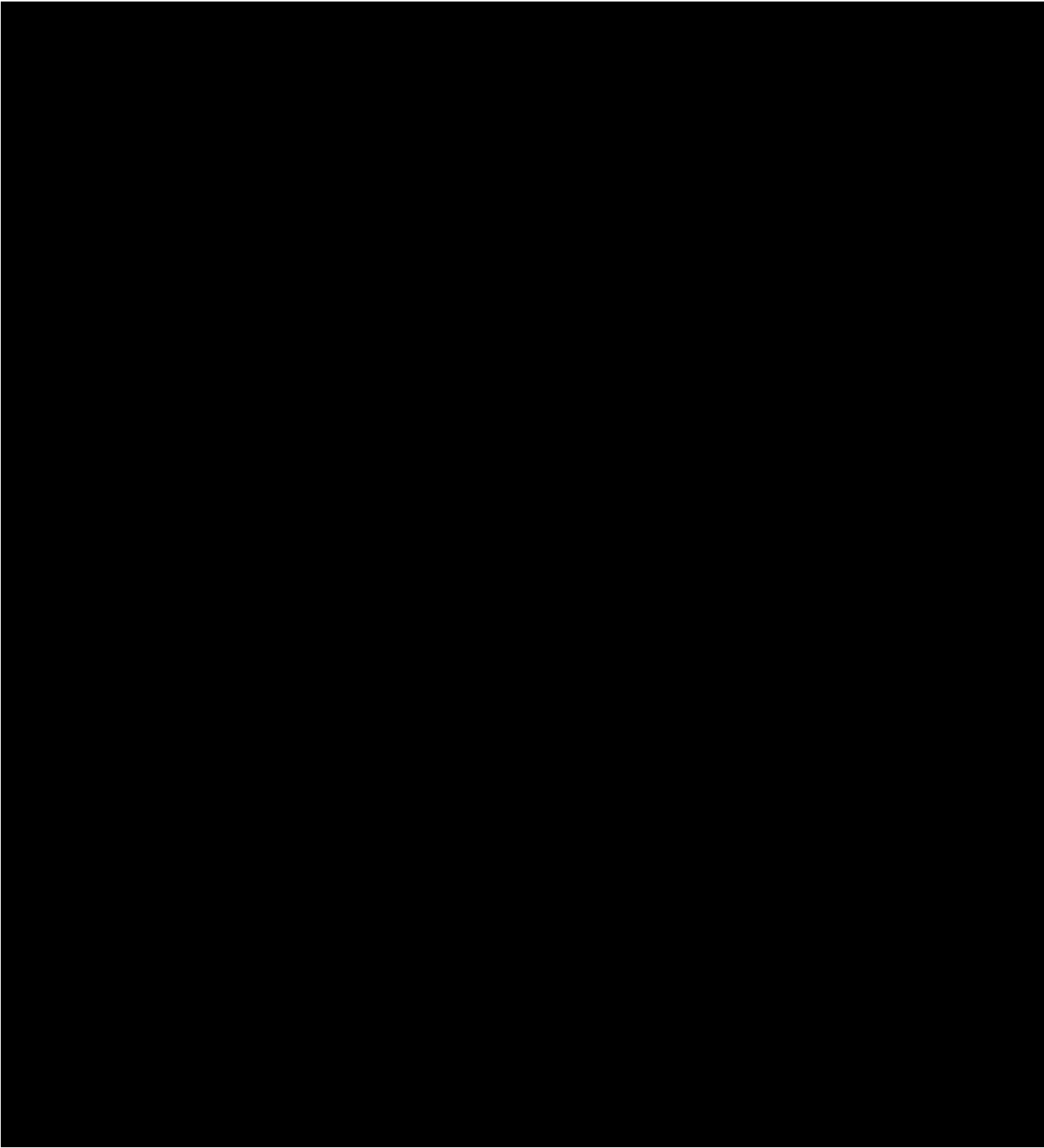
[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]



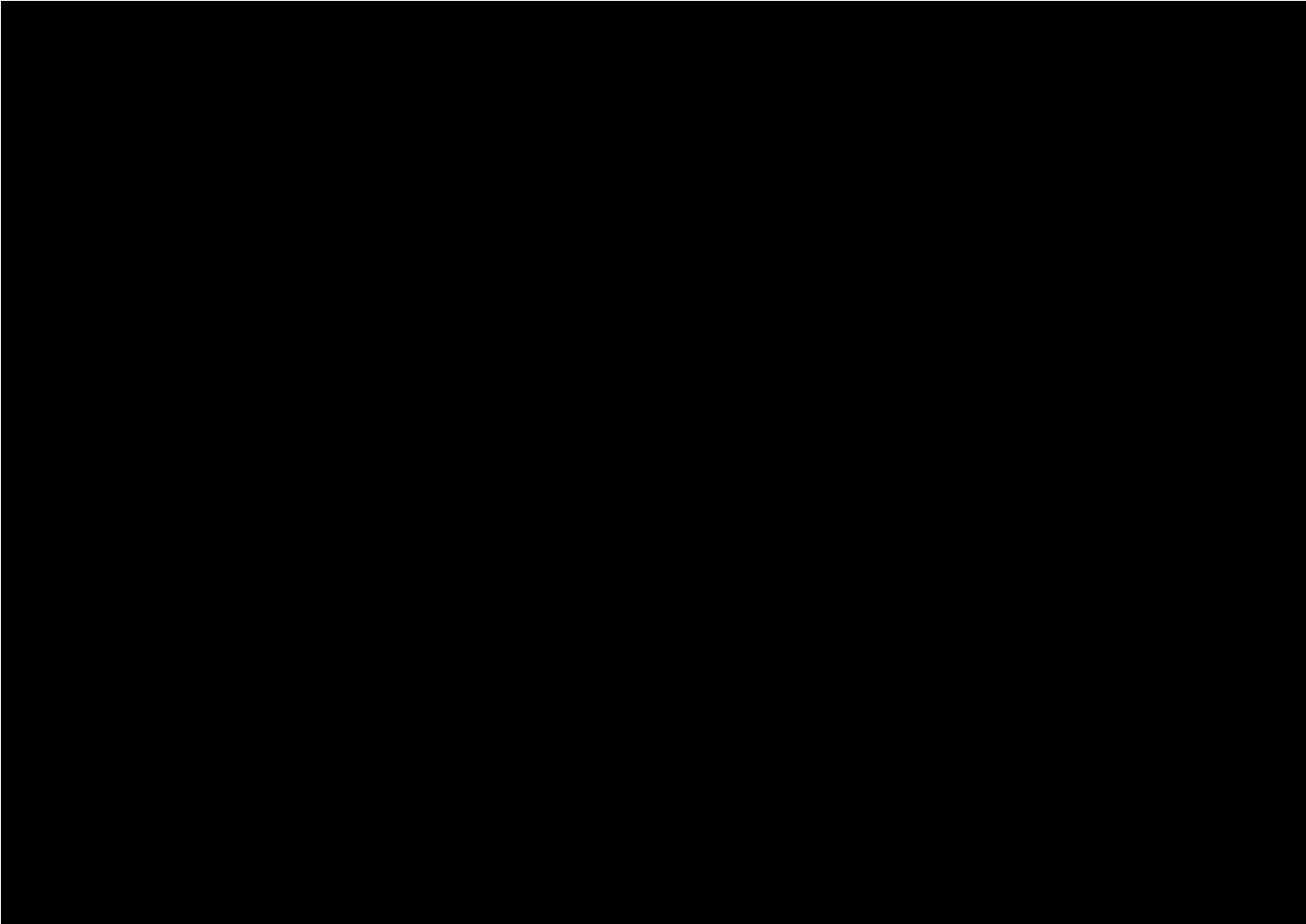
ii. *Describe how a site controller will be connected to the network interface device in the facility's establishment and the physical interface, communications protocol, and other relevant transmission requirements.*

Everi Games has designed the Site Central Determinant System using industry standards to eliminate all single points of failure. All disk arrays, network interfaces, controllers, and communications links are redundant with hot fail-over where required. VLT and ETG fault tolerance is

4.1 Technical Proposal

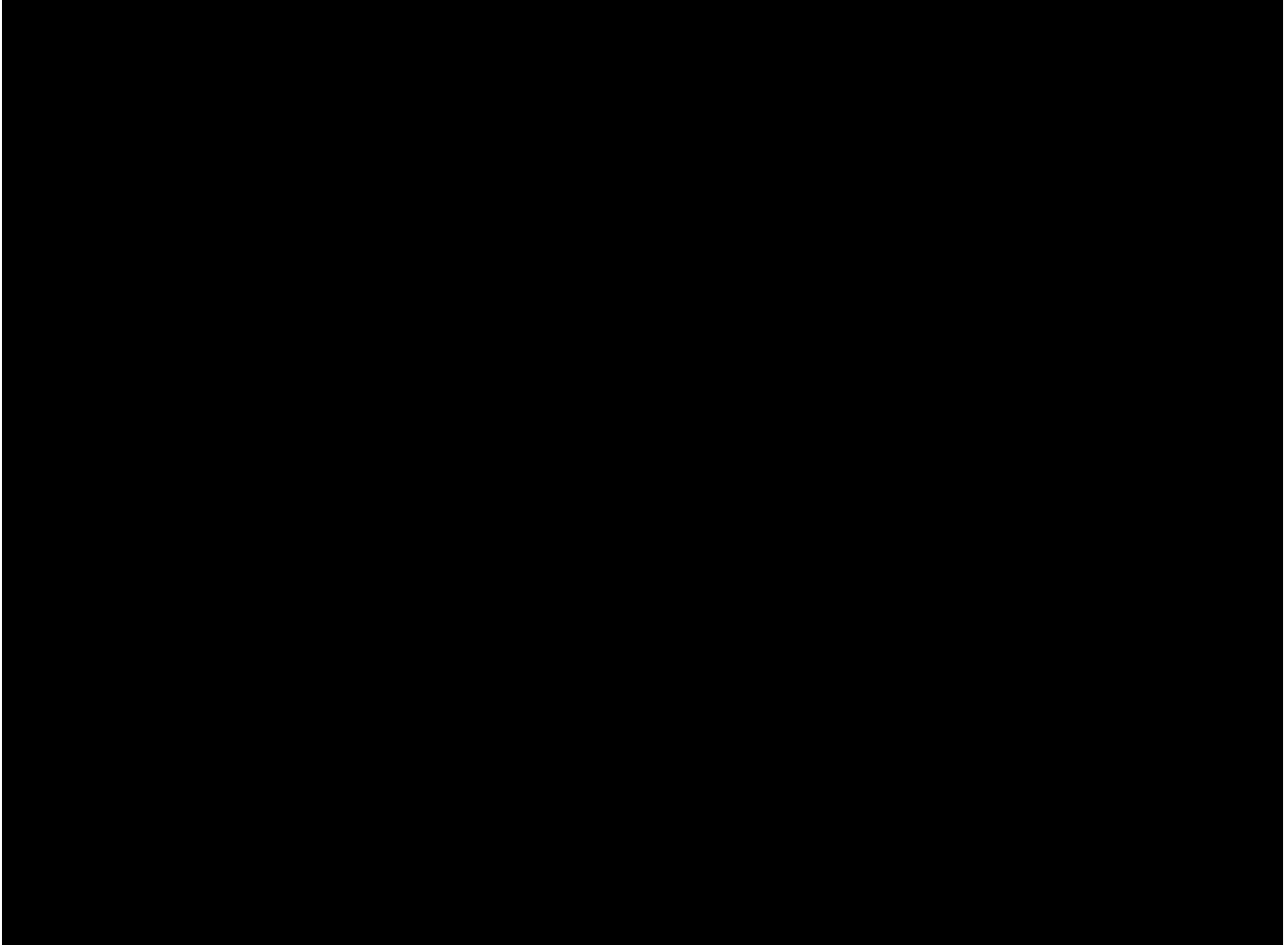
achieved by using multiple Game Servers. In the event of a Gaming Server (Site Controller) failure due to either hardware or software event all devices connected to that Gaming Server will be migrated in a load-balanced and fault-tolerant manner.

The overall network architecture is designed so that there are always two paths from any point on the network to any other point on the network. Figure 2 illustrates that the network can be severed at any point, and still provide full connectivity for all nodes on the network.



- iii. *Describe how a site controller will be connected to the gaming devices, including, but not limited to, a complete description of the physical cabling requirements and the gaming device interface board.*

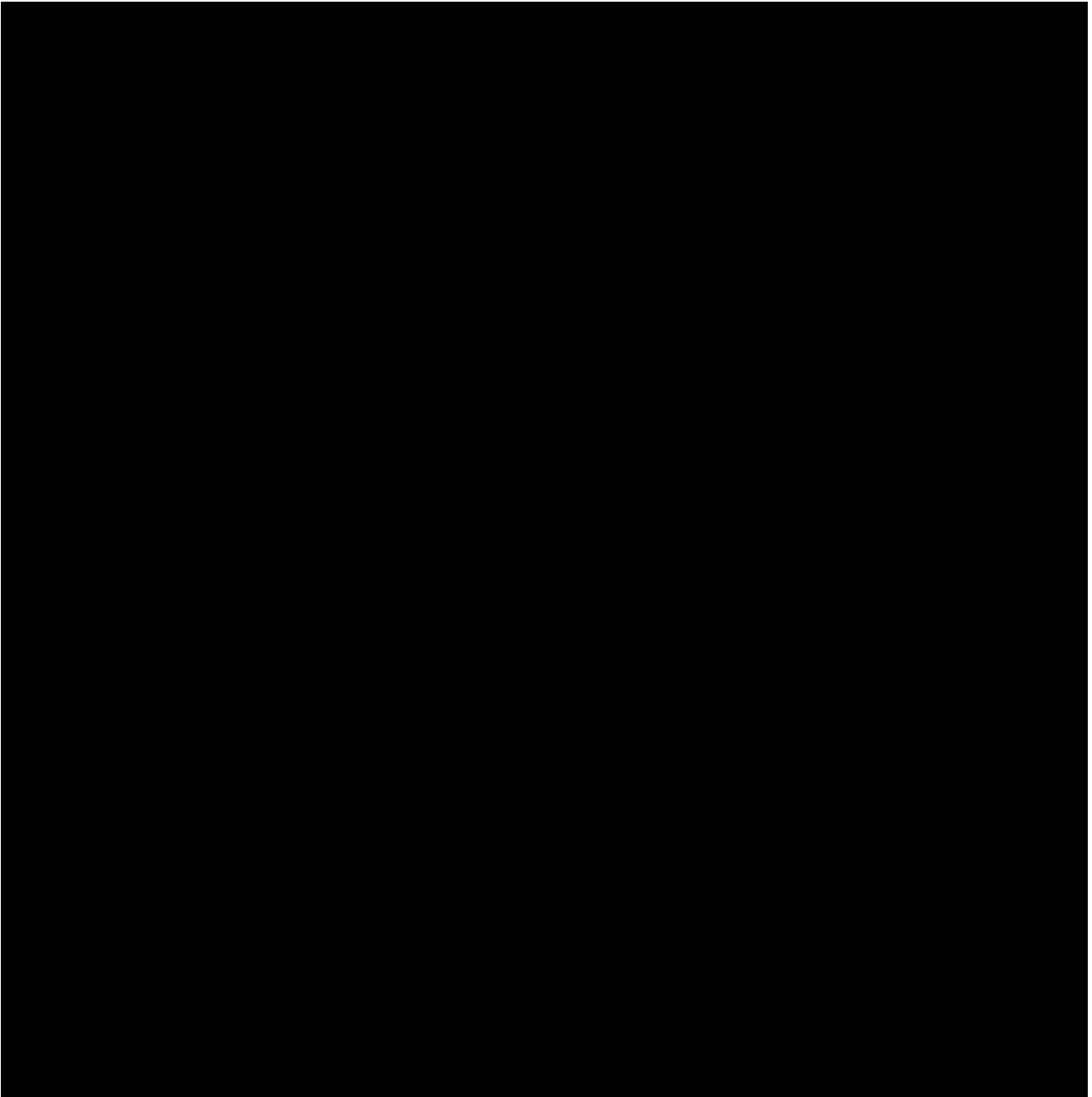
Everi Games Inc. provides a distributed network solution between the gaming devices located on the facility gaming floor back to the Site Central Determinate System (SCDS). Everi Games uses a Core to Distribution to Edge network topology model, which allows us to custom tailor each facility with the best use of space in mind. At or near each bank of gaming devices we will install an edge switch. This switch will have redundant Enhanced Category 5 (CAT-5) uplinks back to a distribution switch stack located within about 328 feet from the bank. For the distribution switch stack will use at least two enterprise-grade network switches equipped for high fault tolerance and redundancy. Then, depending on distance, we will use redundant CAT-5 or multimode fiber between the distribution switch stack and the network core back in the server room.



NOTE: See *Appendix E-4 RFP Part 3 Scope of Work*, which describes in more detail our response to RFP Section 3.17 FACILITY SITE CONTROLLER SPECIFICATIONS (B).

As detailed in Section 3.17.A, all communications starting at the Gaming Devices to the Primary and Backup Datacenters is TCP/IP based using interconnect switches and routing protocols to ensure there is no single point of failure. See the diagram below showing at a very high level the network connectivity.

4.1 Technical Proposal



C. Site Controller Security Controls

- i. *Describe how data encryption between site controllers and gaming devices will be accomplished, including which encryption algorithm will be used.*

NOTE: See *Appendix E-4 RFP Part 3 Scope of Work*, which describes in more detail our response to RFP Section 3.17.C SECURITY CONTROLS.

Everi Games Inc. believes that Site Controller security is of paramount importance. In addition to physical security, the Everi solution provides additional software and protocol security measures. Site Controller security and access can be monitored and controlled at our New York Network Operations Center (NOC). Communications between site controller and the gaming devices are encrypted using SSL and are in accordance with the encryption standard guidelines.

Additionally, gaming device connection security is handled at each physical and logical point of access to the system. By using Cisco programmable switches and routers, only registered MAC Addresses will be allowed to access the network. If an unauthorized device is connected (for example, someone attempts to connect their laptop), the port on the switch in question will be disabled. With all entry points into the system secured and encrypted the gaming floor operates as a closed network. With that said, additional encryption standards are incorporated into the communication between the site controller and the gaming devices. Best efforts are and will always be made to meet or exceed the encryption standards set by the Commission and industry best practices.

ii. *Describe how disabling a gaming device when certain events occur will be accomplished, when integrity verification takes place, and what events will be passed to and recorded on the central system as a result of each situation.*

If a gaming device fails to respond to a request, an event indicates the problem (for example, the logic area is accessed, a power has failed, or a memory problem has occurred), the gaming device is disabled, and the security event is reported and picked up by Everi’s monitoring systems. The gaming device will then either remain disabled until it is evaluated by a vendor technician or reenter its initialization state depending on the specifications in the GSA SAS 6.02 and VLT ICD documents.

When the gaming device is reinitialized, it will perform all validation and integrity checks including software signature verification imported by the third-party certification (GLI/BMM), and MAC address verification. If the gaming device passes all integrity checks, it will be re-enabled, otherwise, it will remain disabled until the problem can be rectified and all applicable events and alarms will be triggered. See below for complete list:

Alert Name	Alert Description
Locked Door Open	An EGM door was opened without an employee logged in.
Bill Acceptor Jammed	EGM Bill Acceptor jam detected.
Bill Acceptor Full	EGM Bill Acceptor cash can full.
Printer Out of Paper - Locked	EGM Voucher printer out of paper.
Printer Jammed - Locked	EGM Voucher printer jam detected.
Tilt - Locked	Unknown EGM error.
Close Session Failed - Locked	EGM is unable to close session.
Print Voucher Failed - Locked	EGM is unable to print voucher.
Begin Session With Cash Failed - Locked	EGM is unable to begin cash session.

4.1 Technical Proposal

Alert Name	Alert Description
Begin Session With Voucher Failed - Locked	EGM is unable to begin voucher session.
BeginSessionWithSessionID Failed - Locked	EGM is unable to resume session.
Registration Failed - Locked	EGM is unable to register instance.
Credit Cash Failed - Locked	EGM is unable to credit cash to session.
Credit Voucher Failed - Locked	EGM is unable to credit voucher to session.
Software Error - Locked	Unhandled EGM exception, failed assert, or unexpected behavior.
Malformed Message - Locked	MALFORMED_MESSAGE detected.
Game Malfunction - Locked	EGM detects Play failure.
Communications Failure Detected	EGM recovered from lost connection.
RAM Corruption Detected	RAM corruption or errors detected on EGM.
Checksum Failed - Locked	Incorrect software package installed on EGM.
Win Threshold Exceeded - Locked	The win threshold was exceeded on EGM. Attendant required.

iii. Describe how a site controller will restore sales and other data to its buffer after a site controller's memory is cleared or a gaming device logic board is cleared or swapped.


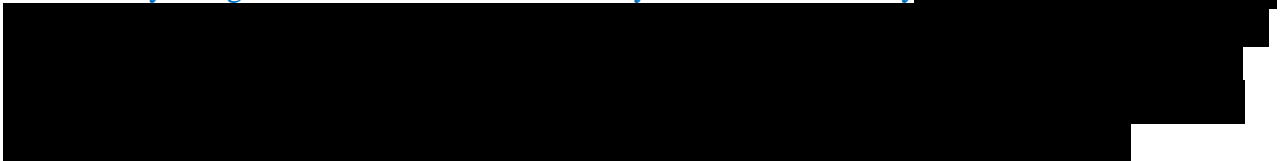

The Everi Games Inc. VLT Service and SAS Host are in constant communication with the facility's central database. As events occur on the Video Lottery Terminals (VLTs) and Electronic Table Games (ETGs) they are immediately recorded into the corresponding databases, which have multiple levels of persistence, availability, and redundancy. This includes the production and redemption of cash vouchers, the recording of events on the gaming devices, wagering activity, and all information required to thoroughly and accurately maintain gaming operations. Since all pertinent and important data is immediately recorded into the database, the loss of a VLT Service or SAS Host at the facility has very little impact on recording the sales data.

If a VLT Service is restarted with all memory cleared, all VLTs will reconnect to a different VLT Service and all transactions will be logged as normal. While the VLT is connected to the VLT Service all transactions are logged, and while it is disconnected it is unavailable for play. No accounting data is lost in the event of a disconnect. When a VLT's logic board or similar device is fully cleared all wagering and accounting data has already been recorded and is maintained in the facility's databases so no restore of sales is needed.

If a SAS Host is restarted with all memory cleared, all ETGs will reconnect to a different SAS Host. The ETGs can continue wagering in certain offline scenarios where vouchers do not need to be validated against the Everi Games Inc. system. All wagers performed, vouchers created, and all other relevant transactions during that gap in communications are cached on the ETG until it is reestablished. ETGs can print a maximum of 31 vouchers while the SAS Host is unavailable.

In normal cases where an ETG’s logic board or similar device is fully cleared, there is no loss of meter data. The vendor technicians are responsible for ensuring that all values have been reported before performing the maintenance.

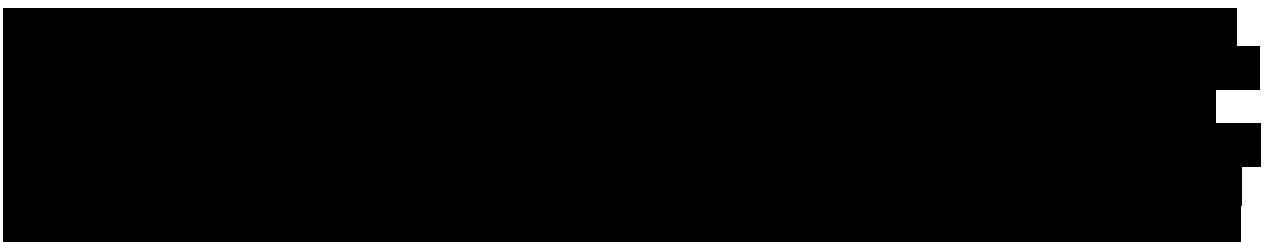
- v. *Describe how security groups and permissions will be established to limit user access to site controller functionality and applications that are commensurate with the users’ job duties.*

The security to sign-on to the Everi Games Inc. system is controlled by 



Each facility has its own set of security groups for its users. A user at one facility has no permissions at any other facility or the central system. It is possible to add a user to multiple facilities if the user works at both facilities, but the norm is that users at one facility have no permissions at all other facilities. Different gaming device vendor technicians only have permissions to view and control their own devices. There are various groups with different access levels, and access functions e.g., Floor Attendants, Floor Attendant Supervisors, Cashiers, Cashier Supervisors, Main Bankers, Surveillance, Drop Team, and Vendor Technician. Each different group only has access to the specific applications, screens, and reports applicable for their specific job role.

D. Site Controller Reports

- i. *Each site controller must produce printed reports of daily and weekly sales and daily invoice information, game play results, and configuration status. Describe the reports produced by a site controller and whether they will be produced from data held at the central system or in a site controller.*



4.1 Technical Proposal

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

[REDACTED]

[REDACTED]

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

[REDACTED]

[REDACTED]

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

4.1 Technical Proposal

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

[REDACTED]

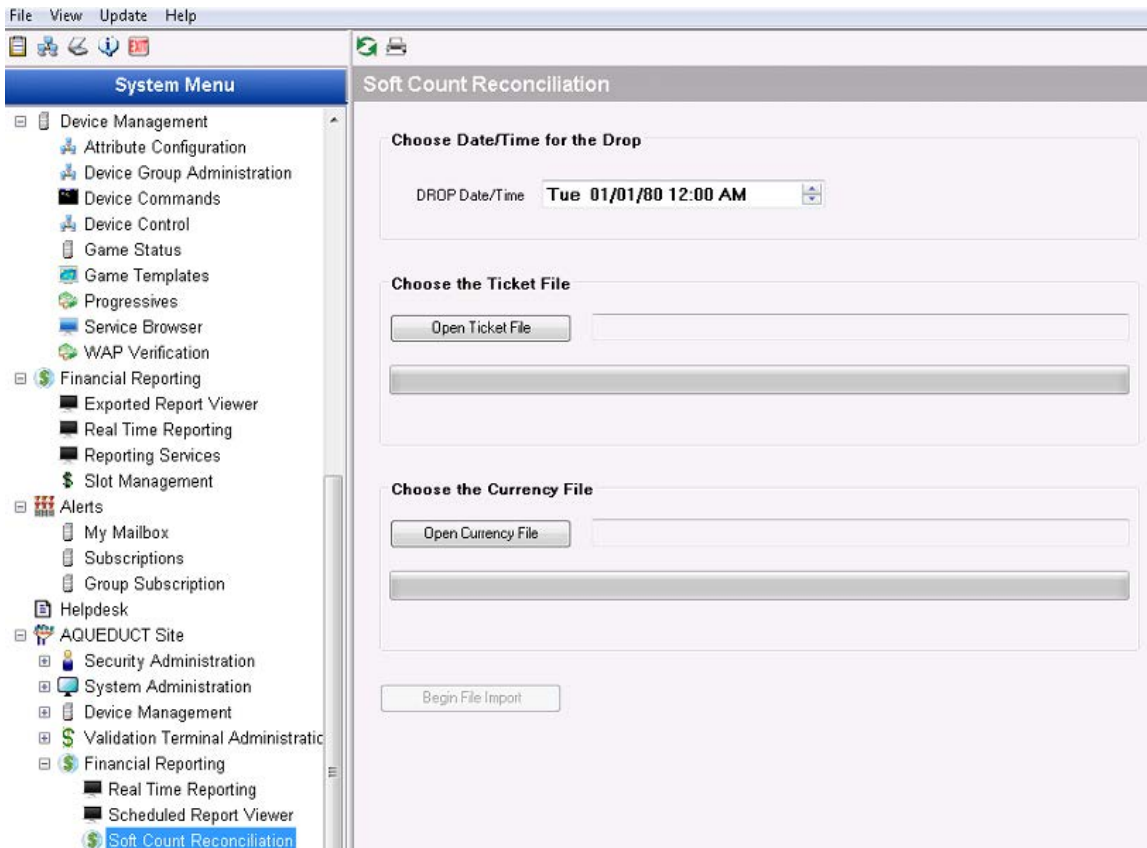
[REDACTED]

Everi Games Inc. provides the Alerts Report reporting events sent to the Central System. The report takes start and end date parameters and provides alert information including gaming device number, gaming device, or site controller events, and date/time range.

Everi Games Inc. provides the Net Win Variance Report, a system balancing report that calculates the net win for each gaming device by comparing the “Credits” method (Credits In, minus Credits Won) to the “Cash and Voucher” method (Cash and Voucher In, minus Voucher Out), noting any variance between the two (2) methods for each gaming device. Everi Games Inc. investigates variances on a regular basis and provides weekly variance reports summarizing the cause of such variances.

Everi Games Inc. provides the Soft Count Reconciliation report, which summarizes, by denomination, the number and dollar amount of vouchers and the total amount of currency run through each gaming device bill acceptor for the time period specified by a user.

The Management Terminal provides the Soft Count Reconciliation screen by which facility staff may load files containing the physical soft count of currency from each device’s drop box and produce an exception report with discrepancies by device.



Management Terminal Soft Count Reconciliation File Load Screen

Everi Games Inc. provides the Progressive Contribution and JP Wins report to summarize progressive contributions and jackpot wins on each gaming device.

Everi Games Inc. provides two reports to account for all cash drawer activity.

- Cash Drawer Detail Report by Drawer Report
 - Lists all individual transactions processed on the drawer for each cashier.
- Cash Drawer Summary Report

Identifies each cash drawer assigned to a cashier in a gaming day and reports on the beginning balance, total drawer funds and returns, total vouchers redeemed, purchase vouchers bought, the ending drawer balance and cashier over/shorts.

Configuration Inventory report: Everi Games Inc. provides the Device Inventory Report, which provides information on devices connected to the network. This report returns DeviceID, Device-Name, NetworkPort_Description, ManufacturerID, DeviceStatus, DeviceType, BankNumber, Port, Bank_ID, Switch_Id, SwitchName, Bank Locations, Installation dates and other fields.

4.1 Technical Proposal

ii. Describe how additional reports added after start-up can be printed from the site controller.

NOTE: See *Appendix E-4 RFP Part 3 Scope of Work*, which describes in more detail our response to RFP Section 3.17.D REPORTS.

All new reports are simply added to the Management Terminal and the stored procedures are loaded to the database. Once this process is complete, the report is made available in the Standard report select list on the Management Terminal and can be printed.

E. Site Controller Application Functionality

i. Describe how progressive games are supported by a site controller, including, but not limited to, progressive lottery games for gaming devices within the facility's establishment as well as progressive lottery games as part of a broader group of gaming devices (e.g., multiple selected locations or Statewide).

Our system supports both Local and Wide Area progressive games. Local progressive games can be installed at a facility and are driven by groups of VLTs at that facility. The manufacturer must configure the gaming devices to contribute to a progressive jackpot.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

ii. *Describe the diagnostic functions which will be available on a site controller and how access to these functions will be limited to Commission representatives. Diagnostic functions must include:*

- *Testing the connections from the site controller to the attached gaming devices;*
- *Testing the connections from the site controller to the central system;*
- *Memory check;*
- *Battery check;*
- *Printer test; and*
- *Number of gaming devices in communication with the site controller.*

Everi Games Inc. recognizes the importance of Proactive Monitoring. As system provider, we stay diligent to ensure we continue to provide the highest level of system stability possible. Our system has built in Keep Alive message to monitor communications between Host and VLT's as well as connectivity between Site and Central. Our 24/7/365 staff is alerted of any issues and the proper escalation procedures are followed accordingly to minimize impact.

VLTs connect to a VLTSservice application running on one of the Site Controller servers. Each VLTSservice will communicate with each VLT every half second to verify that the VLT connection is alive and to keep the VLT in active status - in other words, it performs a KeepAlive communication. VLTs that do not receive a KeepAlive message will be required to go into a disabled state until a KeepAlive is received.

VLTs will be required to respond to this KeepAlive message by sending a response that contains the machine device ID and its current state. This response information can be changed as system requirements grow.

4.1 Technical Proposal

A KeepAlive service installed on each Site Controller calls a KeepAlive procedure on the Central Accounting and Transaction Database Server every two (2) seconds, and this KeepAlive procedure sends information about the Site Controller's status to the PDC.

If more than five (5) seconds pass between calls to the Central Accounting and Transaction Server KeepAlive procedure, the PDC Accounting and Transaction Server raises a warning condition that our Monitoring System detects

If more than 15 seconds pass while the system is not in a "down" condition, an alarm condition raises on the Central System that can be detected by our Monitoring System. The Central System procedure returns the current system status and a time to the Site Controller. Similar events occur at the Site Controller when this condition is raised.

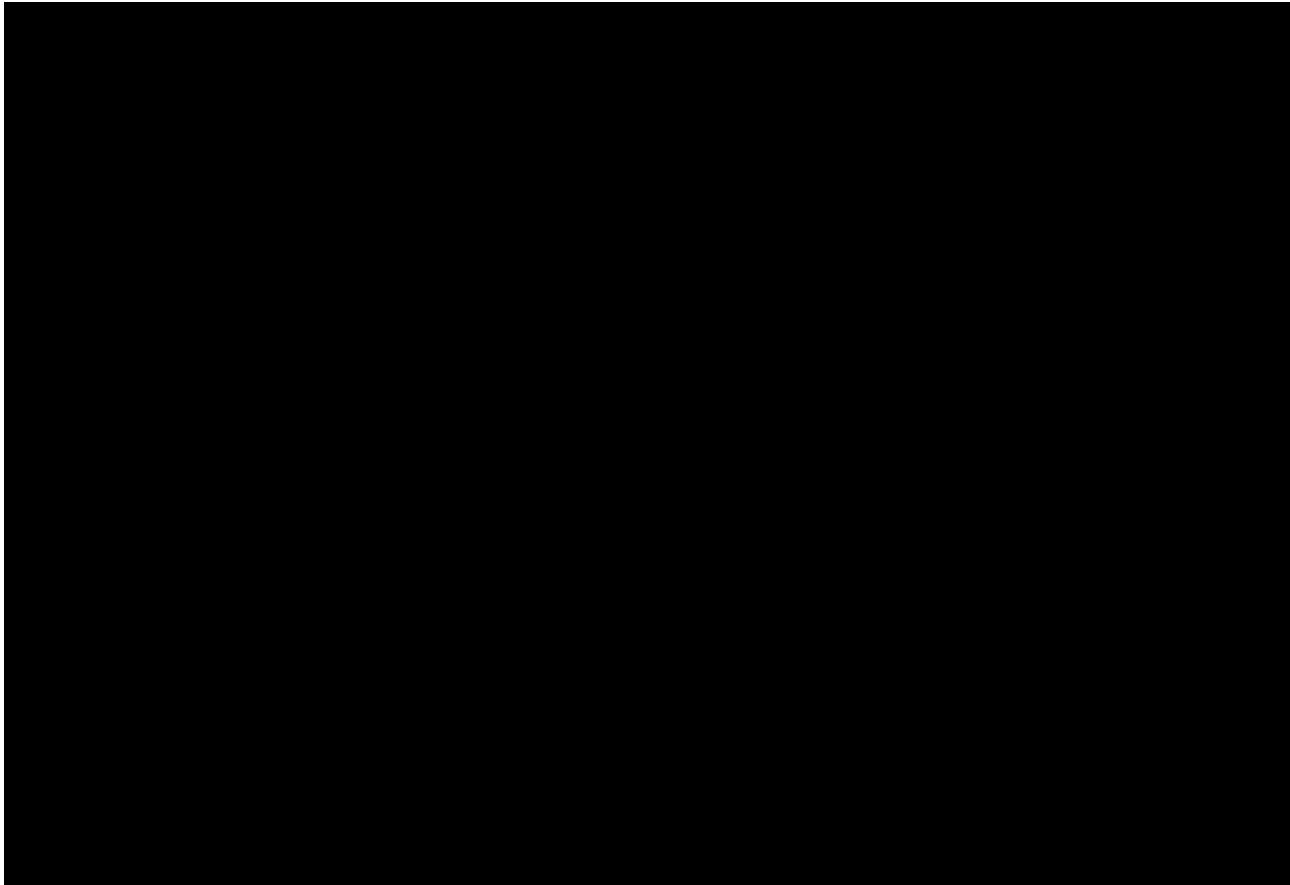
The Site Controller sends all information about Site Controller and VLT events, cash voucher production, and validations with this KeepAlive communication. The Central database is immediately updated with this information. The site controller will buffer and store this information if communication is lost, and forward unsend data as soon as the connection is re-established.

Memory checks are accomplished by HP Insight Manager and Solar Winds to continuously monitor the hardware health. This proactive approach enables Everi to spot problems quickly and provides an opportunity minimizing impact from potential hardware problems. If a hardware problem is encountered, the built in redundancy of the Central System architectures keeps impact to a minimum.

UPS Batteries for our servers are also continuously being monitored in addition to UPS self-tests that are scheduled every 14 days. Any problems are immediately alerted to our Network Operations Center to investigate remotely where possible and/or to create a ticket and assign to our onsite Field Techs for further investigation.

Printer Tests are not scheduled for our servers as they do not have printer attached to them. However, for our user facing applications such as the Validation Terminal (Point of Sales) and Management Terminals, there are printers connected. Since the space where these PC's reside must be very secure in nature, best practices dictate that if a site encounters a printer problem they report that to the NOC for resolution.

Verifying Game Counts to ensure we are ready to open is extremely important. In addition to the Keep Alive mechanisms mentioned above to continuously monitor communications between VLT's and Everi Games Inc. Central System, our Network Operations Center has a manual check using our Management Terminal Service Browser page (see image below) shortly after Bill Acceptors are enabled then again, about 30 minutes prior to door open.



Escalation processes are followed should there be any problems.

iii. *Provide a facility user manual, including table of contents.*

NOTE: See *Appendix E-10 Working with the Central System Management Terminal, Appendix E-11 Working with The Central System Validation Terminal*, which describes site controller functionality in more detail.

iv. *Provide a copy of technical specifications and service manual.*

NOTE: See “*Appendix E-9 Technical Specifications*”, which describe in more detail our response to Section 4.1.17.E SITE CONTROLLER APPLICATION FUNCTIONALITY (iv).

F. Site Controller Maintenance and Repair

Describe the serviceability of a site controller, including the ease of field replacement of subassemblies.

NOTE: See *Appendix E-4 RFP Part 3 Scope of Work*, which describes in more detail our response to RFP Section 3.17 MAINTENANCE AND REPAIR (F).

Everi Games Inc. maintains support contracts with the OEMs and third-party support providers on all of the Central Systems. In the event a site controller requires attention, Everi Games Inc. can leverage several different methods to perform maintenance and repairs on the site controller com-

4.1 Technical Proposal

ponent as determined by urgency and impact (Incident Management). Because the Everi Games Inc. Video Lottery System (VLS) system has multiple layers of redundancy, most failures, maintenance and repairs to site controllers will occur without impact to gaming operations.

Everi Games Inc. runs a dedicated Network Operations Center (NOC) in Schenectady, New York staffed 24x7x365 to perform proactive monitoring, detection, escalation, notification, and maintenance support. Everi Games Inc. also leverages dedicated Field Service Technicians assigned to each region to provide on-site coverage and maintenance support. The Field Service Technicians, as part of onboarding and annual certification, are trained on Central Systems, including procedures to perform various maintenance and repair tasks. The Field Service Technicians work in collaboration with the NOC Staff to detect, escalate, resolve and document any anomaly.

Lastly, Everi Games Inc. maintains a dedicated staff of Network and System Architects and Engineers in Austin, TX available 24x7x365 to provide third and fourth tier support for any issue that might require more advanced troubleshooting and support.

18. Performance Factors

Describe the central system's performance standards, including response times for the following:

- *Cash Voucher Production;*
- *Validation;*
- *Special Event; and*
- *Nightly Batch Processing.*

NOTE: See *Appendix E-4 RFP Part 3 Scope of Work*, which describes in more detail our response to RFP Section 3.18 PERFORMANCE FACTORS.

Cash Voucher Production Response

[Redacted]

[Redacted]

Validation Response

[Redacted]

[Redacted]

Special Event Response

Many system events are stored in the Facility Controller database and are available at the Central

[REDACTED]

[REDACTED]

Nightly Batch Processing

[REDACTED]

[REDACTED]

[REDACTED]

19. Promotions

The Bidder should illustrate how it would approach a central system-driven customized promotion program. Customization should encompass but not be limited to promotions by manufacturer by game type, bank of games, facility and by theme. The purpose of this capability is to enable the Commission to manage on-premise promotions by facility in an efficient centralized manner without the use of facility resources. The Bidder should illustrate experience with major co op promotions and strategic partnerships in past gaming device operations. Examples might be car dealers, local major hotels, major restaurants, major department stores, etc. The central system should be able to telegraph to the machines the promotion announcement, explain the rules of the promotion and control the accountability for all transactions.

Note: Site Visits and Demonstrability of Proposed Terminals

As stated in Section 1.15, the Commission may, at its sole discretion, visit any site where the Bidder conducts, or has conducted, operations similar to the services required in this RFP, and may require demonstrations of such equipment as proposed by the Bidder.

Any site visits and/or demonstrations will be used to substantiate the Technical Proposal.

4.1 Technical Proposal

Future Proposed Potential Innovation

Everi Games Inc. has created a fully functional prototype that can be demonstrated in our test lab which allows Free Play Credit Download on existing VLTs. Free Play Credit Download utilizes the same free play coupon voucher system described below that is currently available. The difference is that instead of printing the free play vouchers the free play can be sent directly to the gaming device the player is currently using.

Through approval from the Gaming Commission and partnership with both Player Tracking and VLT Manufacturers the existing VLT and Player Tracking interfaces could be expanded to enable the ability to push promotional credits to the VLT electronically.

This enhancement would retain the same controls of a voucher printed out of a Player Tracking Kiosk but allow for more targeted promotional awards based on player behavior and delivered in real time to the VLT. In addition to providing this functionality for VLTs, This functionality would need to be developed and validated with ETG providers in order to provide an enhanced feature set.

Currently, Free Play is not permissible on these ETGs. However, should it ever be approved, we believe implementation would be possible through leveraging the standard AFT Transfer command from the GSA SAS 6.02 protocol.

The approach established above while viable is outside the scope of this RFP due to the need attain the Commission approval and to collaborate with numerous Player Tracking providers and potentially unknown VLT and ETG vendors. However, the Current Functionality section below describes operational functionality.

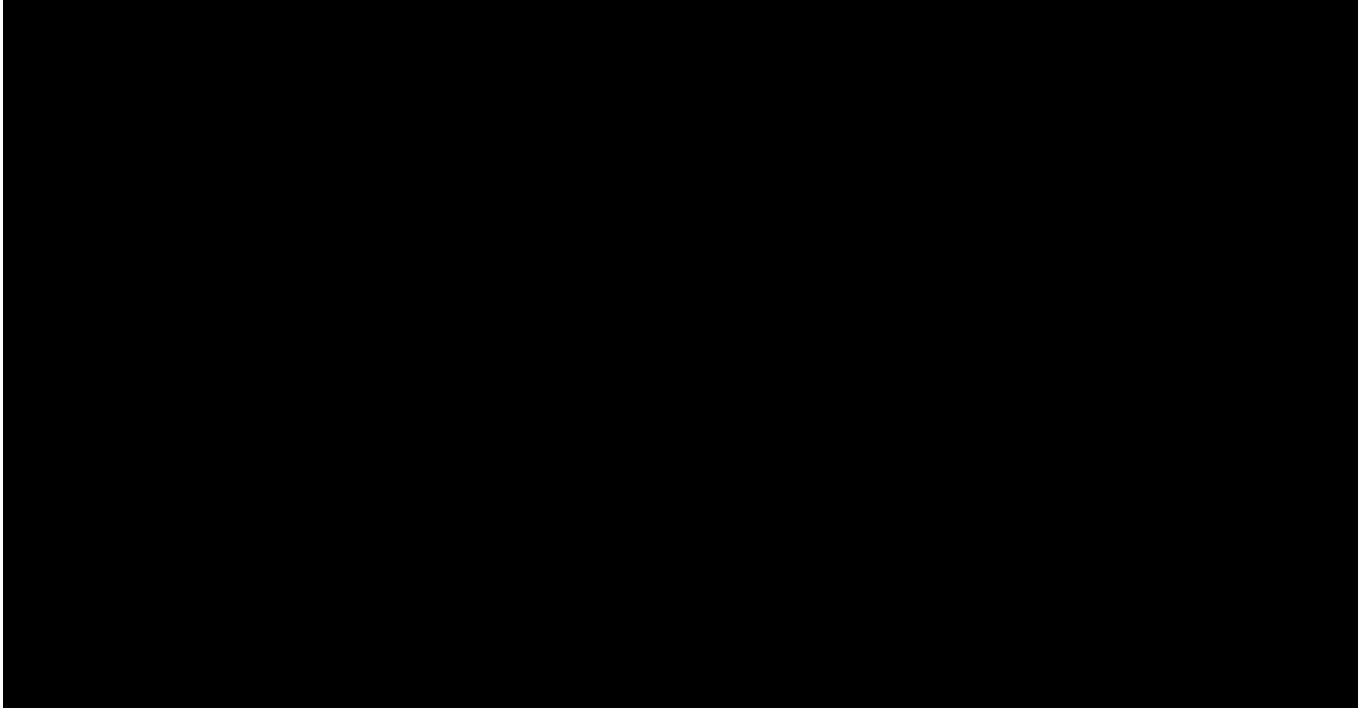
Current Functionality

The Everi Games Inc. Central System fully implements the ability to support free play coupons. These Coupons can be used for promotional purposes providing players with credits based on a player rating generated from an external Player Tracking System. This system enables the Commission to manage on premise promotions by facility in an efficient centralize manner without the use of facility resources.

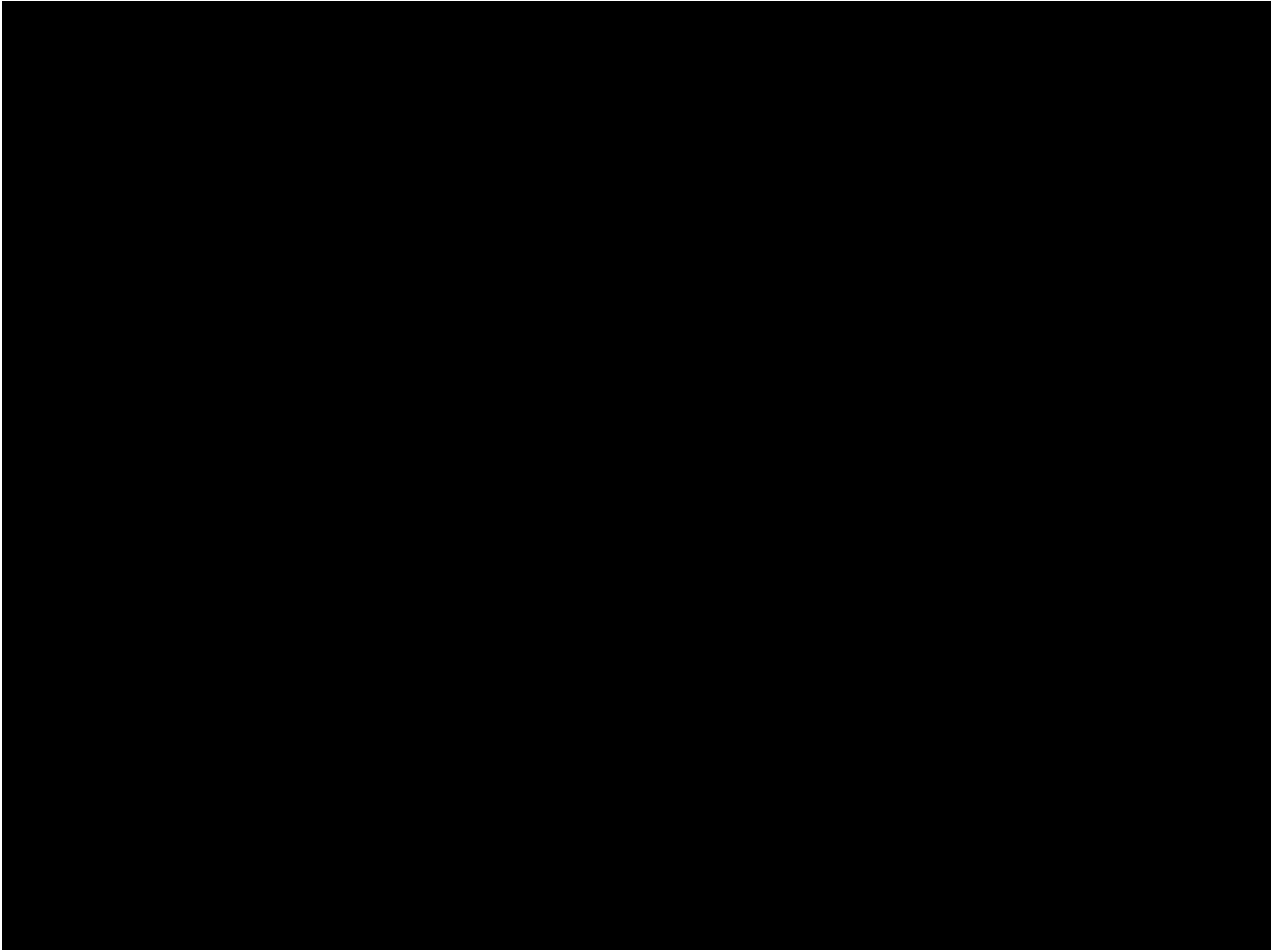
The Commission is provided with a utility to generate sets of free play vouchers with different amounts and different restrictions. These free play coupon vouchers have no cash value, but when inserted into a gaming device, will give the player game play credits. Free play credits can be used for playing only and are tracked separately from winnings or cash credits inserted by the player. When the players cash out of the gaming device, the system creates a *mixed* voucher containing the free play balance and the cash balance. The cash portion of the voucher can be redeemed at a Validation Terminal, but the free play portion of the voucher must be used in a gaming device. In 2018, Everi Games created an enhanced Promotion Request Utility that improves efficiency with regard to managing more creative and involved promotions. The efficiency enhancements bolstered the tool's ability to support a variety of promotions and allows the user to quickly specify location(s), game denomination, game manufacturer, game bank, game theme, and gaming device name.”

Everi Games Inc. Promotion Request Utility Enter Details

Additionally, the updated Promotion Request Utility allows for specifying multiple voucher denomination values and voucher counts (e.g.: 1000 vouchers with \$10 free play, 500 vouchers with \$20 free play, 200 vouchers with \$50 free play). The different voucher denominations can be combined with multiple different date-ranges to efficiently create a variety of different free play promotions with ease.



4.1 Technical Proposal



Once the Promotions are created, the voucher numbers can be loaded into a Player Tracking System and/or provided to a Slot Ticket Printing vendor for mailing promotions. From there, the Player Tracking System can decide which sets of vouchers pull from as Players hit their milestones and distribute physical free play vouchers or download the free play credits straight to the Electronic Gaming Machine.

Co-Op promotions and strategic partnerships

The New York State Gaming Commission current video lottery central system provided by Everi is among the most innovative and cost-efficient operations of its kind in the world. Throughout this proposal, the reader has seen how a partnership between the Commission and Everi will continue to drive contributions from the video lottery terminals (VLTs) and maintain a critical funding source for New York State through the most state-of-the-art, cost-efficient central system available in the central determinant video lottery gaming industry. The video lottery central system proposed by Everi will allow the Commission to expand well beyond the scope of operation suggested in the RFP.

TournEvent of Champions

For example, the Commission or its operators could participate in Everi's TournEvent of Champions[®], for additional fee, the premier slot tournament in North America, because of the system's unique and flexible architecture and superior marketing capabilities. *TournEvent of Champions*

is a unique collaboration between Everi and its top casino partners in North America that brings thrilling competition and unbelievable excitement to casinos through a patented slot tournament campaign. The campaign began in 2012 as statewide slot tournaments in California and Washington with only 24 participating casinos and 30 finalists. Since then, *TournEvent of Champions* has seen rapid traction and growth with more than 100 casinos and more than 150 finalists participating on an annual basis.

More than 200,000 participants compete in their respective casinos' semi-finals and finals portion of the tour, which begins in January and runs through September. These in-casino qualifying events give players a chance to compete for a spot at the tournament's The Million Dollar Event[®], a shot to win a share of the \$1.3 million in total cash prizes, and possibly walk away as the top slot player in North America with the grand prize of \$1 million*. This culminating event is held in Las Vegas in October.

Casino Partner Benefits

Everi partners with participating casinos to fully engage their guests and to provide dedicated support through its promotions and marketing teams to effectively market qualifying events from start to finish. The team provides a comprehensive media plan including social media support and national/regional print and digital advertising campaigns and strategizes giveaway items including branded assets like design templates, t-shirts, and lanyards. At in-casino events, Everi's promotions team and field service technicians are on-site to ensure tournaments run smoothly and efficiently and that each event is fun, lively, and entertaining!

In addition, Everi's branded tour buses travel roughly 50,000 miles across the U.S. and Canada to visit partner casinos and to promote their final in-casino events. The Money Man[®], Everi's iconic brand ambassador and the official mascot of the *TournEvent of Champions*, and the Mgirls[™] are present to cheer players on and add pizzazz and excitement to tournaments. Everi is the only slot manufacturer to have a slot promotion this big and Everi ensures our casinos are taken care of every step of the way. With so much at stake and more than \$6.4 million in total cash prizes awarded since its inception in 2012, it's no surprise why *TournEvent of Champions* has become the most exciting slot tournament event worldwide.

TournEvent of Champions participation is predicated on the existence of a TournEvent system and promotional devices within a participating gaming environment. The system and games are outside of the scope of this Proposal.

4.1 Technical Proposal

Learn More

Everi would like the opportunity to partner with gaming facilities in New York State and offer its guests all that *TournEvent of Champions* has to offer including a shot at competing at *The Million Dollar Event* in Las Vegas in October. To learn more about the marketing opportunities Everi provides to its partner casinos, visit <https://www.tourneventofchampions.com/>.

* Payable in periodic payments over 20 years or in a lump sum, present day cash value payment.

5. M/WBE DIVERSITY PRACTICES

In addition to requirements specified in Section 2.14 of this RFP, each Bidder must provide, in writing, their Diversity Practices in the form provided in this RFP as Appendix K - Diversity Practices.

Pursuant to § 310(22) of Article 15A of New York State Executive Law, “Diversity practices” shall mean the Contractor’s practices and policies with respect to:

- A. Utilizing certified minority and women-owned business enterprises in contracts awarded by a state agency or other public corporation, as subcontractors and suppliers; and*
- B. Entering into partnerships, joint ventures or other similar arrangements with certified minority and women-owned business enterprises as defined in this article or other applicable statute or regulation governing an entity’s utilization of minority or women owned business enterprises.*

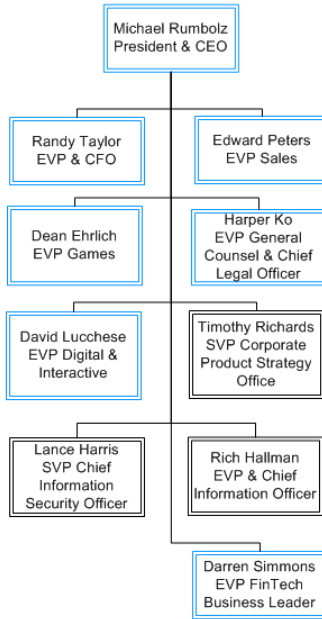
Note: Bidders will be scored on this section pursuant to Part 5 of this RFP.

All available points will be awarded based on the responses provided to Appendix K, Diversity Practices.

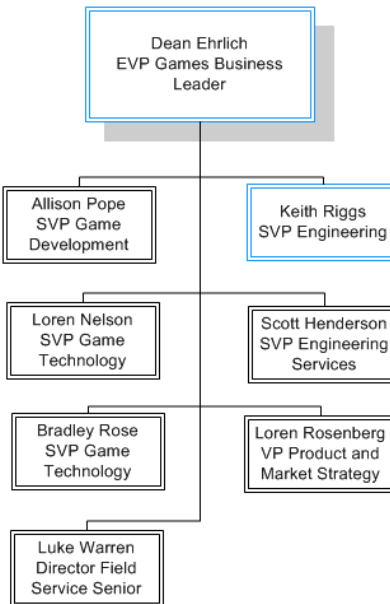
NOTE: In addition to **Appendix K**, see **Appendix E-13 Everi Supplier Diversity Policy**, and **Appendix E-14 Everi Women’s Leadership Initiative**, which describes our supplier diversity policy in more detail.

Appendix E-1

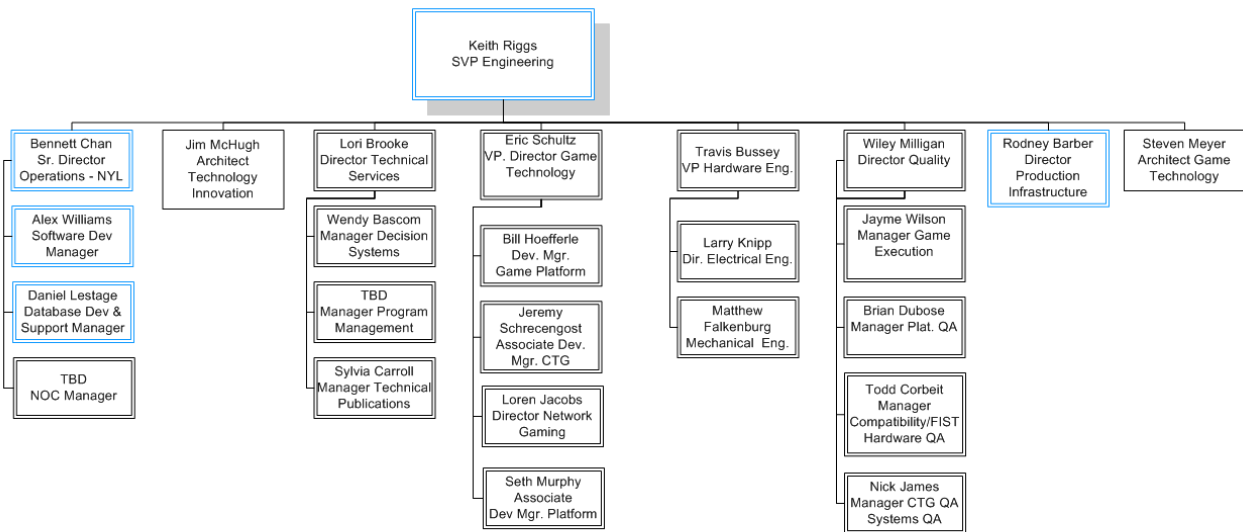
Everi Games Inc. Organizational Charts and Resumes



Note: Résumés provided where denoted in blue.

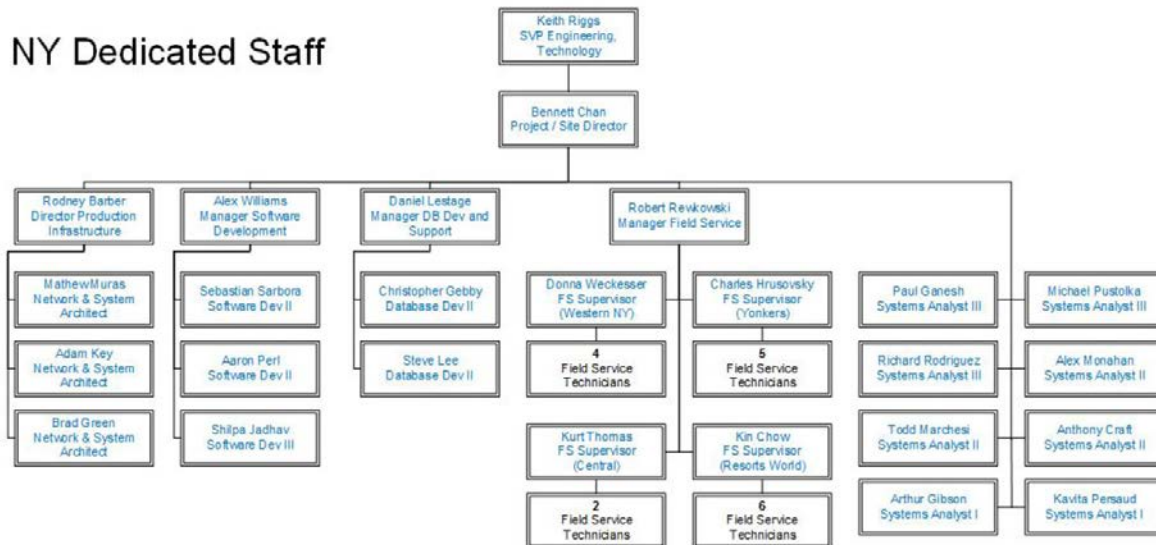


Note: Résumés provided where denoted in blue.



Note: Résumés provided where denoted in blue.

NY Dedicated Staff



Michael D. Rumbolz

2300 Green Mountain Court, Las Vegas, NV 89135

Over 30 years of experience in all aspects of the gaming industry, encompassing casino project development, construction and hotel and casino operations, lottery and slot route operations, gaming-related equipment and systems manufacturing and distribution, and gaming legislation and regulation. Evaluated projects and assisted in defining and implementing gaming regulatory systems for both businesses and governments in existing and emerging gaming jurisdictions throughout North America, Europe, Australia and Asia.

President and Chief Executive Officer of Everi Holdings, Inc. (EVRI-NYSE) since May 2016, having previously served as Interim President and Chief Executive Officer since February 2016, and as a member of the Board of Directors since August 2010. Member of their Compliance Committee, and was also named President and CEO of Everi Games, Inc and Everi Payments, Inc. in May 2016. The Company, through its subsidiaries, is a leading supplier of technology solutions for the casino gaming industry. It provides casino operators and 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.

In October 2017, became a member of the Board of Directors of VICI Properties, Inc. a Real Estate Investment Trust company which owns and leases 16 Hotel/Casino properties throughout the United States, including Caesars Palace on the Las Vegas strip, and operates 4 world-class golf courses.

Member of the Board of Managers of Seminole Hard Rock International, LLC (SHRI) a position he has held since 2008. Serves as Chairman of its Compensation and Governance committee. SHRI acquired the café, hotel and casino and franchise assets of Hard Rock International from Rank Group, Plc. and is wholly owned by the Seminole Tribe of Florida.

Chairman of the Board of Directors of Employers Insurance Group (EIG-NYSE), and has served as Chairman of its Audit and its Compensation Committees. Served on the Board since January 2000. EIG provides workers compensation insurance coverage to employers in 30 states.

Managing Director of ACME Gaming LLC, a consulting company formed in 2000 to provide development, merger, acquisition, strategic planning, legal, compliance, and other services to businesses involved in various facets of regulated industries.

Member of the Board of Directors of Affinity Gaming, LLC, the owner and operator of 15 casinos in three states and the largest slot machine route in the state of Nevada, until 2013. Chaired its Governance, Nominating and Compliance committees.

Chairman and CEO of Cash Systems, Inc. (CKNN-NASDAQ), a provider of cash access services to the casino industry beginning in January 2005 until the Company's sale to Global Cash Access (GCA-NYSE) in September 2008. Its products collectively comprised the primary means by which casinos make cash available to their customers. The Company was operating in over 125 Native American and commercial casinos throughout the United States at the time of its sale.

Until July 2001, Vice Chairman of the Board of Directors of Casino Data Systems (CDS-NYSE). Appointed to the CDS Board in May 2000. CDS was a leading designer, manufacturer and distributor of casino management and operating systems for the gaming industry, until its sale in July 2001 to Aristocrat Leisure, Pty., an Australian gaming products manufacturer.

From June 1995 to March 2000, held the positions of President and Chief Executive Officer of Anchor Gaming (SLOT-NASDAQ), a diversified gaming company that concentrated its efforts in the management of its wholly owned casinos, U.S. and international lottery operations, proprietary gaming machine manufacture and distribution, and slot machine route operations. The Company was subsequently acquired by International Game Technology.

Director of Corporate Development for Circus Circus Enterprises, Inc., (later renamed Mandalay Resort Group, and acquired by MGM Grand in 2005), from late 1992 until June 1995. Responsible for evaluation and development of affiliated gaming and entertainment facilities in new and emerging gaming jurisdictions. In December 1993, became the first President and Managing Director of Windsor Casino Limited, a consortium owned by Circus Circus Enterprises, Inc., Hilton Hotels Corporation, and Caesars World, Inc. In that capacity, responsible for the development, construction and operation of the first privately managed casino operation owned by the Province of Ontario, Canada.

Named President of Trump-Nevada in February 1989 and was a member of the executive team which opened Trump Taj Mahal in April 1990. Later became Executive Vice President of Trump Castle, in Atlantic City, New Jersey, a position held until early 1992.

In 1985, the Governor of Nevada appointed to the Nevada State Gaming Control Board, as the board member in charge of the Enforcement and Special Investigations Divisions. Served as Chairman of the Nevada Gaming Control Board and Executive Director for the Agency from June 1987 through December 1988. During this time was a founding member of the first inter-country

association devoted entirely to gaming regulation and control, now known as the International Association of Gaming Regulators.

Appointed Chief Deputy Attorney General for Southern Nevada in 1983. In this position was the Senior Counsel for the Nevada gaming regulatory system and had responsibility for the administration and management of the Attorney General's offices in Las Vegas and Carson City. Duties included representing the State Gaming Control Board and Nevada Gaming Commission in negotiations with Native American tribes and the U.S. Treasury Department, and before both the Nevada Legislature and U.S. Congress.

Member of the International Association of Gaming Associates and was a member of its Board of Trustees from 1998 until 2008, was elected a 'Counselor of IAGA' in perpetuity.

In 2018 named a member of the Board of Directors of American Gaming Association, a national trade association representing commercial and tribal casinos, suppliers and other entities.

Member of the Board of Trustees of the Nathan Adelson Hospice and Chairman of the Board of its "Palliative and Compassionate Care Institute", the only non-profit hospice and palliative care training facilities in the State of Nevada.

Bachelor's Degree in Political Science with honors from the University of Nevada-Las Vegas. After earning his Law Degree from the University of Southern California, was in private law practice for several years.

Randy L. Taylor
8776 Lufield Ridge Court
Las Vegas, Nevada 89149
(H) 702.871.6555 (C) 702.521.4537

Experience: Everi Holdings Inc. – From March 2014 to Present Executive Vice President, Chief Financial Officer. From September 2011 until February 2014, Senior Vice President and Controller.

Everi Holdings Inc. is a supplier of technology solutions for the gaming industry.

Primarily responsible for managing the financial risks of Everi, investor relations, mergers and acquisitions (both strategic and financial, significant and tuck-in), treasury, financial planning and analysis, financial reporting internally to the Board of Directors and externally to the Securities & Exchange Commission, tax and transfer pricing, human resources, and facilities.

Citadel Broadcasting Corporation – From February 2008 until September 2011, Senior Vice President and Chief Financial Officer, and Principal Financial Accounting Officer. From November 2006 until February 2008, Vice President, Finance-Principal Accounting Officer. From January 2001 until September 2005, Vice President-Finance and Corporate Secretary. Hired in April 1999, as Vice President/Corporate Controller.

Citadel Broadcasting Corporation (the “Company”) owned and operated over 200 radio stations throughout the United States.

- In August of 2003, the Company completed its initial public offering of 22 million shares at \$19.00 per share and in February of 2004, completed a secondary offering of 9.6 million shares at \$19.00 per share as well as \$330 million in convertible notes.
- Due to the economic recession in late 2008 and throughout 2009 and the severe impact on radio advertising, the Company filed for Chapter 11 bankruptcy in December of 2009. The Company emerged from bankruptcy on June 3, 2010 after converting \$2.1 billion in debt into a new term loan of \$762.5 million.
- In March of 2011 the Company entered into a merger agreement with Cumulus Media, whereby Cumulus Media acquired the Company for total consideration of \$37 per share in combination of cash and stock. The merger was completed in September of 2011.

Responsibilities included all public reporting requirements including S-1 filings for the initial public offering and secondary offering, interface with analysts covering the Company’s common stock, all debt covenant compliance and refinancing activities and the negotiation of debt covenants related to new credit facilities, oversight of the company’s internal control procedures in order to be compliant with Sarbanes Oxley, attendance at audit committee meetings and board meetings, analysis, valuation and integration of acquisitions, corporate consolidation, integration of acquisitions to the Company’s policies and procedures, purchase accounting for acquisitions, interface with public

accountants and outside legal counsel, federal and state income tax planning and compliance and oversight of the Company's stock option plan.

Aladdin Gaming, LLC – Vice President/Corporate Controller from July 1998 to March 1999

Showboat Inc. – Vice President Taxation/Assistant Treasurer from January 1996 to May 1998. Director of Corporate Taxation from October 1994 to December 1996.

Senior Tax Manager, KPMG Peat Marwick, November 1990 to September 1994, Las Vegas, Nevada

KPMG Peat Marwick, July 1984 to October 1990, Denver Colorado

Education: Bachelor of Science in Accounting from the University of Denver, June of 1984. Certified in the State of Colorado, November of 1985 and Certified in the state of Nevada, January of 1992.

Other: Nevada Society of Certified Public Accountants and American Institute of Certified Accountants.

References: Available upon request.

Edward A. Peters

12269 Catanzaro Avenue
Las Vegas, NV 89138
E-Mail Address: empeters2483@gmail.com
Cell: 702-635-2636

PROFILE:

A high-energy sales and technology executive with over 31 years of experience in start-up, turnaround, and high growth organizations. A strategist and change agent who has built/led organizations that deliver solutions and consistently contribute to profitability. Utilizes dynamic leadership style to facilitate change and foster solid relationship building with prospects and across departments.

EXPERIENCE:

2015-Present ***Everi, Las Vegas, NV***
Executive Vice President Sales & Marketing

- Lead a 30+ person sales organization responsible for Global sales supporting our Games and FinTech divisions.
- Since 2016, exceeded 12 straight quarter of annual - quarter over quarter game sales growth.
- Maintain a very strong renewal and new business record for our Cash Access Business.
- Provide all Marketing and Sales collateral.
- Support our annual TournEvent of Champions slot tournament.
- A member of the Canadian Gaming Association Board

2012 – 2015 **Fidelity Information Services, Norcross, GA**
Senior Vice President, Business Development

- Lead a 40+ person sales organization including; Sales Executives, Technical Architects, Lead/Demand Generation, RFI/RFP Support, and Sales Operations in support of a \$550M+ business.
- Responsible for selling ITO, BPO and ADM outsourced services to prospects across all sectors including; Financial, Retail, Telecom, Gaming, Insurance and Healthcare.
- Exceeded team quota by over 40% each of the first two years and on track to exceed 2014 quota by over 50% with target quotas increasing by an average of 75% each year.

- Team is now generating over \$100M of annual run rate revenue at an average EBITDA of 25%.
- Involved in all aspects of new business opportunities including deal structure, negotiations and contract preparation.
- Coach, develop and hold Sales Executives accountable to deliver on their assigned quotas.
- Responsible for guiding research on new product/service offerings as well as overseeing the production of all marketing material used throughout the division.
- Responsible for seeking out and leading a \$24M Managed IT acquisition that has since doubled in revenue and is now a very strategic offering in the small to mid-market FI space.

2010-2012

**Fidelity Information Services, Norcross, GA
Business Unit Executive, Community Banking Network Services**

- Managed a P&L for a \$95M business providing network services, VoIP, Information Security and hosted services to over 1600 clients.
- Grew business from \$75M to over \$95M in two years.
- Recipient of Presidents Award and People's Choice Award in 2011 (selected by peers and Sr. Management based on business success, ability to partner across the various lines of business and client feedback).
- Responsible for educating internal Sales Executives on product and service benefits, establishing both revenue and EBITDA price points.

2004-2010

**Silverton Bank, Atlanta, GA
Senior Vice President and (CIO) Chief Information Officer**

- Introduced "Agile" methodology for new development projects resulting in a 25% improved speed of delivery and accuracy for the business partners.
- Consistently exceeded expectations by implementing technology enhancements that generated a savings of over \$1M in work force reductions.
- Contributed to financial earnings by maintaining zero growth in IT staffing levels even as the company moved from a \$2B to a \$4B institution.
- Launched the design, development and implementation of a web-based transaction processing system utilized by over 700 Community Banks, resulting in a 25% customer growth rate. Generated savings of \$2MM through design and maintenance phases, and increased speed and up-time for customers by over 30%.
- Implemented program and metrics to improve success rate of change management; reduced client impacted changes and improved overall success rate from 90% to 99% while not incurring additional costs.

- Assembled and oversaw the development of a successful Business Resumption program by establishing a second enterprise data center.
- Orchestrated the design and relocation of Next Generation Data Center yielding up to 30% savings in power, cooling and space utilization.
- Provided the vision for instituting a state-of-art Network Operations Center (NOC) to monitor all systems.
- Built a strong identity for Information Technology with both the Federal and State examiners based on zero audit findings.

2001 – 2004

**Prudential Financial, Prudential Bank and Trust, Atlanta, GA
Senior Vice President and (CTO) Chief Technology Officer**

- Implemented an Internet Banking Platform to help drive deposits within the Bank and a loan origination system designed for pledging securities as collateral which helped the Bank double their loan portfolio while reducing loan loss risk.
- Led the turnaround on internal customer satisfaction and strengthened rapport with business unit leaders.
- Transformed the IT Department into the top-rated department within Prudential Bank in employee satisfaction for two consecutive years. Employee satisfaction improved from 58% to 93%.
- Served in a leadership role in Prudential's mentoring program and Minority Interchange.

2000- 2001

**Real Estate.com, Atlanta, GA
Senior Vice President, Technology Operations**

- Provided strategic planning, leadership and implementation of both technology and operational activities for the company.
- Implemented the overall communications and computing architecture for the company, including maintaining a cost effective and secure network and systems environment.

1999-2000

**Prudential Financial, Jacksonville, FL
Vice President and Site Executive**

- Responsible for the overall service and support of Prudential's largest regional data center.

- Managed the data center segregation between Prudential Insurance and Aetna Health Care upon the sale of Prudential's Health Care business to Aetna.
- Supported 700+ Call Center Agents and over 3,000 Business Partners with support staff of over one hundred FTEs.
- Maintained IT operations (desktop support, server operations, network operations and telecommunications) for over 20 Prudential locations.

1997- 1999

**Prudential Financial, Jacksonville, FL
Director, Telecommunications - Southeast Region**

- Engineered and led the implementation of a 6,000+ multiple campus PBX installation with enhanced call center capabilities.
- Supported 5 major call centers totaling over 1,500 call center agents and 6,000 business partners as well as the associated telephony equipment.

1983 -1997

Held various technical and managerial positions with Prudential Financial and InteCom Inc

EDUCATION:

**DeVry University
B.S. Technical Management**

REFERENCES:

Available Upon Request

SUMMARY

Senior Executive with significant progressive experience formulating targeted goals and strategies to increase revenue, market share, operational improvement processes, and ultimately profit that exceeds stakeholder expectations in highly competitive industries. Excellent business acumen, change management and communication skills.

PROFESSIONAL EXPERIENCE

Everi Holdings Incorporated, Austin, TX

Aug 2016 - Current

Everi was formed through the merger of two companies that served the casino industry for decades — Global Cash Access, Inc. (GCA) and Multimedia Games, Inc. (MGAM). Everi generates \$800M in revenue with over 1,000 employees.

Executive Vice President & Games Business Leader

Jan 2017 - Current

- Business leader of \$225M revenue operation of gaming device products directly managing over 500 employees.
- Establish budgets and KPI's for entire business.
- Directly manage Product Development, Supply Chain, & Manufacturing. Indirectly drive productivity with shared Sales, Finance, Information Technology, & Human Resource teams.
- Company Officer & Executive Committee Member.

Independent Consultant

Aug 2016 – Dec 2016

- Worked directly for the CEO on special projects evaluating people, products, & profit.
- Established succinct customer messaging & company key takeaways for current & future value propositions.
- Set up format for newly created Gaming Operations Department.
- Proposed Product Development organizational structure with focus on content creativity and new hardware strategies.
- Developed key customer account 5-year playbook with analysis on optimizing gaming machine footprint, yield, and capital expense.

Scientific Games Corporation, Chicago, IL

2003 - Jul 2015

Formerly: WMS Industries, Inc.

Scientific Games Corporation, \$3B revenue, 5,000 employees, develops technology-based products and services, and associated content for the gaming and lottery industries worldwide. The company operates through three segments: Gaming, Lottery, and Interactive; acquired WMS Industries in Oct 2013.

Senior Vice President of Global Gaming Operations

2011 - 2015

- Global leader of \$675M business for premium lease products and public gaming markets worldwide directly managing 85 employees.
- Established KPI's for revenue, footprint, yield per unit and capital equipment requirements.
- Drove business goals with all major functional groups including Product Development, Supply Chain, Manufacturing, Global Sales and Finance.
- Grew 2014 revenue in the most profitable Wide-Area Progressive area by 13% to \$150M by creating and executing specific pricing and placement strategies toward higher denomination products which was a limited company segment.
- Decreased 2014 capital equipment expense by 30% to \$66M coordinating focus on component repurposing strategy.

- Led networked gaming server placement initiative in 2011 with “30/30/30” selling strategy enabling placements in over 100 casinos worldwide allowing for easier theme content distribution to casino owned gaming devices.
- Executive Committee Member: WMS Industries 2006 – 2013 until Scientific Games acquisition.

Vice President of Sales, North America 2006 - 2010

- Commercial sales leader of 30 employees responsible for revenue of product sales, gaming operations, and game conversions exceeding \$500M annually representing 75% of total company revenue.
- Established annual revenue and unit goals for all North American regions in conjunction with company budget process.
- Revenue increase of 41% from 2007 to 2009 increasing product sales revenue \$150M.
- Increased North American market share by 53% from 2007 to 2010 going from 9.6% to 14.7% share.
- Attained ship share of 25% against all major competitors and averaged 20% share for new openings.

Vice President of Sales, Eastern Region 2005 - 2006

- Team leader of 14 employees that delivered \$175M in total revenue.
- Coverage area consisted of Eastern, Central, and Midwest for US market as well as Eastern Canada.
- Lead negotiator with Pennsylvania distributor when originally required by State.

Executive Director/GM- Gaming Operations 2004 - 2005

- Set foundation for \$150M business by developing Wide-Area Progressive long term strategic initiatives including pricing, jackpot size, and specific jurisdictional strategies.
- Product management of all specific lease and participation product segments.
- Created and implemented customized strategic account product deals delivering 30% footprint growth

Executive Director of Product Management & Strategy 2003 - 2004

- Product responsibility for market deployment and specific segment support strategies.
- Evaluated and distributed trends in industry related to product definition, pricing, and distribution.
- Development and implementation of company 3-Year product strategy for all product segments.

International Game Technology, Las Vegas, NV 1994 - 2003
Formerly: Anchor Gaming, Inc.

International Game Technology, a gaming company, designs, develops, manufactures, and markets casino-style gaming equipment, systems technology, and game content for land-based and online markets worldwide which acquired Anchor Gaming, Inc. in 2001.

Director of Product Marketing: IGT MegaJackpots 2002 - 2003

- Developed and implemented product placement strategies for \$900M business unit.
- Coordinated all functional department activities required for new product introduction.
- Integrated Anchor Gaming, Gaming Machines Division into main company infrastructure.

General Manager: Anchor Gaming 2000 - 2002

- Business leader of day-to-day operations for 240 employees with over \$175M in annual revenue.
- Developed and managed to 5-year plan dictating internal resources while also identifying strategic investments and third party joint venture opportunities.
- Managed Research and Development, Technical Compliance, Manufacturing, Sales, Customer Service, Marketing, and Accounting Departments.
- Completed overhaul of company culture and strategic focus strictly to revenue share business model enabling 2001 revenue growth of 10%.

Territory Manager

1997 - 2000

- Established Crown Point, Indiana office and managed facility including all personnel for \$10M revenue generating region. Managed sales and customer service for Upper Midwest and Eastern Canada.
- Led the initiative with various departments regarding tribal licensing, contracts, gaming device programs and hold percentage submissions for each State/Province.

Financial Manager

1994 - 1997

- Generated and reconciled all month-ending reports for Silver Strike product segment.
- Managed all warehouse token inventory and multiple silver minting companies raw material levels.

COMMUNITY VOLUNTEERISM

- **Board of Directors:** Beyond Sports Foundation, 2015

EDUCATION and PROFESSIONAL DEVELOPMENT

BA, Political Science, Minor Speech Communication, San Diego State University, San Diego, CA
Executive Management, Lake Forest Graduate School of Management, Lake Forest, IL
Sales Management, Northwestern University, Evanston, IL
Business Administration, University of Nevada, Las Vegas NV

David J. Lucchese

david.lucchese@everi.com

Professional Experience

Everi Holdings, Inc. – Executive Vice President, Digital & Interactive Business

(February 2016 to present)

Established and leads the creation and development of Everi Interactive, LLC, a wholly owned subsidiary of Everi Holdings, Inc. Everi Interactive is focused on the business to business (B2B) distribution of casino games content to online real money casinos and social/play for fun casinos in addition to operating multiple business to consumer (B2C) social/play for fun casinos. The social/play for fun global market is estimated to be in excess of \$5 billion. Also leads corporate sales for Everi's Fin-Tech business unit leveraging industry and product knowledge with established customer relationships. Participating on Everi's leadership team that focuses on guiding the growth and expansion of Everi's products and services.

Everi Holdings, Inc. (formerly Global Cash Access) – Executive Vice President – Games

(December 2015 – January 2017)

Led the integration and leadership of Global Cash Access' acquisition and integration of Multimedia Games, Inc. into the company. With the role of Business Unit Leader of Games focused on the integration and growth of this new business unit. Led the expansion of games development studios in Chicago and Reno from its foundation and headquarters in Austin, TX, and led the strategy to grow this newly acquired business unit.

Global Cash Access (transitioned to Everi Holdings, Inc.) – Executive Vice President of Client Relations

(August 2014 – August 2015)

Led the company's initiative to deepen customer relationships and prospects focused on growth and expansion of products and solutions. This role worked closely with executive leadership, sales, support functions and the customer base to enhance relationships and product penetration.

Global Cash Access – Executive Vice President of Sales

(April 2010 – August 2014)

Recruited to this established financial solutions provider of the gaming industry to assist with the growth of the company. Tasked with establishing deeper relations with customers and prospects, leveraging gaming industry knowledge and relationships in order to grow and expand the company's products and services.

Bally Technologies – Vice President of Sales, Games

(April 2005 – April 2010)

A primary business unit of Bally Gaming Inc. (NYSE: BYI), Bally Technologies was a leading supplier of multi-million dollar information systems and computerized electronic gaming devices for regulated gaming jurisdictions globally. Responsible for managing the sale of the Company's video and reel-spinning slot gaming products to Class III casino markets throughout North America. Duties were focused on corporate customers, customers in the western U.S. and Canada. Responsible for overseeing the sales of lease and participation products for this \$170 million business unit and sales administrative functions for the games division for North America.

Bally Gaming and Systems – Senior Vice President of Sales, Systems

(April 2003 - April 2005)

Responsible for managing the Systems sales globally, including Bally Systems' product lines, e.g. SOS®, ACSC®, CMP, CMS, MCC, Honeyframe and MindPlay. Provided oversight of the marketing efforts related to those product lines for this \$100 million business unit of Alliance Gaming Corporation.

Aristocrat Technologies, Inc. – Vice President of Sales

(July 2001 - February 2003)

The Company was the U.S. subsidiary of Aristocrat Leisure Limited, an Australian based gaming company, and was responsible for all North and South American operations.

Primary products included multi-million dollar information systems and computerized multimedia gaming devices. Appointed to Vice President of Sales upon Aristocrat's acquisition previous employer, Casino Data Systems. Managed the post-acquisition integration of personnel while establishing new procedures to set the tone for the new company. Provided leadership for a revenue increase of 28% in fiscal 2002 while the was reduced by 25%.

Casino Data Systems – Vice President of Games and Gaming

(February 1999 - July 2001)

The Company designed and manufactured proprietary software and hardware for the gaming industry. Primary products included multi-million dollar information systems and computerized multimedia gaming devices. Promoted to V.P. of Games and Gaming to manage the research, design and development as well as the sale of all game products. Responsibilities also included providing oversight to the manufacturing, purchasing and service aspects for this \$80 million public company. The company was ultimately acquired for \$185 million by Aristocrat Leisure Limited.

Casino Data Systems – Vice President of Sales

(February 1994 - February 1999)

Responsible for all aspects of sales of the Company's games and systems products from 1996 to 1999. Initially, hired as Director of Sales for Systems products. Managed all aspects of sales, while the revenue of the company increased from \$11 million in 1993 to \$80 million in 2000 with record revenue in 1999 and 2000.

United Coin Machine Company – Director of Sales

(September 1991 - February 1994)

The Company was a division of United Gaming, Inc. which subsequently changed its name to Alliance Gaming Corporation. United Coin was a route operator and operated in excess of 40,000 gaming devices in licensed taverns, grocery stores and convenience stores throughout Nevada. Responsible for new sales, customer development, executive sales, negotiation of renewal contracts and marketing functions. Participated in the development of new markets, new game development and software enhancements.

Bally Gaming, Inc. – Las Vegas, Nevada - Account Executive

(September 1989 - September 1991)

Responsible for generating sales with existing gaming establishments, servicing customer needs, coordinating sales orders and participating in developing custom games and programs for unique customer needs.

Associations

The Association for Gaming Equipment Manufacturers (AGEM)

Vice President and Officer of AGEM

(February 2015 to present)

The Association of Gaming Equipment Manufacturers (AGEM) is a non-profit international trade association representing manufacturer and suppliers of the electronic gaming devices, lotteries, systems, table games, key components and support products and services for the gaming industry.

Education

Indiana University - Bloomington, Indiana

Bachelor of Science in Business - 1981

Marketing/Management Major

HARPER KO
10216 Hailey Lynne Road
Las Vegas, Nevada 89183
(702) 592-0369 harperko@gmail.com

EXECUTIVE PROFILE

A persuasive, educated and skilled advisor with outstanding communication, client service and relationship management skills. History of successfully delivering innovative legal and business solutions based upon sound and resourceful strategies. Serve as a collaborative business partner, advocate and liaison for increased awareness and improved overall performance. Recognized for honor, integrity and loyalty. Acknowledged by peers, subordinates and senior leadership for tenacity and the ability to gracefully manage the dynamics of a rapidly changing environment.

Core knowledge and skill areas include:

- Risk Management
- Strategic Legal Counsel
- Regulatory Compliance
- Business Advice and Solutions
- Restructuring and Integration
- Process Improvement
- Complex Negotiations
- Team Leadership/Motivation

PROFESSIONAL EXPERIENCE

Everi Holdings Inc. (NYSE: EVRI)

A leading technology solutions provider for the gaming industry, supplying gaming products and financial technology services such as ATM and related cash access services, AML compliance and information services tools to the land-based casino industry as well as B2B and B2C gaming content and platform solutions.

EVP, Chief Legal Officer – General Counsel, Chief Compliance Officer *December 2017 to present*

- Broad responsibility for oversight of all Legal and Compliance matters, with primary focus on SEC and public company formalities, commercial, regulatory and litigation.
- Lead a team of 35+ legal and compliance staff and attorneys.
- Strategic advisor to the Chief Executive Officer, Chief Financial Officer and Board of Directors.
- Primary counsel in acquisition of Atrient, Inc., privately-held player loyalty kiosk supplier.

Scientific Games Corporation (NASDAQ: SGMS)

A \$2.9 billion gaming and lottery equipment and services supplier with 8,000+ employees. SGMS is one of the largest gaming companies in the world, and the market leader in land-based casino slot accounting and casino management systems. SGMS acquired Bally Technologies, Inc., parent company to Bally Gaming, Inc. in November 2014.

Deputy General Counsel, Gaming

November 2014 through December 2017

- Lead a team of 10 attorneys and related administrative staff, with wide responsibility for all commercial revenue matters within SGMS Gaming and Interactive business units (estimated \$2.0 billion), in North America, EMEA, Australia, Mexico, and United Kingdom.
- Served as strategic advisor to Gaming executive management for all commercial matters, including material commercial transactions, customer and third-party matters, and regulatory compliance and litigation matters.
- Managed key vendor and customer contracts and relationship issues
- Restructured Gaming and Interactive legal teams post-acquisition of Bally Technologies, Inc. (NYSE: BYD), implementing a structure of regional- and subject-matter experts within the

- Gaming and Interactive legal team with matrix functionality to wider SGMS legal group.
- Integration of several small tuck-in acquisitions related to Gaming and Interactive groups
- Implementation of process improvement in contract administration process to improve internal and external customer satisfaction, including efforts to integrate enterprise resource program into existing legal contract management solution.
- Executed formalities related to various corporate initiatives and special projects, including reincorporation, M&A support as relates to Gaming and Interactive groups, marketing initiatives.
- Expansion of integration duties to include all regions related to Gaming and Interactive groups, including EMEA, South Africa, and South/Latin American regions, by and among BYI, SHFL entertainment Inc. (NYSE: SHFL), WMS Industries Inc. (NYSE: WMS), and other legacy companies.
- Collaborated and supported Litigation function on several material litigation matters.
- Managed legal function as relates to real estate portfolio.

Bally Gaming, Inc.

Assistant General Counsel

November 2007 through January 2015

- Various roles in integration of BYI acquisition of SHFL:
 - Legal department lead attorney in integration of Bally and SHFL subsidiaries (U.S., Asia, Australia). Responsibilities include drafting local customer agreement templates, formation of local holding company subsidiaries, review and analysis of international litigation, human resources (blue card and temporary resident cards), corporate structure and operational issues, coordination and review of such issues with local outside and internal counsel and regulatory, tax, accounting, manufacturing, contract administration business units.
- Collaborated with Bally business development department in preparation for, during the implementation of, and upon entry into various new markets, including but not limited to Italian VLT market, Singapore casino market, Mexico Class III gaming market, South African Class II and Class III gaming markets. Responsibilities included aggregating internal business expectations, local jurisdiction regulatory, business and corporate formality requirements, discussing and reviewing with local counsel, and advising internal clients of such requirements.
- Managed outside counsel in matters formation of Italian branch of Dutch subsidiary, and related corporate formality, human resources, commercial transaction, property and litigation with respect to such Italian branch and existing Italian subsidiary.
- Managed outside counsel in European arbitration in resolution of commercial claim, in parallel with negotiation of settlement of various ancillary vendor agreements to terminate extricate Bally from a certain gaming market.
- Negotiate and draft commercial agreements related to purchase, lease, placement or distribution of software, game content, slot machines, mobile app development services, and slot accounting systems for domestic, tribal sovereign nation, and international (North America, Latin and South America, European Union, Asia and Australia) customers.
- Negotiate and draft consulting, distributor and third-party developer agreements for domestic and international (North America, Latin and South America, European Union, Asia and Australia) vendors.
- Negotiate and draft various information technology and intellectual property agreements, including gaming technology licenses related to Bally products such as iVIEW™, iVIEW DM, CoolSign™ and other forward technologies and hardware and software maintenance agreements.
- Manage and work in conjunction with outside counsel in various day-to-day matters related to domestic and international (North America, Latin and South America, European Union, Asia and Australia) commercial, regulatory and litigation matters. Coordinated and managed outside

counsel in conjunction with international arbitration in European Union; negotiated and managed, in conjunction with outside counsel, settlement of claims, dismissal of arbitration and resultant tax and operational impacts.

Harrah's Operating Company, Inc.

Contract Attorney

July 2006 through January 2007

April 2007 through November 2007

- Negotiated and drafted corporate agreements related to purchase, lease, placement or distribution of software, slot machines and slot accounting systems.
- Negotiated and drafted various information technology and intellectual property agreements, including gaming technology licenses related to server based gaming and other forward technologies and hardware and software maintenance agreements.
- Negotiated and drafted license agreements, including brand licenses for use in proprietary slot machines for use at Harrah's properties.

Aristocrat Technologies, Inc.

Associate Corporate Counsel

August 2004 to May 2006

- Negotiated and drafted all internal commercial transactional agreements, corporate purchase agreements and distributor agreements related to purchase, lease, placement or distribution of software, slot machines and slot accounting systems for North America and Latin and South America (United States, Canada, Mexico, Argentina, Peru, Chile, Uruguay, Colombia, Puerto Rico), including tribal sovereign nations.
- Supervised and reviewed trademark searches, applications, office actions and consents related to trademark filings in North America and Latin and South America.
- Drafted, maintained and filed corporate minutes and formalities for company and its subsidiaries (domestic and international).
- Supervised dissolution of dormant subsidiaries, including drafting and filing dissolution documents with relevant corporate and gaming authorities.
- Incorporated and maintained Canadian subsidiary, including drafting intercompany agreements related to provision of services, product and funding.
- Drafted intercompany agreements related to transfer of ownership of Argentine subsidiary in compliance with changes in Argentine corporation law.

WMS Gaming Inc.

Staff Counsel

May 2000 to August 2004

- Negotiated and drafted various license agreements, including merchandise content license agreements (Love Boat, Dukes of Hazzard), third-party music and talent agreements, software content licenses (Sierra Design Group, Multimedia Games, Inc.) and OEM agreements (Bose Corporation) for incorporation in WMS slot machines.
- Coordinated legal and business issues between internal gaming regulatory compliance, sales, finance and game development and executive departments.
- Negotiated and drafted all internal commercial transactional agreements, corporate purchase agreements, license, lease, manufacturing and distribution agreements, software content, patent license agreements and OEM agreements related to the purchase, lease, placement or distribution of WMS' slot machines.
- Drafted and filed Securities and Exchange Commission filings for parent company, WMS

Industries Inc. (NYSE:WMS), including proxy statements, annual reports on Form 10-K, quarterly reports on Form 10-Q, beneficial ownership reports on Forms 3, 4, and 5 and Forms 13-G and current reports on Form 8-K.

- Managed various public company formalities, including drafting corporate minutes, agendas, and documents in preparation for Board of Directors and Annual Shareholders meetings, as well as for various domestic and international subsidiaries.
- Assisted in WMS Rule 144A offering of convertible subordinated notes, including drafting offering memoranda, registration statements and related documentation in conjunction with executive management, outside counsel and underwriter's counsel.

EDUCATION

Chicago-Kent College of Law

Juris Doctor, Certificate in International Law

- Dean's List, Spring 1999

University of Michigan

Bachelor of Science (Psychology as a Natural Science)

BAR ADMISSIONS

- State of Illinois
- United States District Court, Northern District of Illinois
- State of Nevada (limited admission for in-house counsel under SCR 49.10)

AWARDS AND AFFILIATIONS

Association of Gaming Equipment Manufacturers

Officer (co-General Counsel, Vice President)

January 2015 to December 2017

International Association of Gaming Advisors

Member

Project 150

Board Member

2013 to present

Go Red For Women, American Heart Association

Executive Leadership Committee

April 2017 to February 2018

Great Women in Gaming

Rising Star Award

Darren Simmons

1417 Romanesca Drive, Henderson Nevada 89052
Mobile: (702) 241-3705, Email: ddasim@cox.net

CORE COMPETENCIES

- Executive with track record of building business and experience driving revenue and profit growth in highly regulated and competitive global markets
- Effective leader and skilled communicator with clients, professionals and employees
- Unique ability to identify opportunities with action-oriented style and visionary to manage change
- Entrepreneurial leadership in developing and executing on strategies to drive results

PROFESSIONAL EXPERIENCE

EVERI PAYMENTS INC.

EXECUTIVE VICE PRESIDENT, FINTECH BUSINESS LEADER

12/17 -Present

- Reporting to the President and Chief Executive Officer, P&L Responsibility for all aspects of the Payments Business
- Responsible for devising and implementing business strategy
- Develop and execute short and long-range strategic sales plans
- Responsible for all product management, development, sales support, and implementation

SENIOR VICE PRESIDENT, PAYMENTS SOLUTIONS

01/15 – 11/17

- Responsible for managing all Core Cash Access Payments products and services, including development
- Managed all technical and field service support for entire organization including payments and games business

SENIOR VICE-PRESIDENT, INTERNATIONAL BUSINESS

08/08 – 12/14

- Responsible for managing all hands-on operational aspects of the Core Business offerings for customers outside the domestic US, including product management, development, sales, and compliance
- Responsible for prospecting and generating new sales of cash access and gaming information services to casinos internationally; acquired and developed key accounts; negotiated complex client contracts
- Developed successful vendor and distribution partner relationships
- Regularly engaged all departments of business at a senior level including Product, Legal, Account Management, Compliance, and Systems

FIRST DATA INTERNATIONAL, CANADA

DIRECTOR, NATIONAL SALES

08/00 to 08/06

- Responsible for prospecting and generating new sales of payment processing solutions to mid-market and national accounts
- Acquired and developed key accounts, negotiated complex merchant acquiring contracts; completed detailed RFP responses, initiated implementation of unique merchant solutions
- Developed successful TD CBC relationships and regularly engaged all departments of merchant business at a senior level including Product, Credit, AIS, Legal, Relationship Management, Compliance, and Systems
- Mentored junior business development managers; reported to Senior Director, National Sales

EDMONTON OILERS HOCKEY CLUB

MANAGER, CORPORATE SPONSORSHIPS

10/96 to 07/00

- Responsible for sales and service of sponsorship programs to local and national businesses; Created unique sponsorship programs that included television, radio, signage, video, and promotions
- Acquired and developed key accounts

EDUCATION AND PROFESSIONAL DEVELOPMENT

Bachelor of Science, University of Alberta
First Data Sales Leadership Training
Advanced Selling Skills, Learning Outsource Group
Marketing Management, SRO Strategies

01 Summary

- ▶ Multifaceted senior technology leader with a hands-on and methodical approach in design and implementation across the enterprise. Acknowledged thought leader, able to effectively build and integrate technology initiatives with strategic business goals. Dynamic change agent who works productively with senior management and internal/external stakeholders to ensure smooth operational transitions. Skilled mentor and coach with a passion for building high performing product development teams. Customer focused professional who has consistently increased profit and positioned the product portfolio and underlying technology for future success.

02 Skills Profile

- ▶ Proven technology professional with 15+ years of experience in hardware engineering, software development, design, architecture, execution, management and executive leadership.
- ▶ Extensive experience in technology, product, quality assurance, project, program, operations and customer management in combination with the ability to build successful and scalable organizations.

03 Experience

2017 – Present

Senior Vice President Engineering

Everi Holdings, Inc. Austin, TX

- ▶ Responsible for all aspects of Hardware/Software Engineering, Quality Assurance and Network Operations for land based casino gaming products. (\$10 Million annual Budget).
- ▶ Consolidated divergent technology, quality assurance and operations teams into a cohesive engineering team focused on delivering quality products with predictability and professionalism.
- ▶ Reduced voluntary turnover rate from 13% to 3.5% annually through thoughtful and deliberate process of focusing on employee culture and creating a winning attitude focused on achieving departmental goals.

2016 – 2017

Senior Vice President Linked Gaming Vice President Linked Gaming

Everi Holdings, Inc. Austin, TX

- ▶ Development, deployment and multi-department launch of a fully redundant Wide Area Progressive System. Hosted on a private network, the Wide Area System is enabled at 40+ locations with additional expansion planned through 2018.
- ▶ Increased the Hardware Engineering Department's size and capabilities to support the rapid development of quality gaming cabinets through thoughtful and forward-thinking principles; which focus on re-useable and efficient design and the insertion of quality assurance practices.
- ▶ Established and guided the successful creation of a results focused data analytics team which provides a robust and extendable analytics platform in use by multiple departments. The current implementation pulls from 15+ systems and enables business units to make data driven decision in a timely and cost-effective manner.

2013 – 2015

Vice President Linked Gaming

Multimedia Games, Inc. Austin, TX

Responsible for all facets of software, hardware and infrastructure for all systems offered by Multimedia Games with direct support for over \$180 million in annual revenue

- ▶ Manage a multi-disciplined team of software developers, system engineers and quality assurance analysts responsible for releasing new products and updating existing offerings.
- ▶ P&L responsibilities that include technical and operational management of the New York Lottery Business Unit, consisting of central determinant outcome and accounting systems across the state of New York that generate gross revenues of more than \$1.9 Billion annually.

2011-2013

Vice President Gaming Technology

Multimedia Games, Inc. Austin, TX

- ▶ Responsible for the development of hardware, software and systems required for casino games and platforms. (\$10 million annual Budget)
- ▶ Grew the capabilities of the game creation pipeline by 100% through constant process improvement and a reorganization of the game programming teams while maintaining all game production goals.
- ▶ Completed the successful expansion of technology outsourcing operations to expand game offerings across multiple platforms; growing the offshore team by 400% to meet explosive growth and business demands.
- ▶ Successfully managed the technical integration of all Multimedia Games System Products with the new MForce™ gaming platform resulting in approval of platform and all product lines from the Nevada Gaming Control Board.

04 Capabilities

Technology
Distributed Systems
Organizational Leadership
Outsourcing
Contract Negotiations
Management and Mentoring
Architecture and Design
Customer Relationship Management
Product Integration
Execution Management
Agile/SCRUM
Operations Management
Program Management
Organizational Skills
Business Development

05 Software

Microsoft/Open Source Technologies
Programming – C++/C#
Database – SQL Server
XCode – Objective C
Microsoft Business Applications
MS Word/Excel/PowerPoint
MS Project
SPLUNK
JIRA/Confluence

06 Education

Texas A&M University,
College Station, TX - Bachelor
Information and Operations
Management
President's List

2009 – 2011

Multimedia Games, Inc.

Director Network Gaming

Austin, TX

- ▶ Responsible for the architecture, design and development of the TournEvent™ system, Multimedia Games Flagship Tournament product with over 300 installations and 4000 EGMs generating over \$78 Million in sales revenue.
- ▶ Responsible for the architecture, design and development of the mLink™ system, Multimedia Games Progressive system which is currently installed in over 400 locations.

2007-2009

Multimedia Games, Inc.

Director Systems Development

Austin, TX

- ▶ Responsible for the successful execution of technology initiatives and contract fulfillment while at the same time transitioning the systems team from legacy technologies to a Service Oriented Architecture which takes advantage of the latest modern programming languages resulting in the creation of a up-to-date and stable technology stack.
- ▶ Responsible for the successful delivery of a \$3 Million bingo solution for the Ontario Lottery and Gaming Commission with installations in multiple locations across the Canadian Province of Ontario.
- ▶ Responsible for the architecture, design and successful development of the next generation Lottery System for Washington State. This system has resulted in the largest jurisdictional game footprint and \$5 Million in annual re-occurring revenues.

2005 - 2007

Nova Gaming, LLC

Senior Software Engineer

Dallas, TX

- ▶ Incorporated Gaming Standards Association (GSA) communication protocols into existing product lines while managing customer expectations and guiding the software development efforts to ensure successful user acceptance by multiple tribal locations.
- ▶ Gained adoption of software development best practices through implementation of a high availability redundant application solution for existing product lines

1999 - 2005

Multimedia Games, Inc.

Database and Applications Software Development

Dallas, TX

- ▶ Key member of team that developed software for Reel Time Bingo™, a multi-tiered software solution distributed across 200+ sites in North America, revolutionizing Native American Gaming.
-

Senior Vice President Engineering

Job Description – Strategic and Functional Responsibilities

STRATEGIC RESPONSIBILITIES

- Identify and Adopt Technology trends, processes and tools that can be leveraged in the development of technology for Casino Gaming
- Partner with office of CIO to adhere to corporate security and Information policies
- Collaborate with Internal Audit to create and enforce the controls that support the corporate governance plan.
- Create and Maintain Staffing plans to meet Games Division Initiatives
- Contribute concepts and ideas to the Games Division Product Plan
- Establish and Maintain Product Development Lifecycle Process for Hardware and Software Development Teams
- Identify, Maintain and Approve Development Tools and Infrastructure necessary to support the Games Division Software and Hardware Development Initiatives
- Identify and Evaluate Technical Viability of Vendor Partnership and M&A Opportunities
- Represent the Company through Speaking at Industry Conferences and Events
- Motivate, Inspire, Coach and Mentor Staff and Managers
- Communicate Gaming Corporate Vision to Staff, Managers and Executive Management
- Develop Succession Plans to identify and mentor next generation of leaders

FUNCTIONAL RESPONSIBILITIES – Create and Maintain a quality focused organization that supports the development of the following Games Division Technology Initiatives and Products:

- Gaming Platform and Core Technology Team – Develop and Maintain:
 - MForce Casino Gaming Platform
 - Game Development Tools and Process improvement initiatives to support the creation of 90+ games per year.
- Network Gaming Team- Develop and Maintain:
 - Central Determination Engines - ReelTime™ Bingo, Lottery
 - Local and Wide Area Progressive Systems
 - Nitro Technology (Downloadable and Bonus Content)
 - TournEvent™
- System Architecture Team
 - Design and Build:
 - Production Class II Bingo, Washington Lottery and New York Lottery Networks
 - Internal Development Infrastructure, Networks, Tooling, Build Systems and Repositories
 - Create Processes and Procedures for Hardware and Software Deployments
 - Plan and Manage Product Deployment and Provide Tier 3 Operational Support
- Decision Systems Team
 - Develop and Execute Vision for Games Data Analytics Program
- Universal Currency System (UCS) Team
 - Development for New York Lottery (NYL), Class II and Class III Accounting Systems
 - Provide NYL Tier 1, 2 and 3 Operational Support
- Hardware Engineering (Mechanical and Electrical Engineering) Team
 - Perform CoreHDX, PlayerHD, Player Classic, Platinum MPX and Texan HD sustaining Engineering
 - Execute Active Development Efforts for Empire cabinet family (5 distinct models)
- Quality Assurance Team
 - Provide Development Process Audit and Quality Approval of all products and efforts listed above

OTHER RESPONSIBILITIES - NEW YORK LOTTERY:

- Profit and Loss Management for Business Unit
- New York State Gaming Commission – Customer Management



Bennett Chan, Senior Director of Operations

Project Role

Bennett will serve the role of a full-time dedicated staff Project Director. Bennett will have overall responsibility for all work conducted pursuant to the RFP issued by the Commission. He will ensure all proper policies and procedures are in place for the team to foster accountability and predictability to the end of best serving the Commission to accomplish their goals.

Professional Experience

Bennett has over a decade of Gaming Experience working with the NYS Commission, casino personnel of all responsibilities, and game vendors in both development and operational capacities. Starting his career in Desktop Support, he progressively transitioned into different roles as a Reports Writer, SQL Database Administrator, Software Development Manager, Software Development Director, and into his current role. Much has been learned from this valuable experience and it is applied in his daily interactions with stakeholders, daily responsibilities, and projects of various scales.

Education and Related Training

Bennett holds a B.S. in Management Information Technology from Rensselaer Polytechnic Institute

Employment History

2018-Present

Everi Games, Inc. , Schenectady NY: Senior Director Operations

Bennett is responsible for overseeing all aspects of the New York VLT operation including but not limited to ensuring the NOC stays vigilant in monitoring the system while being diligent in making sure support tickets are promptly resolved or escalated properly. He is also responsible for making sure the proper processes and support are in place for the development team to efficiently provide releases accordingly to the expectations set with the Commission. He also serves as a liaison to the Commission, Facility Operators, and Game Vendors to facilitate productive conversations whenever it is appropriate to do so.

2017 - 2018

Everi Games, Inc., Schenectady NY: Software Development Director

In this role, Bennett continued to institute a framework to foster development best practices to the end of providing quality releases to mitigate production issues and to promote better escalation procedures with operations. The end goal was to mitigate support issues thus allowing the team to focus on enhancements on a timeline that the customer desired. In parallel, strategies were employed to foster better culture to retain talent and maintain continuity.



Rodney Barber, Director of Production Infrastructure

Project Role

As the Director of Production Gaming Infrastructure, Rodney will work directly with the Project Director in the ongoing support, design, test, planning and integration of systems, networks, and storage solutions for the NY Central System infrastructure.

Professional Experience

Rodney has over 5 years experience with Everi Games Inc leading multiple projects including ongoing sustainability and support of over 130 Class 2 and 3 Tribal Gaming facilities, Wide Area Progressive (WAP) Gaming and Remote Gaming Servers. In addition, Rodney has over 10 years experience with GTECH in charge of hosted lottery operations. Achievements include Powerball rollout for California Lottery-April 2013 and Texas Lottery-January 2010, and Powerball Matrix Change April 2015.

Education and Related Training

Rodney holds a B.S. in Engineering from The University of Texas-Austin. He is a certified ITIL Practitioner and a graduate of Dale Carnegie Leadership Programs. He is a Microsoft Certified Systems Engineer (MCSE) and Cisco certified (CCNA).

Employment History

2014 - Present Everi Games, Inc., Austin, TX: Director of Production Infrastructure

Rodney is in charge of the design, test, deployment and ongoing support of Everi Games Inc gaming infrastructure solutions for Class 2 and 3 Tribal Gaming, NY VLT, and Remote Gaming Servers (RGS). He is responsible for audit compliance and security best practices. Achievements include design and implementation of virtualized solutions, fault tolerant networks, clustering and availability groups. He has lead key work efforts including new site buildout, gaming floor expansions and production database migrations.

2003 - 2014 GTECH Corporation Austin, TX: Sr Manager Hosted Lottery Services

Rodney drove customer satisfaction as the Customer Relationship Manager (CRM). As the single point of contact for lottery customers, he represented the face of the company, owning all service and product deliverables while managing information and communication systems in a federated datacenter. Rodney oversaw processing of \$5 billion annually in US Lottery terminal and internet transactions and hosted end user middleware, claims and payment processing and business intelligence reporting.



Aaron Perl, Software Developer

Project Role

Aaron is part of a team of Software Developers in Schenectady NY, fully allocated to project and sustaining efforts of the contract. Aaron will continue to be part of a team dedicated in planning, application design, feature development and enhancements to the Central Determinant System.

Professional Experience

Aaron has just over a year of gaming experience with Everi Games Inc. Aaron brings several years of experience in leading and supporting software development and has extensive experience in many different programming languages.

Education and Related Training

Aaron holds a B.S. in Computer Science from Rensselaer Polytechnic.

Employment History

- | | |
|--------------|--|
| 2018-Present | Everi Games Inc, Schenectady NY: Software Developer II |
| | Maintain long-standing software in a high-reliability environment, as well as adding new features to an existing ecosystem of applications. Projects worked on include .NET user-facing applications and services, Xamarin Forms Android applications, and ASP.NET web services. |
| 2017-2018 | Chand Associates, Worcester, MA: Systems Engineer |
| | Designed control PCB for custom reciprocating surface grinder and wrote firmware for microcontroller. Used in production environment to shape grinding wheels to final diameter in quantity. |
| 2015-2017 | Ilium VR, Troy NY: Systems Engineer |
| | Embedded and software engineer at a startup working on peripherals for use in Virtual Reality gaming. Responsibilities included designing and prototyping game controller PCBs, writing firmware and .NET debugging software and designing 3D printed enclosures. |



Sebastian Sarbora, Software Developer

Project Role

Sebastian is part of a team of Software Developers in Schenectady NY, fully allocated to project and sustaining efforts of the contract. Sebastian will continue to be part of a team dedicated in planning, application design, feature development and enhancements to the Central Determinant System.

Professional Experience

Sebastian has over 2 years gaming experience with Everi Games Inc. He has several years of experience in application and service design and development. Sebastian also brings to the team a solid background in electronics development and support.

Education and Related Training

Sebastian attended Rensselaer Polytechnic Institute and majored in computer science.

Employment History

2017 - Present Everi Games Inc, Schenectady, NY: Software Developer II

Sebastian is responsible for developing, maintaining, and supporting application software for products in Everi's NY jurisdiction. He assists in optimizing and enhancing the New York Lottery Unified currency system and development of Player Tracking Software offered by Everi.

2014 - 2017 Ilium VR, Troy, NY: Chief Executive Officer

Ilium VR was a hardware and software development company specializing in simulated weapons systems. As CEO, Sebastian was responsible for leading a team of engineers in development initiatives for large commercial and military contracts. This includes designing and implementing software and hardware solutions for clients. As a software developer, Sebastian has extensive experience with the Microsoft .NET software platform accompanied by a general working knowledge of other systems, including Microsoft SQL Server database.



Shilpa Jadhav, Software Developer

Project Role

Shilpa is part of a team of Software Developers in Schenectady NY, fully allocated to project and sustaining efforts of the contract. Shilpa will continue to be part of a team dedicated in planning, application design, feature development and enhancements to the Central Determinant System.

Professional Experience

Shilpa has over 3 years gaming experience with Everi Games Inc. Shilpa has extensive experience in leading the development of multiple successful products from scratch with active involvement throughout the development life cycle including analyzing business requirements, developing technical specifications, planning, designing, coding, and testing.

Education and Related Training

Shilpa holds a B.S. in Computer Science

Employment History

2016-Present Everi/Multimedia Games, NY: Software Developer III

Responsible for designing and implementing sophisticated and efficient software solutions driving continuous improvement to UCS Products for use in Native American gaming markets. Extensive experience in Microsoft advanced technologies, Microsoft Visual Studio .Net, C#, .Net Core, SSRS and SQL Server

2011-2016 EMC Corporation, NY: Software Engineer II

EMC Corporation is the world leader in products, services, and solutions for information storage and its management. Worked on development of EMC's VoIP AM, SAM, IP Products, supporting Avaya and Cisco as two major vendors.

2010-2011 Cognizant Technologies, NY: Software Engineer II

Designed and developed CTS Application. CTS is the specialized Client for Testing QLRB/SLRI/GSLRI/SR paths. CTS inputs a File of Test Search/List/Retrieval Transactions encoded according to a defined, C-like Input Test Script Language.



Alexander Williams, Software Development Manager

Project Role

As the Software Development Manager, Alexander will lead the application planning, design, development and optimizations for the New York Gaming Commission Video Lottery Central System.

Professional Experience

Alexander has over 11 years of gaming experience with Everi Games Inc. Most recently as the Senior Software Developer leading the application development for the Video Lottery Central System. He combines a solid background in large-scale high availability database and application development with years of experience producing robust software solutions in a highly regulated environment that demands high transactional throughput and reliability.

Education and Related Training

Alexander holds a B.S. in Computer Science with a minor in Mathematics, from State University of New York Polytechnic Institute.

Employment History

2017-Present Everi Games, Inc., Schenectady NY: Software Development Manager

Alex is responsible for all facets of application development, including back-end accounting, as well as managing a team of application developers. Alex is responsible for all phases of the development lifecycle and employs agile methodologies to provide consistent results on budget, on time, with zero major issues. Alex and his team create new features and maintain the current NY video lottery system.

2008-2017 Everi Games, Inc., Schenectady NY: Software Developer IV

Throughout Alex's tenure with Everi Games Inc., he has extensive experience architecting new features involving the software, services, and databases that run a casino. He has optimized and stabilized some of the core components of the back-end system providing unparalleled performance. Alex has designed, modified, or rewritten a large percentage of all the software and database code required to run the NY Video Lottery System.

2006-2008 Assured Information Security Inc., Rome NY: Software Engineer

At AIS Alex focused on multiple research and development projects for the Department of Defense. He played a core role on a [patented](#) technique to triangulate any WIFI enabled device and a solution to intercept, decrypt and modify data on an encrypted connection.



Christopher Gebby, Database Developer

Project Role

As a Database Developer III, Chris will lead the database planning, database design, stored procedure development, and optimization of the SQL Server 2000/2012 databases for the Central Determinant system.

Professional Experience

Chris has over 4 years gaming experience with Everi Games Inc. He has several years of experience managing database design and development teams and processes. Chris bring to the team a strong background in large database development and has extensive experience with Class III Video Lottery System development.

Education and Related Training

Chris holds a B.A. in Computer Science and Mathematics from State University of New York at Albany.

Employment History

2015-Present Everi, Inc., Schenectady, NY: Database Developer III

Chris is responsible for all facets of database development, including back-end accounting and database management, as well training new team members of database developers. Chris assisted in the planning and execution of MS SQL server full database migrations, 2000 to 2012 and SSRS reporting servers 2008R2 to 2012.

2010-2015 Xerox Litigation Services, Albany, NY: Complex Analyst/Project Manager

In the first three years spent at Xerox, Chris had extensive experience at both developing and managing critical tasks that didn't fit into the standard document processing workflow and custom reporting utilizing Oracle 11g SQL/ PL/SQL and perl scripting. For the remainder of Chris's Xerox experience, he served as a project manager on various multi-million-dollar litigation lawsuits. As a project manager, Chris performed many tasks including meeting client expectations from project inception, user application training, project specifications, document processing, review setup and execution, document production, and project completion on schedule and within budget in a fast paced, deadline-oriented environment.



Quanning Li (Steve Lee), Database Developer

Project Role

As the Database Developer, Steve will provide the database planning, database design, stored procedure development, and optimization of the SQL Server 2000/2008/2012/2016 database for New York Lottery.

Professional Experience

As a Microsoft SQL Server developer with over six years of solid and hands-on experience with Analysis, Development and Supporting, Steve has the genuine passion for developing and analyzing large, complex data sets and converting them into the insights that drive business decisions at all levels of the organization.

Education and Related Training

Steve holds a M.S. in Chemical Engineering from University of Florida.

Employment History

2019-Present

Everi Games Inc., Schenectady, NY: Database Developer II

Steve designs and develops business intelligence solutions, deploys required maintenance and improvements to production and development systems to enhance performance and achieve maximum accuracy and up-to-date standards by strictly following steps of development cycle. Steve collaborates closely with other developers and supervisors to ensure that all tasks are handled in a most efficient and precise manner and constantly captures existing defects and potential inconsistencies in the database and research on system-wide relations and structures.

2016-2018

CMS Mechanical Services, Melbourne, FL: SQL Developer

Steve worked as key role in maintaining and enhancing critical back office operational applications originally developed using SQL Server 2008 R2 and provided full stack database support. Steve generated and modified both timely and on-demand SSRS reports using Report Builder and SQL Server Development Studio and strictly follow requested template and format.



Daniel Lestage, SQL Server Professional

Project Role		As the Database Development and Support Manager, Daniel leads the database planning, database design, stored procedure development, and optimization of the SQL Server databases for the Everi Games Inc. Video Lottery Central System.
Professional Experience		Daniel has over two decades of experience with database design and development processes. He has an extensive background in large database development, application integration and has nearly a decade of experience with Video Lottery System development.
Education and Related Training		Galway Central High School, Regents Diploma – 1995 Majors: Business, Math and Science
Employment History	2011-Present	Everi Games, Inc., Las Vegas, NV: Database Development and Support Manager Daniel is responsible for all facets of database development, including back-end accounting and database management, as well as managing a team of database developers. Daniel assists in optimizing and enhancing the Video Lottery Systems for use in gaming markets and development of Player Tracking software offered by Everi Games, Inc., implementing process controls to ensure 99.9999% system up time to achieve maximum revenue.
	2007-2010	The Ayco Company, LP. A Goldman Sachs Company Database Administrator / Developer Daniel was responsible for design of data feeds and analysis of investment performance based upon the input from Ayco financial associates. He acted as lead developer of business specifications covering the implementation of data analysis for clients before and during the course of business with Ayco, implementing data feed automation from large client base including many Fortune 500 companies.
	2004-2007	mySmartSimulations Lead Database Engineer Recruited to lead database development and design in conjunction with the application development of interactive designing software, Daniel served as Lead Database Engineer for both MS SQL and MySQL, implementing an initiative to research multiple LMS platforms and choose the best suited for company long term growth strategy.



Charles Hrusovsky, Supervisor-Field Service

Project Role

As the Supervisor of Field Service at Empire City Casino in Yonkers, Charles will continue to supervise a team to provide continuing customer services and support to facility personnel and vendors at Yonkers and any surrounding areas as needed.

Professional Experience

Charles has been with Everi Games Inc. since 2005 and was part of the original team to implement the NY Central system and VLTs at Empire City Casino in Yonkers. Since then, Charles has continued to advance his career through the organization and spent the last 3 years supervising the Field Service Team at Yonkers.

Education and Related Training

Charles has gone through extensive training on the Central System and Network setup and is currently pursuing his bachelor's in computer science.

Employment History

2016 - Present Everi Games Inc. Austin, TX: Supervisor Field Service-NY

Responsible for the day to day operation at Yonkers. This includes planning and execution of game moves weekly, liaison between Everi Games Inc. and the site/vendors for upcoming projects, and Inventory control.

2007 - 2016 Everi Games Inc. Austin, TX: Field Service Technician III-NY

Primary support for customer and players at Empire City Casino at Yonkers Raceway. Deployed Systems and Networks to support over 5200 VLTs. Responsible for inventory control, spare parts request, service documentation and machine maintenance.

2005 - 2007 Everi Games Inc. Austin, TX: Field Service Technician I-NY

Primary support for customer and players at Monticello Casino & Raceway. Deployed Systems and Networks to support over 1500 VLTs. Responsible for inventory control, spare parts request, service documentation and machine maintenance.



Donna Weckesser, Supervisor-Field Service

Project Role

As the Field Service Supervisor in Western NY, Donna will continue to supervise a team to provide continuing customer services and support to facility personnel and vendors at Hamburg, Batavia, Finger Lakes and any surrounding areas as needed.

Professional Experience

Donna has been with Everi Games Inc. since 2004 and was part of the Field Service team that helped to implement the NY Central system and VLTs at Finger Lakes Gaming as well as many other NY sites. Since then, Donna has continued to advance her career through the organization and spent the last 7 years supervising the Western NY Field Support Team.

Education and Related Training

Donna has received a certificate in Networking Technologies through BOCES Adult Education. She has also obtained CompTIA A+ and Net+ certifications as well as Microsoft MCDST and MCP certifications. Donna has also gone through extended training on the Central System and Network setup.

Employment History

2012 - Present Everi Games Inc. Austin, TX: Field Service Supervisor-NY

Responsible for Field Service support activities in Western New York. Train and supervise technicians in the UCS and Network systems. Create documentation for process and procedures and implement best practices for our team. Implement new hardware and software upgrades. Coordinate with facilities and vendors on gaming floor projects and changes.

2006 - 2012 Everi Games Inc. Austin, TX: Field Service Lead Technician-NY

Provided training and support to a team of 4 technicians. Ensured they had the tools and knowledge needed to support and maintain our deployed equipment as well as support our UCS system and the end users and vendors.

2004 - 2006 Everi Games Inc. Austin, TX: Field Service Technician-NY

Primary onsite support for our customers and vendors at Finger Lakes Gaming. Deployed Systems and Networks to support over 1100 VLTs. Provided training and support to end users. Supported and maintained deployed network equipment as well as VTs, MT's and peripheral equipment.



Kin Chow, Supervisor-Field Service

Project Role

As the Supervisor of Field Service at Resorts World, Kin will continue to supervise a team to provide continuing customer services and support to facility personnel and vendors at Resorts World and any surrounding areas as needed.

Professional Experience

Kin has been with Everi Games Inc. since 2011 and was part of the original team that helped with installation of various hardware and software at Resorts World. Kin started out as a field service technician and was promoted to supervisor shortly after that. He's been leading this team ever since.

Education and Related Training

Kin has a B.S. in Marketing along with Technical Certificates such as A+ and Network+ and has gone through extended training on the Central System and Network setup. Kin plans to continue his technical studies going forwards.

Employment History

2016 - Present Everi Games Inc. Austin, TX: Supervisor Field Service-NY

Responsible for the day to day operation at Resorts World. This includes planning and execution of game moves weekly, liaison between Everi Games Inc. and the site/vendors for upcoming projects, and inventory control.

2011 - 2015 Everi Games Inc. Austin, TX: Technician - Field Service-NY

Performed preventative maintenance on all hardware components (switches, MTs, VTs, ETC.), maintain inventory count for all parts and cables needed for everyday use, assist all vendors and site when issue arises while providing excellent customer service.



Kurt Thomas, Supervisor-Field Service

Project Role

Field Service Supervisor in NY, Kurt will continue to supervise a team to provide continuing customer services and support to facility personnel and vendors at Saratoga, Vernon Downs and any surrounding areas as needed.

Professional Experience

Kurt has been with Everi Games Inc. since 2007 and was part of the Empire City Expansion projects as well as the Resorts World Casino installs. Oversaw the Vernon Downs Casino floor reduction and actively Saratoga Casino Hotel floor remodeling. Kurt has adopted the role as supervisor for various products such as Production System equipment, Kiosk, Games and Vendor support.

Education and Related Training

Kurt has an AAS in Industrial Electronics Technology & Computers (IETC) and A+ Certification. Kurt has also gone through extended training on the Central System and Network setup.

Employment History

2016 - Present Everi Games Inc. Austin, TX: Field Service Supervisor-NY

Responsible for supervising ClassII and ClassIII support activities in Central New York. In charge of equipment maintenance and repairs. Review project plans and vendor changes. As well as supervising 2 technicians.

2007 - 2016 Everi Games Inc. Austin, TX: Field Service Technician-NY

Field tech providing customer support for VLT, KIOSK cash redemption, equipment maintenance and inventory management.



Robert Rewkowski, Manager-Field Service

Project Role

As the Manager of Field Service in NY, Bob will continue to lead the team of supervisors and technicians in providing 24x7 onsite and on call support at each facility.

Professional Experience

Robert has been with Everi Games Inc. since 2003 and was part of the original team to implement the NY Central systems and VLTs. Since then, Bob has continued to advance his career through the organization and spent the last 10 years managing the NY Field Support Team.

Education and Related Training

Robert has managed the installation of all electronic finite ticket central system on site at all licensed gaming facilities in New York and worked on similar systems in California. He has also completed Interconnecting Cisco Networking Devices 1 and Interconnecting Cisco Networking Devices 2 coursework.

Employment History

- | | |
|----------------|--|
| 2010 - Present | Everi Games Inc. Austin, TX: Manager Field Service-NY |
| | Responsible for all Field Service support activities in New York. In charge of recruiting and training existing staff. Manage operating budget. Coordinate site expansion. Implement new hardware. |
| 2005 - 2006 | Everi Games Inc. Austin, TX: Supervisor Field Service-NY |
| | Supervised a team of 8 Technicians. Created process and procedures and implemented best practices. |
| 2003 - 2005 | Everi Games Inc. Austin, TX: Field Service Technician-NY |
| | Primary support for customer and players as well as new side buildouts. Saratoga, Finger Lakes, etc. |



Alexander Monahan, Network and System Specialist

Project Role

As a Network and System Specialist, Alex will be part of a team that monitors the gaming environment 24x7x365. Alex will play a key role in performing daily system administration, verify process completion, detecting and resolving anomalies, and ensuring the gaming environment is always up and available.

Professional Experience

Alex has over 3 years gaming experience with Everi Games Inc. and over 6 years working with technology. He is experienced in desktop support, network management, and system operations. He specializes in MS Windows and Cisco solutions.

Education and Related Training

Alex has extensive training in Microsoft Operating Systems. Administering monitoring solution such as Splunk, Solar Winds, and Microsoft Operations Manager (MOM). Hands on experience with network systems including Cisco and Juniper and security solutions like Symantec Endpoint Protection (SEP)

Employment History

- | | |
|----------------|--|
| 2016 - Present | Everi Games Inc, Schenectady, NY: Network & System Specialist II |
| | Alex is responsible for providing high-level technical support and problem resolution. As needed, he performs, analyzes and executes tasks using Microsoft SQL server tools. He works directly with Field Service to resolve facility issues. In addition, administers Active Directory users upon request and approval. |
| 2015 - 2016 | JLT Re., Latham, NY: Network Technician II |
| | Alex worked with Network Engineers in the design, deployment, and administration of networked systems. Tracked and maintained network and systems inventory. Administered users in the network environment. Supported VOIP and Citrix rollout, administration and end user issues. |
| 2015 - 2015 | Northern Rivers Family Services, Schenectady, NY: Systems Adm |
| | Alex assisted with domain merge project, performed end user support.. Administered domain users and group policies. Managed backup solutions. |



Anthony Craft, Network and System Specialist

Project Role

As a Network and System Specialist, Anthony will be part of a team that monitors the gaming environment 24x7x365. Anthony will play a key role in performing daily system administration, verify process completion, detecting and resolving anomalies, and ensuring the gaming environment is always up and available.

Professional Experience

Anthony has over 20 years gaming experience, 5 with Everi Games Inc. and 15 with GTECH. Anthony brings a diverse background and experience to the team. He has administered multiple gaming solutions and telecommunications equipment, tested software, lead and trained personnel.

Education and Related Training

Encore System Administration - Certificate
Sequent DYNIX 3 System Administration - Certificate
Control Data Corporation NOS/VE Users - Certificate

Employment History

2014 - Present Everi Games Inc, Schenectady, NY: Network & System Specialist II

Anthony provides high-level technical support & problem resolution. Performs, analyzes and executes tasks using Microsoft SQL Server tools. Records support calls using ticketing system (Sales Force). Develop and maintain relationships with clients. Monitor and troubleshoot network and system anomalies.

2006 - 2014 GTECH Corporation, Schenectady, NY: Technology Section Supervisor

Anthony coordinated daily activities of Control Room Operations personnel to ensure overall efficiency, data integrity and system performance. He trained, supervised and evaluated Computer Operators.. Assisted with testing of new software, reports results and implemented upon approval. Performed network monitoring using tools for verification of services, detecting, reporting and documenting anomalies. Accurately execute, validate, and recover defined processes to ensure that all draw processing, day-end processing, system balancing, file system maintenance, change requests and internal/external customer requests are completed.



Arthur Gibson, Network and System Specialist

Project Role

As a Network and System Specialist, Arthur will be part of a team that monitors the gaming environment 24x7x365. Arthur will play a key role in performing daily system administration, verify process completion, detecting and resolving anomalies, and ensuring the gaming environment is always up and available.

Professional Experience

Arthur has several years of experience with technical support and systems administration.

Education and Related Training

Arthur holds an A.O.S in Information Systems from Mildred Elley College, was Honor Graduate (valedictorian) from his class at the New School of Radio and Television, and holds a certificate in Medical Sciences from the United States Army Academy of Medical Sciences.

Employment History

2018 - Present Everi Games Inc, Schenectady, NY: Network & System Specialist I

Arthur is responsible for monitoring and maintaining the NOC. He utilizes his experience to determine the scope of, and level of effort necessary to complete projects/requests. He balances primary end-user projects against the queue of incoming job tickets.

2016 - 2018 Community Care Physicians PC, Albany, NY: Systems Analyst

Arthur engaged end-users to determine the scope of, and level of effort necessary to complete projects/requests. He balanced primary end-user projects against the queue of incoming job tickets.

2014 - 2016 Albany Medical Center, Albany, NY: Administrative Assistant/Surgical Scheduler

Arthur was responsible for patient registration and scheduling, as well as scheduling of surgeries with Albany Medical Center Hospital, and obtaining insurance authorization for aforementioned surgeries



Kavita Persaud, Network and System Specialist

Project Role

As a Network and System Specialist, Kavita will be part of a team that monitors the gaming environment 24x7x365. Kavita will play a key role in performing daily system administration, verify process completion, detecting and resolving anomalies, and ensuring the gaming environment is always up and available.

Professional Experience

Kavita has over 7 years gaming experience; 2 with Everi Games Inc and 5 with IGT. She has a diverse technical background and experience running both the NY Lottery systems and NY VLT Environment.

Education and Related Training

Kavita holds a B.S.in Information Science from Sage College of Albany and an associate Degree in IT from Bryant & Stratton College

Employment History

2017 - Present Everi Games Inc, Schenectady, NY: Network & System Specialist I

Kavita is responsible for monitoring and maintaining the NOC. She utilizes her experience to determine the scope of, and level of effort necessary to complete projects/requests. He balances primary end-user projects against the queue of incoming job tickets.

2012 - 2017 IGT Corporation, Schenectady, NY: Control Room Coordinator

Kavita monitored the performance of lottery computer systems, troubleshoot, corrected, and resolved system and processing anomalies. Assisted in software QA testing through the operation and administration of test systems and environments.



Michael Pustolka, Network and System Specialist

Project Role

As a Network and System Specialist, Michael will be part of a team that monitors the gaming environment 24x7x365. Michael will play a key role in performing daily system administration, verify process completion, detecting and resolving anomalies, and ensuring the gaming environment is always up and available.

Professional Experience

Michael has over 9 years of gaming experience with Everi Games Inc and over 20 years' experience working in the technology industry. Michael has extensive experience supporting customers, resolving system, and network communication issues

Education and Related Training

Michael holds an Associate in Applied Science in Electro-Laser Optics

Employment History

- | | |
|----------------|---|
| 2010 - Present | Everi Games Inc, Schenectady, NY: Network & System Specialist III

Michael is responsible for monitoring and maintaining the NOC. He utilizes his experience to determine to administer Windows Active Directory. SQL Jobs, and Cisco Network Gear. In addition Michael is actively engage in any special project that require his experience |
| 2009 - 2010 | Robert Half Technology, Albany, NY: Technical Support Specialist

Michael performed installation of Point of Sale systems and printer queue setup on Windows 2008 domains. Imaged Windows machines and configuring domain access. Administered SCCM 2007 for placing machines in containers and doing bare metal OS installs through PXE |
| 2008 - 2009 | General Electric Global Research, Niskayuna, NY: Tier 3 Server Support at General Electric Global Research

Michael performed administration of Windows 2003 and 2008 Server and active directory across multiple domains Responsible for monitoring and disk replacements for 300 Terabyte Netapps SAN. |



Paul Ganesh, Network and System Specialist

Project Role

As a Network and System Specialist, Paul will be part of a team that monitors the gaming environment 24x7x365. Paul will play a key role in performing daily system administration, verify process completion, detecting and resolving anomalies, and ensuring the gaming environment is always up and available.

Professional Experience

Paul has over 2 years gaming experience with Everi Games Inc. He has over 18 years' working as an IT professional. Paul has in depth knowledge of LAN, WAN and Cloud technologies. In addition, project experience in the design, upgrade, migration, and implementation of new technologies.

Education and Related Training

Paul holds a Bachelor of Science in Computer Science from The University of Guyana and holds several certifications; MCP - Windows XP, Cisco (CCNA), Microsoft (MSCA) and Citrix, Linux, and Crystal Reporting

Employment History

2017 - Present Everi Games Inc, Schenectady, NY: Network & System Specialist III

Paul leads the NY NOC staff who provide 24x7x365 monitoring and support. Paul also provides Tier 3 support during the Incident Management process. He is in charge of training and mentoring personnel, and responsible for creating and implementing best processes and procedures.

2016 - 2017 Complete Network Support (CNSIT), Albany, NY: Service Desk-Lead

Paul provided advanced technical advice and guidance to the Service Desk Technicians (Tiers 1 to 3). Coordinated the Service Desk team members in their daily duties. Technical escalation point person for team members and Priority 1 escalations.

2014 - 2016 NST Inc, East Northport, NY: NOC Engineer

Paul was in charge of NOC Administration and Help Desk Support in a Windows environment. He administered Cisco network systems and HP servers.



Richard Rodriguez, Network and System Specialist

Project Role	<p>As a Network and System Specialist, Richard will be part of a team that monitors the gaming environment 24x7x365. Richard will play a key role in performing daily system administration, verify process completion, detecting and resolving anomalies, and ensuring the gaming environment is always up and available.</p>
Professional Experience	<p>Richard has a total of 5 years gaming experience with Everi Games Inc. and over 11 years working with technology. He is experienced in Software QA, Database, System and Network Administration, and Incident Management</p>
Education and Related Training	<p>Richard holds an Associate's Degree in Electronic Technology from DeVry Technical Institute. He is also holds a CompTIA A+ and Network+ Certification from New Horizons</p>
Employment History	<p>2018 - Present Everi Games Inc, Schenectady, NY: Network & System Specialist III</p> <p>Richard is responsible for providing high-level technical support & problem resolution. As needed, he performs, analyzes and executes tasks using Microsoft SQL server tools. He is also responsible for training and support of junior Network and System Specialists.</p> <p>2016 - 2017 VIRTUSAPolaris, Troy, NY: Incident Manager</p> <p>Richard developed Standard Operating Procedures (SPOs). He managed site maintenance, deployments, updates, and patches. In addition, Richard monitor alerts and assisted with ticket handling and troubleshooting.</p> <p>2013 - 2016 Everi Games Inc, Schenectady, NY: Network and Systems Specialist III</p> <p>Richard monitored the VLT environment. Detected, escalated documented, and resolved any system anomalies. Worked with engineers to develop, and test software and system enhancements.</p>



Todd Marchesi, Network and System Specialist

Project Role

As a Network and System Specialist, Todd will be part of a team that monitors the gaming environment 24x7x365. Todd will play a key role in performing daily system administration, detecting, escalating, and resolving anomalies, and ensuring all processing completes successfully and the gaming environment is always up and available.

Professional Experience

Todd has over 21 years gaming experience; 6 with Everi Games Inc and 15 with GTECH. He has a diverse technical background and experience running both the NY Lottery systems and NY VLT Environment.

Education and Related Training

Todd is a graduate of Columbia High School-East Greenbush, NY

Employment History

2013 - Present Everi Games Inc, Schenectady, NY: Network & System Specialist II

Todd is responsible for the detection and escalation of service anomalies using proprietary and commercial off the shelf monitoring tools. Todd interfaces with support teams and development staff to investigate and resolve incidents. He works directly with internal and external customers to resolve anomalies

2001 - 2013 GTECH Corporation, Schenectady, NY: Control Room Coordinator

Todd was the primary contact for troubleshooting network, server, or processing errors. He was responsible for correction of conflicts and failures; as well as escalating unresolved issues to appropriate support personnel. Trained and mentored new and existing staff members and documented standard operating procedure.

1998 - 2001 GTECH Corporation, Schenectady, NY: Computer Room Operator

Todd performed daily systems computer operations and job processing. Investigated and resolved computer software and hardware problems. Performed regular backup, validation, and archival of transaction data.



Adam Key, Senior Network and System Architect

Project Role

As the Senior Network and System Architect, Adam will lead the Network and System Architecture design, planning, implementation and ongoing support of the Central System Infrastructure.

Professional Experience

Adams has over 8 years of gaming experience with Everi Games Inc. and over 18 years designing and implementing high availability transaction processing solutions. Everi Games Inc achievements include the design and deployment of Wide Area Progressive Gaming in Class 2 and 3 Tribal Gaming markets, Remote Gaming Servers, and security best practices.

Education and Related Training

Adam studied at the University of Texas-Austin. Adam has advanced training in Cisco and Barracuda Networking, HP Systems, Pure Storage, and VMware solutions.

Employment History

2012 - Present Everi Games, Inc., Austin, TX: Network and System Architect IV

Adam is the senior Network and System Architect responsible for the design & implementation of Everi Games Inc. production gaming infrastructure. Adam has led a significant number of important initiatives but most notably the infrastructure for Everi Games Inc.'s WAP (wide area progressive jackpot) system used in Tribal Gaming markets and the design of the first standardized virtualized solution for deployment at gaming facilities.

2001 - 2012 Kershner Trading Group, Austin, TX: Senior System Engineer

As the primary System Engineer, Adam was responsible for all aspects of KTG's enterprise infrastructure and systems. Adam was responsible for the design, installation and maintenance of the various servers, storage devices and enterprise solutions including Windows Servers, AV products, Exchange Server, Sharepoint, and all of KTG's proprietary trading applications. Adam reorganize the company's AD structure from three separate AD domains down to one to simplify administration. He designed and implemented the company's first virtualized systems using MS Hyper-V that led to a reduction of the number of physical servers deployed across the organization.



Brad Green, Network and System Architect

Project Role

As a Network and System Architect for NY, Brad will work with the team of network and system architects in the ongoing design, planning, implementation and support of the Central System infrastructure. In addition, Brad will provide ongoing 24x7x365 Tier 3 On Call Support.

Professional Experience

Brad has over 16 years gaming experience. Over the last 16 years, Brad been a key member of the NY Support Team. He has supported day-to-day operation and over the last 7 years been the primary architect supporting, designing, and deploying networks and systems to sustain the existing NY VLT environment.

Education and Related Training

Brad holds an A.A.S in Computer Information Systems from Fulton-Montgomery Community College in New York.

Employment History

2012 - Present Everi Games, Inc., Austin, TX: Systems and Network Architect II

Brad is responsible for coordinating the construction, maintenance, and expansion of the server and network infrastructure used to support the UCS system supporting the Video Lottery System throughout New York State. Brad's main responsibilities includes designing and implementing the infrastructure for new sites as well as maintaining and providing infrastructure improvements to existing environments. Brad also provides Tier 3 support for the Network Operations team.

2003 - 2011 Everi Games, Inc., Schenectady NY: Senior Network Operations Center Administrator

During Brad's tenure as a Senior Network Operations Center Administrator, he acted as the lead technical analyst and second tier on-call support responsible for monitoring and maintaining the UCS system supporting the Video Lottery System throughout New York State. He assisted with providing support to site facility staff, Everi Field Services technicians, game vendors, and the Gaming Commission with all aspects of the UCS system.



Mathew Muras, Network and System Architect

Project Role

As a Network and System Architect allocated to NY, Matt will support the network and system architecture design, planning, implementation and ongoing support of the Central System Architecture. In addition, provide ongoing 24x7x365 Tier 3 On Call Support

Professional Experience

Matt has over 7 years gaming experience. As one of the Senior Support and Deployment Engineers, Matt supports all new site implementations, infrastructure, and software upgrades for Everi Games Inc Class 2 and 3 Tribal Gaming Customers.

Matt is a technical architect with multiple Cisco, VMware certifications, and multiple years of PowerShell and PowerCLI experience.

Education and Related Training

Matt holds a B.A. in Philosophy and Linguistics, The University of Texas at Austin.

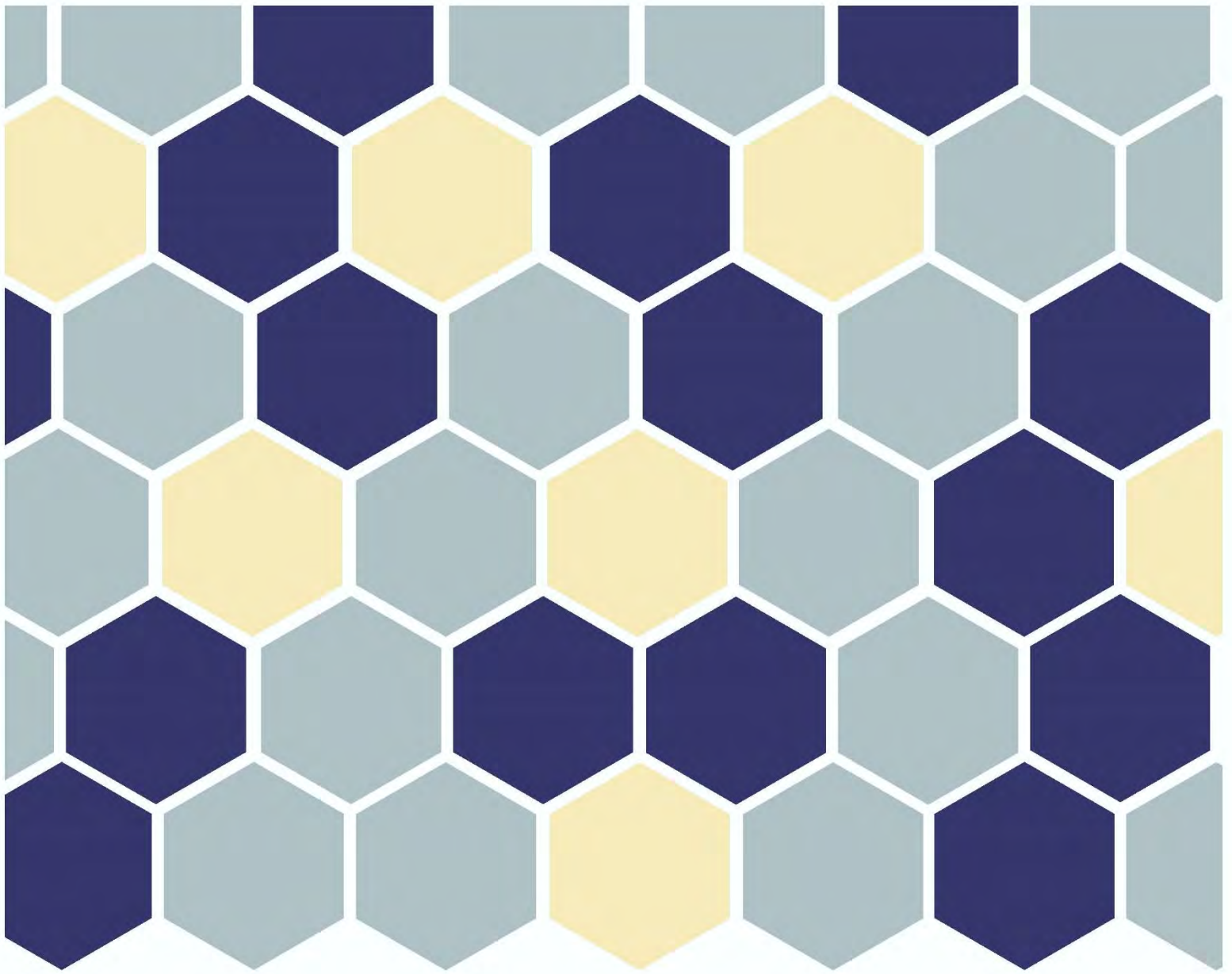
Employment History

2016-Present Everi Games, Inc., Austin, TX: Systems and Network Architect II

Responsible for improving throughput for deployments of VMware / next-generation systems: servers, networks & proprietary software through automation. Plan, design, deploy, & support gaming systems and networks.

2011-2016 Everi Games, Inc., Austin, TX: Network & Systems Specialist

Improved customer service by increasing team knowledge, consistency, & advanced training, while reducing technical debt by authoring multiple knowledge base articles.



EVERI

Appendix E-2

EMPLOYEE HANDBOOK

EFFECTIVE JULY 1, 2017

TABLE of CONTENTS

I. LETTER FROM THE CEO	5
II. INTRODUCTION	6
III. EMPLOYMENT	7
A. Equal Employment Opportunity	7
B. Diversity Policy	7
C. Open Door Policy	7
D. Compliance Policy	7
E. Internal Job Postings	8
F. Introductory Period	8
G. Employee Classifications	8
- Introductory Employees	8
- Regular Full Time Employees	8
- Regular Part Time Employees	9
- Temporary Employees	9
- Independent Contractor (1099) Employees	9
- Exempt/Non-exempt Employees	9
H. Rehire	10
I. New Employee Orientation	10
J. Nepotism	10
K. Outside Employment Policy	11
IV. SALARY and WAGE INFORMATION	13
A. Pay Period	13
B. Pay	13
- Nonexempt Operations Employees	13
- Nonexempt Administrative Employees	13
- Exempt Employees	13
C. Payroll Deductions	14
D. Form W-4, Employee's Withholding Allowance Certificate	14
E. Automatic / Direct Deposit	14
F. Work Schedule	15
G. Work Week Hours	15
H. Breaks and Meal Periods	15
I. Overtime	15
J. Compensatory Time	16
K. Time Change	16
L. Time Sheets	16
M. Time Off Requests	16
V. TIME OFF and LEAVE	17
A. Holiday Pay	17
B. Paid Time Off (PTO)	17
- Legacy Multimedia Games (MGAM) Employees	18
- Eligibility	18
- Accrual Process	18
o Staff Level (Nonexempt & Exempt)	19
o Manager Level	19
o Director and Vice President Level	20

o Senior Vice Present and Executive Level -----	20
- Carry Over of PTO -----	20
o California Employees -----	20
- Payment of Unused PTO-----	20
- New Hire / Rehire -----	21
C. Family and Medical Leave Act (Inc. Maternity / Paternity Leave) ---	21
- Eligible Employee Criteria-----	22
- Procedure for Requesting FMLA Leave-----	22
- Amount of Leave -----	23
- ADA Amendments Act of 2008 (ADAAA) -----	24
- FMLA / Protection -----	24
D. Pregnancy Disability Leave-----	24
E. Jury Duty -----	25
F. Military Leave -----	25
G. Bereavement Leave -----	25
H. Voting Time Off -----	26
I. Time Off for Other Purposes -----	26
VI. BENEFITS -----	27
A. Medical Benefits-----	27
B. Dental Insurance Plans-----	27
C. Vision Care Insurance -----	27
D. Basic Life and AD&D Insurance-----	27
E. Voluntary Benefits-----	27
F. Health Care and Dependent Care Reimbursement Account -----	28
G. Short-Term Disability (STD)-----	28
H. Long-Term Disability (LTD)-----	28
I. 401 (k) Employee Savings Plan-----	28
J. Employee Assistance Program (EAP)-----	29
K. Workers' Compensation-----	29
VII. ADDITIONAL EMPLOYEE POLICIES-----	30
A. Employee ID Badge Requirements-----	30
B. Prohibited Discrimination and Harassment-----	30
C. Workplace Violence -----	32
D. Safety-----	33
E. Solicitation / Distribution of Literature-----	34
F. Bulletin Boards-----	34
G. Computer, Email & Internet Usage -----	35
- Guidelines-----	35
- Everi's Right to Monitor and Consequences-----	36
- Questions regarding the Use of the Internet or E-mail -----	36
H. Social Media-----	36
I. Prohibited Conduct -----	39
J. Business and Cellular Phones Policy-----	41
K. Dress Code -----	41
- Corporate Headquarters / Payments Division (Las Vegas)-----	41
- Games Division Headquarters (Austin) -----	43
- Manufacturing / Field Service -----	43
- Financial Centers-----	43

- Compliance with Dress Code -----	43
- Hygiene and Grooming -----	44
L. Equipment and Records Policy-----	44
M. Guest / Visitor Policy -----	45
N. Mail Policy-----	45
O. Personal Auto Policy -----	45
P. Substance Abuse Policy -----	45
- Searches, Inspections and Testing-----	46
Q. Travel Policy-----	46
R. Gambling Policy -----	47
- Gambling Restrictions-----	47
- Reporting Requirements -----	48
- Gambling Policy Disclaimer -----	48
S. Employee Tips / Gratuity -----	48
T. Disclosure Policy -----	48
VIII. POLICIES RELATING TO JOB PERFORMANCE -----	50
A. Attendance and Tardiness Policy-----	50
B. Code of Business Conduct, Standards and Ethics-----	51
- Policy Statement-----	51
C. Employee Proprietary Information and Inventions Agreement-----	52
D. Compliance and Reporting -----	53
E. Gift Policy-----	54
F. Training -----	54
G. Performance Reviews-----	54
H. Insider Trading-----	54
I. Records of Conference (ROC) Definitions -----	55
IX. LEAVING EMPLOYMENT-----	56
A. Resignation -----	56
B. Exit Interview -----	56
X. MISCELLANEOUS -----	57
A. Personnel Records -----	57
B. Everi Employee Records Confidentiality Policy -----	57
C. Special Events -----	58
XI. ACKNOWLEDGEMENT and AGREEMENT -----	59

I. LETTER FROM THE CEO

Congratulations and Welcome to Everi!

Everi is uniquely positioned as the casino industry's only single source provider of robust payments solutions, vital compliance offerings, and engaging gaming machines that power the casino floor. Our mission is to be a transformative force to casino operations by delivering reliable protection and security, facilitating memorable player experiences, and striving for customer satisfaction and operational excellence.

We believe in the values of Transparency, Collaboration, Passion, Integrity, Innovation, Inspiration, and Quality. We also believe that our diverse employees are our most valuable assets and integral to Everi's continued success as a leader in the casino industry. You are now an important part of the Everi team and we are committed to your professional growth and success.

This handbook was developed to help familiarize you with Everi and outlines our policies, programs, and benefits. I urge you to please take the time to review the employee handbook as it will help answer many questions you may have about your employment with the Company.

We hope you find your new position at Everi to be an enjoyable, challenging, and rewarding experience. Welcome aboard!

Sincerely,

Mike Rumbolz
President and Chief Executive Officer

II. INTRODUCTION

The Everi Employee Handbook contains information about our employment policies and practices and is intended to be used as a reference guide to provide general information about EVERI and its philosophies. Throughout this Employee Handbook “EVERI” or the “Company” will refer to Everi Holdings Inc. and its subsidiaries. Employees should understand that this Handbook is not intended to be nor is it a contract for employment (express or implied), nor does it otherwise create any legally enforceable obligations on the part of the Company.

Employment at EVERI is expressly and always at-will, which means that both the Company and the employees are free to terminate the employment relationship at any time, with or without cause and with or without notice. Nothing in this Employee Handbook creates, or is intended to create, a promise or representation of continued employment for any employee.

- No director, manager, supervisor or representative of the Company has the authority to enter into an agreement for employment other than for at-will employment.
- No oral or written agreement for employment for any specified period of time or on any basis other than at-will is valid unless such agreement is in writing and signed by an authorized Company officer or representative of the Company.

The Company reserves the right to change, at its sole discretion, all policies and practices including, for example, hours, wages, working conditions, job assignments, position titles, compensation rates and benefits for any employee.

The policies set forth in this Employee Handbook replace any and all previous policy statements, whether written or oral. No such prior policies or procedures shall have any force after the effective date of this Handbook. Every employee is encouraged to thoroughly read the entire Handbook as it may contain significant changes to prior policies.

In addition to being responsible for familiarizing themselves with the information in this Handbook, all employees will review and acknowledge on an annual basis that they have read and understand the following policies (and any other policy that may be assigned as designated by job title/position):

- Prohibited Harassment Policy;
- Information System Resources and Access Security Policy;
- Code of Business Conduct, Standards and Ethics;
- Insider Trading Policy;
- PCI-DSS (Payment Card Industry Data Security Standard); and

If additional information is needed about a particular subject, feel free to consult your supervisor or Human Resources.

III. EMPLOYMENT

A. Equal Employment Opportunity

EVERI takes pride in being an equal opportunity employer. It is the policy of the Company to provide employment, training, compensation levels, promotion opportunities, and all other aspects of employment without discriminating on the basis of gender, sex, sexual orientation, gender identity, race, color, religion, national origin, age, physical or mental disabilities, military status, veteran status, marital status, or any other consideration made unlawful by applicable state and federal discrimination laws to all qualified employees and applicants. In addition, Everi will make reasonable accommodations, including modifications of Company policies and procedures in appropriate cases, for qualified individuals with disabilities and for sincerely held religious beliefs, if the Company can do so without undue hardship. You are encouraged to visit with Human Resources if you have questions about this, or other Company policies.

B. Diversity Policy

This Policy details EVERI's commitment to diversity in employment and general business practices. EVERI supports and offers a welcoming environment to all staff members, suppliers, and customers. We respect and honor individual and cultural differences as an enriching part of our corporate culture. The EVERI Diversity Policy will be disseminated through new hire orientation, bulletin board postings, and inclusion in this Handbook.

C. Open Door Policy

Effective interaction among peers, supervisors, and subordinates is critical to the success of the Company. Regardless of the issue, at Everi, we believe that through an **Open Door Policy of Communication** we can promptly resolve concerns that occur within the employment setting. The Human Resources Department is always available to assist employees. If the issue cannot be solved through consultation with your immediate supervisor, we encourage you to make an appointment with your Department Manager, or contact the Human Resources Department.

D. Compliance Policy

Everi views compliance with state and federal laws very seriously. A Compliance Line is available to give all employees an opportunity to express concerns regarding any potentially unethical or illegal situation in the workplace. Anonymous or voluntarily identified calls can be made from anywhere at any time. In addition, on an annual basis, Everi mails informational cards to employees and provides posters on the Compliance Line at every work site.

Employees based in the United States and Canada can call: **1-800-750-4972**.

Employees based in the UK can call: **1-800-931-0608**; Access # **0-800-89-0011** or **0-500-89-0011**.

Employees based in Macau can call: **1-800-931-0608**; Access # **0-800-111**

All other international employees can call: **1-800-750-4972**

E. Internal Job Postings

Internal job positions the Company chooses to post will be posted on www.everi.com under Careers. Generally, internal postings are made at the sole discretion of the Company. The Company reserves the right to recruit or hire external candidates without posting openings internally.

Employees are not eligible to apply for internal positions until they have completed six (6) months in their current position unless applicable EVP(s) approve(s) of the moves. An employee must also be in good standing at the time of application for any open, internal position, and must not have any unsatisfactory documentation in their personnel file for the 90 days prior to application.

F. Introductory Period

During the first three months (90 days) of continuous employment at the Company, employees will learn job responsibilities and get acquainted with fellow employees. This period is considered an introductory period.

Completion of the introductory period does not entitle an employee to remain employed by the Company, nor does it create any contractual obligations by the Company to the employee. During the introductory period and thereafter, the employee remains an at-will employee, allowing both the employee and the Company, at any time, with or without advance notice and with or without “cause,” to end the employment relationship. Employees earn some, but not all, benefits during the introductory period, as described below.

G. Employee Classifications

In order to determine eligibility for various benefits, the following employment categories have been established:

Introductory Employees

The term “introductory employees” is used in this handbook (Section F above) to refer to those employees who are within the first 90 days of employment with the Company.

Regular Full Time Employees

An employee who successfully completes the introductory period and is regularly scheduled to work 40 hours per week for a period of indefinite duration is referred to as a regular full time employee. Full time regular employees are eligible for the Everi benefit programs in accordance with position and length of employment as well as income tax and social security (FICA) tax withholding. In addition, Everi pays FICA and unemployment insurance taxes for the benefit of its full time regular employees.

Regular Part Time Employees

An employee who successfully completes the introductory period and is regularly scheduled to work less than 40 hours per week for a period of indefinite duration is referred to as a regular part time employee. Employees who work at least 30 hours per week are eligible for the Everi benefit programs in accordance with specific policy limitations, position, length of employment, and number of hours worked (as some benefits may not be available to part time regular employees in general and/or may be prorated) as well as income tax and social security (FICA) tax withholding. In addition, Everi pays FICA and unemployment insurance taxes for the benefit of its part time regular employees. A part time employee who regularly works less than 30 hours per week is not eligible for any healthcare benefits. (Note: Healthcare benefits are governed exclusively by the Plan Documents and not the Employee Handbook.)

Temporary Employees

Temporary employees are those employees who are employed solely for temporary or short-term assignments, including individuals who work for an agency, seasonal, on-call, or interim basis. Temporary employees will be held to the same performance and attendance standards as regular employees, but are not eligible for pay increases and employee benefits until they become regular full time employees, or regular part time employees as described above. After 180 business days, a decision will need to be made on whether to release, or hire, the employee unless granted special permission. In addition, temporary employees may be classified as exempt, or non-exempt, on the basis of job duties and compensation. (Note: Temporary employees do not automatically become regular employees as a result of the passage of time. Should a temporary employee convert to a regular full time employee they will be subject to the same hiring requirements as if they were an outside candidate applying for the position with the Company.)

Independent Contractor (1099)

Everi may employ and/or retain independent contractors from time to time. These individuals, or companies, generally perform specific projects. The terms of the relationships between independent contractors and Everi are determined by their agreements with the Company, but in no event are independent contractors eligible for benefits or tax withholding. Contractors converted to full, or part time, regular status do not receive credit for time worked in an independent contractor role toward service dates (e.g., Adjusted Date of Hire), or service-related programs (e.g., PTO). In addition to the preceding, employees are also categorized as 'exempt' or 'non-exempt' according to the provisions of the Fair Labor Standards Act (FLSA) as amended.

Exempt/Nonexempt Employees

Exempt employees, by definition, are exempt from overtime compensation. Non-exempt employees are employees who are entitled to be paid for overtime work in accordance with the provisions of applicable state and federal wage and hour laws.

H. Rehire

An employee who leaves the Company in good standing is eligible to apply for any open position, but is not entitled to any preference in the hiring process. If the employee previously passed their introductory period and has been separated from employment for 30 days or less, there is no additional introductory period and the employee will maintain seniority status as applicable prior to the separation. If the period of separation is more than 30 days, the employee will be subject to the standard introductory period of 90 days. If the employee rehired within 5 years of departing the Company, the employee will receive credit for previous tenure on a pro-rated basis.

I. New Employee Orientation

Each newly hired employee must attend a new employee orientation session conducted by Human Resources in person, or by accessing New Employee Orientation Audio PowerPoint Presentation on SharePoint or through WebEx (an online live meeting). Each session will cover the following topics:

- Company and departmental information;
- Policies and signed acknowledgements that include ethics, fraud, attendance, substance abuse, harassment, discrimination, workplace violence, confidentiality, safety, security, performance reviews and the Everi Compliance Line;
- Overview of Company benefits;
- Payroll information including pay dates, direct deposit, holidays, time off requests, timesheets (if applicable);
- Employee Assistance Program; and
- Completion of all new hire paperwork.

J. Nepotism

An employee who may have, or who enters into, a relationship with another employee that is familial or romantic (referred to as 'personal relationship' for purposes of this policy) may not work directly for, or supervise the employee with whom he or she is involved. Everi reserves the right to take prompt action if an actual, or potential, conflict of interest arises concerning individuals who occupy positions at any level (higher or lower) in the same line of authority that may affect employment decisions. Supervisors are prohibited from dating subordinates and may be disciplined for such actions up to and including termination.

When a conflict of interest, or the potential for a conflict of interest, arises because of a personal relationship between employees, even if there is no line of authority or reporting involved, the employees may be separated by reassignment or terminated from employment. If such personal relationship is established after employment, it is the responsibility and obligation of the employees involved to disclose the existence of the relationship to their department manager. When a relationship of interest or the potential for a conflict of interest arises because of a relationship affecting employment, the individuals concerned will be given the opportunity to decide who is to be transferred to

another position or terminated if no other position is available. If the decision is not made immediately, management will decide who is to be transferred or, if necessary, terminated from employment.

K. Outside Employment Policy

Full time, salaried employees, (i.e. “exempt employees”) may not engage in any employment outside of the Company that will distract them from performing their duties or impair their ability to fulfill their responsibilities to the best of their ability. Full time, salaried employees may not consult for, own or operate a business that will interfere with or take away from that employee’s ability to perform all obligations to the Company to the best of the employee’s ability.

Full time, or part time, hourly employees (i.e. “nonexempt employees”) may accept outside work only if that work does not conflict with their Company work requirements. Outside employment should not conflict with any work schedule or potential change in work schedule, impact or in any way limit the ability of the employee to perform the job requirements when scheduled to work.

No employee, exempt or nonexempt, may accept employment or any consulting work from any Everi customer. This means employees may not work for gaming properties that are, or are reasonably likely, to become Company customers.

In addition to the above, no employee may solicit or conduct any outside business during paid working time, or during any time they are conducting Everi business. No work activity related to outside employment may take place during the employee’s regular hours, nor may the employee use Company resources for the benefit of any entity other than the Company.

Employees are permitted to engage in outside work if:

- I. Activities and conduct away from the job do not compete with, conflict with or in any way undermine the Company interests or adversely affect job performance and the ability to fulfill all responsibilities to the Company or any of its subsidiaries;
- II. The employee holding another job performs their job duties and responsibilities satisfactorily at all times. Outside employment will not be considered an excuse for poor job performance. All employees are judged by the same performance standards and are subject to the Company’s scheduling demands, regardless of any outside work requirements. If outside work activity causes or contributes to job-related problems, it must be discontinued and, if necessary, disciplinary procedures will follow to deal with the specific problem;
- III. The demands of employment outside the Company do not, in any way, interfere with the employee’s ability to perform work for the Company. Outside employment will not be considered an excuse for absenteeism, tardiness, leaving early, refusal to travel or refusal to work overtime or different hours;

IV. Regular full time employees must obtain approval from their immediate supervisors and Human Resources before accepting any outside employment. In determining whether to approve outside work, department heads and the HR department will consider whether the proposed employment:

- Will reduce the employee's efficiency in working with the Company;
- Involves working for an organization that does business with the Company, such as contractors, suppliers and customers; and/or
- Will adversely affect the Company's reputation for providing quality services to its customers.

If Everi determines that an employee's outside work interferes with performance or the ability to meet the requirements of the Company, as they are modified from time to time, the employee may be asked to terminate the outside employment if they wish to remain employed with the Company.

If an employee accepts outside employment they may not, under any circumstance, use Paid Time Off (PTO) to work the outside job(s). If this occurs, the employee will be subject to immediate disciplinary action up to and including termination.

Any employee who wishes to serve in an advisory capacity for another organization or serve on the board of any organization must first obtain approval from Human Resources and the CEO/President. Approval will be granted based on the amount of time and type of activity involved, any potential interference with the employee's regular work schedule, and the benefit to the employee and the Company.

IV. SALARY AND WAGE INFORMATION

A. Pay Period

The Company endeavors to pay employees fairly, competitively, and within prescribed and applicable laws. Salaries and wages are reviewed regularly and adjustments will be considered in relation to job performance and in accordance with the pay plan in the employee's group. Any changes in compensation are decided at the Company's sole discretion.

U.S. based employees are paid bi-weekly, on every other Friday. If a payday falls on a holiday, paychecks will be distributed on the preceding workday. The pay schedule is subject to change at any time with reasonable notice. It is against Company policy to issue payroll advances. Non-U.S. based employees are paid as prescribed by the terms and conditions in the country in which they are employed.

B. Pay

In most circumstances, pay increases, when awarded, will be effective the first day of the pay period following the employee's review date or promotion.

Nonexempt Employees

Hourly employees are reviewed at least annually, but may be reviewed earlier during the first year at management's discretion. Pay increases may be tied to these reviews, but are determined on an individual basis at the discretion of management. Performance reviews will be conducted for every employee on an annual basis at a time the Company designates.

Exempt Employees

Exempt employees are reviewed for performance by their supervisors on an annual basis. After the first year of employment, the employee will move to the annual Company standard. The first annual review could be within a short period of time following the first year review, depending on the Company schedule. Pay increases take these reviews into consideration, but are determined on an individual basis and may be awarded at any time at the discretion of management. Performance reviews will be conducted annually for every employee at a time the Company designates.

C. Payroll Deductions

Federal, state, and local income taxes and social security taxes, as required by law, are deducted from employees' earnings. In addition, court-ordered garnishments, state disability as required in some jurisdictions and any other government-mandated amounts may be deducted. These deductions may change from time to time, as they are affected by changes in the amount earned, by legislation, and by the number of dependents declared.

Employees may authorize deductions for any of the following:

- Health Insurance;
- 401(k) Plan – deductions will begin unless you “opt out” of the Plan minimum;
- Qualified Pre-tax Accounts; and
- Any other elections employees make to have withheld from their checks that are permitted by law.

Payroll deduction authorizations may be in writing, email or via carrier connection. Please consult your Payroll Manager, or HR Department if you have any questions concerning deductions.

D. Form W-4, Employee's Withholding Allowance Certificate

At time of hiring

All employees must furnish Everi with a completed and signed Form W-4 on or before the date of employment. If an employee fails to provide Form W-4, Everi is required to withhold as if the individual were single with no withholding exemptions.

Exemption from withholding

Employees claiming exemption from withholding must submit a Form W-4 to Human Resources each year by January 31st to claim such an exemption. Because an employer cannot knowingly permit the use of an invalid Form W-4 to calculate withholding, Everi will notify an employee if it believes an employee has submitted an invalid W-4, and ask for another one. If an employee fails to provide a Form W-4, Everi is required to withhold as if the individual were single with no withholding exemptions.

E. Automatic / Direct Deposit

The Company highly encourages employees to have their paychecks deposited directly to their bank accounts automatically. Employees may have their paychecks deposited automatically as long as their bank is a member of the Automated Clearing House (ACH). Employees can initiate the setup for direct deposit online through the ADP Workforce Now system once given access. Please reach out to Payroll or Human Resources if you have any further questions and/or problems with setting up your direct deposit.

F. Work Schedule

The normal workweek schedule is a total of 40 hours for full time employees. In general, the work hours for all hourly employees are determined by the operational and scheduling needs of the employee's department in accordance with all applicable state and federal fair labor standards. Overtime is paid in accordance with those provisions. The standard workday for each full time employee is eight (8) hours, based upon your regular start time (e.g., 8:30 a.m. to 5 p.m. / 8:00 a.m. to 5:00 p.m. - includes a lunch break of 30/60 minutes), Monday through Friday. NOTE: All Company-paid holidays are based on an 8-hour a day work schedule (see Holiday pay for additional information)

G. Work Week Hours

The workweek starts at 12:01 a.m. Monday and ends at 12:00 midnight Sunday.

H. Breaks and Meal Periods

The Company provides meal periods and breaks in accordance with applicable state and local laws. Meal periods are unpaid and are not included in your regular or overtime schedule. In the absence of state or local requirements, Everi nonexempt employees will clock-out and then clock-in, at a minimum, for one 30-minute lunch break per 5 hour shift worked. Individual departments set and maintain schedules relating to departmental employee breaks and meal periods. Practices may vary between departments. Breaks

should not exceed the departmental limit during each half day of work. Breaks **may not** be used to adjust work schedules, or be accumulated for future use. For example, you may not use breaks to make up for reporting late or leaving early from work. In addition, employees **may not** work during their meal period without the approval of their supervisor. Violation of these policies may lead to disciplinary action up to and including termination.

Break rooms are shared areas and should be kept clean and neat. It is the responsibility of each employee to clean up after themselves.

I. Overtime

All nonexempt employees may be required to work overtime whenever it is deemed necessary by the supervisor. No overtime may be worked without the knowledge and prior approval of their supervisor. Violation of this policy may lead to disciplinary action up to and including termination.

For the purpose of overtime compensation, hours actually worked in excess of forty (40) hours by a nonexempt employee during a workweek will be counted as overtime and paid at time and one-half the hourly rate. Additionally, in those states where required by law (and only those states), overtime will be paid on hours actually worked in excess of eight (8) hours during any workday, subject to appropriate exemptions authorized by state law. If you work seven (7) consecutive days or more than twelve (12) hours in a shift, you should ask your supervisor to contact Human Resources to ensure the correct pay rates are applied.

Only those hours actually worked are counted to determine an employee's overtime pay. For a week in which a holiday or multiple holidays occur(s), holiday hours will not be considered as time worked for the purpose of calculating overtime payment. (Holidays recognized by the Company are specified later in this Handbook and may be changed at the Company's discretion at any time.) Any amount of time taken as PTO is not considered time worked for purposes of overtime calculation. Exempt employees are required to work as many hours as necessary to complete their assignments and do not receive overtime pay.

J. Compensatory Time

The Company does not provide compensatory time.

K. Time Change

Daylight Savings Time: Spring - Employees on the 3rd shift that work only seven (7) hours will record seven (7) hours worked for that day.

Standard Time: Fall - Employees on the 3rd shift that work nine (9) hours because of the time change, will record nine (9) hours worked with one (1) hour at the overtime rate where required by state law.

L. Time Sheets (Nonexempt & Temporary employees)

For nonexempt employees, all hours worked and PTO taken must be recorded daily. Time is recorded by the minute via ADP Time and Attendance payroll system in ADP Workforce Now. If a paper time sheet is utilized until employee information is uploaded into the payroll system, the time sheet must be initialed or signed by the employee and the supervisor. Falsifying time sheets or time cards is prohibited, and may be grounds for disciplinary action up to and including termination.

M. Time Off Requests

Requests for time off should be approved by your supervisor prior to actual dates. Approved time off is considered an authorized absence. Unauthorized absences will be grounds for disciplinary action up to and including termination. Time Off Requests must be completed online through ADP Workforce Now and approved before any PTO, or unpaid leave, is taken. The amount of advance notice required before requesting time off is established by department rules. When it is not possible to complete a request prior to taking PTO or unpaid leave, such as an absence due to illness, the request should be completed immediately upon your return to work.

V. TIME OFF AND LEAVE

A. Holiday Pay

Everi employees are eligible for holiday pay immediately upon date of hire. (**NOTE:** *Holiday pay is defined as 8 hours of pay for each designated holiday. If an employee is normally scheduled to work a shift longer than 8 hours (9, 10, 11 or 12 hours for example) the employee will still only receive 8 hours of holiday pay. Any difference between the scheduled shift and the 8 hours holiday pay will remain as unpaid time off or, at the discretion of the employee, made up from any accrued PTO the employee may have*). The employee must work their scheduled hours both the day before and the day after the holiday to receive holiday pay. In the case of two consecutive holidays, the same requirement applies to each day. Note – if the employee has pre-approved and scheduled PTO leave, or special situations granted by the supervisor, this time would be considered as scheduled.

NOTE: For employees working in a call center, help desk or financial center role, you must also work the holiday, if scheduled, in order to receive holiday pay.

Unless otherwise provided in this Handbook, all full time employees will receive time off with pay at their normal base rate for each Company-observed holiday. Additionally, nonexempt employees who are required to work on a holiday are paid their regular base rate. When the holiday is worked and those worked hours result in an overtime situation, all hours worked are paid at the time and one-half rate (or at some other appropriate rate as dictated by relevant state laws).

Holiday pay, for eligible part time employees who consistently work between twenty (20) hours or more per week in a 5-day workweek will be paid four (4) hours per Holiday. Temporary, seasonal, and on-call employees are not eligible for paid holiday benefits.

Employees are ineligible for compensation for any Company-observed paid holiday that occurs during the course of an unpaid leave of absence. *Employees who regularly work less than 20 hours per week earn no holiday pay.*

Employees will be notified annually at year-end of the dates of the holidays to be observed the following year. This information can also be found on the Company's SharePoint site. Standard holidays (which are subject to change) are typically:

New Year's Day	Labor Day
Martin Luther King, Jr. Day	Thanksgiving Day
Presidents' Day	Day after Thanksgiving
Memorial Day	Christmas Eve Day or Day after Christmas
Independence Day	Christmas Day

B. Paid Time Off (PTO)

In the absence of state and local requirements, the Company will provide all non-executive, eligible full time and eligible part time employees with PTO hours that can be used after completion of the Introductory Period (90 days from date of hire) for any reason, including vacation, personal illness, medical and dental appointments, emergencies, family care, medical leave, disability leave, and personal commitments. All time away from work will be deducted from the employee's PTO bank in hourly increments with the exception of fixed Company holidays, and time off in accordance with Company policy for jury duty, military duty, or bereavement leave. Exempt employees will only account for full days.

Legacy Multimedia Games (MGAM) Employees

If you are a Legacy MGAM employee and have questions regarding your PTO, please discuss with your immediate supervisor/manager, or a Games HR Representative for further clarification.

NOTE: PTO does not count as hours worked for purposes of computing overtime.

Eligibility

All non-executive full time employees are eligible to earn PTO. Additionally, part time employees who regularly work at least 20 hours per week are eligible to earn PTO. Part time employees who regularly work less than 20 hours per week do not earn PTO. Temporary and Independent Contract (1099) employees are not eligible to participate in the Company's PTO program.

For all eligible employees, PTO will begin accruing effective on the employee's date of hire. Newly hired employees will not be eligible to use any accrued PTO until after the completion of their Introductory Period (90 days from date of hire).

Accrual Process

PTO accrues and is credited to an employee's PTO bank on the last day of each pay period. The amount of PTO accrued is based upon the number of calendar days in the pay period related to the specific PTO year. PTO accrues in each pay period throughout the year. The accrual year runs January 1 to December 31. Each employee's length of service and job level determines the Pay Period Accrual Rate. The annual accrual levels are illustrated on the following pages.

PTO does not accrue while an employee is on unpaid leave, or when an employee is receiving short-term or long-term, disability benefits. Employees become eligible for increases in the accrual rate on the first day of the pay period subsequent to the employee's anniversary date, or when they are promoted and qualify for a higher annual level.

Accruals are based upon 76 working hours per payroll period. Eligible employees who work at least 20 hours per week accrue PTO on a pro rata basis, depending on the number of hours they are regularly scheduled to work per week. The maximum per payroll period accrual will be based upon 38 hours per week payroll period. For example, an employee who works less than 76 hours in a payroll period (e.g. 70 hours) will have the PTO accrual prorated as follows: $70 \text{ hours worked} / 76 \text{ hours max PTO accrual} = 92.10\%$ of the PTO accrual per Pay Period amount. An employee who works more than 76 hours in a pay period will earn 100% of the listed PTO accrual per Pay Period amount.

Employees can utilize their PTO at their discretion during the calendar year, with the appropriate approvals. In instances where an employee requests PTO in excess of their accrued hours to date, a manager may use his/her discretion to advance additional hours up to the lesser of: a) the total remaining available hours for the employee's accrual year or b) 40 hours. All PTO days taken that result in a negative balance must be approved by the supervisor and by Human Resources prior to accumulating the negative balance.

Should the employee leave the Company prior to accruing adequate hours to cover any advanced hours, the employee's final paycheck will be reduced to reflect the remaining balance of advanced PTO hours.

Beginning each year, all eligible employees will begin to accrue PTO as of the first pay period of the year. This will be based on the current year level and years of employment, and the balance prorated through the year as described in the Accrual Process section above. This is designed to minimize negative bank accumulation. If you are promoted or graduate to a new level, the accrual rate will change prospectively on your anniversary or promotion date for the remainder of the year, at the new level.

The Company will not pay accrued, but unused PTO, if an employee's employment is terminated for any reason prior to their 6 month anniversary, except in compliance with applicable state law. Should California employees have any questions about the payment

of PTO upon termination, they are encouraged to discuss this issue with Human Resources.

Staff Level (Nonexempt & Exempt)

Full Time Employees

Years of Employment	Yearly Accrual (in Days)	Accrual per Pay Period
Less than four (4)	16	4.92 hrs.
Four (4) to eight (8)	19	5.85 hrs.
Nine (9) to fourteen (14)	21	6.46 hrs.
Fifteen (15) to nineteen (19)	24	7.38 hrs.
More than twenty (20)	28	8.62 hrs.

Manager Level

Full Time Employees

Years of Employment	Yearly Accrual (in Days)	Accrual per Pay Period
Less than four (4)	20	6.15 hrs.
Four (4) to eight (8)	23	7.08 hrs.
Nine (9) to fourteen (14)	26	8.00 hrs.
Fifteen (15) to nineteen (19)	29	8.92 hrs.
More than twenty (20)	32	9.85 hrs.

Director and Vice President Level

Full Time Employees

Years of Employment	Yearly Accrual (in Days)	Accrual per PP
Less than four (4)	26	8.00 hrs.
Four (4) to eight (8)	29	8.92 hrs.
Nine (9) to fourteen (14)	32	9.85 hrs.
Fifteen (15) to nineteen (19)	35	10.77 hrs.
More than twenty (20)	38	11.69 hrs.

Senior Vice President and Executive Level

Executive Vice President and Senior Vice President employees will not request nor accrue PTO. Time off will be taken as needed with approval of the CEO, or their supervisor.

When a Senior Vice Present or Executive Vice Present leaves the Company there will be no PTO payout.

In the event of a FMLA leave of absence event that qualifies for Short Term Disability benefits, the elimination period, based on the current contract with the Short Term Disability carrier, will be covered by any available earned PTO hours.

Carry Over of PTO

No PTO days will be carried over to the next calendar year, except in compliance with any applicable state law including California. This will ensure that employees abide by the current policy and that employees utilize this benefit to ensure that performance and morale is maximized.

Any unused PTO days will be forfeited to the Company at midnight on December 31st of each year, unless extenuating business circumstances have prevented the employee from taking scheduled PTO. In these rare cases, PTO may be carried over and taken in the first quarter of the next year with the necessary approvals from HR and Executive staff. Employees that find themselves in this circumstance must submit a request in writing to their supervisor. The supervisor, in turn, must submit the request to Human Resources with the endorsement that PTO requests were denied due to business requirements. In no instance will the carryover request exceed 5 days, or 40 hours.

California Employees

Eligible California employees may carry over accrued PTO from one calendar year to the next. As provided for by the California Division of Labor Standards Enforcement (DLSE), the cap on PTO accrual for Everi is 1.50 times an employee's annual PTO accrual. Therefore, the PTO maximum balance is 1.50 times an employee's annual PTO accrual rate. Should California employees have any questions about the carryover of PTO, they are encouraged to discuss this issue with Human Resources.

Payment of Unused PTO

Except as otherwise set forth in this Handbook, Company employees (except those in California or any other state with applicable laws) have no legal right to receive payment for accrued, but unused PTO, upon termination. However, employees who have worked at least 6 months and who resign, or retire, by providing a minimum of two (2) weeks' notice will be paid for all accrued but unused PTO earned in their annual PTO Bank. Legacy MGAM employees who have a balance of PTO hours remaining in their Legacy PTO bank who resign, or retire, by providing a minimum of two (2) weeks' notice will be paid for up to 40 hours of their accrued but unused Legacy PTO Bank. In addition, the Company reserves its right, at its sole discretion, to pay accrued but unused PTO upon voluntary or involuntary termination, or in any other circumstances.

It is expected that a terminating employee will work the entire time designated by his/her notice, at the convenience of the Company without utilizing PTO. PTO will not be paid

out while currently employed and cash outs will not be permitted. Should you have any additional questions regarding your PTO, please contact a Human Resources representative.

New Hire / Rehire

If an employee is rehired after voluntary resignation (or involuntary for Financial Center Closure only), prior service will be added to current service to determine the PTO accrual rate in the years following the year of rehire, unless the time away from the Company exceeds the length of prior service. If an employee is rehired after involuntary termination, prior service will not be added to current service to determine the PTO accrual rate.

C. Family and Medical Leave Act (Including Maternity / Paternity Leave)

The Family and Medical Leave Act (the “FMLA” or the “Act”) provides for up to 12 workweeks of unpaid job protected leave for employees eligible for leave under the Act for one or more of the following reasons;

- I. The birth of a child, or placement of a child with you for adoption or foster care
- II. Your own serious health condition
- III. Because you are needed to care for your spouse; child; parent due to his/her serious health condition
- IV. Because of a qualifying exigency arising out of the fact that your spouse; son or daughter; parent is covered active duty or call to covered active duty status with the Armed Forces
- V. Because you are the spouse; son or daughter; parent; next of kin of a covered service member with a serious injury or illness

If a husband and wife both work for the Company and each wishes to take leave for the birth of a child, adoption or placement of a child in the home, the husband and wife may only take a combined total of 12 work weeks of leave.

Eligible Employee Criteria:

- Employee must be employed by Everi for a total of 12 months and the employee must have worked at least 1,250 hours (eligibility criteria may vary by state) over the 12 months immediately preceding the requested leave.
- The 12 months, or 52 weeks, of employment need not have been consecutive. Separate periods of employment will be counted provided that the break in service does not exceed seven years. Separate periods of employment will be counted if the break in service exceeds seven years due to National Guard or Reserve military service obligations.

Procedure for Requesting FMLA Leave

Employees are required to give their immediate supervisor 30 days advance notice when the need for FMLA leave is foreseeable; the reasons for the leave must be explained to HR only so as to allow the Company the opportunity to determine that the leave qualifies under the FMLA. If an employee fails to provide the requisite 30 day advance notice for foreseeable events without any reasonable excuse for the delay, the Company reserves the right to delay the taking of the leave until at least 30 days after the date the employee provides notice of the need for family care or medical leave. If the employee fails to provide a qualifying basis for leave, FMLA qualified leave may be denied. If the 30 day notice is not foreseeable, notice must be given as soon as practical.

All employees requesting FMLA leave must complete the appropriate designated DOL (Department of Labor) Certification of Health Care Provider leave request form. For foreseeable leaves, employees must provide the required medical certification before the leave begins. When this is not possible, employees must provide the required certification within 15 calendar days after the Company delivers the certification to the employee (along with the Notice of Eligibility and Rights and Responsibilities), unless it is not practical under the circumstances to do so, despite the employee's good faith efforts. Failure to provide the required medical certification may result in the denial of leave until such certification is provided.

Qualifying exigency leave is available for families of members of the United States Armed Forces including the National Guard and Reserves, when the covered military member is on active duty, or called to active duty in support of a contingency operation. Employees should see Human Resources for more information regarding this leave.

Military caregiver leave is available to care for an ill or injured service member (spouse, son, daughter, parent or next of kin). Employee may take up to 26 weeks in a single 12-month period to care for a covered service member with a serious illness or injury incurred in the line of duty on active duty. Next of kin is defined as the closest blood relative of the injured or recovering service member. Employees should see Human Resources for more information regarding this leave.

If the Company has reason to believe the employee Health Care Provider certification does not establish that the employee suffers from a serious health condition, the Company may require the employee to obtain a second opinion from a doctor of the Company's choosing at the Company's expense. If the employee's health care provider and the doctor providing the second opinion do not agree, the Company may require a third opinion, also at the Company's expense. Leave request forms are available from Human Resources.

Initial Medical Certifications

Employees requesting leave because of their own, or a qualified family member's serious health condition, or to care for a covered service member must supply medical certification supporting the need for such leave from their health care provider or, if applicable, the health care provider of their covered family or service member. A new

initial medical certification will be required on an annual basis for serious medical conditions lasting beyond a single leave year.

Note: If an employee has approved FMLA certification documentation on file and misses four consecutively scheduled shifts they must have a doctor's release to return to work. (This requirement should not be confused with Everi Attendance Policy which states that if an employee misses 3 consecutive days or more they must have a doctor's release to return to work.)

Amount of Leave

Eligible employees receive up to 12 weeks of unpaid leave in a rolling 12-month period for qualified reasons under the FMLA. This 12-month period is measured backwards from the date the employee's leave commences. Under the "rolling" 12-month period, each time an employee takes FMLA leave the remaining leave entitlement would be any balance of the 12 weeks which has not been used during the immediately preceding 12 months.

Employees are required to use accrued PTO concurrent with any FMLA leave. This does not extend the total duration of FMLA leave to which the employee is entitled to beyond 12 workweeks in a rolling 12-month period. Once PTO has been exhausted, the remaining FMLA leave will be unpaid.

- FMLA leave for the birth, adoption, or foster care placement of a child in the home must be concluded within one year of the birth, adoption or placement.
- FMLA leave for the employee's own serious health condition, or for the serious health condition of the employee's spouse, parent, or child, may be taken intermittently or on a reduced schedule where medically necessary.

Some states may have laws that provide for greater or different family and medical leave rights than those provided by the FMLA. New Jersey's Family Leave Act ("NJFLA"), for example, applies to employees who have been employed for at least 12 months and who have worked at least 1,000 hours in the 12 months prior to the proposed leave, as opposed to 1,250 hours necessary for FMLA coverage. However, NJFLA does not apply to an employee's own serious health condition. For more information on what your state's laws are, please contact your Human Resources Department.

If requested leave qualifies for FMLA leave and leave under state law, the leave used counts against the employee's entitlement under both laws, unless otherwise prohibited.

Americans with Disability Act Amendments Act of 2008 (ADAAA)

The Company has the obligation to provide reasonable accommodations without the request of the employee should the employee suffer from a disability as defined by the ADAAA. The accommodation will allow the employee to do the essential functions of his/her job. Such accommodations will be made with the knowledge of Human

Resources. Modifications made to provide accommodations for an employee will be periodically evaluated by the Company to ensure effectiveness.

FMLA / Protection

The Company maintains the employee's health coverage for the 12-week FMLA period as if the employee had continued working. If employees are required to pay all or a portion of the health coverage cost, this requirement will continue during FMLA leave. The Company will provide the employee with advance written notice of the terms and conditions under which these payments must be made.

NOTE: If an employee goes two months without paying their portion of their elected health benefit premiums while on leave Everi will cancel the employee's elected health benefits for non-payment. The employee will not be eligible to re-enroll for health benefits until the next benefit open enrollment period.

Employees who return to work immediately following the expiration of an approved FMLA leave will be reemployed in their former position, or a substantially comparable position following the leave of absence, consistent with applicable law. The Company is not required to offer "key" employees, as that term is defined by the FMLA, reinstatement to a similar position following the end of their leave. Prior to returning to work, an employee who has taken leave due to his own serious health condition must provide the Company with a fitness for duty certificate from the employee's doctor authorizing the employee's return to work. Employees are encouraged to direct any questions regarding this policy to Human Resources.

D. Pregnancy Disability Leave (PDL)

In addition to leave taken under the Company's FMLA policy, employees in some states, but not all, in which Everi operates are entitled to disability leave because of their pregnancy, childbirth, or related medical condition. Please review Section C (page 21) above for more information on FMLA leave. Please consult with Human Resources or visit <http://www.dol.gov/> for more information for your state's leave policies.

E. Jury Duty

Everi encourages employees to serve on jury duty when called. If an employee is summoned for jury duty, or to serve as a witness, they should contact their supervisor as soon as summoned so that provisions can be made for the absence. A copy of the summons must be provided to the supervisor and the Human Resources Department at the time of notification. All regular full time and part time employees receive compensation for jury service for up to 7 business days in addition to jury fees for their regularly scheduled work hours. Except as provided in this policy, jury and witness leave is unpaid. Employees must return to work when released from jury duty, or service as a witness, and submit a signed letter/receipt from the court documenting dates of attendance to receive compensation for their service as described above.

F. Military Leave

Everi provides military leaves of absence to employees who serve in the uniformed services as required by the Uniformed Services Employment, Reemployment Rights Act of 1994 (USERRA) and applicable state laws. In addition, Everi provides up to two (2) weeks' pay continuation to all Full Time Regular Employees and Part Time Regular Employees who take approved military leave, less any other pay the employee receives for his or her military service. The employee is also required to provide a copy of his or her military orders, and a statement as to the other pay the employee expects to receive for his or her military service, at least one (1) week prior to the military leave. Upon return from leave, the employee must submit a detailed statement confirming the other pay the employee received as a result of his or her military service.

Leave is available for active duty, active duty for training, initial active duty for training, inactive duty training, full time National Guard duty and for examinations to determine fitness for any such duty. Total military leave time taken may not exceed five years during employment, except in special circumstances. If an act of war is declared and an employee is called into active military duty, we will integrate his/her pay for 3 months.

Accrued PTO will be paid during military leave at your request and health plan coverage continuance can be arranged for up to 18 months during military leave, if required. Premium payments are made by you.

As with other leaves, failure to return to work or to reapply within applicable time limits may result in termination of employment.

G. Bereavement Leave

Bereavement time off up to three (3) consecutive days with pay may be granted for regular full time and part time employees to attend the funeral of an immediate family member. An immediate family member is defined as spouse, mother, father, sister, brother, child, stepchild, stepparents, stepbrother, stepsister, grandparents, grandchild, or current in-laws. If the deceased individual is a family member not in the immediate family, one (1) day with pay may be granted at the discretion of the Company.

H. Voting Time Off

In accordance with applicable state laws and local ordinances, Everi encourages you to fulfill your civic responsibilities by voting. Unless otherwise specified by state law, the Company will not provide paid time off to vote. This Policy applies to all Everi employees.

I. Time Off for Other Purposes

Consistent with applicable state laws, which vary from state to state, the Company will provide time off for certain meetings, including but not limited to, those required by the school of an employee's child and other school activities, for employee's adult literacy programs, for leave related to domestic violence, and for crime victim's leave. Any

questions surrounding the specifics of this Time Off for Other Purposes should be directed to Human Resources.

VI. BENEFITS

Note: The descriptions below are illustrative and do not constitute the Plan Document, Summary Plan Description (SPD), or an offering of benefits. The Company benefit offerings are described in the Plan Documents, or SPDs, provided for each benefit plan and the Company reserves the right to change any and all benefits at any point in time.

Employees who work at least 30 hours per week for 12 weeks consecutively and consistently thereafter are eligible for healthcare benefits. Employees who regularly work less than 30 hours per week are not eligible for healthcare benefits.

A. Medical Benefits

Regular full time employees (including introductory employees) are eligible to participate in the group health insurance program beginning the first day of the month following employee's date of hire. Premiums are made through payroll deductions based on 26 bi-weekly pay periods per year. See Human Resources or Plan Documents for details.

B. Dental Insurance Plans

Regular full time employees (including introductory employees) are eligible to participate in the dental preferred provider organization plan beginning the first day of the month following employee's date of hire. Employees may choose to use the "in network" or "out of network" options. See Human Resources or Plan Documents for details.

C. Vision Care Insurance

Regular full time employees (including introductory employees) are eligible to participate in any group vision care program that may be offered beginning the first day of the month following employee's date of hire. See Human Resources or Plan Documents for details.

D. Basic Life and AD&D Insurance

The Company provides employees who work a minimum of 30 hours per week with Basic Life Insurance and Basic Accidental Death and Dismemberment (AD&D) Insurance at Company expense for the premiums. See Human Resources or Plan Documents for details.

E. Maternity/Paternity/Adoption Benefit

The Company offers up to five (5) consecutive working days of pay continuation to full-time regular employees that have completed the Introductory Period (90-days) of employment and who take an approved leave of absence for the birth or adoption of a child. The benefit will need to be requested and taken within twelve (12) weeks of the birth or adoption event. To request Maternity/Paternity/Adoption pay, an employee must notify HR of the request in writing at least 30-days prior to the first day of requested leave and provide proof of the birth/adoption.

F. Adoption Assistance Program

In keeping with Everi's goal of providing family-orientated benefits to its employees, the Adoption Assistance Program will provide eligible employees with financial assistance to help defray expenses related to the medical, legal and administrative costs associated with adoption.

This policy will outline the adoption assistance benefit available to regular full-time employees who have been employed with Everi on a continuous basis for at least 1 year and whose base annual wage(s) are less than \$125,000.00 annually.

Full time (defined as working 30 hours or greater on a weekly basis) eligible employees may be reimbursed to a maximum of \$5,000 per adoption with a maximum lifetime benefit of \$10,000. If both spouses are employed by Everi, the maximum combined reimbursement amount for adoption assistance will be \$5,000 per adoption with a maximum lifetime benefit of \$10,000.

A complete copy of the Adoption Assistance Program and application can be found on Everi's SharePoint or Human Resources.

G. Voluntary Benefits

The Company has contracted with independent insurance agencies to provide additional voluntary insurance benefits such as supplemental life, critical illness, personal accident, auto, home, and legal access plans. Premiums for these benefits will be made through payroll deductions based on 26 bi-weekly pay periods per year. The Voluntary Benefits are subject to change; see Human Resources for the options on voluntary insurance.

H. Health Care and Dependent Care Reimbursement Account

Eligible employees may set aside from \$50 (minimum) to \$2,550 (maximum) per year in a pre-tax account to cover qualifying non-reimbursed medical expenses. Eligible employees may set aside from \$50 (minimum) to \$5,000 (maximum) in a pre-tax account to cover qualifying dependent care expenses (\$2,550 maximum if you are married & filing separately). By setting up this pre-tax account, also known as a flexible spending account (FSA), employees may benefit from a tax savings. Up to \$500.00 can be rolled-over to the next benefit year. Any remaining balance over \$500.00 will be forfeited. See Human Resources or Plan Documents for details.

I. Short-Term Disability (STD)

Regular full time employees are eligible for short-term disability with the Company sponsored plan on the first of the month after hire date. The Company pays 100% of this benefit and it is calculated as imputed income. Employees should:

- Enroll in a state disability program in states where that option is available

Short-term disability will be paid in accordance with the terms of the Plan. Please see Human Resources for details. Employees must still remit payment to Everi for all payroll deductions, including employee portion of health care benefit premiums and FSA deductions, while receiving short-term disability payments.

J. Long-Term Disability (LTD)

LTD plan is designed to pay the employee a portion of their regular monthly income, on the first of the month following the date of hire with an elimination period of 90 days if they are disabled and no longer can work. The Company pays for 100% of this benefit and it is calculated as imputed income. See Human Resources or Plan Documents for details.

K. 401(k) Employee Savings Plan

Any employee, full time or part time (excluding interns), who are at least 18 years of age, is eligible to participate in the 401(k) plan beginning the first day of the month coinciding with, or following the employee's date of hire. Employees will automatically be enrolled in the 401(k) plan for a minimum 4% deduction unless they 'opt' out of participation. Also, your contribution level will rise 1% each year (unless you choose a different level), until it reaches 15% of your eligible compensation. These increases will occur each year on the anniversary of your automatic enrollment date. Please refer to the Company SharePoint page, or contact Human Resources to obtain a copy of the 401(k) Summary Plan Description.

L. Employee Assistance Program (EAP)

The Company provides employees and their families the opportunity to obtain free and confidential counseling through Employee Assistance Programs, Inc. This includes medical problems such as alcoholism or drug abuse, or emotional, financial, marital, or interpersonal issues. All contacts with the EAP are confidential. Utilization of the program is voluntary, but a supervisor may recommend the services of EAP to an employee in some disciplinary cases. All regular employees are eligible to participate in the EAP any time after the date of hire. For more information, please contact Human Resources at any time.

M. Workers' Compensation

Workers' Compensation is designed to protect both the employee and the Company in case of an on-the-job injury, or illness. It is the employee's responsibility to immediately report to the supervisor and Human Resources any accident that results in the employee's injury. Failure to do so may result in lost benefits to the employee. Details on in-network treatment centers and forms to be completed can be accessed on SharePoint under Human Resources/General Forms or contact Human Resources at 702-855-3064.

VII. ADDITIONAL EMPLOYEE POLICIES

Note: The policies below may be supplemented with specific documentation and a signed acknowledgement in addition to this Handbook. All policies and signed acknowledgements will be maintained in the employee's file. Employees will also be required to complete online annual training regarding critical workplace policies.

A. Employee ID / Badge Requirements

All employees who are required to wear an ID badge are required to do so at all times while on Company property.

Corporate Security will retain temporary and visitor badges. Employees who forget their badge will be able to sign out a temporary badge with the understanding that it is to be returned by close of business that day. Employees should not have a need to keep the badge overnight unless they receive written consent from Corporate Security. Moreover, employees who do not return the badge the first time will receive a verbal warning for violating the Badge Policy. If this behavior continues, the employee could face disciplinary action up to and including termination.

Visitor badges with building access will also be available in Corporate Security. The employee and their visitor who require access badges will have to both sign for them with the understanding it will be due back to Corporate Security by close of business that day. If the visitor is going to have an extended engagement, then they will need to repeat this procedure everyday they are in the building unless they receive written consent from Corporate Security to keep the badge through the duration of their stay. All visitor badges that do not offer building access will be retained by the front desk receptionist.

B. Prohibited Discrimination and Harassment

Everi maintains a strict policy prohibiting discrimination and harassment because of sex, race, color, religion, age, disability, sexual orientation, gender identity, national origin, medical condition, marital status, veteran status, military status or any other basis made unlawful by any applicable law, ordinance or regulation. This policy applies to all persons involved in the operations of the Company and prohibits such discrimination and

harassment by any employee of the Company, including supervisors and co-workers, any customer or client of the Company, and any vendor or other service provider at our facilities or financial centers.

Prohibited harassment means unwelcome verbal, visual, or physical conduct that is sufficiently severe or pervasive so as to interfere with an employee's work performance or create an intimidating, hostile, or abusive working environment. Harassment, whether it is by employees, managers, executives or third parties is strictly prohibited and will not be tolerated. The perpetrator of discrimination, or harassment, will be subject to disciplinary action up to and including termination.

Discrimination is the unequal treatment of employees in the terms and conditions of employment based upon the employee's sex, race, color, religion, age, disability, sexual orientation, gender identity, national origin, medical condition, marital status, veteran status, military status, or any other basis made unlawful by any applicable law, ordinance or regulation.

Harassment includes, but is not limited to:

- Verbal conduct such as epithets, derogatory comments, slurs, or unwanted sexual advances, invitations, or comments.
- Visual conduct such as derogatory posters; offensive photography, cartoons, drawings, or gestures.
- Physical conduct such as unwanted touching, blocking normal movement, or interfering with work directed at you because of your sex or any other protected basis.
- Threats and demands to submit to sexual requests in order to keep your job or avoid some other loss, and offers of job benefits in return for sexual favors.
- Retaliation for opposing, reporting or threatening to report harassment, or for participating in an investigation, proceeding or hearing conducted by an investigating agency.

Prohibited discrimination and harassment are not necessarily limited to the loss of a job, or some other economic benefit. If you believe you are being harassed or discriminated against in violation of this policy, you may use the procedure outlined in this policy to file a complaint and have it investigated. In addition, the Company asks that all employees report conduct they observe which is prohibited by this policy whether or not they are personally involved. All supervisory employees who witness such conduct or otherwise become aware of any allegations or complaints of harassment must report it to Human Resources and their supervisor immediately. A supervisory employee's failure to immediately report such activity, complaints or allegations will result in discipline up to and including termination.

You may bring a complaint to your own supervisor, or any other Company supervisor/manager, Human Resources, or call the Compliance Hotline at (800) 750-4972, (refer to Section III-D, Compliance Policy, of this handbook for additional compliance line contact information) preferably as soon as possible after any incident you

feel is prohibited discrimination or harassment. Your complaint should include the details of the incident or incidents, the names of the individuals involved and the names of any witnesses. Supervisors will refer all complaints of prohibited discrimination or harassment to Human Resources. The Human Resources Department will undertake an investigation of the allegations. This investigation will be completed and a determination regarding the alleged conduct will be made and communicated to you as soon as practical. The Company treats all complaints of harassment and discrimination seriously, and all employees are expected to be candid and truthful during the investigation. If evidence arises that a participant in the investigation has made intentionally false statements, the employee will be disciplined up to and including termination.

If the Company determines that prohibited discrimination or harassment has occurred, the Company will take remedial action commensurate with the severity of the offense. Action will also be taken to deter any future harassment or discrimination. The Company will not retaliate against you for filing a complaint and will not permit retaliation by management or any other employees. If you feel you are being retaliated against in any manner whatsoever, please report this immediately by calling: 702-855-3000 in Las Vegas and/or 512-334-7500 in Austin and ask for the Human Resources Department; or call the Everi Compliance Line toll-free number at (800) 750-4972 (refer to Section III-D, Compliance Policy, of this handbook for additional compliance line contact information).

The Company encourages all employees to report any incidents of discrimination or harassment prohibited by this policy immediately so that complaints can be quickly and fairly resolved and relevant witnesses can be interviewed while events are still fresh in their memory.

C. Workplace Bullying

Workplace bullying is engaging in actions or mistreatment of one or more employees which causes that employee to experience reasonable fear that she or she will experience a malicious mix of humiliation, social exclusion, intimidation, sabotage of performance or the unlawful use of physical force. It is deliberate, hurtful, repeated mistreatment of employees driven by a desire to control and can exist at any level of the organization.

Workplace bullying can be considered as negative acts which include:

- Intimidating or undermining employees by demeaning their work standards, not giving them credit, setting them up for failure and constantly reminding them of old mistakes
- Threatening employees' personal self-esteem and work status
- Isolating employees from opportunities, information and interaction with others
- Establishing impossible deadlines, creating undue pressure and stress and overworking employees

Bullying Behaviors may include:

- Verbal Bullying: slandering, ridiculing or maligning a person or his/her family; persistent name calling which is hurtful, insulting or humiliating; using a person as the butt of jokes; remarks that would be viewed by others in the workplace as abusive and offensive; persistently interrupting another employee or preventing the employee's legitimate attempts to speak; use of nicknames after being warned that the nickname is considered to be offensive; constant criticism on matters unrelated to an employee's job performance or description or on matters that cannot be documented;
- Physical Bullying: pushing; shoving; kicking; poking; tripping; assault, or threat of physical assault; damage to an employees work area or personal property;
- Gesture Bullying: non-verbal threatening gestures such as, but not limited to, the following: approaching another person with fists clinched or with one or more fighting gestures which could reasonably be interpreted as threatening; brandishing a weapon; making gestures that would reasonably be interpreted as amorous or sexual in nature;
- Social Bullying (including Cyber-bullying): engaging in verbal bullying via mail, email, text message, phone or voicemail; deliberately interfering with mail, email, text messages, phone, voicemail or other communication; spreading malicious rumors or gossip about another person; manipulating the workload of an employee in a manner designed to cause the employee to fail to perform his/her legitimate functions; inflicting menial tasks on an employee not in keeping with the employee's normal responsibilities;
- Yelling, shouting and screaming;
- Insults and behind-the back put-downs.

Workplace bullying may result in employee's suffering from significant physical and emotional problems, including anxiety, depression, gastrointestinal disorders, headaches, insomnia, cardiovascular disease, poor concentration, substance abuse and lowered self-esteem.

Bullying may be intentional or unintentional. However, if an allegation of bullying is made, the intention of the alleged bully is irrelevant and will not be given consideration when appropriate disciplinary action up to and including termination is warranted.

If you believe you are being bullied in violation of this policy, you may use the procedure outlined in this policy to file a complaint and have it investigated. In addition, the Company asks that all employees report conduct they observe which is prohibited by this policy whether or not they are personally involved. All supervisory employees who witness such conduct or otherwise become aware of any allegations or complaints of bullying must report it to Human Resources and their supervisor or any member of management immediately. A supervisory employee's failure to immediately report such activity, complaints or allegations will result in discipline up to and including termination.

You may bring a complaint to your own supervisor, or any other Company supervisor/manager, Human Resources, or call the Compliance Hotline at (800) 750-4972, (refer to Section III-D, Compliance Policy, of this handbook for additional compliance line contact information) preferably as soon as possible after any incident you

feel is bullying. Your complaint should include the details of the incident or incidents, the names of the individuals involved and the names of any witnesses. Supervisors will refer all complaints of bullying to Human Resources. The Human Resources Department will undertake an investigation of the allegations. This investigation will be completed and a determination regarding the alleged conduct will be made and communicated to you as soon as practical. The Company treats all complaints of bullying seriously, and all employees are expected to be candid and truthful during the investigation. If evidence arises that a participant in the investigation has made intentionally false statements, the employee will be disciplined up to and including termination.

If the Company determines that bullying has occurred, the Company will take remedial action commensurate with the severity of the offense. Action will also be taken to deter any future bullying. The Company will not retaliate against you for filing a complaint and will not permit retaliation by management or any other employees. If you feel you are being retaliated against in any manner whatsoever, please report this immediately by calling: 702-855-3000 in Las Vegas and/or 512-334-7500 in Austin and ask for the Human Resources Department; or call the Everi Compliance Line toll-free number at (800) 750-4972 (refer to Section III-D, Compliance Policy, of this handbook for additional compliance line contact information).

D. Workplace Violence

The safety and security of our employees is of vital importance. Acts or threats of physical violence, including intimidation, bullying, harassment and/or coercion, which involve or affect the Company, or which occur on Company property, will not be tolerated. The prohibition against threats and acts of violence applies to all persons involved in the operation of the Company, including, but not limited to Company personnel, contract and temporary workers and anyone else on Company property. Violations of this policy, by any individual, will result in disciplinary and/or legal action as appropriate.

Definitions: Workplace violence is any intentional conduct which is sufficiently severe, offensive or intimidating to cause an individual to reasonably fear for his or her personal safety or the safety of his or her family, friends and/or property such that employment conditions are altered; or a hostile, abusive or intimidating work environment is created for one or several Company employees. Examples of workplace violence include, but are not limited to the following:

- Threats or acts of violence occurring on Company premises, regardless of the relationship between the Company and the parties involved in the incident.
- Threats or acts of violence occurring off Company premises involving someone who is acting in the capacity of a representative of the Company.
- Threats or acts of violence occurring off Company premises involving an employee of the Company who is a victim if the Company determines that the incident may lead to an incident of violence on Company premises.
- Threats or acts resulting in the conviction of an employee or agent of the Company, or of individual(s) performing services for the Company on a contract or temporary

basis, under any criminal code provisions relating to violence or threats of violence, which adversely affect the legitimate business interests of the Company.

Specific examples of conduct that may be considered threats or acts of violence, under this policy include, but are not limited to the following:

- Threatening physical or aggressive contact directed toward another individual.
- Threatening an individual or his/her family, friends, associates or property with physical harm.
- The intentional destruction or threat of destruction of Company property or another's property.
- Harassing or threatening phone calls.
- Surveillance.
- Stalking.
- Veiled threats of physical harm or like intimidation.

Workplace violence does not refer to occasional comments of a socially acceptable nature. (Such comments may include references to legitimate sporting activities, popular entertainment or current events.) Rather, it refers to behavior that is personally offensive, threatening or intimidating. However, if the content of a comment violates this policy, disciplinary action up to and including termination may be taken even if it is contended that the comment was made in jest.

Enforcement: Any person who engages in a threat or violent action on Company property may be removed from the premises as quickly as safety permits, and may be required at the Company's discretion to remain off Company premises at least until the Company concludes its investigation into the incident.

When threats are made or acts of violence are committed by a Company employee, a judgment will be made by the Company as to what actions are appropriate, including possible medical evaluation or possible disciplinary action up to and including immediate termination.

The Company will make the sole determination of whether, and to what extent, the Company will act upon threats or acts of violence. In making this determination, the Company will undertake a case by case analysis in order to ascertain whether there is a reasonable basis to believe that violation of this policy has occurred. No provision of this policy shall alter the at-will nature of employment at the Company.

E. Weapons in the Workplace

To ensure that Everi maintains a workplace safe and free of violence for all employees, the Company prohibits the possession or use of dangerous weapons on Company property, on a Company client's site/property or at any sponsored Company event.

All Company employees, temporary employees, visitors, contractors, vendors and any other individual doing business on Company property or at Company sponsored events

are subject to this policy. A license to carry a weapon does not supersede Company policy. Any employee in violation of this policy will be subject to disciplinary action, up to and including termination.

'Company Property' is defined as all Company-owned or leased buildings and surrounding areas such as sidewalks, walkways, driveways and parking lots under the Company's ownership or control. This policy also applies to all Company owned or leased vehicles and all vehicles that come onto Company Property.

'Dangerous weapons' include firearms, explosives, knives and other weapons that might be considered dangerous or that could cause harm. Employees are responsible for making sure that any item possessed by the employee is not prohibited by this policy.

Everi reserves the right at any time and at its discretion to search all Company-owned or leased vehicles and all vehicles, plus packages, containers, briefcases, laptop bags, purses, lockers, desks, enclosures, work stations and persons entering its property, for the purpose of determining whether any weapon is being, or has been, brought onto its property or premises in violation of this policy. Employees who fail or refuse to promptly permit a search under this policy will be subject to discipline up to and including termination.

This policy is administrated and enforced by the Human Resources department. Anyone with questions or concerns specific to this policy should contact the Human Resources Department.

F. Safety

Everi has a vital interest in providing each employee with a safe and healthy place to work. We also have an obligation to act responsibly toward the communities in which we do business. Our objective is to manufacture products, provide services to customers, and to otherwise conduct our business in the safest possible manner. Employees engaging in unsafe practices, as well as those failing to report any accident or failing to make a proper accident report will be subject to disciplinary action up to and including termination.

Employees must report any work related injury or illness, large or small, to their supervisor immediately following the incident or onset of symptoms. The employee and/or the supervisor must fill out a Workers' Compensation (WC) First Report of Occupational Injury or Illness report immediately, or as soon as possible (no later than 24 hours after incident) and forward to Human Resources for proper processing and reporting. The WC First Report of Occupational Injury or Illness form can be located on the Company SharePoint, or contact Human Resources for additional assistance.

G. Solicitation / Distribution of Literature

In order to maintain and promote efficient operations, discipline and security, the Company has established rules applicable to all employees that govern solicitation,

distribution of written material and entry onto the premises and work areas. All employees are expected to comply strictly with these Company rules.

These rules will be strictly enforced. Any employee who is in doubt concerning the application of these rules should consult with his or her supervisor immediately.

- No employee shall solicit or promote support for any cause or organization during his or her working time or during the working time of the employee or employees at whom such activity is directed.
- No employee shall distribute or circulate any written or printed material in work areas at any time, or during his or her working time or during the working time of the employee or employees at whom such activity is directed.
- No employee shall enter or remain in the working areas of the Company for any purpose except to report for, be present during, and conclude a work period.
- Under no circumstances will non-employees be permitted to solicit or distribute written material for any purpose on Company property.

Please contact Human Resources with any questions, and for approval of any and all solicitation and distribution of literature.

H. Bulletin Boards

Bulletin boards provide a centralized location to post important notices to be seen by employees. They are important tools for effective communications, such as Department of Labor postings, information regarding benefits, Company news, etc. Employees may not post notices of a personal nature such as party invitations, items for sale, etc. on Company bulletin boards. All personal and professional posted items must be approved and stamped by Human Resources prior to posting and must comply with the Company's Prohibited Discrimination and Harassment Policy.

I. Computer, Email & Internet Usage

Everi recognizes that use of the Internet has many benefits for the Company and its employees. The Internet and e-mail make communication more efficient and effective. Therefore, employees are encouraged to use the Internet appropriately. Unacceptable use of the Internet can place Everi, its employees and others at risk. This policy outline discusses acceptable usage of the Internet.

Guidelines

In conjunction with the Information System Resources and Access Security Policy, the following guidelines have been specifically established for using e-mail and the Internet in an appropriate, ethical and professional manner.

- Everi Internet and e-mail access may not be used for transmitting, retrieving or storing of any communications of a defamatory, discriminatory or harassing nature or materials that are obscene or offensive in any way. No messages with derogatory or inflammatory remarks about an individual's race, age, disability, religion, national origin, physical attributes, sexual preference or other protected characteristic shall be transmitted. Harassment and/or bullying of any kind is prohibited.
- Disparaging, abusive, profane, or offensive language; materials that would adversely or negatively reflect upon Everi, or be contrary to Everi's best interests; and any illegal activities — including piracy, cracking, extortion, blackmail, copyright infringement, and unauthorized access to any computers on the Internet or e-mail — are forbidden.
- Copyrighted materials belonging to entities other than Everi may not be transmitted by employees on the Company's network. All employees obtaining access to other companies', or individual's materials must respect all copyrights and may not copy, retrieve, modify or forward copyrighted materials, except with permission or as a single copy to reference only. If you find something on the Internet that may be interesting to others, do not copy it to a network drive. Instead, give the URL (uniform resource locator or "address") to the person who may be interested in the information and have that person look at it on their own.
- Do not abuse use of the Internet. This includes excessive usage, sending or receiving large files and "spamming" (sending e-mail messages to thousands of users).
- The Internet is full of useful programs that can be downloaded, but some of them may contain computer viruses that can extensively damage our computers. Be sure to virus-check downloaded files immediately. Instructions on how to check for viruses are available through the IT Department. Also, many browser add-on packages (called "plug-ins") are available to download. There is no guarantee that such will be compatible with other programs on the network and such may cause problems; therefore, please refrain from downloading such plug-ins.
- Each employee is responsible for the content of all text, audio or images that they place or send over the Company's Internet and e-mail system. No e-mail or other electronic communications may be sent which hides the identity of the sender or represents the sender as someone else. Also, be aware that our Company name is attached to all messages so use discretion in formulating messages.
- E-mail sent, received or that passes through Everi computer systems, is not private or confidential. All electronic communications are Everi's property. Therefore, the Company reserves the right to examine, monitor and regulate e-mail messages, directories and files, as well as Internet usage. Also, the Internet is not secure so don't assume that others cannot read - or possibly alter - your messages.

- Internal and external e-mail messages are considered business records and may be subject to discovery in the event of litigation. Be aware of this possibility when sending e-mail within and outside the Company.

Everi's Right to Monitor and Consequences

All Company-supplied technology, including computer systems and Company-related work records, belong to Everi and not the employee. Accordingly, even though employees may maintain passwords for use in accessing Company-supplied technology, passwords do not confer any right of privacy upon any employee, and employees must not expect that any information maintained on Company-supplied technology is private. Everi routinely monitors usage patterns for its e-mail and Internet communications.

Since all the computer systems and software, as well as the e-mail and Internet connection, are Everi owned, all Company policies are in effect at all times. Any employee who abuses the privilege of Everi facilitated access to e-mail or the Internet, may be denied access to the Internet and, if appropriate, be subject to disciplinary action up to and including termination.

Questions Regarding the Use of the Internet or E-mail

If you have questions regarding the appropriate use of the Internet or E-mail, contact the IT Department, or Human Resources.

J. Social Media

This policy establishes a set of rules and guidelines for any activity and participation in “social media” by all Everi (Company) “users.” These rules are intended to be adaptable to the changes in technology and norms of online communication and behavior, and may be amended by the Company at any time, for any reason, without notice to users.

Nothing contained within this policy is intended to interfere with employee rights under the National Labor Relations Act (NLRA), including but not limited to employees’ right to discuss the terms and/or conditions of their employment, or other laws protecting lawful job related activities, nor would it be interpreted or applied so as to interfere with employee rights to self-organize, form, join, or assist labor organizations, to bargain collectively through representatives of their choosing, or to engage in other concerted activities for the purpose of collective bargaining or other mutual aid or protection, or to refrain from engaging in such activities.

For purposes of this policy:

- The term “social media” applies to any web-based and mobile technologies, in use now or developed in the future, that enable individual or entities to disseminate or receive information, communicate, or otherwise interact, and includes, without limitation, email, texting, messaging, social networking,

- blogging, micro-blogging, bulletin boards, and so on, through providers such as Facebook, LinkedIn, Instagram, Twitter, YouTube, Snapchat, or others.
- The term “users” refers to employees, directors, volunteers, and interns.

Exercise responsibility online:

You are personally responsible for any of your social media activity conducted with a Company email address or on a Company website or page, and/or which can be traced back to a Company domain, and/or which uses the Company’s Information Systems and/or which expressly or implicitly identifies you as an employee of the Company.

If from your post in a blog or elsewhere in social media it is clear you are a Company employee, or if you mention the Company, or it is reasonably clear you are referring to the Company or a position taken by the Company, and also express a political opinion or an opinion regarding the Company’s positions or actions, the post must specifically note that the opinion expressed is your personal opinion and not the Company’s position. This is necessary to preserve the Company’s good will in the marketplace.

Follow Existing Policies and Terms of Use:

Observe and follow (i) existing Company policy and agreements, such as our Employee Handbook and your Employment Agreement(s) with the Company, if applicable, (ii) the policies of the particular online/social networking venue, and (iii) applicable law. This means that you are prohibited from using social media to post or display comments about coworkers or supervisors or the Company that are vulgar, obscene, threatening, intimidating, or a violation of the Company’s workplace policies against discrimination, harassment, or hostility on account of age, race, religion, sex, ethnicity, nationality, disability, or other protected class, status, or characteristic. Thus, the rules in the Company’s Employee Handbook, including its Information System Resources and Access Security Policy and Prohibited Harassment and Discrimination Policy apply to employee behavior within social media and in public online spaces.

Most websites, including Facebook, Twitter and others, have rules concerning the use and activity conducted on their sites. These are sometimes referred to a “Terms of Use.” You must follow the established terms and conditions of use that have been established by the venue and not do anything that would violate those rules.

Do not post any information or conduct any online activity that may violate applicable local, state or federal laws or regulations. Any conduct which under the law is impermissible if expressed in any other form or forum is impermissible if expressed through social media.

Be respectful and mindful of privacy and confidentiality, and think before posting:

Before sharing a comment, post, picture or video about or from a friend or colleague through any type of social media, it is a good practice to be courteous and first obtain his or her consent.

It also is inappropriate to use or disclose personal information about another individual or use or disclose the Company's confidential or proprietary information in any form of social media. For purposes of this Policy, personal information means an individual's social security number, financial account number, driver's license number, medical information (including family medical history) and other highly sensitive information, as well as information covered by the Company's written information security program. Company confidential or proprietary information includes but is not limited to financial information, future business performance and business plans, business and brand strategies, information which is or relates to Company trade secrets. All Company rules regarding Company confidential or proprietary information and personal information, including the Company's written information security program, apply in full to social media, such as blogs or social networking sites. For example, any information that cannot be disclosed through a conversation, a note, a letter or an e-mail also cannot be disclosed in a blog. Sharing this type of information, even unintentionally, can potentially result in harm to the individual, harm to the Company's business, and ultimately you and/or Company being sued by an individual, other businesses or the government.

If you are unsure about the effects of the post or other online action, reach out to your supervisor or Human Resources for some assistance, particularly when unsure about a response to another employee or a client.

Use your true identity:

When participating in any social media, be completely transparent and disclose your true identity for your personal protection. Additionally, when commenting on or promoting any Company product or service on any form of social media, you must clearly and conspicuously disclose your relationship with the Company to the members and readers of that social media.

Do not use your own personal online relationships or the Company's network to influence polls, rankings, or web traffic. This is called "astroturfing" or "sock-puppeting" and is highly unethical. You are not to use the size and breadth of the Company network to unduly influence polls, rankings, or web traffic where said traffic is a measure of success or popularity of a particular political opinion.

Manage your expectation of privacy:

Consistent with the Company's Information System Resources and Access Security Policy, the Company may access and monitor its Information Systems and obtain the communications within the systems, including email, Internet usage, and the like, with or without notice to users of the system, in the ordinary course of business when we deem it appropriate to do so. As such, when using such systems, you should have no expectation of privacy with regard to time, frequency, content or other aspect of your use, including the websites you visit and other Internet/Intranet activity. The reasons the Company accesses and monitors these systems include, but are not limited to: maintaining the system; preventing or investigating allegations of system abuse or misuse; assuring compliance with software copyright laws; and complying with legal and regulatory requirements.

K. Prohibited Conduct

There are many of us working together here at the Company and we need to guard our security, our personal safety, and our welfare. Maintaining proper standards of conduct is also necessary to protect the Company's goodwill and reputation. Following is a list of examples of conduct that is prohibited by the Company. Please note that this list is intended to be merely an example of the sort of conduct that is impermissible at Everi and is by no means an exhaustive list of prohibited conduct. For example, the Company will not tolerate:

- Falsification of employment records, employment information, or other Company records.
- Deliberate falsification or misinformation of facts during an investigation or inquiry regarding a work related event/incident or violation of Company policy.
- Recording the work time of another employee or allowing any other employee to record your work time, or allowing falsification of any time card, either your own or another's.
- Theft, deliberate or careless damage of any Company property or the property of any employee or customer.
- Deliberate destruction of any Company property or the property of any employee or customer.
- Provoking a fight or fighting during working hours or on Company property.
- Carrying firearms or any other dangerous weapons on Company premises at any time.
- Consuming, possessing, or being under the influence of alcohol and/or drugs during working hours or at any time on Company property, as described in greater detail in the Company's Substance Abuse policy. (Consumption of alcohol at a Company-sponsored event is not prohibited.)
- Insubordination, including but not limited to, failure or refusal to obey the orders or instructions of a supervisor or member of management, or the use of abusive, inappropriate, or threatening language toward a supervisor or member of management.
- Discourteous or rude behavior toward customers, vendors or other employees.
- Breach of private or confidential business information, or causing another employee or non-employee to do so, either through inducement, suggestion, or coercion.
- Unreported absences, including the failure to timely notify your supervisor when you are unable to work.
- Unauthorized use of Company equipment, time, materials, facilities, or the Company name.
- Sleeping or malingering on the job.
- Failure to observe working schedules, including rest and lunch periods.
- Engaging in criminal conduct whether or not related to job performance.
- Causing, creating, or participating in a disruption of any kind during working hours or on Company property.

- Soliciting other employees for membership, funds, or other similar activity for personal reasons or in connection with any outside organization during your working time or the working time of the employee solicited. (“Working time” does not include your meal and break periods.)
- Distributing unauthorized literature or any written or printed material during working time or in work areas. (“Working time” does not include your meal and break periods.)
- Failure of an employee to obtain permission and/or to notify his/her direct supervisor of the need to leave work for any reason during normal working hours
- Abuse of PTO, or any other leave.
- Removing or borrowing Company property without prior authorization.
- Making or accepting excessive personal telephone calls during working hours except in emergencies.
- Failure to provide a physician’s certificate when requested or required to do so.
- Wearing extreme, unprofessional, or inappropriate styles of dress or hair while working.
- Making derogatory racial, ethnic, religious, or sexual remarks or gestures; any violation of the Prohibited Discrimination and Harassment or Bullying Policies; or using profane or abusive language at any time on Company premises or while representing the Company.
- Violation of any safety, health, security or Company rule.
- Working overtime without authorization or refusing to work assigned overtime.
- Committing a fraudulent or dishonest act, or a breach of trust under any circumstance.
- Threatening, committing, or encouraging any act of violence, including confrontation of another employee, in the workplace or against any employee or agent of the Company. Workplace violence is not a joking matter; all statements will be taken seriously, even if made in jest, and the offending employee will be held accountable.
- Releasing Company confidential information to unauthorized parties.
- Failure to follow procedure or improper handling of cash shortages or overages.

This list is illustrative and is not intended to set forth all conduct that the Company might consider inappropriate. Also, no statement in this list or elsewhere in the Employee Handbook is intended to or should be taken to affect the at-will employment relationship between the Company and its employees. Employees are expected to use common sense in determining what conduct is appropriate in the workplace. If you have any questions about appropriate conduct, ask your supervisor and/or Human Resources.

* Pursuant to the Defend Trade Secrets Act of 2016, Everi hereby provides the following notice of immunity from liability for confidential disclosure of a trade secret to the government or in a court filing: An individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that (A) is made (i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a

lawsuit or other proceeding, if such filing is made under seal. In addition, an individual who files a lawsuit for retaliation by Everi for reporting a suspected violation of law may disclose the trade secret to the individual's attorney and use the trade secret information in the court proceeding, if the individual (A) files any document containing the trade secret under seal; and (B) does not disclose the trade secret, except pursuant to court order.

L. Business and Cellular Phones Policy

Everi, at its discretion, may provide eligible employees with electronic mobile communication devices ("Mobile Device"), telecom carrier services and/or a stipend to acquire telecom services for a Mobile Device for the purpose of conducting EVERI business. All Mobile Devices that are paid for by EVERI are the property of EVERI; and the employee to whom the Mobile Device is issued shall use the Mobile Device, and maintain its security and safe keeping in accordance with this Policy. Violation of this policy could lead to disciplinary action up to and including termination. If you have any questions about this policy, please ask your supervisor and/or Human Resources.

M. Dress Code

Everi strives to maintain a professional and business-like image, and expects its employees to project such an image when at work. The manner of employee dress should be based on common sense and good business judgment, guided by a professional attitude toward others in the Company, our clients and the public. Nonetheless, the Company reserves the ultimate right to determine when an employee's manner of dress is inappropriate for the workplace. We want to stress that a business casual/casual dress code policy is a benefit and must be adhered to in order to avoid a more formal dress code policy.

Corporate Headquarters / Payments Division (Las Vegas):

Though we have a weekday business casual and a weekend / holiday relaxed casual policy, we would like to remind everyone that first, and foremost, this is a business environment. Definitions for weekday time frames are Monday – Friday for day and swing shifts, and start times after 9:00 pm Sunday - Thursday for the graveyard shift. This policy incorporates attire, jewelry, accessories, appropriate grooming, and hygiene as part of projecting and maintaining a professional business environment. Exceptions, at management discretion, include but are not limited to, health conditions, work environment, and 'Casual' days.

Friday of each week is normally classified as 'Casual' day. On occasion and at the discretion of the Company, 'Casual' day may be assigned to a different day of the week, or cancelled based on business needs. Notification will be emailed to all applicable employees of the cancellation, or change of Friday 'Casual' day.

Prohibited Clothing (Corp Headquarters & Client Sites):

As an Everi employee, we strive to portray a business, professional image at all times. Therefore, the following is prohibited per Company standards:

- Crop tops, strapless shirts, tank tops, low-cut clothing tops, clothing with slits, or tops and outfits that provide minimum coverage. (No skin showing between bottom of shirt/blouse and top of pants or skirts, i.e. belly button or lower back.)
- Provocative or revealing clothing.
- Leggings worn with shorts/miniskirts/long sweaters or as a substitute for dress pants.
- Hip-hugger pants, shorts, cut-offs, sweat suits. (Only coordinated sweat outfits are appropriate and only on weekends; generic athletic sweats should not be worn.)
- Tee shirts with suggestive messages, logos, offensive/abusive, drug or alcohol references and/or explicit graphics are strictly prohibited.
- Sheer garments, halter-tops, belly shirts, bare midriffs, tube tops, or sleeveless spaghetti-straps.
- Visible body or facial piercing, except ears.
- Visible offensive, suggestive or profane tattoos.
- Excessive hair designs, Mohawks, excessive oil or flamboyant colored hair.
- Spiked or studded clothing.
- Hats may only be worn entering and exiting the building and not while on duty.
- Inappropriate and/or offensive slogans, language or images on attire or footwear.
- Sunglasses or darkly tinted glasses that may not be appropriate in the workplace unless otherwise noted by a prescription.

Employees must dress themselves in a neat, clean, and business-like manner. The following guidelines are provided to give employees a general overview of the type of image the Company finds acceptable. If you are unsure of the appropriate dress attire or dress code policy, please consult your supervisor and/or an HR Representative.

Acceptable without Restrictions:

- Casual pants or slacks that cover the hip.
- Shirts or blouses (sleeveless, if business appropriate).
- Collared or Polo shirts.
- Skirts or dresses must be an appropriate length (miniskirts are prohibited).
- Suits, sport coats and ties are optional.
- Dress shoes, walking shoes and shoes with soles in good condition. Sneakers can be worn on designated 'casual' days and the weekends. No "flip-flop" beach-type footwear.
- Dress shoes such as high heels or open toed heels are acceptable.

Note: All of these categories mean workplace appropriate. This means that clothing and accessories appropriate for recreation at the beach/pool, working in the yard, cleaning the garage, or at a nightclub are prohibited.

Acceptable with Restrictions: ('Casual' days ONLY unless otherwise notified):

- Tee shirts (no holes, profanity, alcohol/drug references, or inappropriate and/or offensive slogans/images).
- Athletic shoes/sneakers or open toed shoes (no beach wear/flip-flops).
- Jeans in good condition (not excessively worn, frayed, torn, holes, etc).

Games Division Headquarters (Austin):

The dress code for the Austin location will be casual. Shirts with suggestive messages, logos, offensive/abusive, drug or alcohol references and/or explicit graphics are strictly prohibited. If you are unsure of the appropriate dress attire or dress code policy, please consult your supervisor/manager or HR Representative.

Manufacturing / Field Service:

Everi recognizes that exceptions may be made, per location or at management's discretion, for employees who perform physical labor as long as these employees present an acceptable image if, and when, visiting customer sites. In addition, exceptions may also be made, at management's discretion, for employees whose health condition warrants special clothing, or footwear. If you are unsure of the appropriate dress attire or dress code policy, please consult your supervisor and/or an HR Representative.

Financial Center Operations

For this department of Everi, please refer to the 'department specific supplement' to the Employee Handbook for dress code guidelines. If you are unsure of the appropriate dress attire or dress code policy, please consult with your supervisor and/or a Human Resources Representative.

Compliance with Dress Code

All Everi supervisors and managers are responsible for ensuring their departmental personnel are in compliance with the dress code policy. Supervisors and managers reserve the right to send any employee home to change clothes that violates any part of this policy. Nonexempt employees will be required to use PTO for time spent away from work for this reason. If no PTO is available, the time away will be unpaid.

Where an employee's clothing is questionable, supervisors and managers have first discretion and will follow the normal chain of command. If an employee is warned or sent home three times, a written warning will be issued and placed in the employee's personnel file. If the dress code policy is violated after the written warning, the employee will be sent home without pay for the remainder of the day.

The wearing of clothing that is not acceptable, or containing inappropriate or offensive images or writings, is strictly prohibited and violates the Prohibited Discrimination and Harassment Policy and will result in disciplinary action. Everi reserves the right to amend this policy at any time. Human Resources and/or executive management will resolve any disputes regarding the appropriateness of someone's dress.

Hygiene and Grooming

Good personal hygiene standards (cleanliness of clothes, body, teeth, hair and fingernails) are also required. Co-workers, as well as visitors, have a right to expect general cleanliness from each other. It is expected that everyone bathes or showers daily and uses appropriate deodorant. Hair, at all times, must be neat, clean, and free from excessive oils and neatly combed. Mustaches and beards must be clean and neatly trimmed. Please use any desired cologne or perfume of choice sparingly.

Violations of the Company's dress and grooming standards may result in disciplinary action up to and including termination.

Anyone who arrives at work inappropriately groomed will be sent home and directed to return to work in proper attire and/or properly groomed. Nonexempt employees will be required to use PTO for time spent away from work for this reason. If no PTO is available, the time away will be unpaid. Supervisory personnel have responsibility and authority to enforce standards of appropriate grooming. Human Resources and/or executive management will resolve any disputes regarding the appropriateness of someone's grooming.

N. Equipment and Records Policy

The Company furnishes equipment and property for employee use. The equipment and property consists of vehicles, furniture, computers, supplies, work areas, storage areas, lockers, file cabinets, and other like items. This equipment is, and at all times remains, the property of the Company regardless of the physical location of the property. No Company equipment may be removed from its designated location without authorization from a supervisor or manager. It is the responsibility of each employee to safeguard any equipment entrusted to them. In addition, paper, or computer files, generated by employees on Company time are the property of the Company and not the employee. These files may not be removed from the Company, copied, erased or transmitted to anyone except as needed in the conduct of Company business. Management must authorize any exception to this policy in writing.

The Company reserves the right, at any time, and without prior notice, to inspect any and all Company property or facilities to ensure that Company policy is being followed. Such inspections may be conducted during, or after business hours, and in the presence or absence of any employee.

O. Guests / Visitor Policy

There may be times when family, or former co-workers, come to meet or visit employees at work. These visits must be pre-arranged and pre-approved by your immediate supervisor, Human Resources and/or executive management, and be as brief as possible so as not to interrupt regular business.

If a guest / visitor arrive unannounced, they must wait in the main reception area until an employee comes to meet and escort them to the designated location. There should be

no need for any guest / visitor to enter the building any time other than during normal business hours (Monday - Friday, 8:00 am - 5:00 pm). Violation of this policy could result in disciplinary action up to and including termination.

P. Mail Policy

All mail that is sent to and received at one of the business locations will be considered addressed to the Company, not the individual, and accordingly is Company property. The Company reserves the right to open any mail that is sent to and received at a business location. The use of Company postage is prohibited for personal use.

Q. Personal Auto Policy

Employees will be reimbursed for mileage at the rate listed in the Everi Travel & Expense Reimbursement Policy for business related travel when pre-approved by your supervisor. The intent of the mileage rate is to cover costs associated with the use of a personal auto. Request for reimbursement must state the destination, actual miles, and business purpose of the trip. Proof of insurance in compliance with state law is required in order to be eligible for mileage reimbursement. The policy can be found on the Company SharePoint, or obtained from Human Resources.

R. Substance Abuse Policy

It is well known that the use of drugs or alcohol is incompatible with work. Those of us who manage the Company are obligated to maintain a safe work environment. To keep our workplace free of drug or alcohol use, the Company reserves the right to conduct pre-employment and post-accident/incident testing, as permitted by law. Further, we are placing all employees on notice that the current Substance Abuse Policy includes the Company's right, under certain circumstances, to have any employee tested by authorized medical personnel for possible presence of such controlled substances.

All Company employees are notified that illegal and unauthorized drugs (including marijuana), drug paraphernalia, narcotics, alcohol, and controlled dangerous substances are not permitted on any Everi property. Possession, use and/or distribution of such items by a person at any installation, property or facility owned or operated by the Company poses a serious threat to the safety of themselves, employees, guests and operations.

The Company strictly prohibits the following:

- Possessing, using, or being under the influence of alcohol, marijuana or an illegal drug, intoxicant, or controlled substance during working hours or while on Company business;
- Driving a vehicle on Company business while under the influence of alcohol, marijuana or an illegal drug, intoxicant, or controlled substance;
- Distributing, selling, manufacturing, or purchasing of – or attempting to distribute, sell, manufacture, or purchase – an illegal drug, intoxicant, or controlled substance

during working hours, while on Company business, or while on Company owned or occupied premises;

- Testing positive on a required or requested drug or alcohol test or screen;
- Refusing either to take or to release information regarding a required or requested drug or alcohol test or screen;
- Violating any Company rule or policy regarding alcohol and drug use.
- Use or consumption of alcohol or marijuana (even if legal to use in location where you are) during a minimum of four (4) hours prior to reporting to work.

Searches, Inspections & Testing

Everi reserves the right at any time that it deems circumstances warrant to have authorized personnel conduct searches or inspections of employees' work space and work belongings, including but not limited to lockers, lunch boxes, baggage, and work-place quarters, for the purpose of determining if any employees are in possession of illegal or unauthorized items. Everi may conduct searches or inspections to ensure a safe and healthy working environment on its properties, facilities and installations. When appropriate, such items discovered through Company searches may be taken into custody and turned over to the proper law enforcement authorities.

Employees are subject to drug testing under the following circumstances:

- Any employee involved in a work-place accident or incident, whether or not it results in personal injury to anyone, as permitted by law.
- When Everi deems that there is some reasonable suspicion that an employee's conduct is in violation of this policy.

S. Expense Reimbursement Policy (formerly the Travel and Entertainment Policy)

Any employee who is required to travel and/or incur expenses on behalf of the Company while performing their assigned job responsibilities is expected to review and comply with Everi's Travel & Expense Reimbursement Policy. A copy can be found on the Company SharePoint, or obtained from Human Resources.

T. Gambling Policy

Everi Holdings Inc. and its wholly-owned subsidiaries including Everi Payments Inc. and Everi Games Inc. ("Everi") endeavor to provide a safe, productive working environment for all employees, encouraging professionalism and responsibility. This Gambling Policy (this "Policy") is designed to establish certain rules and outline Everi's position on gambling.

All Everi employees are responsible for adhering to this Policy, and each member of Everi's management team is responsible for implementing and enforcing this Policy with

respect to all employees under his/her management or supervision. Any employee who violates this Policy shall be subject to disciplinary action, up to and including termination.

Gambling Restrictions

- 1) Everi employees and their immediate family members may not play Everi supplied wide-area progressive (“WAP”) gaming devices manufactured or distributed by Everi.
- 2) Everi Employees may not play any Everi supplied gaming devices in the following jurisdictions: Missouri, New Mexico, Ontario, Kansas, Michigan, New York, Pennsylvania, Rhode Island, South Dakota, Choctaw, Potawatomi and Ho Chunk.
- 3) Field Services, Financial Services, Relationship Management, Sales and any other Everi employee assigned to, or responds to a service request, at a facility where our services are offered, may not gamble at that facility.
- 4) Each Everi employee is responsible for knowing and following the laws, rules, and regulations of the jurisdiction and venue in which he/she intends to gamble. If you wish to gamble in a jurisdiction where you are not familiar with the restrictions, it is your responsibility to reach out to Compliance prior to gaming to confirm the rules.
- 5) Everi employees may not wear Everi attire, work badges or other Everi insignia while gambling, regardless of the location.
- 6) Everi employees and their family members are prohibited from participating in any Everi sponsored tournament or contest.
- 7) Ever reserves the right in its sole discretion to restrict any employee from gambling on any Everi supplied gaming device or in an Everi supplied facility at any time.
- 8) Everi employees are also advised to gamble responsibly, if they chose to do so. If any employee suspects they have a problem with gambling, they are encouraged to seek assistance through Everi’s Employee Assistance Program (contact information may be found on HR’s SharePoint site).

Reporting Requirements

- 1) An employee who observes, or has knowledge of, another employee violating this Policy is required to immediately report the violation to Human Resources, the Compliance Officer, or anonymously via the Values Line or Compliance Line number found in Everi’s Employee Handbook.
- 2) Any employee who wins a jackpot on an Everi gaming device of One Thousand Two Hundred dollars (\$1,200) or more, must report the amount, date and location of the jackpot to the Corporate Compliance Officer within ten days.

Disclaimer

Nothing in this Policy limits or modifies the right of Everi to discipline employees for any other reasons or pursuant to any other policy, regulation, or practice of Everi. To the extent permitted by law, Everi has the right to change this Policy at any time, with or without notice. Nothing about this Policy shall be construed as creating a contract, or as guaranteeing employment for any specific duration or as establishing any standards for termination of the employment relationship. Each person's employment may be terminated with or without cause, and with or without notice, at any time, at the will of either the employee or Everi.

U. Employee Tips / Gratuity

To protect the Company, employee and patron, Everi strictly prohibits all employees, including Financial Service Center (FSC) employees, from accepting tips, or other forms of gratuities, from a patron or customer. Violation of this policy will subject the employee to termination with no exceptions. Please consult your supervisor and/or Human Resources if you have questions about this Company policy.

V. Disclosure Policy

Only persons authorized by this Policy to discuss the business and affairs of Everi with investors, analysts and other market professionals are the CEO, the CFO and any individual specifically designated in each instance by the CEO or the CFO.

Examples of information about Everi business affairs include, but are not limited to:

- Announcements of earnings or losses;
- Changes in forecasted results of operations representing a significant deviation from Everi's published guidance;
- Pending or prospective significant mergers, acquisitions or dispositions; and
- Changes in executive management.

Employees who are not authorized to speak on behalf of Everi who receive either direct or indirect inquiries from investors or the news media must refer all such inquiries to Everi's CFO or General Counsel, as appropriate. It is also a violation of this Policy for employees who are not authorized spokespersons to post messages concerning Everi, or its competitors to Internet chat rooms or bulletin boards.

In addition, senior managers of Everi may address industry conferences and trade groups. Everi senior managers are not authorized to address the financial affairs, or conditions of Everi. Everi senior managers are not authorized to engage in discussions of the business and affairs of Everi with members of the investment community without prior authorization of the CEO and the CFO.

Everi will issue press releases and/or make 8-K filings to announce new material information concerning Everi. Persons becoming aware of material developments

concerning Everi that have not been publicly announced must maintain the confidentiality of that information and comply with the requirements of Everi's Insider Trading policies.

In addition, sales and marketing materials, website content and announcements must be approved by Everi's marketing and corporate communications and legal departments in advance of publication and distribution.

W. Teleworking/Remote Employee Policy

Teleworking (or telecommuting) is the concept of working from home or another location on a full-time or part-time basis. Teleworking is not a formal, universal employee benefit. It is an alternative method of meeting the needs of the Company. Everi has the right to refuse to make teleworking available to any employee and to terminate a teleworking arrangement at any time.

There are instances for many Everi 'remote' employees where teleworking is the only option. In these instances established guidelines will apply. For employees that are assigned and work within commuting distance of a Company established 'place of business' teleworking will be considered a 'privilege,' will not be on a full-time basis (working from home is the exception not the rule), and will be approved on a case by case basis depending on Company needs and/or a documented reasonable accommodation under the FMLA/ADAAA.

Guidelines:

- All requests by an employee to work on a teleworking basis when assigned a dedicated work area in an established Company 'place of business' must be approved by Everi's CEO unless there is a documented and approved need under the FMLA/ADAAA.
- Whenever there is a need to work from home (after CEO approval) the employee must notify and secure his/her direct supervisors' approval for each event
- The amount of time the employee is expected to work per day or pay period will not change as a result of using teleworking
- Any Company assigned equipment the teleworking employee has must be maintained in good working condition and must be returned when employment with the Company ends in the same or similar condition
- Any Company materials must be kept in a designated work area in the home and must be kept confidential and inaccessible to others
- Teleworkers must be available during Company assigned work hours to conduct Company business as necessary to complete all assigned tasks. (Teleworking is not a substitute for dependent care.)
- Employees must be available by phone and/or email during assigned work hours. Participants will be available for all staff meetings, and other meetings deemed necessary by management unless otherwise arranged by the employee and management
- The employee will remain subject to performance standards and completing all assigned tasks by established standards and timelines

- The employee remains obligated to comply with all Company policies, rules, practices and instructions

Any abuse of this policy and or teleworking privileges may result in disciplinary actions up to and including termination. If you have any questions regarding this policy contact the Human Resources department.

VIII. POLICIES RELATING TO JOB PERFORMANCE

A. Attendance and Tardiness Policy

NOTE: THE FOLLOWING ATTENDANCE AND TARDINESS POLICY DOES NOT APPLY TO CALL CENTER OPERATIONS, FINANCIAL CENTER OPERATIONS, SUPPORT OPERATIONS or SETTLEMENT & SECURITY DEPARTMENT EMPLOYEES. ATTENDANCE AND OTHER RELATED POLICIES WILL BE PUBLISHED INDEPENDENTLY FOR THESE DEPARTMENTS.

Employees of Everi are expected to be punctual and regular in attendance. Any tardiness or absence causes problems for your fellow employees and your supervisor. When you are absent, others must perform your workload, just as you must assume the workload of others who are absent. In order to limit problems caused by absence or tardiness of employees, the Company has adopted the following policy, which apply to absences of all employees not previously approved by the Company.

If you are unable to report for work on any particular day, or if you are going to be late you must call and speak to your supervisor, or manager or his or her designee, no later than 2 hours before the time you are scheduled to begin working for that day. It is not acceptable to notify a non-supervisory employee that you are late, or absent. Do not leave messages on voicemail. If you are not ready to begin work at the scheduled start of your shift, or if you call in less than 2 hours before your scheduled time to begin work, you will be considered tardy for that day. You must call in on every day you are scheduled to work and will not report to work. If you are absent for 3 consecutive work days or more, you will be required to provide a physician's note for your absence to the Human Resources Department. The note must specify the days missed and the day released to return to work.

Any absence from work without notification is unacceptable and is considered excessive and, based upon the employee's employment record, may result in disciplinary action up to and including termination of employment. Likewise, more than 3 tardies in a 12-month period is considered excessive and may lead to disciplinary action up to and including termination. If you are absent three (3) consecutive working days without notice, you will be considered to have abandoned your position and will be separated from the Company. It will be noted that you voluntarily resigned your employment and will be ineligible for rehire.

Nothing in this policy is intended to interfere with the Company's obligations under the FMLA and/or accommodation of individuals with disabilities as required by law. In addition, in its sole discretion, the Company may decide to utilize discipline including verbal and/or written warnings and suspensions when appropriate to address violations of this policy. The Company's choice to take disciplinary action short of termination does not entitle you to remain employed by the Company or create any other contractual obligations. Both you and the Company are free, at any time, with or without advance notice, and with or without "cause" to end the employment relationship.

B. Code of Business Conduct, Standards and Ethics

Everi Holdings Inc., Everi Payments Inc. and Everi Games Inc. (collectively, the "Company") is committed to conducting its business affairs with honesty and integrity. This commitment applies to relationships with competitors, customers, vendors, employees, and the public. Under these standards, an employee shall not knowingly conduct any business that is not done in the full spirit of honest and ethical behavior. Neither shall any employee cause another employee or non-employee to act in a dishonest or unethical manner, either through inducement, suggestion, or coercion. Further, an employee shall not knowingly furnish customer, employer, or competitor information to any individual, business, or other entity without the prior express approval of a Company officer. Employees are expected to report dishonest activities of other employees to their supervisor or to a successively higher placed individual in management. An employee may also report dishonest activities to the Company's Legal Department or the Company's Hotline (Compliance Line – refer to Section III-D for additional information). Failure to report suspected or known dishonest activities, the submission of false information, or participation in behavior that clearly violates this Code of Conduct will result in disciplinary action up to and including termination.

Policy Statement

It is the Company's policy to conduct its affairs in accordance with all applicable laws, rules and regulations of the jurisdictions in which it does business. This Code of Business Conduct and Ethics ("Code") applies to the Company's employees, officers, non-employee directors, and senior financial officers. Such financial officers include the Company's principal executive officer, principal financial officer, principal accounting officer or controller, and persons performing similar functions ("Designated Executives"). This Code is the Company's "code of ethics" as defined in Item 406 of Regulation S-K. This Code is designed to promote:

- Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- Full, fair, accurate, timely and understandable disclosure in the reports and documents the Company files with, or submits to, the Securities and Exchange Commission, other regulatory agencies that regulate or oversee the Company's activities and in other public communications made by the Company;

- Compliance with applicable governmental laws, rules and regulations;
- The prompt internal reporting to the appropriate person of violations of this Code; and
- Accountability for adherence to this Code.

The Company has established standards for behavior that affects the Company, and employees, officers and directors must comply with those standards. The Company promotes ethical behavior and encourages employees to talk to supervisors, managers, the Company's Code of Ethics Advisory Group, which includes the Company's Chief Executive Officer, Chief Financial Officer, General Counsel and Chairman of the Nominating/Corporate Governance Committee, or other appropriate personnel when in doubt about the best course of action in a particular situation. Non-employee directors are encouraged to talk to Chairman of the Nominating/Corporate Governance Committee in such situations. Anyone aware of a situation that he or she believes may violate or lead to a violation of this Code should follow the guidelines under "**Compliance and Reporting**" below.

The Code covers a wide range of business practices and procedures. It does not cover every issue that may arise, but it sets out basic principles for guidance. Specific Company policies and procedures provide details pertinent to many of the provisions of the Code. These policies and procedures are not a part of the Code or incorporated herein. Although there can be no better course of action than to apply common sense and sound judgment, do not hesitate to use the resources available in the Company's database of policies and procedures whenever it is necessary to seek clarification.

C. Employee Proprietary Information and Inventions Agreement

In the course of your employment with Everi Payments Inc. or Everi Games Inc. (The Company) you will have access to Proprietary Information concerning the Company or engage in the development of technology, ideas and inventions referred to as 'Invention Ideas.'

It is the responsibility of all employees of Everi to maintain strict confidentiality regarding Proprietary Information. The Company has developed, compiled, and otherwise obtained, often at great expense, Proprietary Information which has immeasurable value to the Company's business. All employees must 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 your employment to the extent necessary to carry out your responsibilities as an employee of the Company, or (ii) after termination of your employment, as specifically authorized in writing by a duly authorized officer of the Company. You must 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.

The Employee Proprietary Information and Inventions Agreement is a separate agreement that all Everi employees will acknowledge having received and read on their hire date. Please make sure to familiarize yourself with this policy and understanding the importance of your commitment to the Company as an employee to maintain the integrity of Proprietary Information and the confidentiality of such. If you have any questions please contact Human Resources.

D. Compliance and Reporting

Compliance

Any employee who violates the provisions of this Code will be subject to disciplinary action, up to and including termination. Willful disregard of criminal statutes underlying this Code may require the Company to refer such violation for criminal prosecution or civil action.

Reporting Procedures and Other Inquiries

Questions regarding the policies in this Code may be directed to the Company's General Counsel. Managers and supervisors are also resources who can provide timely advice and guidance to employees on ethics and compliance concerns and are expected to promptly report any concerns brought to their attention in their supervisory capacity to the Company's General Counsel. Any employee having knowledge of, or questions or concerns about, an actual or possible violation of the provisions of this Code is encouraged to promptly report the matter to his or her immediate supervisor or to the Company's General Counsel. Directors are encouraged to discuss any issues or concerns with Chairman of the Nominating/Corporate Governance Committee.

Concerns relating to the Company's accounting, internal controls or auditing matters may be confidentially and anonymously made, if so desired, by submitting such information in writing to the Company's Audit Committee of the Directors at 7250 S. Tenaya Way, Suite 100, Las Vegas, Nevada 89113. In addition to the reporting procedures set forth above, reporting of issues related to this policy may be made by employees anonymously through the Company's reporting hotline (Compliance Line) by calling (800) 750-4972 (refer to Section III-D, Compliance Policy, of this handbook for additional compliance line contact information), which is coordinated by an independent third-party provider.

When submitting concerns, employees are asked to provide as much detailed information as possible. Providing detailed, rather than general information will assist us in effectively investigating complaints. This is particularly important when a complaint is submitted on an anonymous basis, as the Company would be unable to communicate requests for additional information or clarification.

These anonymous reporting procedures are provided so that disclosure of genuine concerns may be made without feeling threatened. Employees who choose to identify themselves when submitting a report may be contacted in order to gain additional information.

All conversations, calls and reports made under this policy in good faith will be taken seriously. Any allegations that are knowingly false or without a reasonable belief in the truth and accuracy of such information will be viewed as a serious disciplinary offense.

E. Gift Policy

The purpose of this policy is to ensure that all Everi employees and contractors understand the policies in regards to giving and receiving gifts to anyone on our client properties, or to prospective clients and any Everi vendor or contractor.

No Everi employee, contractor or vendor should gift or accept a gift from any employee, or vendor, associated with a Native American gaming property. A 'gift' is any item, tangible or intangible, having monetary value. This includes, but is not limited to cash, gift cards, training, transportation, services, lodging and meals.

Any gifts provided to other customers (non-Native American clients or prospective clients), prospective customers, vendors or prospective vendors as unsolicited gifts shall not exceed market value of \$25 per occasion, and may not exceed more than \$50 worth of gifts in a calendar year.

Any exception to this policy must be approved in advance by the Everi Chief Financial Officer and General Counsel. There are no exceptions to this required approval. Any employee violating this policy will be subject to disciplinary action up to and including termination of employment.

F. Training

The Company requires employees to participate in annual criteria training conducted via WeComply, or other approved Company media as identified by Company policy or mandated regulation.

G. Performance Reviews

It is the policy of the Company to have immediate supervisors annually review each employee's job performance, with a second level manager acknowledgement, if requested by employee. A performance review is an opportunity for an employee and their immediate supervisor to talk about job performance for a specific period of time. Ideally, an employee and their immediate supervisor meet to discuss goals and objectives for the period prior to the beginning of the review period. The immediate supervisor and the employee can then evaluate the employee's performance, taking into consideration the employee's common goals and objectives during the evaluation period.

Performance Reviews may be administered more frequently than stated above if deemed necessary to provide job performance feedback to employees assisting them in meeting job performance expectations and standards. Specific performance review information and assistance is available through the Human Resources Department.

H. Insider Trading

It is the policy of the Company to comply with all insider trading laws and regulations. The Company's securities include common stock, options to purchase common stock and any other securities the Company may issue from time to time such as preferred stock, warrants and convertible debentures.

All Everi employees are required to certify (signed and dated certification acknowledgement) that he/she has received a copy of, read and understand the Company's Insider Trading Policy. Specific insider trading information and assistance is available through the Human Resources Department.

I. Records of Conference (ROC) Definitions

Records of Conference (ROC) are issued to employees when the Company deems it necessary to document an area of concern regarding the employee's job performance, attendance or any issue surrounding a Company policy, practice or procedure. The ROC may describe the nature of the concern and what, if any, steps may be required to remedy the situation. The following list describes the levels of Records of Counseling:

THE COMPANY EXPRESSLY RESERVES THE RIGHT TO ISSUE ANY FORM OF WARNING IN ANY SEQUENCE OR NOT AT ALL PRIOR TO TERMINATION. NOTHING IN THIS SECTION OF THE EMPLOYEE HANDBOOK IMPLIES OR EXPRESSLY CREATES EMPLOYMENT THAT MAY BE TERMINATED ONLY FOR CAUSE. COMPANY EMPLOYEES ARE ALWAYS EMPLOYED SOLELY AT-WILL.

a. Coaching / Verbal Conference

Initial documentation presented to the employee to make the employee aware of the need for a change in a course of action that does not meet expected performance, policy, practice or procedure.

b. Formal ROC

A Formal ROC is presented to the employee when the Company is addressing repeat problems or when the nature of the problem is severe (as defined by the Company in its sole discretion) so as to warrant a Formal ROC. Depending on the nature or the severity of the situation, a Formal ROC may be issued at any time.

c. Final Warning

A Final Warning is the last warning an employee may receive prior to termination. Depending on the severity of the deficiency, a Final Warning may be issued at any time.

d. Suspension

On occasion and due to unknown circumstances Suspension Pending Investigation (SPI) may be necessary to gather facts regarding a specific incident/event before a

determination can be made that may warrant disciplinary action up to and including termination. Suspensions may or may not be paid, at the discretion of the Company. A suspension may be issued at any time deemed necessary.

IX. LEAVING EMPLOYMENT

A. Resignation

We ask that an employee wishing to resign from employment submit a resignation letter to his/her supervisor at least two (2) weeks before the employee's last day, stating the date the separation will become effective and the employee's reason for leaving.

If the employee has been with the Company for less than 6 months, fails to give the required notice or fails to behave in a professional manner, the Company reserves the right to keep all remaining PTO time, except in states where this is expressly prohibited. Accordingly, the Company will place in the employee's personnel file a statement concerning the employee's failure to provide adequate notice and forfeiture of PTO. With the approval of the supervisor and/or management, an employee may at any time withdraw a resignation. This request in no way alters or is intended to alter the at-will employment relationship. For further details, please see the Attendance Policy.

B. Exit Interview

When an employee voluntarily leaves the Company, Human Resources will schedule and conduct an exit interview. The interview should occur as close as possible to the last day of work. The employee must return to their supervisor any keys, key cards, Company IDs, cellular phones, Company credit cards, business machines/equipment used remotely, and any other Company property for which the employee was responsible.

X. MISCELLANEOUS

A. Personnel Records

It is important that the employee's employment records are kept up-to-date. When there is a change in personal information employees should access their ADP Workforce Now file and update appropriately. Examples of information employees are able to update include: home address, phone number, emergency contact information including phone number, direct deposit information, etc.

Be sure to notify Human Resources if there are changes in any of the following:

- Legal Name (must be supported by appropriate legal documentation-e.g. divorce decree, marriage certificate, social security card, driver's license, etc.)
- Number of dependents
- Educational status
- Training and courses completed or experience gained

B. Everi Employee Records Confidentiality Policy

The Company is committed to safeguarding personal employee information in its possession to ensure the confidentiality of such information. Additionally, the Company only collects personal information that is required in order to conduct appropriate business operations and in order to comply with government reporting and disclosure requirements. Personal information collected by the Company includes, but may not be limited to, employee names, addresses, telephone numbers, e-mail addresses, emergency contact information, EEO data, social security numbers, date of birth, employment eligibility data, benefits plan enrollment information (which may include dependent information), and school/college or certification credentials. All pre-employment inquiry information and reference checking records on employees (present and former) are maintained in locked, segregated areas, and are not used by the Company in the course of its business operations.

Personal employee information will be considered confidential and, as such, will be disclosed only as required and only to those who have a need to access such information. In addition to background information, all hard copy personnel records are maintained in locked, secure areas with access limited to those who have a need for such access. Personal employee information used in business system applications will be safeguarded under Company proprietary electronic transmission and intranet policies and security systems. Participants in Company benefit plans should be aware that personal information will be shared with plan providers as required for their claims handling or record keeping needs.

If an employee becomes aware of a material breach in maintaining the confidentiality of their personal information, the employee should report the incident to a representative of Human Resources without delay. The Human Resources Department has the responsibility to investigate the incident and take corrective action.

The release of certain personal employee information is not considered a breach of confidentiality. This includes the following:

- Employee day and month of birth is not considered confidential and may be shared with department heads that elect to recognize employees on such dates.
- Personal telephone numbers or e-mail addresses may be distributed to department head in order to facilitate Company work schedules or business operations.
- Employee identifier information used in salary or budget planning, review processes and for timekeeping purposes may be shared with department heads.
- Employee's Company anniversary or service recognition information will be distributed to appropriate department heads periodically.
- Employee and dependent information may be distributed in accordance with open enrollment processes for periodic benefit plan changes or periodic benefits statement updates.

In view of this policy, managers and supervisors should always safeguard information they keep in their files and adhere to the standards set forth above.

Company-assigned information, which may include organizational charts, department titles and staff charts, job titles, department budgets, Company coding and recording systems, telephone directories, e-mail lists, Company facility or location information and addresses, is proprietary Company information to be used for internal purposes only. The Company maintains the right to communicate and distribute such proprietary information as it deems necessary to conduct business operations.

C. Special Events

From time to time, subsidiaries and affiliates of Everi, may offer, promote or otherwise participate in the offering or promotion of prizes, contests or special events related to product marketing (the "Special Events"). Employees, officers, directors, representatives and agents of Everi and its parents, subsidiaries, divisions, affiliates, and their immediate family members (parent, child, sibling or spouse of any of the foregoing, including step-parent, step-child or step-sibling) and household members of such individuals (whether related or not) are not eligible to participate in Special Events and such participation is strictly prohibited. Please contact Human Resources for further clarification and information.

XI. ACKNOWLEDGMENT AND AGREEMENT

This is to acknowledge that I have read and/or received a copy of Everi's (the 'Company's') Employee Handbook dated July 1, 2017 and understand that it sets forth many of the terms and conditions applicable to my employment. I understand and agree that it is my responsibility to read and familiarize myself with the provisions of the Employee Handbook and to abide by the rules, policies and standards set forth in the Employee Handbook.

I also acknowledge that, except for the policy of at-will employment, the terms and conditions set forth in this Handbook may be modified, changed or deleted at any time without prior notice to me and other employees provided such changes are in writing and approved by an Officer of the Company.

I also acknowledge that my employment with the Company is not for a specified period of time and can be terminated or otherwise modified at any time and for any reason or for no reason, with or without notice, by me or by the Company. I acknowledge that no statements or representations regarding my employment can alter the foregoing.

Employee's Signature:

Employee's Name (printed):

Date: _____

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2016

OR

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

For the transition period from _____ to _____

Commission File Number 001-32622

EVERI HOLDINGS INC.

(Exact name of registrant as specified in its charter)

Delaware

20-0723270

(State or other jurisdiction of
incorporation or organization)

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

7250 S. Tenaya Way, Suite 100, Las Vegas, Nevada

89113

(Address of principal executive offices)

(Zip Code)

(800) 833-7110

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Name of each exchange on which registered

Common Stock, \$0.001 par value per share

New York Stock Exchange

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

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

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

As of June 30, 2016, the aggregate market value of the registrant's common stock held by non-affiliates was approximately \$76.0 million.

There were 66,091,685 shares of the registrant's common stock issued and outstanding as of the close of business on March 1, 2017.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the registrant's Definitive Proxy Statement for its 2017 Annual Meeting of Stockholders (which is expected to be filed with the Securities and Exchange Commission within 120 days after the end of the registrant's 2016 fiscal year) are incorporated by reference into Part III of this Annual Report on Form 10-K. Except as expressly incorporated by reference, the registrant's Proxy Statement shall not be deemed to be a part of this Annual Report on Form 10-K.

EVERI HOLDINGS INC.

ANNUAL REPORT ON FORM 10-K
FOR FISCAL YEAR ENDED DECEMBER 31, 2016

TABLE OF CONTENTS

[PART I](#)

Item 1.	Business.	5
Item 1A.	Risk Factors.	19
Item 1B.	Unresolved Staff Comments.	37
Item 2.	Properties.	37
Item 3.	Legal Proceedings.	38
Item 4.	Mine Safety Disclosures.	38

[PART II](#)

Item 5.	Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.	39
Item 6.	Selected Financial Data.	42
Item 7.	Management’s Discussion and Analysis of Financial Condition and Results of Operations.	43
Item 7A.	Quantitative and Qualitative Disclosures about Market Risk.	61
Item 8.	Financial Statements and Supplementary Data .	63
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.	115
Item 9A.	Controls and Procedures.	115
Item 9B.	Other Information.	115

[PART III](#)

Item 10.	Directors, Executive Officers and Corporate Governance.	117
Item 11.	Executive Compensation.	117
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.	117
Item 13.	Certain Relationships and Related Transactions, and Director Independence.	117
Item 14.	Principal Accounting Fees and Services	117

[PART IV](#)

Item 15.	Exhibits, Financial Statement Schedules	117
Item 16.	Form 10-K Summary	123
SIGNATURES		124

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

Our disclosure and analysis in this Annual Report on Form 10-K, including all documents incorporated by reference, and in our 2016 Annual Report to Stockholders contain “forward-looking” statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and the Private Securities Litigation Reform Act of 1995. From time to time, we also provide forward-looking statements in other materials we release to the public, as well as oral forward-looking statements. We have tried, wherever possible, to identify such statements by using 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. The forward-looking statements in this Annual Report on Form 10-K reflect the Company’s current views with respect to future events and financial performance.

Forward-looking statements include, but are not limited to, statements regarding the following matters: trends in gaming establishment and patron usage of our products; benefits realized by using our products and services; product development, including the release of new game features and additional game and system releases in the future; and regulatory approval; gaming regulatory, card association and statutory compliance; the implementation of new or amended card association and payment network rules; consumer collection activities; future competition; future tax liabilities; future goodwill impairment charges; international expansion; resolution of litigation; dividend policy; new customer contracts and contract renewals; future results of operations (including revenue, expenses, margins, earnings, cash flow and capital expenditures); future interest rates and interest expense; future borrowings; and future equity incentive activity and compensation expense.

Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent risks, uncertainties and change in circumstances that are often difficult to predict and many of which are beyond our control. Our actual results and financial condition may differ materially from those indicated in forward-looking statements. Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements include, without limitation, 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 development and placement fee arrangements; inaccuracies in underlying operating assumptions; expectations regarding customers’ preferences and demands for future gaming offerings; expectations regarding our product portfolio; the overall growth of the gaming industry, if any; our ability to replace revenue associated with terminated contracts; margin degradation from contract renewals; our ability to comply with the Europay, MasterCard and Visa global standard for cards equipped with security chip technology; our ability to introduce new products and services, including third-party licensed content; gaming establishment and patron preferences; expenditures and product development; anticipated sales performance; employee turnover; national and international economic conditions; changes in gaming regulatory, card association and statutory requirements; regulatory and licensing difficulties; competitive pressures; operational limitations; gaming market contraction; changes to tax laws; uncertainty of litigation outcomes; interest rate fluctuations; business prospects; unanticipated expenses or capital needs; technological obsolescence; and those other risks and uncertainties discussed in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Item 1A. Risk Factors” of this Annual Report on Form 10-K. In light

[Table of Contents](#)

of these risks and uncertainties, there can be no assurance that the forward-looking information contained in this Annual Report on Form 10-K will in fact transpire or prove to be accurate. Readers are cautioned to not to place undue reliance on the forward-looking statements contained herein, which are based only on information currently available to us and speak only as of the date hereof.

The Company undertakes no obligation to update or publicly revise any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future developments or otherwise. All subsequent written or oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by this paragraph. You are advised, however, to consult any further disclosures we make on related subjects in our reports and other filings with the Securities and Exchange Commission (the "SEC").

PART I

Item 1. Business s .

Overview

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

Holdings was formed as a Delaware limited liability company on February 4, 2004 and was converted to a Delaware corporation on May 14, 2004. Our principal executive offices are located at 7250 South Tenaya Way, Suite 100, Las Vegas, Nevada 89113. Our telephone number is (800) 833-7110. Our website address is www.everi.com. The information on our website is not part of this Annual Report on Form 10-K or our other filings with the SEC.

Impact of Merger with Everi Games Holding

In December 2014, Holdings acquired Everi Games Holding pursuant to the terms of an Agreement and Plan of Merger, dated as of September 8, 2014, for total consideration of approximately \$1.1 billion in cash (the “Merger”). In connection with the Merger, we incurred additional indebtedness and completed a series of refinancing transactions, which are described in “Note 12. Long-Term Debt” of our Notes to Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K. For additional information regarding the Merger, see “Note 3. Business Combinations” of our Notes to Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K.

The results contributed by the Everi Games business from the date of consummation of the Merger are reflected in our Games segment and Consolidated Financial Statements. Our consolidated results of operations for the years ended December 31, 2016 and 2015 were significantly impacted by the inclusion of the results of operations of Everi Games in our Games segment results of operations and by higher interest expense associated with the additional indebtedness incurred to finance the Merger. Results of operations for the year ended December 31, 2014 include Everi Games revenue only from the December 19, 2014 acquisition date, and, therefore, were not material to our Consolidated Financial Statements.

Our Business Segments

We report our financial performance, and organize and manage our operations, across the following two business segments: (a) Games, and (b) Payments. For additional information on our segments see, “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations — Operating Segments” and “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies — Segment Reporting” included elsewhere in this Annual Report on Form 10-K.

A summary of our segment financial information is contained in “Note 18. Segment Information” of our Notes to Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K.

Our Products and Services

Games Products and Services

Our Games products and services include commercial products, such as Class III products, Native American Class II

products, and other bingo products, lottery systems, and back office systems. In our Games business, we generally retain ownership of the leased gaming equipment installed at customer facilities and receive recurring revenue 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. We also make direct sales of player terminals, licenses, back office systems and other related equipment to customers. The majority of these direct sales contracts are for some combination of gaming equipment, player terminals, content, system software, license fees, ancillary equipment and maintenance.

With respect to our Games business, we have expanded our licensing into new jurisdictions, increased investment in research and development, and introduced premium game products (which typically include high definition (“HD”) dual-screens, liquid crystal display (“LCD”) panels, and red green blue (“RGB”) top box lighting). From its historical focus on placement of games into the Oklahoma and Washington tribal markets, Everi Games has diversified its installed base in recent years with entry into new commercial and tribal markets as well as the development and placement of premium products. Everi Games has grown premium game installations with approximately 1,850 units installed (representing approximately 14% of our installed base) since entering the category four years ago. Development of generally higher-earning premium games has supported Everi Games’ ability to enter new markets, expand its footprint, and provide broad and new content across its installed base.

Everi Games provides the New York Lottery with an accounting and central determinant system for the VLTs in operation at licensed State of New York gaming facilities. As of December 31, 2016, this central determinant system connected to approximately 17,600 VLTs and has the ability to interface with, provide outcomes to, and manage the VLTs. Pursuant to its agreement with the New York Lottery, Everi Games receives a portion of the network-wide net win (generally, cash-in less prizes paid) per day in exchange for provision and maintenance of the central determinant system. In February 2009, the New York Lottery awarded Everi Games a contract extension through December 2017 and provided Everi Games an opportunity to expand its network as the New York Lottery licenses additional gaming facilities or expands existing facilities in the state. Everi Games also provides central determinant system technology to Native American tribes in the State of Washington for which it receives a portion of the revenue generated from the VLTs connected to the system.

Our Games products include:

Classic Mechanical Reel Games . Our full range of classic mechanical reel games provides players with a traditional, high denomination slot gaming experience. These games leverage our long-standing experience in building enduring brands, such as *Black Diamond* and *Golden Pig* , and feature a unique take on traditional slot games with eye-catching features. *Super Jackpot Series* offers large linked progressives on the Player Classic packaged with the Foundation Sign to display rolling progressive meters and exciting win celebrations from across the casino floor. The premium *Skyline* mechanical reel series is a vintage-inspired bezel showcasing RGB lighting and a 24-inch LCD display, with successful titles including *Double Jackpot Gems*, *Kingmaker*, and *Blazin’ Gems*. Everi’s licensed brand strategy spans into *Skyline* with upcoming DreamWorks Animation® themes, *Smokin’ Hot Stuff* and *Casper* .

Video Reel Games . We offer a growing range of dual-screen video reel games that provide a uniquely entertaining slot gaming experience. These games leverage the well-established *Player HD* and recently introduced, high-performing *Core HDX* cabinets to deliver eye-catching graphics and full, rich sound. *Everi Way Pays* games have been introduced to the market, in partnership with Lightning Box Games, for titles including *More Fire* , *Silver Pride* , and *Great Tiger* . A range of progressive features round out our game library, such as *Must-Hit Jackpots™* in *Dream Catcher* , *Money Frog* , and *Egypt Twins* ; and the *Jackpot Jump™* feature in *Jackpot Inferno*, *Payday Jackpots*, *Golden Riches*, and *Fire Jewels* . Additional specialized game mechanics include The *Wild Pair™* feature on *Double Agent*, *Star Crossed* , and *King & Queen* ; *Lightning Multipliers™* in *High Voltage Blackout*; *Sticky Stacks™* in *Butterfly Kingdom* , *Pixie Power* , and *Tiger Queen* ; and the *Quad Burst* feature in *Quad Burst Tiger Strike* .

Core HDX. The *Core HDX* enhances the player gaming experience with its dual widescreen 23” monitors with 1080p HD capability, integrated touchscreens and premium 3-way sound system. Its eye-catching cabinet commands a presence on the casino floor with game-controlled lighting and a custom premium LCD topper. Select *Core HDX* games feature Everi Bet™, the bet configuration system that gives casino operators the power to optimize the casino floor for maximum returns. The vast majority of our standard video library on our MForce platform is designed to be playable on the *Core HDX* .

Platinum MPX and The Texan HDX . The award-winning *Platinum MPX* represents a premium participation cabinet and

game series that offers a 40-inch monitor, full 1080p HD graphics capabilities, a fully-customizable touchscreen button panel, game-controlled runway lighting and six custom speakers, including two speakers in the fully integrated interactive sound chair with *Earthquake Shakers* technology. The *Platinum MPX* debuted with two games in 2014, the award-winning *Thundering Herd* and *Invasion 2: The Return*, with new themes *Smokin' Hot Dice*, *Gargoyle*, *Her Majesty*, and *Myths & Legends*. The *Texan HDX* is an 8-foot tall cabinet with twin 42-inch video screens, featuring a two-person bench seat. The cabinet is designed to showcase the Everi Standard Video Library in oversized format, allowing the games to be prominently displayed on the casino floor.

Wide Area Progressive. Everi is debuting its first Wide Area Progressive, or WAP, in Class II markets in 2017. Spanning two product lines, WAP will be delivered to customers on Player Classic and Empire MPX, Everi's premier single screen cabinet. The mechanical offering, Jackpot Lockdown, debuts with two themes: Jackpot Lockdown Mega Meltdown and Jackpot Lockdown High Voltage. Empire MPX will feature branded video content with Casablanca and Penn & Teller, all hitting the casino floor in 2017.

TournEvent. Our award-winning slot tournament system is a proven solution that allows operators to switch from in-revenue gaming to out-of-revenue tournaments with the simple click of a mouse. For more than a decade, *TournEvent* has standardized tournament system functionality and transformed everyday players into slot superstars at hundreds of top casinos worldwide. *TournEvent's* expansive tournament game library helps operators customize their tournaments, including providing unique bonus opportunities that improve scores or automatically move a player to first place. Casino operators can easily design and build a variety of flexible tournament formats, such as solo or team tournament play, session or round winner advancement, and cumulative or maximum scoring. The latest *TournEvent 5.0* version includes new system enhancements that improve operator efficiencies and hardware and engaging tournament games that attracts players. New *TournEvent 5.0* features include:

- Automated *Wild Card* drawing and round feature that automates current tournament procedure and facilitates a smooth player selection process, utilizing overhead signage to quickly identify players who were randomly selected to advance.
- *Find Your Seat Helper* that allows operators to preset a color for tournament banks/ electronic gaming machines ("EGMs"), auto assign colors to players, and display player names on EGM screens, allowing players to quickly locate their assigned seats.
- Automated *VIP Filter* that allows operators to filter a player database so that only select players will be automatically registered into tournaments when a player card is swiped.
- *On Deck Display* feature that consists of three session panes, which continuously display player registrations in real-time and allow players to see who is in the current and future sessions.
- *New Skill Tournament Games* with interactive bonuses:
 - *Fruit Ninja®* is an interactive game, much like the popular mobile app game that brings skill into slot tournaments.
 - *Electric Diamonds* features two new interactive bonuses, *Pop Frenzy* and *Reel Frenzy*.

With the wireless tablet option, casino operators will be able to sign up players for tournaments remotely, allowing for a more efficient tournament registration and an overall better tournament experience for the casinos and players alike. *TournEvent* also is available with multiple sign options, consisting of a rotating 55-inch monitor, lighted accent dividers, and the ability to be featured on new bank configurations.

Payments Products and Services

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

The markets we address with our principal Payments products and services are:

ATM Cash Withdrawals . ATM cash withdrawal transactions represent the largest category of electronic payment transactions that we process, as measured by dollar and transaction volume. In an ATM cash withdrawal transaction, a patron directly accesses funds from a device enabled with our ATM service by either using an ATM or debit card to withdraw funds from the patron's demand deposit account, or using a credit card to access the patron's line of credit. In either event, the patron must use the personal identification number ("PIN") associated with such card. Our processor then routes the transaction request through an electronic funds transfer ("EFT") network to the patron's bank or issuer, as applicable. Depending upon a number of factors, including the patron's account balance or credit limit and daily withdrawal limit (which limits are set by the bank or issuer, as applicable), the bank or issuer will either authorize or decline the transaction. If the transaction is authorized, then the ATM-enabled device dispenses the cash to the patron. For a transaction using an ATM or debit card, the patron's demand deposit account is debited by the amount of cash disbursed plus a service fee that we assess the patron for the use of the ATM service. For a transaction using a credit card with a PIN, the patron's credit card account is charged by the amount of the cash disbursed plus a service fee that we assess the patron for the use of the ATM service. In both cases, the service fee is currently a fixed dollar amount and not a percentage of the transaction size. We also receive a fee, which we refer to as a reverse interchange fee, from the patron's card-issuing bank for accommodating the card issuer's customer. In most circumstances, we pay a percentage of the service fee that we receive from the patron and, in some circumstances, a portion of the reverse interchange fees we receive, as a commission to our gaming establishment customers for the right to operate on their premises.

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

When a patron requests a credit card cash access or POS debit card transaction, our processor routes the transaction request through one of the card associations, or EFT networks to the issuing bank. Depending upon several factors, such as the available credit or bank account balance, the transaction is either authorized or declined by the issuing bank. If authorized, the patron's bank account is debited or the patron's credit card balance is increased, in both cases, by an amount equal to the funds requested plus our service fee. The service fee is a fixed dollar amount, a percentage of the transaction size or a combination of a fixed dollar amount and percentage of the transaction size. If the transaction is authorized, the device informs the patron that the transaction has been approved. The device then further instructs the patron to proceed to the gaming establishment's cashier, or Company-operated satellite cage ("financial services center"), to complete the transaction because credit card cash access and POS debit card cash access transactions must, in most circumstances, be completed in face-to-face environments and a unique signature must be received in order to comply with rules of the card associations. Once at the gaming establishment's cashier or at our financial services center, the patron acknowledges acceptance of the fee. We reimburse the gaming establishment for the amount of cash that it provided to the patron by paying the gaming establishment via wire transfer or other similar form of electronic payment. In addition, we generally pay the gaming establishment a portion of the service fee as a commission for the right to operate on its premises, although this payment as a percentage of the fee is generally smaller for credit card cash access and POS debit card cash access transactions than for ATM withdrawals. In addition, we are obligated to pay interchange fees to the issuing bank and processing costs related to the electronic payment transaction to card associations.

Check-Related Services . Patrons are able to cash checks at certain gaming establishments. When a patron presents a check to the cashier, the gaming establishment can accept or deny the transaction based on its own customer information and at its own risk, obtain third-party verification information about the check writer, the bank account number and other information relating to the check to manage its risk, or obtain a warranty on payment of the check, which entitles the gaming establishment to reimbursement of the full face amount of the check if it is dishonored.

If a gaming establishment chooses to have a check warranted, it sends a request to a check warranty service provider, inquiring whether it would be willing to accept the risk of cashing the check. If the check warranty provider accepts the risk and warrants the check, the gaming establishment negotiates the patron's check by providing cash for the face amount

of the check. If the check is dishonored by the patron's bank upon presentment, the gaming establishment invokes the warranty, and the check warranty service provider purchases the check from the gaming establishment for the full check amount and then pursues collection activities on its own.

For those gaming establishments that seek to manage their own risk, we provide a subscription check verification service via a database operated by our subsidiary, Central Credit, LLC ("Central Credit"), which is used by gaming establishments to make credit issuing decisions. Central Credit maintains information on the check cashing and credit history of many gaming establishment patrons. For those gaming establishments that prefer to obtain a warranty, we currently provide check warranty services through a third-party check warranty service provider. We pay this third-party provider to assist with the warranty decision, check processing, billing and collection activities. On our behalf, this third-party provider charges our gaming establishment customers a fee for the check warranty services, which is typically a percentage of the face amount of the check being warranted. In such circumstances, we receive all of the check warranty revenue. We are exposed to risk for the losses associated with any warranted items that cannot be collected from patrons issuing the items. Warranty expenses are defined as any amounts paid by the third-party provider to gaming establishments to purchase dishonored checks that will not be collectible from patrons and any expenses related to the collection on these amounts. We also pay certain fees and operating expenses to our third-party provider related to the provision of these services.

Our principal Payments products and services consist of the following:

Casino Cash Plus 3-in-1 ATMs are unmanned, cash-dispensing machines that enable ATM cash withdrawals, POS debit card cash access transactions, and credit card cash access transactions directly, or using our patented 3-in-1 Rollover functionality. Most financial institutions that issue debit cards impose daily ATM withdrawal limits, and, in some instances, aggregate and count Friday, Saturday and Sunday as a single day in calculating such limits. If a patron has reached his or her daily ATM limit, our patented 3-in-1 Rollover functionality automatically enables the patron to obtain funds via a POS debit card transaction or a credit card cash access transaction instead.

Check verification and warranty services allow gaming establishments to manage and reduce risk on patron checks that they cash. A gaming establishment can query our Central Credit database to review the check cashing history of a gaming establishment patron before deciding whether to cash the patron's check. If the gaming establishment desires additional protection against loss, it can seek a warranty on payment of the check. We have a relationship with a third-party check warranty service provider to market check warranty services to gaming establishments.

CashClub® provides gaming establishments with a single dashboard interface that streamlines credit and debit card cash access transaction processing and check warranty transactions. It allows for electronic signature capture and dynamic currency conversion. It also interfaces with Everi Compliance to meet Title 31 regulatory requirements.

Fully Integrated Kiosks are a complete line of products that provide multiple functions to the casino floor. This includes cash access functionality, such as our 3-in-1 Rollover, which provides casino patrons access to perform cash advance, POS debit and ATM transactions. The kiosks also provide functionality to perform check cashing transactions, slot machine ticket redemption, bill breaking and loyalty program access as well as integration with mobile and wallet technology. The availability of our cash access platform on these slot ticket redemption devices provides us with additional points of contact with gaming patrons at locations that are usually closer to gaming devices than traditional cash access devices that are typically located on the periphery of the gaming area within the casino floor and also provides gaming patrons with more opportunities to access their cash with less cashier involvement.

Other Integrated Kiosk Solutions provide casinos with more efficient and streamlined methods for cash handling and transaction processing. They allow casino personnel to immediately process and dispense taxable jackpots in the form of cash, tickets or a combination of both. They also help to improve cage security and accuracy while reducing count and balancing times. These products are designed to be integrated with our suite of cage compliance software to ensure compliance with anti-money laundering regulations and provide an automated way to process common tax forms such as the Internal Revenue Service Form W-2G or Form 1042-S.

Central Credit is our gaming patron credit bureau service which, on a subscription basis, allows gaming establishments to improve their credit-granting decisions by obtaining access to a database containing credit information and transaction data on millions of gaming patrons. Our gaming credit reports are comprised of information recorded from patron credit histories at hundreds of gaming establishments. We provide such information to gaming establishments that subscribe to

the service. These establishments then use that data, among other things, to determine how much credit, if any, they will grant to a gaming patron. We typically charge our customers for access to gaming patron credit reports on a monthly basis and our fees are generally comprised of a fixed minimum fee plus per-transaction charges for certain requests.

Everi Compliance is our suite of compliance software offerings for gaming operators. These compliance solutions help our gaming establishment customers comply with financial services and gaming regulations. These compliance solutions include software to assist with anti-money laundering regulations, such as filing currency transaction reports by casinos (“CTRCs”) and suspicious activity reports (“SARs”). Additionally, these compliance solutions also assist casinos in filing required tax forms in connection with the payout of jackpot winnings to patrons and assist casinos with auditing cash on the floor and in casino cages.

We also offer:

- Stand alone, non-ATM terminals that perform authorizations for credit card cash access and POS debit card cash access transactions.
- Database services that allow gaming establishments access to information from our proprietary patron transaction database for purposes of player acquisition, direct marketing, market share analysis, and a variety of other patron promotional uses. Our proprietary patron transaction database includes information that is captured from transactions we process. Patrons may “opt out” of having their names included in marketing mailing lists.
- An online payment processing solution for gaming operators in states that offer intra-state, Internet-based gaming and lottery activities.

Manufacturing

We utilize contract manufacturers to produce the cabinets that make up our EGMs and our kiosk products, as well as other sub-assemblies. We have assembly facilities in Austin, Texas and Las Vegas, Nevada, where we assemble the EGMs and our kiosk products, which include the cabinets, computer assemblies, LCD screens, printers, bill validators and acceptors, and other wiring and harnesses. We believe that our sources of supply of component parts and raw materials for our products are generally adequate and we have few sole-sourced parts.

Research and Development

We conduct research and development activities primarily to develop gaming systems, gaming engines, casino data management systems, casino central monitoring systems, video lottery outcome determination systems, gaming platforms and gaming content, as well as to add enhancements to our existing product lines. We believe our ability to deliver differentiated, appealing products and services to the marketplace is based on our research and development investments, and we expect to continue to make such investments in the future. Research and development costs consist primarily of salaries and benefits, consulting fees and game lab testing fees. Once the technological feasibility of a project has been established, it is transferred from research to development and capitalization of development costs begins until the product is available for general release.

Customers

As of December 31, 2016, we served over 1,000 casinos and other gaming properties in the United States, Europe, Canada, the Caribbean, Central America and Asia. In certain limited circumstances, we provide our products and services to non-gaming establishments, such as gas stations and other retail businesses associated with gaming establishment customers. However, the revenue generated from these operations is not material to our operations and we do not actively market or target non-gaming establishment customers.

Sales and Marketing

We sell and market our products and services to gaming establishments primarily through the use of a direct sales force, which targets gaming establishments in the United States and in international markets. With respect to our gaming

products, we participate in the Class III and Class II gaming machine markets, as well as the central determinant system market in North America, through participation, or revenue share, and fixed fee arrangements and the sale of proprietary EGMs and systems. For the years ended December 31, 2016, 2015, and 2014, our revenues from our operations outside the United States were 3.7%, 2.9%, and 2.7% of our total revenue, respectively. All of our long-lived assets outside of the United States were immaterial for each of fiscal 2016, 2015, and 2014.

In our Payments business, we sell and market Cash Access (Cash Advance, ATM and Check Services), fully integrated Kiosks, Everi Compliance and Central Credit services. Approximately 96% of our revenues are earned from North American sources while the remaining 4% is derived internationally.

Our sales and marketing efforts are directed by a team of customer service executives, each of whom has business development responsibility for gaming establishments in specified geographic regions. These customer service executives direct their efforts at all levels of gaming establishment personnel, including senior executives, finance professionals, marketing staff, slot directors, and cashiers, and seek to educate them on the benefits of our products and services. In some cases, our customer service executives are supported by field service and account managers, who provide on-site customer service to most of our customers. In other cases, our sales executives directly maintain the customer relationships. These customer service executives and field service and account managers generally reside in the vicinity of the specific gaming establishments that they support to ensure that they respond to the customer service needs of those gaming establishments. We also have joint sales efforts with a number of strategic partners, including independent sales organizations, which allow us to market our products and services to gaming establishments through channels other than our direct sales force.

Competition

In our Games business, we compete across different gaming markets with a variety of gaming equipment suppliers. Competition is generally based upon the (a) amount of revenue our products generate for our customers relative to the amount of revenue generated by our competitors' products, (b) prices and/or fees we and our competitors charge for products and services offered, and (c) appeal of our competitors' products to gaming patrons, which has a direct effect on the volume of play generated by a product and, accordingly, the revenues generated for our customers. To drive customer demand and improve product attractiveness to end users, we continually work to develop new game themes, gaming engines, hardware platforms and systems that appeal to gaming patrons, all while working to release these new products to the marketplace in a timely manner.

In our Payments business, we compete with other providers of cash access services to the gaming industry, as well as with financial institutions and other regional and local banks that operate ATMs on the premises of gaming establishments. Some of these other providers and financial institutions have established cooperative relationships with each other to expand their service offerings. We also face increased competition from (a) independent sales organizations, which provide basic services and aggressive pricing, (b) other manufacturers that provide similar good and services, and (c) traditional transaction processors that have entered the gaming patron cash access services market. This increased competition amongst these various providers of cash access services has resulted in pricing pressure and margin erosion with respect to our core cash access products and services.

Proprietary Rights

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

We rely on a combination of patents, trademarks, copyrights, trade secrets and contractual restrictions to protect our intellectual property. In our business, we have over 250 patents issued related to games and systems and processes, and have more than 50 patent applications pending world-wide. The expiration dates of these patents vary and are based on their filing and issuance dates. We intend to continue to actively file for patent protection, when such filings are

commercially reasonable, within and outside the United States. We also seek trademark protection for our names and products and have registered hundreds of trademarks in the United States and various foreign countries. Under permission or license agreements with third parties, we also sell gaming products covered by independently filed copyrights, trademarks and/or patents. Typically, these contracts require us to pay royalties to the licensing party. Royalty expenses are included in the cost of gaming and systems in our Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K. In addition to our patents, trademarks, and copyrights, we also rely on a broader scope of intellectual property including trade secrets, in-house know-how and innovation.

Employees

As of December 31, 2016, we had approximately 900 employees. We believe that our relations with our employees are good. We have never experienced a work stoppage and none of our employees are subject to a collective bargaining agreement.

Available Information

Our website address is www.everi.com. We make available free of charge on our website our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and all amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after such reports are electronically filed with, or furnished to, the SEC. In addition, our earnings conference calls are web cast live via our website. In addition to visiting our website, you may read and copy any document we file with the SEC at the SEC's Public Reference Room at 100 F. Street NE, Washington, D.C. 20549 or at www.sec.gov. Please call the SEC at 1-800-SEC-0330 for information on the Public Reference Room.

REGULATION

Gaming Regulation

The gaming industry is highly regulated under legal systems that frequently evolve and change based on governmental public policies. Various aspects of our business are subject to comprehensive laws, regulations and ordinances applicable to the ownership, management and operation of gambling establishments as well as certain financial services conducted at such establishments. These gaming laws, regulations and ordinances require us to be licensed, registered, found suitable, qualified or otherwise approved by various city, county, state, provincial, federal, tribal and foreign government agencies (collectively, “Gaming Authorities”) in the jurisdictions where we conduct business. We must maintain those licenses, registrations, or other approvals in good standing to continue our business, which generally imposes certain (i) financial and operational reporting, and oversight requirements, and (ii) character and fitness suitability requirements, in each case administered by the Gaming Authorities, upon us and our affiliated or subsidiary organizations, as well as the officers, directors, key personnel and, in certain instances, holders of our debt and/or equity securities in each of those organizations, and our material business associates. Gaming Authorities have broad discretion in determining whether to grant a license, registration or other approval. Subject to complying with certain procedural requirements, Gaming Authorities may deny any application, or limit, condition, restrict, revoke or suspend any license, registration, finding of suitability, qualification or other approval for any cause deemed reasonable to them.

In general, the licensure, qualification and approval requirements and the regulations imposed on non-gaming suppliers and vendors are less stringent than those requirements and regulations imposed on gaming operators, gaming-related manufacturers and suppliers. However, some jurisdictions do not distinguish between non-gaming and gaming suppliers and vendors while other jurisdictions classify all of our products and services as gaming-related. In those jurisdictions which classify our products and services as gaming-related, we are subject to the more stringent licensing and regulatory framework. The stated policies and other purposes behind such laws, regulations, and ordinances are generally to: (i) ensure the public’s trust and confidence in legalized gambling through a system of mandated regulation, internal controls, accounting practices, and operating procedures, and (ii) promote economic activity for the state, county and local governments through revenue opportunities emanating from taxes, licensing fees, and other economic benefits arising out of gambling and related activities.

Moreover, our gaming devices and certain other products and technologies must be certified or approved by Gaming Authorities in many jurisdictions where we conduct business. These Gaming Authorities test the gaming devices, systems, and related equipment directly or through an independent testing laboratory and may also require a field trial under the regulator’s technical standards before allowing us to sell the product. Although we collaborate closely with the Gaming Authorities and independent testing laboratories, we cannot control whether our products will be approved or the length of time taken to review our products for sale to third parties.

We believe that we are in substantial compliance with all material gaming and financial institution laws applicable to our business. We can give no assurance, however, that our business activities or the activities of our customers in the gaming industry will not be subject to any regulatory or legal enforcement proceedings in the future and a violation of applicable gaming laws by us or any of our subsidiaries could have a material adverse effect on our financial condition, prospects and results of operations. Depending on the nature of any noncompliance, our failure to comply with such laws, regulations, and ordinances may result in the suspension or revocation of any license, registration, or other approval, a partial or complete cessation of our business, seizure of our assets, as well as the imposition of civil fines and criminal penalties.

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

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

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

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

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

State and Tribal Gaming Commissions . We are regulated by gaming commissions or similar authorities at the state or tribal level as either a (i) manufacturer of gaming devices, in those jurisdictions where we manufacture gaming devices and systems, (ii) supplier of “associated equipment,” in those jurisdictions where we sell and service fully integrated kiosks and other integrated kiosk solutions, and/or (ii) non-gaming supplier or vendor, in those jurisdictions where we provide cash access and Central Credit services only.

The process of obtaining necessary licenses, registrations, or other approvals often involves substantial disclosure of confidential or proprietary information about us and our officers, directors, key personnel and, in certain instances, beneficial owners of our debt and/or equity securities, and requires a determination by the regulators as to our suitability as a manufacturer, supplier, or vendor to gaming establishments. Such suitability examinations may also generally include the following:

- requiring the licensure or finding of suitability of any of our officers, directors, key employees, or beneficial owners of our debt and/or equity securities as well as our key third-party vendors, suppliers, customers, and other companies with whom we conduct business;
- the termination or disassociation with such officer, director, key employee, or beneficial owner of our securities that fails to file an application or to obtain a license or finding of suitability and prohibiting unapproved payments and distributions to such persons;
- the submission of detailed financial and operating reports;
- the submission of reports of material loans, leases, sales of securities, and financings; and
- the regulatory approval of certain material transactions, such as the merger with or acquisition of other companies, the transfer or pledge of our stock or other equity interests or restrictions on transfer of such interests, or similar financing transactions.

These regulatory obligations are imposed upon gaming-related manufacturers, suppliers, or vendors on an ongoing basis, and there are no guaranties that we will be successful in obtaining and maintaining all necessary licenses, permits, and approvals and to continue to hold other necessary gaming licenses, permits, and approvals to conduct our businesses as currently being conducted by us. The expansion of our businesses, the introduction of new games, systems, products or services, or changes to applicable rules and regulations may result in additional regulatory or licensing requirements being imposed upon us. Many Gaming Authorities will require us to submit software and other key technology components of our gaming devices and systems, as well as our fully integrated kiosks and other integrated kiosk solutions, to government or third-party gaming laboratories for testing and certification prior to deploying such games, systems, and devices in a particular gaming jurisdiction.

Gaming regulatory authorities have broad discretion and may require any beneficial holder of our securities, regardless of the number of shares of common stock and/or amount of debt securities owned, to file an application, make personal or confidential disclosures, be investigated, and be subject to a determination of suitability. Many jurisdictions require any person who acquires beneficial ownership of more than a certain percentage of voting securities of a gaming company and, in some jurisdictions, non-voting securities, typically 5%, to report the acquisition to Gaming Authorities, and Gaming Authorities may require such holders to apply for qualification or a finding of suitability, subject to limited exceptions for “institutional investors” that hold a company’s voting securities for investment purposes only. If a beneficial holder of our securities is a corporation, partnership, or trust, such entity must submit detailed business and financial information, which may include information regarding its officers, directors, partners, key personnel, and beneficial owners. Further disclosure by those officers, directors, partners, key personnel, and beneficial owners may also be required. Under some circumstances and in some jurisdictions, an institutional investor, as defined in the applicable gaming regulations, that acquires and holds a specified amount of our securities in the ordinary course of its business may apply to the regulatory authority for a waiver of these licensure, qualification, or finding of suitability requirements, provided that the institutional investor holds the voting securities for investment purposes only, meets certain thresholds relating to the number of securities held, and certifies as to its intentions not to directly or indirectly exert control or influence over the management, policies, and operations of the licensed entity or to change its corporate governance documents.

Tribal-State Compacts and Tribal Regulation . Native American gaming is subject to the review of the NIGC and other applicable laws. Native American tribes must adopt and submit for NIGC approval the ordinances that regulate their gaming activities. Pursuant to the requirements of IGRA, our tribal customers require the tribe to have the sole proprietary interest in their gaming activities. Because federally recognized Native American tribes are independent governments with sovereign rights, Native American tribes can enact their own laws and regulate gaming operations and contracts, and, with some exceptions, generally enjoy sovereign immunity from lawsuits similar to that of the individual states and the United States.

Class III gaming on Native American tribal lands is subject to the negotiation of a compact between the tribe and the state in which they plan to operate a gaming facility. These tribal-state compacts typically include provisions entitling the state to receive a portion of the tribe’s gaming revenues. While tribal-state compacts are intended to document the agreement between the state and a tribe, these tribal-state compacts can be subject to disputes relative to permitted Class III gaming operations.

Charity Regulation . We have historically supplied bingo games and systems to nonprofit organizations that operate these games for charitable, educational and other lawful purposes. Bingo for charity is not subject to a nationwide regulatory system, such as the system created by IGRA to regulate Native American gaming, and, as a result, regulation for this market is generally on a state-by-state basis, although in some cases it is regulated by county commissions or other local government authorities.

Lottery Commissions. Most states and the District of Columbia have lotteries. The operation of lotteries is subject to extensive regulation. Many aspects of lottery operations are determined by state or local legislation, but lottery regulatory authorities exercise significant discretion to ensure the integrity of contract awards and lottery operations, including in the process of selecting suppliers of equipment, technology and services and retailers of lottery products. Lottery regulatory commissions typically require detailed background disclosure by and investigations of vendors and their subsidiaries, affiliates, principal stockholders, officers, directors, and employees who will be directly responsible for the operation of lottery systems. These regulators may have authority to order removal of employees who they deem to be unsuitable or whose presence they believe may adversely affect the operational security or integrity of the lottery. Some lottery commissions mandate extensive personal and financial disclosure and background checks from persons and entities beneficially owning a specified percentage (typically 5% or more) of a vendor's securities. The failure of such beneficial owners of our securities to cooperate with the regulators could result in penalties, jeopardize the award of a lottery contract to us, or provide grounds for termination of an existing lottery contract.

Internet and Online Gaming Regulation . Several states have passed implementing legislation and/or regulations to allow certain intra-state, wager-based, online casino and/or lottery games, such as online poker, lottery ticket purchases, or lottery ticket subscriptions. This is due, in part, to (a) a rule of construction contained within the Unlawful Internet Gaming Enforcement Act ("UIGEA") that limits and prevents UIGEA application from altering, limiting or extending any federal, state or tribal laws regulating gambling, (b) a definition within UIGEA that excludes certain intra-state, intra-tribal and interstate horseracing transactions from the phrase "unlawful Internet gambling," provided certain threshold requirements are met, and (c) a memorandum dated September 20, 2011 and published by the United States Department of Justice, Criminal Division, in which the Department concludes, among other things, that the Federal Wire Act of 1961 (the "Wire Act") does not apply to interstate transmissions of wire communications that do not relate to a sporting event or contest. To date, states such as Delaware, Georgia, Illinois, Michigan, Nevada, New Jersey, North Carolina and North Dakota have some form of internet or online gaming or lottery activities.

However, the legislative and regulatory environment surrounding online, wager-based games in the United States remains uncertain and complex, and it is unclear how the legislative and regulatory framework governing these activities will evolve in the future. Many states have yet to introduce or finalize regulations regarding the licensing and operational requirements regarding online, wager-based activity, including the licensing and technological requirements relating to the funding and processing of payments relating to online, wager-based casino and lottery games. In addition, the funding of online casino gaming activity is subject to the requirement of the UIGEA, which may prohibit or significantly impede the funding of online, wager-based gaming activity. There is also a possibility that the Wire Act may be amended in the future to prevent or prohibit the use of Internet or mobile-based platforms regardless of the involvement of a sporting event or contest.

Financial Services Regulation

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

Durbin Amendment . On June 29, 2011, the Federal Reserve Board issued a final rule establishing standards for debit card interchange fees, among other things, which took effect on October 1, 2011. This rule, Regulation II (Debit Card Interchange Fees and Routing) was promulgated pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act") as modified by the Durbin Amendment (the "Durbin Amendment"), and establishes, among other things, standards for assessing whether debit card interchange fees received by certain debit card issuers are reasonable and proportional to the costs incurred by issuers for electronic debit transactions. Debit card interchange fees are established by payment card networks and ultimately paid by merchants to debit card issuers for each debit transaction.

Anti-Money Laundering . The USA PATRIOT Act of 2001 and its implementing federal regulations require us to establish and maintain an anti-money laundering program. Our anti-money laundering program includes: internal policies, procedures and controls designed to identify and report money laundering, a designated compliance officer, an ongoing employee training program, and an independent audit function to test the program. In addition, the cash access services that we provide are subject to record keeping and reporting obligations under the Bank Secrecy Act. Our gaming establishment customers are required to file a SAR with the U.S. Treasury Department's Financial Crimes Enforcement Network to report any suspicious transactions relevant to a possible violation of law or regulation. We are also required to

file a SAR where we provide our cash access services directly to patrons through financial services centers that we staff and operate. To be reportable, such a transaction must meet criteria that are designed to identify the hiding or disguising of funds derived from illegal activities. Our gaming establishment customers, in situations where our cash access services are provided through gaming establishment cashier personnel, and we, in situations where we provide our cash access services through a financial services center, are required to file a CTRC of each deposit, withdrawal, exchange of currency or other payment or transfer by, through or to us which involves a transaction in currency of more than \$10,000 in a single day. Our CashClub® product can assist in identifying transactions that give rise to reporting obligations. When we issue or sell drafts for currency in amounts between \$3,000 and \$10,000, we maintain a record of information about the purchaser, such as the purchaser's address and date of birth.

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

State Money Transmission Laws . Many states where we complete credit card cash access and POS debit card cash access transactions or offer our online payment processing solution require us to have a money transmitter license.

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

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

Privacy Regulations . Our collection of information from patrons who use our financial products and services, such as our cash access services, are subject to the financial information privacy protection provisions of the Gramm-Leach-Bliley Act and its implementing federal regulations. We gather, as permitted by law, non-public, personally-identifiable financial information from patrons who use our cash access services, such as names, addresses, telephone numbers, bank and credit card account numbers and transaction information. The Gramm-Leach-Bliley Act requires us to safeguard and protect the privacy of such non-public personal information and also requires us to make disclosures to patrons regarding our privacy and information sharing policies and give patrons the opportunity to direct us not to disclose information about them to unaffiliated third parties in certain situations. We are also subject to state privacy regulations which, in some cases, may be even stricter than federal law. We continue to implement policies and programs as well as adapt our business practices in order to comply with federal and state privacy laws and regulations.

ATM Operations . The Electronic Fund Transfer Act requires us to disclose certain notices regarding the fees that we charge for performing an ATM transaction as well as to incorporate such notices on the ATM screens to notify patrons of such fees prior to completing an ATM transaction. Our ATM services are also subject to applicable state banking

regulations in each jurisdiction in which we operate ATMs which require, among other things, that we register with the state banking regulators as an operator of ATMs, that we provide gaming patrons with notices of the transaction fees assessed upon use of our ATMs, that our transaction fees do not exceed designated maximums, that we offer gaming patrons a means of resolving disputes with us, and that we comply with prescribed safety and security requirements. In addition, the ATMs that we operate are subject to requirements of the Americans with Disabilities Act, which in general require that ATMs be accessible to individuals with disabilities, such as visually-impaired persons.

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

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

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

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

International Regulation

We are also subject to a variety of gaming and financial services regulations and other laws, including the Foreign Corrupt Practices Act, in the international markets in which we operate. We expect to become subject to additional gaming and financial services regulations and other laws in the jurisdictions into which we expand our operations. Our expansion into new markets is dependent upon our ability to comply with the regulatory regimes adopted by such jurisdictions. Difficulties in obtaining approvals, licenses or waivers from the gaming and monetary authorities, in addition to other potential regulatory and quasi-regulatory issues that we have not yet ascertained, may arise in other international jurisdictions into which we wish to enter.

Item 1A. Risk Factors .

The following section describes material risks and uncertainties that we believe may adversely affect our business, financial condition, results of operations or the market price of our stock. This section should be read in conjunction with the audited Consolidated Financial Statements and Notes to Consolidated Financial Statements and “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere in this Annual Report on Form 10-K.

Risks Related to Our Business

We have recorded net losses in each of the last two fiscal years and we may not generate profits in the future.

We had net loss of \$249.5 million and \$105.0 million for the years ended December 31, 2016 and 2015, respectively. As a result of the interest payments on the indebtedness incurred in connection with the Merger, amortization of intangible assets associated with the Merger and other acquisitions, other related acquisition and financing costs, asset impairment charges and depreciation and other amortization, we may not be able to generate profits in the future. We expect to continue to incur charges in the future in connection with the Merger and future acquisitions and we cannot assure you that we will generate net profits from operations in 2017 or subsequent years. Our ability to generate net profits in the future will depend, in part, on our ability to:

- establish strategic business relationships with new and existing customers;
- sell our products and services into new markets and to new customers in existing markets and retain our existing customers;
- develop new games or license third party content in our Games business and develop new products and services in our Payments business;
- effectively manage a larger and more diversified workforce and business;
- react to changes, including technological and regulatory changes, in the markets we target or operate in;
- respond to competitive developments and challenges;
- continue to comply with the Europay, MasterCard and Visa global standard for cards equipped with security chip technology; and
- attract and retain experienced and talented personnel.

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

Our substantial leverage could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in our industry or the economy, expose us to interest rate risk to the extent of our variable rate debt, and prevent us from meeting our obligations with respect to our indebtedness.

As of December 31, 2016, our total indebtedness was approximately \$1.1 billion, which included the Credit Facilities and the Notes, each of which contain restrictive covenants. Our high degree of leverage could have significant adverse effects on our business, including:

- requiring a substantial portion of cash flow from operations to be dedicated to the payment of principal and interest on our indebtedness, therefore reducing our ability to use our cash flow to fund our operations, capital expenditures, and future business opportunities;
- making it more difficult for us to satisfy our obligations with respect to our indebtedness and any failure to comply with the obligations of any of our debt instruments, including restrictive covenants and borrowing conditions, could result in an event of default under the purchase agreement governing the Refinanced Secured Notes and indenture governing the Unsecured Notes and the agreements governing such other indebtedness;
- increasing our vulnerability to adverse economic, industry or competitive developments;
- restricting us from making strategic acquisitions or causing us to make non-strategic divestitures;
- limiting our ability to obtain additional financing for working capital, capital expenditures, product development, debt service requirements, acquisitions and general corporate or other purposes; and
- limiting our flexibility in planning for, or reacting to, changes in our business or market conditions and placing us at a competitive disadvantage compared to our competitors who are less highly leveraged or may have more resources than us and who therefore may be able to take advantage of opportunities that our leverage prevents us from exploiting.

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

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

If our cash flows and capital resources are insufficient to fund our debt service obligations, we could face substantial liquidity problems and could be forced to reduce or delay investment and capital expenditures or to dispose of material assets or operations, seek additional equity capital, or restructure or refinance our indebtedness. We may not be able to affect any such alternative measures, if necessary, on commercially reasonable terms or at all and, even if successful, such alternative actions may not allow us to meet our scheduled debt service obligations. The Credit Facilities, purchase agreement governing the Refinanced Secured Notes and indenture governing the Unsecured Notes restrict our ability to dispose of assets and use the proceeds from any such disposition.

If we cannot make scheduled payments on our debt, we will be in default and, as a result, the holders of the Notes could declare all outstanding principal and interest to be due and payable, the lenders under the Credit Facilities could declare all outstanding amounts under such facilities due and payable and terminate their commitments to loan money, and, in each case, foreclose against the assets securing the borrowings under the Credit Facilities, and we could be forced into bankruptcy or liquidation.

If our indebtedness is accelerated, we may need to refinance all or a portion of our indebtedness before maturity. We may not be able to refinance any of our indebtedness on commercially reasonable terms or at all. There can be no assurance that we will be able to obtain sufficient funds to enable us to repay or refinance our debt obligations on commercially reasonable terms, or at all.

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

The Credit Facilities, purchase agreement governing the Refinanced Secured Notes and indenture governing the Unsecured Notes contain a number of significant restrictions and covenants that limit our ability to:

- incur additional indebtedness;
- sell assets or consolidate or merge with or into other companies;
- pay dividends or repurchase or redeem capital stock;
- make certain investments;
- issue capital stock of our subsidiaries;
- incur liens;
- prepay, redeem or repurchase subordinated debt; and
- enter into certain types of transactions with our affiliates.

These covenants could have the effect of limiting our flexibility in planning for or reacting to changes in our business and the markets in which we compete. In addition, the Credit Facilities require us to comply with a financial maintenance covenant under certain circumstances. Operating results below current levels or other adverse factors, including a significant increase in interest rates, could result in our being unable to comply with the financial covenants contained in the Credit Facilities, if applicable. If we violate this covenant and are unable to obtain a waiver from our lenders, our debt under the Credit Facilities would be in default and could be accelerated by our lenders. Based on cross-default provisions in the agreements and instruments governing our indebtedness, a default under one agreement or instrument could result in a default under, and the acceleration of, our other indebtedness. In addition, the lenders under the Credit Facilities could proceed against the collateral securing that indebtedness.

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

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

As of December 31, 2016, we had tax effected federal and state net operating loss (“NOL”) carry forwards of approximately \$92.8 million and \$10.4 million, respectively, a federal research and development credit carry forward of approximately \$4.8 million, and a federal alternative minimum tax credit carry forward of approximately \$1.6 million. The net operating losses begin expiring starting in 2017. The federal research and development credits are limited to a 20 year carry forward period and will begin to expire in varying amounts in 2033, if not utilized.

Based on the weight of available evidence, including both positive and negative indicators, if it is more likely than not that a portion, or all, of the deferred tax assets will not be realized, we must consider recording a valuation allowance. Greater weight is given to evidence that is objectively verifiable, most notably historical results. As we are in a cumulative loss position, we increased our valuation allowance for deferred tax assets by \$59.6 million during the fourth quarter of 2016, related to these NOL and other tax credit carry-forwards. Our ability to utilize the remaining NOL and other tax credit carry forwards to reduce taxable income in future years may be further limited, including the possibility that projected future taxable income is insufficient to realize the benefit of these NOL carry forwards prior to their expiration. To the extent our results of operations do not improve, we may not have the ability to overcome the more likely than not accounting standard that would allow us to reverse the valuation allowance and may be subject to record an additional valuation allowance in the future.

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

Changes in certain federal corporate tax laws could have an adverse effect on our cash flows, results of operations or financial condition overall.

We currently benefit from the possession of a deferred tax asset, which would serve to offset any future taxable income. If changes to federal income tax legislation are enacted which reduce the current statutory federal corporate income tax rate, the alternative minimum tax rate, or other applicable tax rates, a material impairment to our deferred tax asset is likely. We would be required to recognize in full any such impairment as a reduction to our net income in the period that the change becomes effective, which could adversely affect our financial position and results of operations.

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

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

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

We provide our gaming-related and cash access products and services almost exclusively to gaming establishments. As a result, our business depends on consumer demand for gaming. Gaming is a discretionary leisure activity, participation in which has in the past and may in the future decline during periods of (i) economic growth, due to changes in consumers' spending habits, (ii) economic downturns, due to decreases in our customers' disposable income or general tourism activities, and (iii) declining consumer confidence, due to general economic conditions, geopolitical concerns or other factors. Gaming competes with other leisure activities as a form of consumer entertainment and may lose popularity as new leisure activities arise or as other leisure activities become more popular. In addition, gaming in traditional gaming establishments (to which we sell our products and services) competes with Internet-based gaming. The popularity and acceptance of gaming is also influenced by the prevailing social mores and changes in social mores, including changes

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

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

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

Our installed base of leased gaming devices includes many games provided by third-party manufacturers that are being removed from existing gaming customers, and if we are unable to replace these units with our own units or these replaced units perform at substantially less economic terms, our business, financial condition, operations or cash flows may suffer a material adverse effect.

As of December 31, 2016 and 2015, we had 1,333 and 2,554 Class III gaming units, respectively, under lease or daily fixed fee arrangements to our customers that were provided by third-party equipment manufacturers. These units typically perform at daily win per units in excess of our portfolio average daily win per unit. Given the age of these units, our gaming customers have been removing these units and replacing them with other Everi provided Class II gaming units or by entering into new arrangements with other providers of gaming equipment. If we are unable to replace these units with our proprietary Class II or Class III units, or we replace these units with our games and their performance is not as high as the performance experienced on the third-party Class III unit that it replaced, our business, financial condition, operations or cash flows could suffer a material adverse effect.

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

As of December 31, 2016, we operated 8,234 Class II gaming units under lease or daily fixed fee arrangements to our customers. Customers who enter into compacts with state governments may desire to change from Class II gaming units to Class III gaming units, as Class III units generally perform better than Class II units. This may result in the loss of placements under lease or daily fixed fee arrangements as customers purchase Class III units from other equipment suppliers to replace our existing Class II units. Several tribes in California have recently renegotiated their Tribal Compact and have removed our Class II units from their gaming floors. If we are unable to replace these lost units with our proprietary Class III units, then our business, financial condition, operations or cash flows may suffer an adverse effect.

If we are unable to renew our contract with the New York Lottery, our revenues, financial condition, operations or cash flows may suffer a material adverse effect.

Our contract to provide an accounting and central determinant system for the VLTs in the State of New York expires in late December 2017, and has provided Games segment revenues of approximately \$18.1 million and \$17.5 million for the

years ended December 31, 2016 and 2015, respectively. We are actively working to extend the term of this agreement; however, if we are unsuccessful in renewing the contract, our business, financial condition, operations or cash flows may suffer a material adverse effect.

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

We often execute contracts with customers pursuant to which we provide products and services at multiple gaming establishments. Accordingly, the expiration or termination of a single key contract can mean the loss of multiple gaming facilities at which our products and services are used. In addition, consolidation among operators of gaming establishments may also result in the loss of customers if one of our customers is acquired by a business that utilizes one of our competitors.

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

We derive a significant percentage of our revenue from the provision of cash access and gaming-related products and services to gaming facilities operated on Native American lands.

Native American tribes are independent governments with sovereign powers and, in the absence of a specific grant of authority by Congress to a state or a specific compact or agreement between a tribal entity and a state that would allow the state to regulate activities taking place on Native American lands, they can enact their own laws and regulate gaming operations and contracts. In this capacity, Native American tribes generally enjoy sovereign immunity from lawsuits similar to that of the individual states and the United States. Accordingly, before we can seek to enforce contract rights with a Native American tribe, or an agency or instrumentality of a Native American tribe, we must obtain from the Native American tribe a waiver of its sovereign immunity with respect to the matter in dispute, which we are not always able to do. Without a limited waiver of sovereign immunity, or if such waiver is held to be ineffective, we could be precluded from judicially enforcing any rights or remedies against a Native American tribe, including the right to enter Native American lands to retrieve our property in the event of a breach of contract by the tribal party to that contract. Even if the waiver of sovereign immunity by a Native American tribe is deemed effective, there could be an issue as to the forum in which a lawsuit may be brought against the Native American tribe. Federal courts are courts of limited jurisdiction and generally do not have jurisdiction to hear civil cases relating to Native American tribes, and we may be unable to enforce any arbitration decision effectively. Although we attempt to agree upon governing law and venue provisions in our contracts with Native American tribal customers, these provisions vary widely and may not be enforceable.

Certain of our agreements with Native American tribes are subject to review by regulatory authorities. For example, our development agreements are subject to review by the NIGC, and any such review could require substantial modifications to our agreements or result in the determination that we have a proprietary interest in a Native American tribe's gaming activity, which could materially and adversely affect the terms on which we conduct our business. The NIGC has previously expressed the view that some of our development agreements could be in violation of the requirements of the IGRA and Native American tribal gaming regulations, which state that the Native American tribes must hold "sole proprietary interest" in the Native American tribes' gaming operations, which presents additional risk for our business. The NIGC may also reinterpret applicable laws and regulations, which could affect our agreements with Native American tribes. We could also be affected by alternative interpretations of the Johnson Act as the Native American tribes, who are the customers for our Class II games, could be subject to significant fines and penalties if it is ultimately determined they are offering an illegal game, and an adverse regulatory or judicial determination regarding the legal status of our products could have material adverse consequences for our business, financial condition, operations, cash flows or prospects.

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

Certain Native American tribes require us to contract with entities that are owned, controlled or managed by tribal members to provide a portion of our services. In some instances, these entities are subcontractors of ours in connection with providing our services, while in other instances we are a subcontractor to these entities who contract with the applicable tribal gaming casino or tribe directly to provide cash access services. Our ability to provide our services is dependent upon our relationship with these third parties and their ability to provide services in accordance with the terms of our contractual arrangement with these third parties and, in some instances, the third parties' relationship or contractual arrangement with the applicable tribal gaming casino or tribe.

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

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

We may not successfully enter new markets and potential new markets may not develop quickly or at all.

If and as new and developing domestic markets develop, competition among providers of gaming-related and cash access products and services will intensify. We will face a number of hurdles in our attempts to enter these markets, including the need to expand our sales and marketing presence, compete against pre-existing relationships that our target customers may have with our competitors, the uncertainty of compliance with new or developing regulatory regimes (including regulatory regimes relating to Internet gaming) with which we are not currently familiar, and oversight by regulators that are not familiar with us or our businesses. Each of these risks could materially impair our ability to successfully expand our operations into these new and developing domestic markets.

In addition, as we attempt to sell our gaming-related and cash access products and services into international markets in which we have not previously operated, we may become exposed to political, economic, tax, legal and regulatory risks not faced by businesses that operate only in the United States. The legal and regulatory regimes of foreign markets and their ramifications on our business are less certain. Our international operations are subject to a variety of risks, including different regulatory requirements and interpretations, trade barriers, difficulties in staffing and managing foreign operations, higher rates of fraud, compliance with anti-corruption and export control laws, fluctuations in currency exchange rates, difficulty in enforcing or interpreting contracts or legislation, political and economic instability and potentially adverse tax consequences. Difficulties in obtaining approvals, licenses or waivers from the monetary and

Gaming Authorities of other jurisdictions, in addition to other potential regulatory and quasi-regulatory issues that we have not yet ascertained, may arise in international jurisdictions into which we attempt to enter. In these new markets, our operations will rely on an infrastructure of, among other things, financial services and telecommunications facilities that may not be sufficient to support our business needs, such as the authorization and settlement services that are required to implement electronic payment transactions and the telecommunications facilities that would enable us to reliably connect our networks to our products at gaming establishments in these new markets. In these new markets, we may additionally provide services based upon interpretations of applicable law, which interpretation may be subject to regulatory or judicial review. These risks, among others, could materially and adversely affect our business, financial condition and operations. In connection with our expansion into new international markets, we may forge strategic relationships with business partners to assist us. The success of our expansion into these markets therefore may depend in part upon the success of the business partners with whom we forge these strategic relationships. If we do not successfully form strategic relationships with the right business partners or if we are not able to overcome cultural or business practice differences, our ability to penetrate these new international markets could suffer.

We are subject to the risk that the domestic or international markets we attempt to enter or expand into may not develop as quickly as anticipated, or at all. The development of new gaming markets is subject to political, social, regulatory and economic forces beyond our control. The expansion of gaming activities in new markets can be very controversial and may depend heavily on the support and sponsorship of local government. Changes in government leadership, failure to obtain requisite voter support in referendums, failure of legislators to enact enabling legislation and limitations on the volume of gaming activity that is permitted in particular markets may inhibit the development of new markets. Further, our estimates of the potential future opportunities in new markets are based on a variety of assumptions that may prove to be inaccurate. To the extent that we overestimate the potential of a new market, incorrectly gauge the timing of the development of a new market or fail to anticipate the differences between a new market and our existing markets, we may fail in our strategy of growing our business by expanding into new markets. Moreover, if we are unable to meet the needs of our existing customers as they enter markets that we do not currently serve, our relationships with these customers could be harmed.

We may not realize satisfactory returns on money loaned or otherwise funded to new and existing customers to develop or expand gaming facilities.

In our gaming business, we enter into placement fee agreements typically to secure a long-term revenue share percentage and a fixed number of player terminal placements in the gaming facility. These placement fee arrangements may provide for the removal of our player terminal placements in the event of poor game performance with no further obligation of the gaming customer. Additionally, we have historically entered into development fee arrangements and may continue to do so in the future. Under the development fee arrangements, we provide financing for construction, expansion or remodeling of gaming facilities in exchange for a long-term revenue share percentage and a fixed number of player terminal placements in the gaming facility until the development fee is repaid to us. The success of these ventures is dependent upon the timely completion of the gaming facility, the placement of our player terminals and a favorable regulatory environment. Our development and placement efforts and financing activities may result in operating difficulties, financial and regulatory risks, or required expenditures that could materially and adversely affect our liquidity. In connection with one or more of these transactions, and to obtain the necessary development and placement fee funds, we may need to extend secured and unsecured credit to potential or existing customers that may not be repaid, incur debt on terms unfavorable to us, incur difficulties in perfecting security interests in collateral on Indian lands, or that we are unable to repay, or incur other contingent liabilities. While we believe the increased level of receivables from counterparties to development agreements has allowed us to grow our business, it has also required direct, additional focus of and involvement by management. The failure to maintain controls and processes related to our collection efforts or the deterioration of regulatory or financial condition of our customers could negatively impact our business.

We typically rely on a single third-party processor to process substantially all of our cash access transactions that are processed through various card associations and EFT payment networks, and the failure of our third-party processor to adequately provide such processing services could have a material adverse effect on our business, financial condition, operations or cash flows.

We typically rely on a single third party to provide processing services for the majority of our cash access transactions by

obtaining authorizations for ATM cash withdrawal, POS debit card and credit card cash access transactions and to provide settlement transaction files to card associations and EFT payment networks for some of these transactions. If our third-party processor fails to adequately provide these services, it could result in our systems being unable to process our cash access transactions intermittently or for extended periods of time, which could have a material adverse effect on our business, financial condition, operations or cash flows.

We depend on third-party transaction processors, third-party data center providers, telecommunication networks and other third-party technology vendors to provide our cash access and related services; and if we, or any of these third parties, experience system or service failures, the products and services we provide could be delayed or interrupted, which could harm our business and reputation.

Our ability to provide uninterrupted and high levels of services depends upon the performance of the third-party processors, data center providers, telecommunication networks and other third-party technology vendors that we use. Any significant interruptions in, or degradation of, the quality of the services, including infrastructure storage and support, that these third parties provide to us could severely harm our business and reputation and lead to the loss of customers and revenue. Our internal network, systems and related infrastructure as well as third-party providers and their networks, systems and related infrastructure are potentially vulnerable to computer viruses, physical or electronic security breaches, natural disasters and similar disruptions, which could lead to interruptions or outages of our services, delays, loss of data or public release of confidential data, all of which could have a material adverse effect on our business, financial condition, operations or cash flows. In some instances, such failures could cause us to fail to meet contractual deadlines or specifications and force us to renegotiate contracts on less favorable terms, pay penalties or liquidated damages or suffer major losses if the customer exercises its right to terminate. We are parties to certain agreements that could require us to pay damages resulting from loss of revenues if our systems are not properly functioning or as a result of a system malfunction. For example, our agreement with the New York Lottery permits termination of the contract at any time for failure by us or our system to perform properly, and any such unforeseen downtime could subject us to liquidated damages. In addition, if we fail to meet the terms specified in our contracts, we may not realize their full benefits. Failure to perform under any contract could result in substantial monetary damages, as well as contract termination. Our results of operations are dependent on our ability to maximize our earnings from our contracts.

An unexpectedly high level of chargebacks, as the result of fraud or otherwise, including in connection with new technology standards being implemented in the United States regarding chip-based cards, could materially and adversely affect our cash access business.

In 1994, Europay, MasterCard and Visa jointly developed EMV, designed to deter fraudulent card transactions related to identity theft, counterfeit cards and the misuse of lost or stolen cards via enhanced card authentication, transaction authorization and cardholder verification using chip-based smart-cards. EMV has been adopted in many regions of the world as the global standard for fraud deterrence in chip based smart-card payments. Historically, the U.S. payments industry has relied on magnetic stripe cards instead of EMV compliant chip-based cards. Recently, however, U.S. card issuers have begun to offer EMV-capable chip-based smart-cards, and as of October 1, 2015, the U.S. payment card industry shifted the liability for fraudulent transactions generated through EMV-enabled cards onto merchants whose devices are not capable of processing chip-based smart-card EMV transactions. This shifted the responsibility for chargebacks due to fraudulent transactions on such cards from the card issuer onto the merchant. We currently do not incur such costs as we are compliant with the EMV regulations. However, if we are unable to maintain such status, our cash access business may be adversely affected.

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

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

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

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

Our success depends, in part, on developing and protecting our intellectual property. We rely on copyright, patent, trademark and trade secret laws to protect our intellectual property. We also rely on other confidentiality and contractual agreements and arrangements with our employees, affiliates, business partners and customers to establish and protect our intellectual property and similar proprietary rights. While we expect these agreements and arrangements to be honored, we cannot assure you that they will be and, despite our efforts, our trade secrets and proprietary know-how could become known to, or independently developed by, competitors. Any litigation relating to the defense of our intellectual property, whether successful or unsuccessful, could result in substantial costs to us and potentially cause a diversion of our resources.

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

Our 3-in-1 Rollover patent expires in early 2018 and our business, financial condition, operations or cash flows may suffer an adverse effect from our competitors' use of this technology.

We no longer have the ability to extend our existing 3-in-1 Rollover patent, which allows a patron that has reached his or her daily ATM limit to obtain funds via a POS debit card cash access transaction or a credit card cash access transaction instead. As a result of the patent expiration, our competitors will have the ability to use this technology; and our business, financial condition, operations or cash flows may suffer an adverse effect.

We rely on hardware, software and games licensed from third parties, and on technology provided by third-party vendors, the loss of which could materially and adversely affect our business, increase our costs and delay deployment or suspend development of our gaming systems and player terminals.

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

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

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

Our inability to identify business opportunities and future acquisitions, or successfully execute any of our identified business opportunities or future acquisitions could limit our future growth.

From time to time, we pursue strategic acquisitions in support of our strategic goals. In connection with any such acquisitions, we could face significant challenges in timely securing required approvals of Gaming Authorities, or managing and integrating our expanded or combined operations, including acquired assets, operations and personnel. There can be no assurance that acquisition opportunities will be available on acceptable terms or at all or that we will be able to obtain necessary financing or regulatory approvals to complete potential acquisitions.

We may not achieve the intended benefits of our recent acquisitions or future acquisitions, if any, nor may we be able to integrate those businesses successfully, and any such acquisitions may disrupt our current plans and operations.

Our ability to succeed in implementing our strategy will depend to some degree upon the ability of our management to successfully integrate commercially viable acquisitions. Acquisition transactions may disrupt our ongoing business and distract management from other responsibilities. The expected cost synergies associated with such acquisitions may not be fully realized in the anticipated amounts or within the contemplated timeframes or cost expectations, which could result in increased costs and have an adverse effect on our prospects, results of operations, cash flows and financial condition. Our businesses may be negatively impacted if we are unable to effectively manage our expanded operations. The integration of these acquisitions will require significant time and focus from management and may divert attention from the day-to-day operations of the combined business or delay the achievement of our strategic objectives. We expect to incur incremental costs and capital expenditures related to our contemplated integration activities.

The risks we commonly encounter in acquisitions include:

- if, in addition to our current indebtedness, we incur significant debt to finance a future acquisition and our combined business does not perform as expected, we may have difficulty complying with debt covenants;
- we may be unable to make a future acquisition which is in our best interest due to our current level of indebtedness;
- if we use our stock to make a future acquisition, it will dilute existing stockholders;
- we may have difficulty assimilating the operations and personnel of any acquired company;
- the challenge and additional investment involved with integrating new products and technologies into our sales and marketing process;

- we may have difficulty effectively integrating any acquired technologies or products with our current products and technologies, particularly where such products reside on different technology platforms or overlap with our products;
- our ongoing business may be disrupted by transition and integration issues;
- the costs and complexity of integrating the internal information technology infrastructure of each acquired business with ours may be greater than expected and may require additional capital investments;
- we may not be able to retain key technical and managerial personnel from an acquired business;
- we may be unable to achieve the financial and strategic goals for any acquired and combined businesses;
- we may have difficulty in maintaining controls, procedures and policies during the transition and integration period following a future acquisition;
- our relationships with partner companies or third-party providers of technology or products could be adversely affected;
- our relationships with employees and customers could be impaired;
- our due diligence process may fail to identify significant issues with product quality, product architecture, legal or tax contingencies, customer obligations and product development, among other things;
- as successor we may be subject to certain liabilities of our acquisition targets;
- we may face new intellectual property challenges; and
- we may be required to sustain significant exit or impairment charges if products acquired in business combinations are unsuccessful.

Our failure to effectively integrate any future acquisition would adversely affect the benefit of such transaction, including potential synergies or sales growth opportunities, in the time frame anticipated.

We operate our business in regions subject to natural disasters. Any interruption to our business resulting from a natural disaster will adversely affect our revenues and results of operations.

In the event of a natural disaster, the operations of gaming establishments could be negatively impacted or consumer demand for gaming could decline, or both, and as a result, our business could be interrupted, which could materially and adversely affect our revenues and results of operations. Adverse weather conditions, particularly flooding, hurricanes, tornadoes, heavy snowfall and other extreme weather conditions often deter our customer's end users from traveling or make it difficult for them to frequent the sites where our games are installed. If any of those sites experienced prolonged adverse weather conditions, or if the sites in the State of Oklahoma, where a significant number of our games are installed, simultaneously experienced adverse weather conditions, our results of business, financial condition and operations could be materially and adversely affected.

Risks Related to Regulation of Our Industry

We may be subject to fines, penalties, liabilities and legal claims resulting from unauthorized disclosure of cardholder and patron data, whether through a security breach of our computer systems, our third-party processor's computer systems or otherwise, or through our unauthorized use or transmission of such data.

We collect and store personally identifiable information about cardholders and patrons that perform certain cash access and Central Credit transactions, including names, addresses, social security numbers, driver's license numbers and account numbers, and we maintain a database of cardholder and patron data, including account numbers, in order to process our cash access and Central Credit transactions. We also rely on our third-party processor and certain other technology partners to process and store cardholder and patron data relating to our cash access and Central Credit transactions. As a result, we, as well as our third-party processor, certain of our other technology providers and some of our gaming establishment customers, are required to comply with various federal and state privacy statutes and regulations and the PCI Data Security Standard. Compliance with these regulations and requirements, which are subject to change at any time, is often difficult and costly, and our failure, or the failure of these other third parties, to comply may result in significant fines or civil penalties, regulatory enforcement action, liability to our sponsor bank and termination of our agreements with our gaming establishment customers, each of which could have a material adverse effect on our business, financial condition, operations or cash flows. If our computer systems or those of our third-party processor or other technology providers suffer a security breach, we may be subject to liability, including claims for unauthorized transactions with misappropriated bank card information, impersonation or similar fraud claims, as well as for any failure to comply with laws governing required notifications of such a breach, and these claims could result in protracted and costly litigation, penalties or sanctions from the card associations and EFT payment networks, and damage to our reputation, which could reduce and limit our ability to provide cash access and related services to our gaming establishment customers.

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

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

Our operation of gaming activities, including the sale and manufacturing of gaming devices, fully integrated kiosks, the provision of cash access services at gaming establishments and the operation of central determinant systems, is subject to extensive regulation by the jurisdictions where we operate. The gaming laws, regulations and ordinances vary from jurisdiction to jurisdiction, but generally concern the antecedents, acumen, financial stability and character of our owners, officers and directors, as well as those persons financially interested or involved in our companies. Our violation of these gaming laws, regulations and ordinances could result in the imposition of substantial fines, or in the conditioning, limitation, suspension or revocation of a required license, registration or other approval, either of which could have a material adverse impact on our business depending on the specific circumstances. In addition, we are subject to the possible increase at any time by various state and federal legislatures and officials of gaming taxes or fees, which could adversely affect our results. For a summary of gaming regulations that could affect our business, see "Item 1. Business—Regulation."

[Table of Contents](#)

Our ability to conduct both our gaming and cash access businesses, expand operations, develop and distribute new games, products and systems, and expand into new gaming markets is also subject to significant federal, state, local, Native American and foreign regulations. In the United States and many other countries, gaming must be expressly authorized by law. Once authorized, such activities are subject to extensive and evolving governmental regulation. While we seek to comply with the standards and regulations set forth by each jurisdiction, a governmental agency or court could disagree with our interpretation of these standards and regulations or determine that the manufacturing and use of certain of our electronic player terminals, and perhaps other key components of our gaming systems that rely to some extent upon electronic equipment to run a game, is impermissible under applicable law. An adverse regulatory or judicial determination regarding the legal status of our products could have material adverse consequences for us in other jurisdictions, including with gaming regulators, and our business, operating results and prospects could suffer and we and our officers and directors could be subject to significant fines and penalties. Furthermore, the failure to become licensed, or the loss or conditioning of a license, in one market may have the adverse effect of preventing licensing in other markets or the revocation of licenses we already maintain.

As we expand into new markets, we expect to encounter business, legal, operational and regulatory uncertainties as well as additional responsibilities. As we enter new jurisdictions, we are subject to increasing legal, regulatory and reporting requirements that will require substantial additional resources, such as new licenses, permits and approvals, including third-party certifications that our games comply with a particular jurisdiction's stated regulations, in order to meet our expectations for new market entry, and such licenses, permits or approvals may not be timely granted to us, or granted to us at all, which could have a material effect on our business in general and new market entry specifically. Obtaining and maintaining all required licenses, findings of suitability, registrations, permits or approvals is time consuming, expensive and potentially distracting to management. As we enter new jurisdictions, our reporting systems will need to be developed and/or updated, and we may fail to provide timely or adequate notifications or reporting requirements within these new jurisdictions, which could have adverse regulatory consequences for us in that, or in other, jurisdictions, which could affect our business. In addition, entry into new markets may require us to make changes to our gaming systems to ensure that they comply with applicable regulatory requirements. We may also encounter additional legal and regulatory challenges that are difficult or impossible to foresee and which could result in an unforeseen adverse impact on planned revenues or costs associated with the new market opportunity. If we are unable to effectively develop and operate within these new markets, then our business, operating results and financial condition would be impaired.

Generally, our placement of systems, games and technology into new market segments involves a number of business uncertainties, including whether:

- the technical platform on which our gaming units, systems and products are based will comply, or can be modified to comply, with the minimum technical requirements for each of the identified new gaming markets;
- we are able to successfully pass required field trials and comply with the initial game/system installation requirements for each new jurisdiction;
- our resources and expertise will enable us to effectively operate and grow in such new markets, including meeting regulatory requirements;
- our internal processes and controls will continue to function effectively within these new segments;
- we have enough experience to accurately predict revenues and expenses in these new markets;
- the diversion of management attention and resources from our traditional business, caused by entering into new market segments, will have harmful effects on our traditional business;
- we will be able to successfully compete against larger companies who dominate the markets that we are trying to enter; and
- we can timely perform under our agreements in these new markets because of other unforeseen obstacles.

In addition, the suspension, revocation, nonrenewal or limitation of any of our licenses could have a material adverse effect

on our business operations, financial condition, and results of operations and our ability to maintain key employees. The Gaming Authorities may deny, limit, condition, suspend or revoke a gaming license or related approval for violations of applicable gaming laws and regulations and may impose substantial fines and take other actions, any one of which could have a significant adverse effect on our business, financial condition and results of operations.

Further, changes in existing gaming laws or regulations or new interpretations of existing gaming laws may hinder or prevent us from continuing to operate in those jurisdictions where we currently do business, which could harm our operating results. In particular, the enactment of unfavorable legislation or government efforts affecting or directed at manufacturers or gaming operators, such as referendums to increase gaming taxes or requirements to use local distributors, could have a negative impact on our operations. Moreover, in addition to the risk of enforcement action, we are also at risk of loss of business reputation in the event of any potential legal or regulatory investigation, whether or not we are ultimately accused of or found to have committed any violation.

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

Our Central Credit gaming patron credit bureau and check verification and warranty services are subject to the Fair Credit Reporting Act, the Fair and Accurate Credit Transactions Act of 2003 and similar state laws. The collection practices that are used by our third-party providers and us may be subject to the Fair Debt Collection Practices Act and applicable state laws relating to debt collection. All of our cash access services and patron marketing services are subject to the privacy provisions of state and federal law, including the Gramm-Leach-Bliley Act. Our POS debit card cash access transactions and ATM withdrawal services are subject to the Electronic Fund Transfer Act. Our ATM services are subject to the applicable state banking regulations in each jurisdiction in which we operate ATMs. Our ATM services may also be subject to state and local regulations relating to the imposition of daily limits on the amounts that may be withdrawn from ATMs, the location of ATMs, our ability to surcharge cardholders who use our ATMs, and the form and type of notices that must be disclosed regarding the provision of our ATM services. The cash access services we provide are subject to record keeping and reporting obligations under the Bank Secrecy Act and the USA PATRIOT Act of 2001. We are required to file SARs with respect to transactions completed at all gaming establishments where we provide our cash access services through a financial services center. If we are found to be noncompliant in any way with these laws, we could be subject to substantial civil and criminal penalties. In jurisdictions in which we serve as a check casher, we are subject to the applicable state licensing requirements and regulations governing check cashing activities. We are also subject to various state licensing requirements and regulations governing money transmitters.

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

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

Our cash access business is subject to the extensive rules and regulations of the leading card associations, VISA and MasterCard. The rules and regulations do not expressly address some of the contexts and settings in which we process cash access transactions or do so in a manner subject to varying interpretations. As an example, we and certain of our providers must comply with the PCI Data Security Standard. The failure by any of such providers to comply with such standards could result in our being fined or being prohibited from processing transactions through VISA, MasterCard and other card and payment networks. We also process transactions involving the use of the proprietary credit cards such as

those offered by Discover Card and American Express, as well as other regional cards issued in certain international markets. The rules and regulations of the proprietary credit card networks that service these cards present risks to us that are similar to those posed by the rules and regulations of VISA, MasterCard and other payment networks.

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

Card associations and EFT networks may change interchange reimbursement rates or network operating fees or assess new fees associated with the processing and settlement of our cash access transactions or otherwise change their operating rules and regulations without our consent and such changes may affect our revenues, cost of revenues (exclusive of depreciation and amortization), net income and our business generally.

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

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

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

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

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

our business, financial condition, operations or cash flows.

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

Our ATM services are subject to the applicable federal, state and local banking regulations in each jurisdiction in which we operate ATMs, which regulations relate to the imposition of daily limits on the amounts that may be withdrawn from ATMs, the location of ATMs, our ability to surcharge cardholders who use our ATMs, and the form and type of notices that must be disclosed with respect to the fees we charge to patrons in connection with our ATM services. ATMs are also subject to requirements of the Americans with Disabilities Act, which in general require that ATMs be accessible to individuals with disabilities, such as visually-impaired persons. These laws and regulations may impose significant burdens on our ability to operate ATMs profitably in some locations, or at all, and our business, financial condition, operations or cash flows could be materially adversely affected. Moreover, because these regulations are subject to change, we may be forced to modify our ATM operations in a manner inconsistent with the assumptions upon which we relied when entering into contracts to provide ATM services at gaming establishments. If federal, state, local or foreign authorities adopt new laws or regulations or raise enforcement levels on existing laws and regulations that make it more difficult for us to operate our ATM business, then our revenues and earnings may be negatively affected. If legislation or regulations are enacted in the future that adversely impact our ATM business, we may be forced to modify our operations in a manner inconsistent with the assumptions upon which we relied when entering into contracts to provide ATMs at gaming establishments and our business, financial condition, operations or cash flows could suffer a material adverse effect.

Consumer privacy laws may change, requiring us to change our business practices or expend significant amounts on compliance with such laws.

Our patron marketing and database services depend on our ability to collect and use non-public personal information relating to patrons who use our products and services and the transactions they consummate using our services. We are required by federal and state privacy laws and rules to safeguard and protect the privacy of such information, to make disclosures to patrons regarding our privacy and information sharing policies and, in some cases, to provide patrons an opportunity to “opt out” of the use of their information for certain purposes. The failure or circumvention of the means by which we safeguard and protect the privacy of information we gather may result in the dissemination of non-public personal information, which may harm our reputation and may expose us to liability to the affected individuals and regulatory enforcement proceedings or fines. Regulators reviewing our policies and practices may require us to modify our practices in a material or immaterial manner or impose fines or other penalties if they believe that our policies and practices do not meet the necessary standard. To the extent that our patron marketing and database services have failed, are now failing or in the future fail to comply with applicable law, our privacy policies or the notices that we provide to patrons, we may become subject to actions by a regulatory authority or patrons which cause us to pay monetary penalties or require us to modify the manner in which we provide patron marketing and database services. To the extent that patrons exercise their right to “opt out,” our ability to leverage existing and future databases of information would be curtailed. Consumer and data privacy laws are evolving, and due to recent high profile thefts and losses of sensitive consumer information from protected databases, such laws may be broadened in their scope and application, impose additional requirements and restrictions on gathering, encrypting and using patron information or narrow the types of information that may be collected or used for marketing or other purposes or require patrons to “opt-in” to the use of their information for specific purposes, or impose additional fines or potentially costly compliance requirements which will hamper the value of our patron marketing and database services.

Risks Related to Our Stock

Our common stock has been publicly traded since September 2005, and we expect that the price of our common stock will fluctuate substantially.

There has been a public market for our common stock since September 2005. The market price of our common stock may fluctuate significantly in response to a number of factors, some of which are beyond our control, including those described above under “—Risks Related to Our Business,” “—Risks Related to Regulation of Our Industry” and the following:

- our failure to maintain our current customers, including because of consolidation in the gaming industry;

[Table of Contents](#)

- increases in commissions paid to gaming establishments as a result of competition;
- increases in interchange rates, processing fees or other fees paid by us;
- decreases in reverse interchange rates paid to us;
- actual or anticipated fluctuations in our or our competitors' revenue, operating results or growth rate;
- our inability to adequately protect or enforce our intellectual property rights;
- any adverse results in litigation initiated by us or by others against us;
- our inability to make payments on our outstanding indebtedness as they become due or our inability to undertake actions that might otherwise benefit us based on the financial and other restrictive covenants contained in the Credit Facilities, purchase agreement governing the Refinanced Secured Notes and indenture governing the Unsecured Notes;
- the loss, or failure, of a significant supplier or strategic partner to provide the goods or services that we require from them;
- our inability to introduce successful, new products and services in a timely manner or the introduction of new products or services by our competitors that reduce the demand for our products and services;
- our failure to successfully enter new markets or the failure of new markets to develop in the time and manner that we anticipate;
- announcements by our competitors of significant new contracts or contract renewals or of new products or services;
- changes in general economic conditions, financial markets, the gaming industry or the payments processing industry;
- the trading volume of our common stock;
- sales of common stock or other actions by our current officers, directors and stockholders;
- acquisitions, strategic alliances or joint ventures involving us or our competitors;
- future sales of our common stock or other securities;
- the failure of securities analysts to cover our common stock or changes in financial estimates or recommendations by analysts;
- our failure to meet the revenue, net income or earnings per share estimates of securities analysts or investors;
- departures of key personnel or our inability to attract or retain key personnel;
- terrorist acts, theft, vandalism, fires, floods or other natural disasters; and
- rumors or speculation as to any of the above which we may be unable to confirm or deny due to disclosure restrictions imposed on us by law or which we otherwise deem imprudent to comment upon.

Some provisions of our amended and restated certificate of incorporation and amended and restated bylaws may delay or prevent transactions that many stockholders may favor.

Some provisions of our amended and restated certificate of incorporation and amended and restated bylaws may have the effect of delaying, discouraging, or preventing a merger or acquisition that our stockholders may consider favorable or a change in our management or our Board of Directors. These provisions:

- divide our Board of Directors into three separate classes serving staggered three-year terms, which will have the effect of requiring at least two annual stockholder meetings instead of one, to replace a majority of our directors, which could have the effect of delaying or preventing a change in our control or management;
- provide that special meetings of stockholders can only be called by our Board of Directors, Chairman of the Board or Chief Executive Officer. In addition, the business permitted to be conducted at any special meeting of stockholders is limited to the business specified in the notice of such meeting to the stockholders;
- provide for an advance notice procedure with regard to business to be brought before a meeting of stockholders which may delay or preclude stockholders from bringing matters before a meeting of stockholders or from making nominations for directors at a meeting of stockholders, which could delay or deter takeover attempts or changes in management;
- eliminate the right of stockholders to act by written consent so that all stockholder actions must be effected at a duly called meeting;
- provide that directors may only be removed for cause with the approval of stockholders holding a majority of our outstanding voting stock;
- provide that vacancies on our Board of Directors may be filled by a majority, although less than a quorum, of directors in office and that our Board of Directors may fix the number of directors by resolution;
- allow our Board of Directors to issue shares of preferred stock with rights senior to those of the common stock and that otherwise could adversely affect the rights and powers, including voting rights and the right to approve or not to approve an acquisition or other change in control, of the holders of common stock, without any further vote or action by the stockholders; and
- do not provide for cumulative voting for our directors, which may make it more difficult for stockholders owning less than a majority of our stock to elect any directors to our Board of Directors. In addition, we are also subject to Section 203 of the Delaware General Corporation Law, which provides, subject to enumerated exceptions, that if a person acquires 15% or more of our voting stock, the person is an “interested stockholder” and may not engage in “business combinations” with us for a period of three years from the time the person acquired 15% or more of our voting stock.

These provisions may have the effect of entrenching our management team and may deprive our stockholders of the opportunity to sell shares to potential acquirers at a premium over prevailing prices. This potential inability to obtain a premium could reduce the price of our common stock.

Item 1B. Unresolved Staff Comments .

None.

Item 2. Properties .

Our headquarters are located in a facility in Las Vegas, Nevada, consisting of approximately 59,000 square feet of office space, which is under a lease through April 2023. In addition, we have approximately 83,000 square feet of office space in Austin, Texas, which is under a lease through June 2021. We also lease facilities with approximately 17,000 square feet

in Chicago, Illinois and Reno, Nevada, which support the design, production and expansion of our gaming content. These design studios are under lease through January 2023 and April 2021 for the Chicago and Reno offices, respectively. We also lease several other properties that are used to support all our products and services.

We believe that these facilities are adequate for our business as presently conducted.

Item 3. 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 4. Mine Safety Disclosures .

Not applicable.

PART II**Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.**

Our common stock is listed for trading on the New York Stock Exchange under the symbol “EVRI.” On March 1, 2017, there were five holders of record of our common stock. Because many of our shares of common stock are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of beneficial stockholders represented by these record holders.

The following table sets forth for the indicated periods, the high and low sale prices per share of our common stock:

	<u>Price Range</u>	
	<u>High</u>	<u>Low</u>
2016		
First Quarter	\$ 4.50	\$ 1.73
Second Quarter	2.29	1.13
Third Quarter	2.64	1.16
Fourth Quarter	2.60	1.21
2015		
First Quarter	\$ 8.53	\$ 6.41
Second Quarter	8.50	7.16
Third Quarter	7.87	4.39
Fourth Quarter	5.35	3.27

On March 1, 2017, the closing sale price of our common stock on the New York Stock Exchange was \$3.34.

Dividend Policy

We have never declared or paid any cash dividends on our capital stock. We currently intend to retain all our earnings for the repayment of our outstanding debt and to finance the growth and development of our business. Any future change in our dividend policy will be made at the discretion of our Board of Directors and will depend on contractual restrictions, our results of operations, earnings, capital requirements and other factors considered relevant by our Board of Directors. In addition, the Credit Facilities, purchase agreement governing the Refinanced Secured Notes and indenture governing the Unsecured Notes limit our ability to declare and pay cash dividends.

Common Stock Repurchases

We did not have a share repurchase program in effect for the years ended December 31, 2016 and 2015. Our most recent share repurchase program expired on December 31, 2014.

Issuer Purchases and Withholding of Equity Securities

We repurchased or withheld from restricted stock awards 18,717, 32,617, and 55,502 shares of our common stock at an aggregate purchase price of \$41,528, \$0.2 million, and \$0.5 million, respectively, to satisfy the minimum applicable tax withholding obligations incident to the vesting of such restricted stock awards for the years ended December 31, 2016, 2015, and 2014, respectively. The following table includes the monthly repurchases or withholdings of our common stock during the fourth quarter ended December 31, 2016:

	<u>Total Number of Shares Purchased ⁽¹⁾ (in thousands)</u>	<u>Average Price per Share ⁽²⁾</u>
Tax Withholdings		
10/1/16 - 10/31/16	10.1	\$ 2.13
11/1/16 - 11/30/16	0.8	\$ 1.97
12/1/16 - 12/31/16	0.7	\$ 2.28
Total	<u>11.6</u>	<u>\$ 2.13</u>

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

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

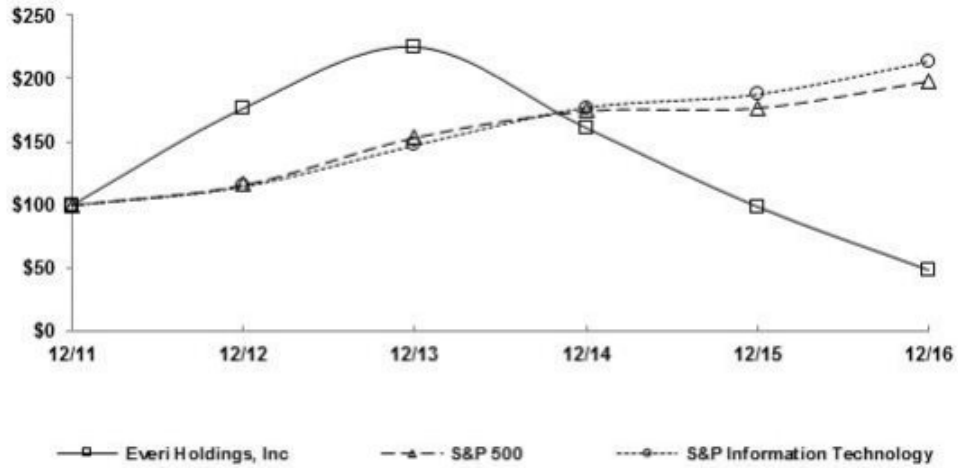
Stock Performance Graph

The line graph below compares the cumulative total stockholder return on our common stock with the cumulative total return of the Standard & Poor's ("S&P") 500 Index and the S&P Information Technology Index during the five year period ended December 31, 2016.

The graph assumes that \$100 was invested on December 31, 2011 in our common stock, in the S&P 500 Index and the S&P Information Technology Index, and that all dividends were reinvested. Research Data Group, Inc. furnished this data and the cumulative total stockholder returns for our common stock, the S&P 500 Index and the S&P Information Technology Index are based on the calendar month end closing prices. The comparisons in the graph are required by the SEC and are not intended to forecast or be indicative of possible future performance of our common stock.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among Everi Holdings Inc., the S&P 500 Index,
and the S&P Information Technology Index



*\$100 invested on 12/31/11 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

Copyright© 2016 S&P, a division of The McGraw-Hill Companies Inc. All rights reserved.

This graph is not “soliciting material,” is not deemed filed with the SEC and is not to be incorporated by reference in any filing by us under the Securities Act or the Exchange Act, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.

Item 6. Selected Financial Data .

The following selected historical financial data has been derived from, and should be read in conjunction with, the audited Consolidated Financial Statements and the Notes to Consolidated Financial Statements and “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere in this Annual Report on Form 10-K. Our selected consolidated financial data may not be indicative of our future financial condition or results of operations (in thousands, except per share amounts).

	Year Ended December 31,				
	2016 ⁽¹⁾	2015 ⁽²⁾	2014 ⁽⁴⁾	2013	2012
Income Statement Data					
Revenues	\$ 859,456	\$ 826,999	\$ 593,053	\$ 582,444	\$ 584,486
Operating (loss) income	(118,555)	(9,730)	33,782	49,150	55,982
Net (loss) income	(249,479)	(104,972)	12,140	24,398	25,689
Basic (loss) earnings per share	(3.78)	(1.59)	0.18	0.37	0.39
Diluted (loss) earnings per share	(3.78)	(1.59)	0.18	0.36	0.38
Weighted average common shares outstanding					
Basic	66,050	65,854	65,780	66,014	65,933
Diluted	66,050	65,854	66,863	67,205	67,337
Balance sheet data					
	At and For the Year Ended December 31,				
	2016 ⁽¹⁾	2015 ⁽²⁾⁽³⁾	2014 ⁽⁴⁾	2013	2012
Cash and cash equivalents	\$ 119,051	\$ 102,030	\$ 89,095	\$ 114,254	\$ 153,020
Working capital ⁽⁵⁾	(1,875)	2,452	12,550	(1,682)	—
Total assets	1,408,163	1,550,385	1,707,285	527,327	553,895
Total borrowings	1,121,880	1,139,899	1,188,787	103,000	121,500
Stockholders’ (deficit) equity	(107,793)	137,420	231,473	218,604	198,759
Cash flow data					
Net cash provided by operating activities	\$ 131,711	\$ 124,587	\$ 24,531	\$ 4,334	\$ 157,488
Net cash used in investing activities	(88,054)	(85,549)	(1,085,847)	(13,990)	(12,531)
Net cash (used in) provided by financing activities	(24,922)	(24,551)	1,037,423	(29,183)	(46,783)

- (1) During 2016, the Games reporting unit had a goodwill impairment of \$146.3 million.
- (2) 2015 amounts include a full year of financial results for Everi Games. During 2015, the Games reporting unit had a goodwill impairment of \$75.0 million.
- (3) We reclassified \$23.7 million of debt issuance costs related to our outstanding debt from the non-current portion of other assets to contra-liabilities included in long-term debt as of December 31, 2015 in connection with our retrospective adoption of Accounting Standards Update (“ASU”) No. 2015-03 in 2016. This reclassification decreased the December 31, 2015 balance of both total assets and total borrowings.
- (4) 2014 amounts affected by the Merger for which total merger consideration of \$1.1 billion on December 19, 2014 was paid and results of operations were recorded from the date of acquisition through December 31, 2014.
- (5) As a result of the Merger on December 19, 2014, we provide a classified balance sheet, for which a calculation of working capital has been included.

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

The following discussion and analysis of financial condition and results of operations should be read in conjunction with “Item 1. Business,” “Item 6. Selected Financial Data” and the audited Consolidated Financial Statements and Notes to Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K and the information included in our other filings with the SEC.

This discussion includes forward-looking statements within the meaning of Section 27A of the Securities Act, Section 21E of the Exchange Act and the Private Securities Litigation Reform Act of 1995 and should be read in conjunction with the disclosure and information contained and referenced in “Cautionary Note Regarding Forward-Looking Statements” and “Item 1A. Risk Factors” included elsewhere in this Annual Report on Form 10-K.

Overview

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

Impact of the Merger with Everi Games Holding and Other Items Impacting Comparability of Results of Operations

Merger with Everi Games Holding

In December 2014, Holdings acquired Everi Games Holding in the Merger for approximately \$1.1 billion in cash. In connection with the Merger, we incurred additional indebtedness and completed a series of refinancing transactions, which are described in “Note 12. Long-Term Debt” of our Notes to Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K . For additional information regarding the Merger, see “Note 3. Business Combinations” of our Notes to Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K .

The results contributed by the Everi Games business from the date of consummation of the Merger are reflected in our Games segment and Consolidated Financial Statements. We expensed approximately \$2.7 million and \$10.7 million of costs incurred related to the acquisition of Everi Games Holding for financial advisory services, financing related fees, accounting and legal fees and other transaction-related expenses for the years ended December 31, 2015 and 2014, respectively. These expenses are included in the Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income within operating expenses. These expenses do not include any costs related to additional site consolidation or rationalization that we might consider in the future. In addition, depreciation amortization expenses increased due to the purchase price allocation, which included tangible fixed assets and definite-lived intangible assets with relatively short amortization periods and interest expense increased in connection with the debt incurred to fund the Merger.

Other Items Impacting Comparability

Our Consolidated Financial Statements included in this report that present our financial condition and results of operations reflect the following transactions and events:

- In October of each year, we conduct our annual impairment test for our reporting units. Based on the results of our testing, a portion of our goodwill was impaired by approximately \$146.3 million and \$75.0 million for the years ended December 31, 2016 and 2015, respectively.

- During the fourth quarter of 2016, we increased our valuation allowance by approximately \$59.6 million for our deferred tax assets due to recording a valuation allowance of approximately \$53.7 million on deferred tax assets relating to our federal net operating losses and tax credits, and approximately \$5.9 million related to our state and foreign net operating losses.
- In April 2015, we redeemed, in full, the Secured Notes (defined herein) and issued the Refinanced Secured Notes. As a result, we expensed \$13.0 million of debt issuance costs and fees to loss on extinguishment of debt in 2015.
- In January 2015, we entered into a settlement agreement in connection with a lawsuit we participated in as plaintiffs, pursuant to which we received and recorded the settlement proceeds of \$14.4 million in the first quarter of 2015. This settlement is included as a reduction of operating expenses in our Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income for the year ended December 31, 2015. The Company utilized the proceeds along with cash on hand to make a \$15.0 million principal reduction payment on the Secured Notes (defined herein) in the first quarter of 2015. For additional information regarding this settlement, see “Note 13. Commitments and Contingencies — Gain Contingency Settlement” of our Notes to Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K.
- In December 2014, to effect the Merger, we entered into the Credit Facilities and issued the Secured Notes and the Unsecured Notes and used a portion of these proceeds to repay the outstanding amounts owed under prior credit facilities of \$210.0 million and \$35.0 million for Everi Payments and Everi Games, respectively (the “Prior Credit Facilities”). As a result, we expensed \$2.7 million of related debt issuance costs and fees to loss on extinguishment of debt associated with the Prior Credit Facilities of Everi Payments and Everi Games that were in effect prior to the consummation of the Merger.

As a result of the above transactions and events, the results of operations and earnings per share in the periods covered by the Consolidated Financial Statements may not be directly comparable.

Trends and Developments

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

- Casino gaming is dependent upon discretionary consumer spending, which is typically the first type of spending that is restrained by consumers when they are uncertain about their jobs and income. Global economic uncertainty in the marketplace may have an impact on casino gaming and ultimately the demand for new gaming equipment.
- The total North American installed slot base in 2016 remained relatively flat to 2015. We expect flat to moderate growth in the forward replacement cycle for EGMs.
- The volume of new casino openings and new market expansions have slowed from previous years. The reduced demand as a result of fewer new market expansions will reduce the overall demand for slot machines.
- We face continued competition from smaller competitors in the gaming cash access market and face additional competition from larger gaming equipment manufacturers and systems providers. This increased competition has resulted in pricing pressure for both our Games and Payments businesses.
- Governmental oversight related to the cost of transaction processing and related fees to the consumer has increased in recent years. We expect the financial services and payments industry to respond to these legislative acts by changing other fees and costs, which may negatively impact our Payments business in the future.
- Casino operators continue to try to broaden their appeal by focusing on investments in the addition of non-gaming amenities to their facilities, which could impact casino operator’s capital allocation for games.

Operating Segments

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

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

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

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

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

Results of Operations

Year ended December 31, 2016 compared to the year ended December 31, 2015

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

	Year Ended		Year Ended		December 31, 2016 vs 2015	
	December 31, 2016		December 31, 2015		\$ Variance	% Variance
	\$	%	\$	%		
Revenues						
Games	\$ 213,253	25 %	\$ 214,424	26 %	\$ (1,171)	(1)%
Payments	646,203	75 %	612,575	74 %	33,628	5 %
Total revenues	859,456	100 %	826,999	100 %	32,457	4 %
Costs and expenses						
Games cost of revenue (exclusive of depreciation and amortization)	50,308	6 %	47,017	6 %	3,291	7 %
Payments cost of revenue (exclusive of depreciation and amortization)	498,706	58 %	463,380	56 %	35,326	8 %
Operating expenses	118,709	14 %	101,202	12 %	17,507	17 %
Research and development	19,356	2 %	19,098	2 %	258	1 %
Goodwill impairment	146,299	17 %	75,008	9 %	71,291	95 %
Depreciation	49,995	6 %	45,551	6 %	4,444	10 %
Amortization	94,638	11 %	85,473	10 %	9,165	11 %
Total costs and expenses	978,011	114 %	836,729	101 %	141,282	17 %
Operating loss	(118,555)	(14) %	(9,730)	(1) %	(108,825)	1,118 %
Other expenses						
Interest expense, net of interest income	99,228	12 %	100,290	12 %	(1,062)	(1)%
Loss on extinguishment of debt	—	— %	13,063	2 %	(13,063)	(100)%
Total other expenses	99,228	12 %	113,353	14 %	(14,125)	(12)%
Loss before income tax	(217,783)	(25) %	(123,083)	(15) %	(94,700)	77 %
Income tax provision (benefit)	31,696	4 %	(18,111)	(2) %	49,807	(275)%
Net loss	\$ (249,479)	(29) %	\$ (104,972)	(13) %	\$ (144,507)	138 %

* Rounding may cause variances.

Total Revenues

Total revenues increased by \$32.5 million, or 4%, to \$859.5 million for the year ended December 31, 2016, as compared to the prior year period. This was due to increased Payments revenues, slightly offset by lower Games revenues.

Games revenues decreased by \$1.2 million, or 1%, to \$213.3 million for the year ended December 31, 2016, as compared to the prior year period. This was primarily due to a lower daily win per unit on leased games, partially offset by an increase in unit sales and average sales price per unit.

Payments revenues increased by \$33.6 million, or 5%, to \$646.2 million for the year ended December 31, 2016, as compared to the prior year period. This was primarily due to higher ATM transaction volume and fees, including an increase in transaction volume from ATM portfolios acquired in late 2015.

Costs and Expenses

Games cost of revenues (exclusive of depreciation and amortization) increased by \$3.3 million, or 7%, to \$50.3 million for the year ended December 31, 2016, as compared to the prior year period. This was primarily due to higher costs associated with the increased unit sales volume.

Payments cost of revenues (exclusive of depreciation and amortization) increased by \$35.3 million, or 8%, to \$498.7 million for the year ended December 31, 2016, as compared to the prior year period. This was primarily due to the ATM portfolio acquisitions and higher commission expense on ATM revenues.

Operating expenses increased by \$17.5 million, or 17%, to \$118.7 million for the year ended December 31, 2016, as compared to the prior year period. This was primarily due to the impact of a \$14.4 million gain contingency settlement during the prior year and a \$4.3 million write-down of a note receivable and warrant associated with Bee Cave Games, Inc.

Goodwill impairment increased by \$71.3 million, or 95%, to \$146.3 million for the year ended December 31, 2016, as compared to the prior year period. This non-cash charge was a result of our October 1, 2016 annual goodwill assessment and attributable to our Games reporting unit.

Depreciation increased by \$4.4 million, or 10%, to \$50.0 million for the year ended December 31, 2016, as compared to the prior year period. This was primarily related to increased fixed assets being placed in service.

Amortization increased by \$9.2 million, or 11%, to \$94.6 million for the year ended December 31, 2016, as compared to the prior year period. This was primarily related to an increase in intangible assets being placed in service related to developed technology and software.

Primarily as a result of the factors described above, operating loss increased by \$108.8 million, or 1,118%, to an operating loss of \$118.6 million for the year ended December 31, 2016, as compared to the prior year period. The operating loss margin increased to 14% for the year ended December 31, 2016, as compared to 1% for the prior year period. Excluding the goodwill impairment charge in 2016 and 2015, the operating margin would have been approximately 3% and 8%, respectively.

Interest expense, net of interest income, decreased by \$1.1 million, or 1%, to \$99.2 million for the year ended December 31, 2016, as compared to the prior year period. This was primarily related to lower outstanding debt balances, the write-off of debt issuance costs related to our Refinanced Secured Notes, partially offset by a higher interest rate under the Contract Cash Solutions Agreement with Wells Fargo.

There was no loss on extinguishment of debt for the year ended December 31, 2016, as compared to a loss on extinguishment of debt of \$13.1 million in the prior year period.

Income tax provision was \$31.7 million for the year ended December 31, 2016, as compared to an income tax benefit in the prior year period. This was primarily due to an increase in our valuation allowance for deferred tax assets. The income tax provision reflected a negative effective income tax rate of 14.6% for the year ended December 31, 2016, which was less than the statutory federal rate of 35.0% primarily due to an increase in our valuation allowance for deferred tax assets and the impairment of goodwill, for which no tax benefit is provided for book purposes. The income tax benefit reflected an effective income tax rate of 14.7% for the prior year, which was greater than the statutory federal rate of 35.0%, primarily due to the impairment of goodwill for which no tax benefit is provided for book purposes.

Primarily as a result of the foregoing, net loss increased by \$144.5 million, or 138%, to \$249.5 million for the year ended December 31, 2016, as compared to the prior year period.

Year ended December 31, 2015 compared to year ended December 31, 2014:

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

	Year Ended					
	December 31, 2015		December 31, 2014		December 31, 2015 vs 2014	
	\$	%	\$	%	\$ Variance	% Variance
Revenues						
Games	\$ 214,424	26 %	\$ 7,406	1 %	\$ 207,018	2,795 %
Payments	612,575	74 %	585,647	99 %	26,928	5 %
Total revenues	826,999	100 %	593,053	100 %	233,946	39 %
Costs and expenses						
Games cost of revenue (exclusive of depreciation and amortization)	47,017	6 %	1,753	— %	45,264	2,582 %
Payments cost of revenue (exclusive of depreciation and amortization)	463,380	56 %	438,318	74 %	25,062	6 %
Operating expenses	101,202	12 %	95,452	16 %	5,750	6 %
Research and development	19,098	2 %	804	— %	18,294	2,275 %
Goodwill impairment	75,008	9 %	—	— %	75,008	— %
Depreciation	45,551	6 %	8,745	1 %	36,806	421 %
Amortization	85,473	10 %	14,199	3 %	71,274	502 %
Total costs and expenses	836,729	101 %	559,271	94 %	277,458	50 %
Operating (loss) income	(9,730)	(1)%	33,782	6 %	(43,512)	(129)%
Other expenses						
Interest expense, net of interest income	100,290	12 %	10,756	2 %	89,534	832 %
Loss on extinguishment of debt	13,063	2 %	2,725	— %	10,338	379 %
Total other expenses	113,353	14 %	13,481	2 %	99,872	741 %
(Loss) income before income tax	(123,083)	(15)%	20,301	4 %	(143,384)	(706)%
Income tax (benefit) provision	(18,111)	(2)%	8,161	2 %	(26,272)	(322)%
Net (loss) income	\$ (104,972)	(13)%	\$ 12,140	2 %	\$ (117,112)	(965)%

* Rounding may cause variances.

Total Revenues

Total revenues increased by \$233.9 million, or 39%, to \$827.0 million for the year ended December 31, 2015, as compared to the prior year period.

Games revenues increased to \$207.0 million, or 2,795%, to \$214.4 million for the year ended December 31, 2015, as a result of a full year of operations related to the acquired Games business in December 2014.

Payments revenues increased by \$26.9 million, or 5%, to \$612.6 million for the year ended December 31, 2015, as compared to the prior year period. This was primarily due to higher dollar and transaction volumes and sales of compliance related solutions.

Costs and Expenses

Games cost of revenues (exclusive of depreciation and amortization) increased by \$45.3 million, or 2,582%, to \$47.0 million for the year ended December 31, 2015, as compared to the prior year period. This was primarily due to the cost of revenues associated with a full year of operations related to the acquired Games business.

[Table of Contents](#)

Payments cost of revenues (exclusive of depreciation and amortization) increased by \$25.1 million, or 6%, to \$463.4 million for the year ended December 31, 2015, as compared to the prior year period. This was primarily due to variable costs related to additional revenues from the Payments business.

Operating expenses increased by \$5.8 million, or 6%, to \$101.2 million for the year ended December 31, 2015, as compared to the prior year period. This was primarily due to the operating costs from the acquired Games business offset by \$14.4 million of legal settlement proceeds.

Research and development costs increased by \$18.3 million, or 2,275%, to \$19.1 million for the year ended December 31, 2015, as compared to the prior year period. The increase in research and development is associated with the acquired Games business.

Goodwill impairment was \$75.0 million for the year ended December 31, 2015. This non-cash charge was a result of our October 1, 2015 annual goodwill assessment and attributable to our Games reporting unit.

Depreciation increased by \$36.8 million, or 421%, to \$45.6 million for the year ended December 31, 2015, as compared to the prior year period. This was primarily related to tangible assets from the acquired Games business. In connection with our fourth quarter 2015 annual impairment review, we concluded that certain of our Gaming fixed assets either: (a) had economic lives that were no longer supportable and such lives were shortened, which resulted in an accelerated depreciation charge of approximately \$2.6 million in the current period, or (b) were fully impaired, which resulted in an accelerated depreciation charge of approximately \$1.0 million in the current period.

Amortization increased by \$71.3 million, or 502%, to \$85.5 million for the year ended December 31, 2015, as compared to the prior year period. This was primarily related to the definite-lived intangible assets from the acquired Games business.

Primarily as a result of the factors described above, operating income decreased by \$43.5 million, or 129%, to an operating loss of \$9.7 million for the year ended December 31, 2015, as compared to the prior year period. The operating (loss) income margin decreased to (1%) for the year ended December 31, 2015, as compared to 6% for the prior year period. Excluding the 2015 goodwill impairment, the 2015 operating margin would have been approximately 8%.

Interest expense, net of interest income, increased by \$89.5 million, or 832%, to \$100.3 million for the year ended December 31, 2015, as compared to the prior year period. This was associated with the additional indebtedness incurred to fund the acquisition of the Games business.

Loss on extinguishment of debt increased by \$10.3 million, or 379%, to \$13.1 million for the year ended December 31, 2015, as compared to the prior year period. This was related to the loss on extinguishment on the refinancing of our Secured Notes in the current year compared to extinguishment of unamortized deferred loan fees associated with the Prior Credit Facilities that were paid in full in connection with the Merger in the prior year.

Income tax expense decreased by \$26.3 million, or 322%, to a benefit of \$18.1 million for the year ended December 31, 2015, as compared to the prior year period. This was primarily due to the decrease in income before income tax of \$143.4 million, excluding the goodwill impairment for which no tax benefit is provided. The income tax benefit reflected an effective income tax rate of 14.7% for the year ended December 31, 2015, which was less than the statutory federal rate of 35.0% primarily due to the impairment of goodwill for which no tax benefit is provided for book purposes. The provision for income tax reflected an effective income tax rate of 40.2% for the prior year, which was greater than the statutory federal rate of 35.0% primarily due to non-deductible acquisition-related costs associated with the Merger and partially offset by the lower tax rate on foreign earnings.

Primarily as a result of the foregoing, net income decreased by \$117.1 million, or 965%, to \$105.0 million for the year ended December 31, 2015, as compared to the prior year period.

Games Revenues and Participation Units

The following table includes the revenues from our Games segment and the related participation units (amounts in thousands):

	Year Ended December 31, 2016			Year Ended December 31, 2015			% Variance
	Total		% of Games	Total		% of Games	
	EGMs	Revenue	Revenue	EGMs	Revenue	Revenue	
Games revenues and participation units							
Contractual agreement	5,040	\$ 35,261	17 %	5,528	\$ 42,230	20 %	(17)%
Participation revenue	8,224	98,695	46 %	7,812	96,777	45 %	2 %
Sales	—	56,277	26 %	—	51,142	24 %	10 %
NY Lottery	—	18,060	9 %	—	17,510	8 %	3 %
Other	—	4,960	2 %	—	6,765	3 %	(27)%
Total	13,264	\$ 213,253	100 %	13,340	\$ 214,424	100 %	(1)%

As the Merger occurred on December 19, 2014, Games revenue for the year ended December 31, 2014 was not material to our financial statements. No comparative financial information was provided for year ended December 31, 2014.

Critical Accounting Policies

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

Segment Reporting. We apply the provisions of the Financial Accounting Standards Board (the “FASB”) Accounting Standards Codification (“ASC”) 280, “Segment Reporting”, in accounting for our business segments. This defines operating segments as components of an enterprise for which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. In addition, ASC 280-10-50-34, as well as Rule 3-03(e) of Regulation S-X, requires us to recast financial information from prior years for segments if we change our internal organization in a way that effects the compositions of our reportable segments. Our operating segments were previously organized and managed under five business segments: (a) Cash Advance, (b) ATM, (c) Check Services, (d) Games, and (e) Other. During the first quarter of 2015, we changed our organizational structure as part of our transformation to a Games and Payments company providing solutions to the gaming industry. Accordingly, since the first quarter of 2015, we have reported our financial performance, and organized and managed our operations, across the following two business segments: (a) Games, and (b) Payments. Each of these segments is monitored by our management for performance against its internal forecast and is consistent with our internal management reporting. We have presented prior period amounts to conform to the way we now internally manage and monitor segment performance beginning in 2015. This change in segment reporting had no impact on our Consolidated Financial Statements.

Business Combinations. We apply the provisions of the FASB ASC 805, “Business Combinations”, in the accounting for acquisitions. It requires us to recognize separately from goodwill the assets acquired and the liabilities assumed, at their acquisition date fair values. Goodwill as of the acquisition date is measured as the excess of consideration transferred over the net of the acquisition date fair values of the assets acquired and the liabilities assumed. Significant estimates and

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

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

Property, Equipment and Leased Assets . We have approximately \$98.4 million in net property, equipment and leased assets on our Consolidated Balance Sheets at December 31, 2016. Property, equipment and leased assets are stated at cost, less accumulated depreciation, computed using the straight-line method over the lesser of the estimated life of the related assets, generally two to five years, or the related lease term. Player terminals and related components and equipment are included in our rental pool. The rental pool can be further delineated as “rental pool – deployed,” which consists of assets deployed at customer sites under participation arrangements, and “rental pool – undeployed,” which consists of assets held by us that are available for customer use. Rental pool – undeployed consists of both new units awaiting deployment to a customer site and previously deployed units currently back with us to be refurbished awaiting re-deployment. Routine maintenance of property, equipment and leased gaming equipment is expensed in the period incurred, while major component upgrades are capitalized and depreciated over the estimated remaining useful life of the component. Sales and retirements of depreciable property are recorded by removing the related cost and accumulated depreciation from the accounts. Gains or losses on sales and retirements of property are reflected in our Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income. Property, equipment and leased assets are reviewed for impairment whenever events or circumstances indicate that their carrying amounts may not be recoverable. Impairment is indicated when undiscounted future cash flows do not exceed the asset’s carrying value.

Goodwill. We had approximately \$640.5 million of goodwill on our Consolidated Balance Sheets at December 31, 2016 resulting from acquisitions of other businesses. All of our goodwill was subject to our annual goodwill impairment testing. 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 use the Step 2 assessment to determine the impairment.

In connection with our annual goodwill impairment testing process for 2016 and 2015, we determined that our Games reporting unit did not pass the step one test, and therefore, we were required to conduct a step two analysis to determine the amount of impairment, which was approximately \$146.3 million and \$75.0 million for the years ended December 31, 2016 and 2015, respectively. The fair value substantially exceeded the carrying value for each of the Cash Access, Kiosk Sales and Services, Central Credit and Everi Compliance reporting units as of December 31, 2016 and 2015, respectively. The Company’s aggregate goodwill impairment balance was \$221.3 million and \$75.0 million, as of December 31, 2016 and 2015, respectively. The impairment analysis was primarily based upon limited growth and capital expenditure constraints in the gaming industry, consolidation and increased competition in the gaming manufacturing space, stock market volatility, global and domestic economic uncertainty and lower than forecasted operating profits and cash flows in 2016 and 2015. Based on these indicators, we revised our estimates and assumptions for the Games reporting unit.

Management performs its annual forecasting process, which, among other factors, includes reviewing recent historical results, company-specific variables and industry trends. This process is generally completed in the fourth quarter and considered in conjunction with the annual goodwill impairment evaluation.

The annual evaluation of goodwill and other non-amortizing intangible assets requires the use of estimates about future operating results of each reporting unit to determine its estimated fair value. Changes in forecasted operations can materially affect these estimates, which could materially affect our results of operations. The estimate of fair value requires significant judgment and we base our fair value estimates on assumptions that we believe to be reasonable; but that are unpredictable and inherently uncertain, including: estimates of future growth rates, operating margins and assumptions about the overall economic climate as well as the competitive environment for our reporting units. There can be no assurance that our estimates and assumptions made for purposes of our goodwill testing as of the time of testing will prove to be accurate predictions of the future. If our assumptions regarding business plans, competitive environments or anticipated growth rates are not correct, we may be required to record goodwill impairment charges in future periods, whether in connection with our next annual impairment testing, or earlier, if an indicator of an impairment is present prior to our next annual evaluation.

Our reporting units are identified as operating segments or one level below. Reporting units must: (a) engage in business activities from which they earn revenues and incur expenses; (b) have operating results that are regularly reviewed by our chief operating decision makers to ascertain the resources to be allocated to the segment and assess its performance; and (c) have discrete financial information available. As of December 31, 2016, our reporting units included: Games, Cash Access, Kiosk Sales and Services, Central Credit, and Everi Compliance. During the year ended December 31, 2016, the Company combined its Cash Advance, ATM and Check Services reporting units into a single Cash Access reporting unit to be consistent with the current corporate structure and segment management. The use of different assumptions, estimates or judgments in either step of the goodwill impairment testing process, such as the estimated future cash flows of our reporting units, the discount rate used to discount such cash flows, or the estimated fair value of the reporting units' tangible and intangible assets and liabilities, could significantly increase or decrease the estimated fair value of a reporting unit or its net assets, and therefore, impact the related impairment charge, if any.

Other Intangible Assets. We have approximately \$318.0 million in net unamortized other intangible assets on our Consolidated Balance Sheets at December 31, 2016. Other intangible assets are stated at cost, less accumulated amortization, computed primarily using the straight-line method. Other intangible assets consist primarily of: (i) customer contracts (rights to provide Games and Payments services to gaming establishment customers), developed technology, trade names and trademarks and contract rights acquired through business combinations; (ii) capitalized software development costs; and (iii) the acquisition cost of our patent related to the 3-in-1 rollover technology acquired in 2005. Customer contracts require us to make renewal assumptions, which impact the estimated useful lives of such assets. Capitalized software development costs require us to make certain judgments as to the stages of development and costs eligible for capitalization. Capitalized software costs placed in service are amortized over their useful lives, generally not to exceed five years. The acquisition cost of the 3-in-1 Rollover patent is being amortized over the term of the patent, which expires in 2018. We review intangible assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Such events or circumstances include, but are not limited to, a significant decrease in the fair value of the underlying business or market price of the asset, a significant adverse change in legal factors or business climate that could affect the value of an asset, or a current period operating or cash flow loss combined with a history of operating or cash flow losses. We group intangible assets for impairment analysis at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Recoverability of intangible assets is measured by a comparison of the carrying amount of the asset to future, net cash flows expected to be generated by the asset, undiscounted and without interest or taxes. Any impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

Income Taxes. We are subject to income taxes in the United States as well as various states and foreign jurisdictions in which we operate. In accordance with accounting guidance, our income taxes include amounts from domestic and international jurisdictions, plus the provision for U.S. taxes on undistributed earnings of international subsidiaries not deemed to be permanently invested. Since it is our practice and current intent to reinvest the earnings in the international operations of our foreign subsidiaries, U.S. federal income taxes have not been provided on the undistributed earnings of any foreign subsidiaries, except for our GCA (Macau) S.A. subsidiary. Some items of income and expense are not reported

in tax returns and the Consolidated Financial Statements in the same year. The tax effect of such temporary differences is reported as deferred income taxes.

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

When measuring deferred tax assets, certain estimates and assumptions are required to assess whether a valuation allowance should be established by evaluating both positive and negative factors in accordance with accounting guidance. This evaluation requires that we exercise judgment in determining the relative significance of each factor. The assessment of valuation allowance involves significant estimates regarding future taxable income and when it is recognized, the amount and timing of taxable differences, the reversal of temporary differences and the implementation of tax-planning strategies. A valuation allowance is established based on the weight of available evidence, including both positive and negative indicators, if it is more likely than not that a portion, or all, of the deferred tax assets will not be realized. Greater weight is given to evidence that is objectively verifiable, most notably historical results. If we report a cumulative loss from continuing operations before income taxes for a reasonable period of time, this form of negative evidence is difficult to overcome. Therefore, we include certain aspects of our historical results in our forecasts of future taxable income, as we do not have the ability to solely rely on forecasted improvements in earnings to recover deferred tax assets. If we no longer report a cumulative loss position, to the extent our results of operations improve, such that we have the ability to overcome the more likely than not accounting standard, we expect to be able to reverse the valuation allowance in the applicable period of determination. In addition, we rely on deferred tax liabilities in our assessment of the realizability of deferred tax assets if the temporary timing difference is anticipated to reverse in the same period and jurisdiction and the deferred tax liabilities are of the same character as the temporary differences giving rise to the deferred tax assets.

We also account for uncertainty in income taxes as recognized in our consolidated financial statements. The accounting standard creates a single model to address uncertainty in income tax positions and prescribes the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. The standard also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition.

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

Revenue Recognition. We recognize revenue when evidence of an arrangement exists, services have been rendered, the price is fixed or determinable and collectability is reasonably assured. We evaluate our revenue streams for proper timing of revenue recognition. Revenue is recognized as products are delivered and or services are performed.

Games Revenues

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 and back-office equipment, collectively referred to herein as leased gaming equipment. Under these arrangements, we retain ownership of the leased gaming equipment installed at customer facilities, and we receive revenue 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. Revenue from lease participation or daily fee arrangements are considered both realizable and earned at the end of each gaming day.

[Table of Contents](#)

Games revenues generated by player terminals deployed at sites under development or placement fee agreements are reduced by the accretion of contract rights acquired as part of those agreements. Contract rights are amounts allocated to intangible assets for dedicated floor space resulting from such agreements, described under “Note 2. Basis of Presentation and Summary of Significant Accounting Policies — Development and Placement Fee Agreements” of our Notes to Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K. The related amortization expense, or accretion of contract rights, is netted against our respective revenue category in the Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income.

We also generate Games revenues from back-office fees with certain customers. Back-office fees cover the service and maintenance costs for back-office servers installed in each gaming facility to run our gaming equipment, as well as the cost of related software updates. Back-office fees are considered both realizable and earned at the end of each gaming day.

Payments Revenues

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 and are recognized at the time the transactions are authorized. 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.

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. Cardholder surcharges and reverse interchange are recognized as revenue when a transaction is initiated. 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.

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.

Other revenues include amounts derived from the sale of cash access devices, such as the provision of certain professional services, software licensing, and certain other ancillary fees associated with the sale, installation and maintenance of those devices. In addition, other revenues consist of Central Credit revenues 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. Also included in other revenues are revenues generated from ancillary marketing, database and Internet gaming activities.

Equipment and Systems Revenues

We sell gaming equipment, fully integrated kiosks and gaming systems directly to our customers under independent sales contracts through normal credit terms, or may grant extended credit terms under contracts secured by the related equipment.

For sales arrangements with multiple deliverables, we apply the guidance from ASC 605-25, “Revenue Recognition - Multiple-Element Arrangements.” In addition, we apply the guidance from ASC 985-605, “Software – Revenue Recognition” which affects vendors that sell or lease tangible products in an arrangement that contains software that is more than incidental to the tangible product as a whole and clarifies what guidance should be used in allocating and measuring revenue.

The majority of our multiple element sales contracts are for some combination of gaming equipment, player terminals, content, system software, license fees, ancillary equipment and maintenance.

Revenue related to systems arrangements that contain both software and non-software deliverables requires allocation of the arrangement fee to the separate deliverables using the relative selling price method. Revenue for software deliverables is recognized under software revenue recognition guidance. Revenue resulting from the sale of non-software deliverables, such as gaming devices and other hardware, are accounted for based on other applicable revenue recognition guidance as the devices are tangible products containing both software and non-software components that function together to deliver the product’s essential functionality.

In allocating the arrangement fees to separate deliverables, we evaluate whether we have vendor-specific objective evidence (“VSOE”) of selling price, third party evidence (“TPE”) or estimate of selling price (“ESP”) for gaming devices, maintenance and product support fees and other revenue sources. We generally use ESP to determine the selling price used in the allocation of separate deliverables, as VSOE and TPE are generally not available. We determine the ESP on separate deliverables by estimating a margin typically received on such items and applying that margin to the product cost incurred.

Generally, player terminal sales include ancillary equipment, such as networking gear, bases, chairs, and occasionally signage, some of which may be necessary for the full functionality of the player terminals in a casino. This ancillary equipment comprises an install kit that is shipped simultaneously with the player terminals. Although our products are analyzed as multiple deliverable arrangements, revenue for the player terminal and ancillary equipment is not recognized until all elements essential for the functionality of the product have been shipped or delivered. This includes game theme software and essential ancillary equipment. If elements that are not essential to the functionality of the player terminals are shipped after the unit, such as signage, chairs, or bases, these items would be classified as deferred revenue until shipped or delivered.

Stock-Based Compensation. Stock-based compensation expense for all awards is based on the grant date fair value estimated. We estimate the weighted-average fair value of options granted for our time-based and cliff vesting time-based options using the Black-Scholes Option Pricing Model. We estimate the weighted-average fair value of options granted for our market-based options using a lattice-based option valuation model. Each model is based on assumptions regarding expected volatility, dividend yield, risk-free interest rates, the expected term of the option and the expected forfeiture rate. Each of these assumptions, while reasonable, requires a certain degree of judgment and the fair value estimates could vary if the actual results are materially different than those initially applied.

Recent Accounting Guidance

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

Liquidity and Capital Resources

Overview

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

	<u>At December 31,</u> <u>2016</u>	<u>At December 31,</u> <u>2015</u>
Balance sheet data		
Total assets	\$ 1,408,163	\$ 1,550,385
Total borrowings	\$ 1,121,880	\$ 1,139,899
Total stockholders' (deficit) equity	\$ (107,793)	\$ 137,420
Cash available		
Cash and cash equivalents	\$ 119,051	\$ 102,030
Settlement receivables	128,821	44,933
Settlement liabilities	(239,123)	(139,819)
Net cash position ⁽¹⁾	<u>8,749</u>	<u>7,144</u>
Undrawn revolving credit facility	50,000	50,000
Net cash available ⁽¹⁾	<u>\$ 58,749</u>	<u>\$ 57,144</u>

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

Cash Resources

Our cash balance, cash flows and line of credit are expected to be sufficient to meet our recurring operating commitments and to fund our planned capital expenditures for the foreseeable future. Cash and cash equivalents at December 31, 2016 included cash in non-U.S. jurisdictions of approximately \$21.5 million. Generally, these funds are available for operating and investment purposes within the jurisdiction in which they reside, but are subject to taxation in the U.S. upon repatriation.

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

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 December 31, 2016, we had \$128.8 million in settlement receivables for which we generally receive payment within one week. As of December 31, 2016, we had \$239.1 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.

Our cash and cash equivalents was \$119.1 million and \$102.0 million as of December 31, 2016 and December 31, 2015, respectively. Our net cash position after considering the impact of settlement receivables and settlement liabilities was \$8.7 million and \$7.1 million as of December 31, 2016 and December 31, 2015, respectively. Our net cash available after considering the net cash position and undrawn amounts available under our Revolving Credit Facility was approximately \$58.7 million and \$57.1 million as of December 31, 2016 and December 31, 2015, respectively.

Cash Flows

The following table summarizes our cash flows for the years ended December 31, 2016, 2015 and 2014 (in thousands):

	Year Ended December 31,			Increase/(Decrease)	
	2016	2015	2014	2016 Vs 2015	2015 Vs 2014
Cash flow activities					
Net cash provided by operating activities	\$ 131,711	\$ 124,587	\$ 24,531	\$ 7,124	\$ 100,056
Net cash used in investing activities	\$ (88,054)	\$ (85,549)	\$ (1,085,847)	\$ (2,505)	\$ 1,000,298
Net cash (used in) provided by financing activities	\$ (24,922)	\$ (24,551)	\$ 1,037,423	\$ (371)	\$ (1,061,974)
Effect of exchange rates on cash	\$ (1,714)	\$ (1,552)	\$ (1,266)	\$ (162)	\$ (286)
Cash and cash equivalents					
Net increase (decrease) for the period	17,021	12,935	(25,159)	4,086	38,094
Balance, beginning of the period	102,030	89,095	114,254	12,935	(25,159)
Balance, end of the period	\$ 119,051	\$ 102,030	\$ 89,095	\$ 17,021	\$ 12,935

Cash flows provided by operating activities were \$131.7 million, \$124.6 million, and \$24.5 million for the years ended December 31, 2016, 2015 and 2014, respectively. Cash flows provided by operating activities increased by \$7.1 million for the year ended December 31, 2016, as compared to the prior year period. This was primarily due to the timing of the settlement of cash access transactions. Cash flows provided by operating activities increased by \$100.1 million for the year ended December 31, 2015, as compared to the prior year period. This was primarily due to increased operations from the acquisition of our Games business in December 2014.

Cash flows used in investing activities were \$88.1 million, \$85.5 million, and \$1.1 billion for the years ended December 31, 2016, 2015 and 2014, respectively. Cash flows used in investing activities increased by \$2.5 million for the year ended December 31, 2016, as compared to the prior year period. This was primarily due to an increase in capital expenditures in our Games segment related to our installed base of leased gaming assets and placement fee arrangements, partially offset by a reduction in capital expenditures in our Payments segment. Cash flows used in investing activities increased by \$1.0 billion for the year ended December 31, 2015, as compared to the prior year period. This was primarily due to the use of proceeds raised to fund the Merger in 2014, partially offset by an increase in capital expenditures in 2015.

Cash flows used in financing activities were relatively consistent for the years ended December 31, 2016 and 2015. This was primarily associated with the repayments of debt. Cash flows provided by financing activities were \$1.0 billion for the year ended December 31, 2014. This was primarily due to the proceeds raised to fund the Merger, offset by repayments on debt on the Prior Credit Facilities, debt issuance costs and purchase of treasury stock.

Long-Term Debt

The following table summarizes our indebtedness (in thousands):

	<u>At December 31,</u> <u>2016</u>	<u>At December 31,</u> <u>2015</u>
Long-term debt		
Senior secured term loan	\$ 465,600	\$ 490,000
Senior secured notes	335,000	335,000
Senior unsecured notes	350,000	350,000
Total long-term debt	<u>1,150,600</u>	<u>1,175,000</u>
Less: original issue and warrant discount	(28,720)	(35,101)
Total long-term debt after debt issuance costs and discount	<u>1,121,880</u>	<u>1,139,899</u>
Less: current portion of long-term debt	(10,000)	(10,000)
Long-term debt, less current portion	<u>\$ 1,111,880</u>	<u>\$ 1,129,899</u>

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

Credit Facilities

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

We are required to repay the Term Loan in an amount equal to 0.50% per quarter of the initial aggregate principal with the final principal repayment installment on the maturity date. Interest is due in arrears each March, June, September and December and at the maturity date. However, interest may be remitted within one to three months of such dates. The Term Loan had an applicable interest rate of 6.25% as of December 31, 2016 and December 31, 2015, which represents LIBOR plus a 5.25% margin.

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

Voluntary prepayments of the Term Loan and the Revolving Credit Facility and voluntary reductions in the unused commitments are permitted in whole or in part, in minimum amounts as set forth in the Credit Agreement, with prior notice

but without premium or penalty.

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

The Credit Agreement contains certain covenants that, among other things, limit Holdings' ability, and the ability of certain of its subsidiaries, to incur additional indebtedness; sell assets or consolidate or merge with or into other companies; pay dividends or repurchase or redeem capital stock; make certain investments; issue capital stock of subsidiaries; incur liens; prepay, redeem or repurchase subordinated debt; and enter into certain types of transactions with our affiliates. The Credit Agreement also requires Holdings, together with its subsidiaries, to comply with a maximum consolidated secured leverage ratio as well as an annual excess cash flow requirement. At December 31, 2016, our consolidated secured leverage ratio was 3.80, with a maximum allowable ratio of 4.25. Our consolidated secured maximum leverage ratio will be 4.00, 3.75 and 3.50 as of December 31, 2017, 2018 and 2019 and thereafter, respectively. Based on our excess cash flow calculation at December 31, 2015, an excess cash flow payment of approximately \$14.4 million was made during the year ended December 31, 2016.

Events of default under the Credit Agreement include customary events such as a cross-default provision with respect to other material debt (which includes the Refinanced Secured Notes and the Unsecured Notes). In addition, an event of default will occur if Holdings undergoes a change of control. This is defined to include the case where Holdings ceases to own 100% of the equity interests of Everi Payments, or where any person or group acquires a percentage of the economic or voting interests of Holdings' capital stock of 35% or more (determined on a fully diluted basis), or where a majority of the board of directors of Everi Holdings ceases to consist of persons who are directors of Holdings on the closing date of the Credit Facilities or other directors whose nomination for election to the board of directors of Holdings was recommended by a majority of the then continuing directors. At December 31, 2016, we had approximately \$465.6 million of borrowings outstanding under the Term Loan and no borrowings outstanding under the Revolving Credit Facility. We had \$50.0 million of additional borrowing availability under the Revolving Credit Facility as of December 31, 2016. The weighted average interest rate on the Credit Facilities was approximately 6.25% for the year ended December 31, 2016.

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

Senior Secured Notes and Refinance of Senior Secured Notes

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

transaction.

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

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

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

Senior Unsecured Notes

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

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

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

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

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

Contractual Obligations

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

	At December 31, 2016						
	Total	2017	2018	2019	2020	2021	Thereafter
Contractual obligations							
Debt obligations ⁽¹⁾	\$ 1,150,600	\$ 10,000	\$ 10,000	\$ 10,000	\$ 435,600	\$ 335,000	\$ 350,000
Estimated interest obligations ⁽²⁾	390,871	88,553	87,919	87,285	85,761	39,992	1,361
Operating lease obligations	23,507	4,803	4,408	4,462	4,148	3,254	2,432
Purchase obligations ⁽³⁾	47,325	47,099	79	14	—	59	74
Total contractual obligations	\$ 1,612,303	\$ 150,455	\$ 102,406	\$ 101,761	\$ 525,509	\$ 378,305	\$ 353,867

- (1) We are required to make principal payments of 2% annually under the Term Loan and may also be required to make an excess cash flow payment that is based on full year end earnings and our consolidated secured leverage ratio in effect at that time. The above table does not reflect any future payments related to excess cash flow payments.
- (2) Estimated interest payments were computed using the interest rate in effect at December 31, 2016 multiplied by the principal balance outstanding after scheduled principal amortization payments. For the Credit Facilities, the weighted average rate assumed was approximately 7.72% until 2021 when the weighted average rate would increase to approximately 9.51%.
- (3) Included in purchase obligations are minimum transaction processing services from various third-party processors used by us as well as open purchase orders related to our Games business.

Other Liquidity Needs and Resources

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

Off-Balance Sheet Arrangements

Our Contract Cash Solutions Agreement with Wells Fargo Bank, N.A. (“Wells Fargo”) allows us to use funds owned by Wells Fargo to provide the currency needed for normal operating requirements for our ATMs. For the use of these funds, we pay Wells Fargo a cash usage fee on the average daily balance of funds utilized multiplied by a contractually defined cash usage rate. These cash usage fees, reflected as interest expense within the Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income, were \$3.1 million, \$2.3 million and \$2.3 million for the years ended December 31, 2016, 2015 and 2014, respectively. We are exposed to interest rate risk to the extent that the applicable LIBOR increases.

Under this agreement, all currency supplied by Wells Fargo remains the sole property of Wells Fargo at all times until it is dispensed, at which time Wells Fargo obtains an interest in the corresponding settlement receivable which is recorded on a net basis. As these funds are not our assets, supplied cash is not reflected on the Consolidated Balance Sheets. The outstanding balances of ATM cash utilized by us from Wells Fargo were \$285.4 million and \$364.5 million as of December 31, 2016 and 2015, respectively.

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

We are responsible for any losses of cash in the ATMs under this agreement and we self-insure for this risk. We incurred no material losses related to this self-insurance for the years ended December 31, 2016 and 2015.

Effects of Inflation

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

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

In the normal course of business, we are exposed to foreign currency exchange risk. We operate and conduct business in foreign countries and, as a result, are exposed to movements in foreign currency exchange rates. Our exposure to foreign currency exchange risk related to our foreign operations is not material to our results of operations, cash flows or financial 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 \$285.4 million as of December 31, 2016. Based upon this outstanding amount of currency supplied by Wells

Fargo, each 1% increase in the applicable LIBOR would have a \$2.9 million impact on income before taxes over a 12-month period. Foreign gaming establishments or third-party vendors supply the currency needs for the ATMs located on their premises.

The Credit Facilities bear interest at rates that can vary over time. We have the option of having interest on the outstanding amounts under the Credit Facilities paid based on a base rate or based on LIBOR. We have historically elected to pay interest based on LIBOR, and we expect to continue to pay interest based on LIBOR of various maturities. The weighted average interest rate on the Credit Facilities was approximately 6.25% for the year ended December 31, 2016. Based upon the outstanding balance on the Credit Facilities of \$465.6 million as of December 31, 2016, each 1% increase in the applicable LIBOR would have a \$4.7 million impact on interest expense over a 12-month period. The interest rates on the Refinanced Secured Notes and the Unsecured Notes are fixed and therefore an increase in LIBOR does not impact the interest expense associated with the notes.

Item 8. Financial Statements and Supplementary Data.

Index to Consolidated Financial Statements

Report of BDO USA, LLP, Independent Registered Public Accounting Firm	64
Report of Deloitte & Touche LLP, Independent Registered Public Accounting Firm	65
Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income for the three years ended December 31, 2016	66
Consolidated Balance Sheets as of December 31, 2016 and 2015	67
Consolidated Statements of Cash Flows for the three years ended December 31, 2016	68
Consolidated Statements of Stockholders' (Deficit) Equity for the three years ended December 31, 2016	70
Notes to Consolidated Financial Statements	71

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of Everi Holdings Inc. and subsidiaries as of December 31, 2016 and 2015 and the related consolidated statements of loss and comprehensive loss, stockholders' (deficit) equity, and cash flows for each of the two years in the period ended December 31, 2016. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Everi Holdings Inc. and subsidiaries at December 31, 2016 and 2015, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2016, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Everi Holdings Inc. and subsidiaries' internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated March 14, 2017 expressed an unqualified opinion thereon.

/s/ BDO USA, LLP

Las Vegas, Nevada
March 14, 2017

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Everi Holdings Inc.
Las Vegas, NV

We have audited the accompanying consolidated statements of income and comprehensive income, stockholders' equity, and cash flows of Global Cash Access Holdings, Inc. (now known as Everi Holdings Inc.) and subsidiaries (the "Company") for the year ended December 31, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the results of operations and cash flows of Global Cash Access Holdings, Inc. and subsidiaries for the year ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America.

/s/ DELOITTE & TOUCHE LLP

Las Vegas, NV
March 16, 2015 (October 23, 2015 as to Notes 18 and 20 and March 15, 2016 as to the reclassifications to the 2014 consolidated financial statements discussed in Note 2)

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

	Year Ended December 31,		
	2016	2015	2014
Revenues			
Games	\$ 213,253	\$ 214,424	\$ 7,406
Payments	646,203	612,575	585,647
Total revenues	859,456	826,999	593,053
Costs and expenses			
Games cost of revenue (exclusive of depreciation and amortization)	50,308	47,017	1,753
Payments cost of revenue (exclusive of depreciation and amortization)	498,706	463,380	438,318
Operating expenses	118,709	101,202	95,452
Research and development	19,356	19,098	804
Goodwill impairment	146,299	75,008	—
Depreciation	49,995	45,551	8,745
Amortization	94,638	85,473	14,199
Total costs and expenses	978,011	836,729	559,271
Operating (loss) income	(118,555)	(9,730)	33,782
Other expenses			
Interest expense, net of interest income	99,228	100,290	10,756
Loss on extinguishment of debt	—	13,063	2,725
Total other expenses	99,228	113,353	13,481
(Loss) income before income tax	(217,783)	(123,083)	20,301
Income tax provision (benefit)	31,696	(18,111)	8,161
Net (loss) income	(249,479)	(104,972)	12,140
Foreign currency translation	(2,427)	(1,251)	(1,258)
Comprehensive (loss) income	\$ (251,906)	\$ (106,223)	\$ 10,882
(Loss) earnings per share			
Basic	\$ (3.78)	\$ (1.59)	\$ 0.18
Diluted	\$ (3.78)	\$ (1.59)	\$ 0.18
Weighted average common shares outstanding			
Basic	66,050	65,854	65,780
Diluted	66,050	65,854	66,863

See notes to consolidated financial statements.

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

	At December 31, 2016	At December 31, 2015
ASSETS		
Current assets		
Cash and cash equivalents	\$ 119,051	\$ 102,030
Settlement receivables	128,821	44,933
Trade receivables, net of allowances for doubtful accounts of \$4.7 million and \$3.9 million at December 31, 2016 and December 31, 2015, respectively	51,651	52,382
Other receivables	5,000	4,928
Inventory	19,068	28,738
Prepaid expenses and other assets	18,048	20,772
Total current assets	341,639	253,783
Non-current assets		
Property, equipment and leased assets, net	98,439	106,308
Goodwill	640,546	789,803
Other intangible assets, net	317,997	382,462
Other receivables	2,020	6,655
Other assets	7,522	11,374
Total non-current assets	1,066,524	1,296,602
Total assets	\$ 1,408,163	\$ 1,550,385
LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY		
Current liabilities		
Settlement liabilities	\$ 239,123	\$ 139,819
Accounts payable and accrued expenses	94,391	101,512
Current portion of long-term debt	10,000	10,000
Total current liabilities	343,514	251,331
Non-current liabilities		
Deferred tax liability	57,611	27,644
Long-term debt, less current portion	1,111,880	1,129,899
Other accrued expenses and liabilities	2,951	4,091
Total non-current liabilities	1,172,442	1,161,634
Total liabilities	1,515,956	1,412,965
Commitments and contingencies (Note 13)		
Stockholders' (deficit) equity		
Common stock, \$0.001 par value, 500,000 shares authorized and 90,952 and 90,877 shares issued at December 31, 2016 and December 31, 2015, respectively	91	91
Convertible preferred stock, \$0.001 par value, 50,000 shares authorized and 0 shares outstanding at December 31, 2016 and December 31, 2015, respectively	—	—
Additional paid-in capital	264,755	258,020
Retained (deficit) earnings	(194,299)	55,180
Accumulated other comprehensive (loss) income	(2,109)	318
Treasury stock, at cost, 24,867 and 24,849 shares at December 31, 2016 and December 31, 2015, respectively	(176,231)	(176,189)
Total stockholders' (deficit) equity	(107,793)	137,420
Total liabilities and stockholders' (deficit) equity	\$ 1,408,163	\$ 1,550,385

See notes to consolidated financial statements.

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

	<u>Year Ended December 31,</u>		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Cash flows from operating activities			
Net (loss) income	\$ (249,479)	\$ (104,972)	\$ 12,140
Adjustments to reconcile net loss to cash provided by operating activities:			
Depreciation and amortization	144,633	131,024	22,944
Amortization of financing costs	6,695	7,109	2,035
Loss (gain) on sale or disposal of assets	2,563	(2,789)	55
Accretion of contract rights	8,692	7,614	301
Provision for bad debts	9,908	10,135	8,991
Reserve for obsolescence	3,581	1,243	270
Other asset impairment	4,289	—	3,129
Goodwill impairment	146,299	75,008	—
Loss on early extinguishment of debt	—	13,063	2,725
Stock-based compensation	6,735	8,284	8,876
Other non-cash items	(38)	(149)	(19)
Changes in operating assets and liabilities:			
Settlement receivables	(83,998)	(1,830)	(5,156)
Trade and other receivables	(8,169)	(5,070)	(12,256)
Inventory	5,600	(1,075)	(1,120)
Prepaid and other assets	4,480	(5,553)	904
Deferred income taxes	29,940	(19,878)	6,613
Settlement liabilities	99,245	21,229	(25,523)
Accounts payable and accrued expenses	735	(8,806)	(378)
Net cash provided by operating activities	<u>131,711</u>	<u>124,587</u>	<u>24,531</u>
Cash flows from investing activities			
Capital expenditures	(80,741)	(76,988)	(18,442)
Acquisitions, net of cash acquired	(694)	(10,857)	(1,068,000)
Proceeds from sale of fixed assets	4,599	2,102	421
Placement fee agreements	(11,312)	(2,813)	—
Repayments under development agreements	—	3,104	276
Changes in restricted cash and cash equivalents	94	(97)	(102)
Net cash used in investing activities	<u>(88,054)</u>	<u>(85,549)</u>	<u>(1,085,847)</u>
Cash flows from financing activities			
Repayments of prior credit facility	—	—	(103,000)
Repayments of credit facility	(24,400)	(10,000)	—
Repayments of secured notes	—	(350,000)	—
Proceeds from securing credit facility	—	—	500,000
Proceeds from issuance of secured notes	—	335,000	350,000
Proceeds from issuance of unsecured notes	—	—	350,000
Debt issuance costs	(480)	(1,221)	(52,735)
Proceeds from exercise of stock options	—	1,839	5,338
Purchase of treasury stock	(42)	(169)	(12,180)
Net cash (used in) provided by financing activities	<u>(24,922)</u>	<u>(24,551)</u>	<u>1,037,423</u>
Effect of exchange rates on cash	(1,714)	(1,552)	(1,266)
Cash and cash equivalents			
Net increase (decrease) for the period	17,021	12,935	(25,159)
Balance, beginning of the period	102,030	89,095	114,254
Balance, end of the period	<u>\$ 119,051</u>	<u>\$ 102,030</u>	<u>\$ 89,095</u>

See notes to consolidated financial statements.

	Year Ended December 31,		
	2016	2015	2014
Supplemental cash disclosures			
Cash paid for interest	\$ 93,420	\$ 98,361	\$ 59,274
Cash paid for income tax	\$ 1,703	\$ 2,098	\$ 962
Cash refunded for income tax	\$ 171	\$ 14,477	\$ —
Supplemental non-cash disclosures			
Accrued and unpaid capital expenditures	\$ 2,104	\$ 5,578	\$ 731
Accrued and unpaid contingent liability for acquisitions	\$ (3,169)	\$ 4,681	\$ 2,463
Transfer of leased gaming equipment to inventory	\$ 9,042	\$ 4,698	\$ —
Issuance of warrant	\$ —	\$ 2,246	\$ —

See notes to consolidated financial statements.

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

	Common Stock— Series A		Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total (Deficit) Equity
	Number of Shares	Amount					
Balance, December 31, 2013	89,233	\$ 89	\$ 231,516	\$ 148,012	\$ 2,827	\$ (163,840)	\$ 218,604
Net income	—	—	—	12,140	—	—	12,140
Foreign currency translation	—	—	—	—	(1,258)	—	(1,258)
Stock-based compensation expense	—	—	8,876	—	—	—	8,876
Exercise of options	971	1	5,290	—	—	—	5,291
Treasury share repurchases	—	—	—	—	—	(11,721)	(11,721)
Restricted share vesting withholdings	—	—	—	—	—	(459)	(459)
Restricted shares vested	201	—	—	—	—	—	—
Balance, December 31, 2014	90,405	\$ 90	\$ 245,682	\$ 160,152	\$ 1,569	\$ (176,020)	\$ 231,473
Net loss	—	—	—	(104,972)	—	—	(104,972)
Foreign currency translation	—	—	—	—	(1,251)	—	(1,251)
Stock-based compensation expense	—	—	8,258	—	—	—	8,258
Exercise of options	343	1	1,834	—	—	—	1,835
Restricted share vesting withholdings	—	—	—	—	—	(169)	(169)
Restricted shares vested	129	—	—	—	—	—	—
Issuance of warrants	—	—	2,246	—	—	—	2,246
Balance, December 31, 2015	90,877	\$ 91	\$ 258,020	\$ 55,180	\$ 318	\$ (176,189)	\$ 137,420
Net loss	—	—	—	(249,479)	—	—	(249,479)
Foreign currency translation	—	—	—	—	(2,427)	—	(2,427)
Stock-based compensation expense	—	—	6,735	—	—	—	6,735
Restricted share vesting withholdings	—	—	—	—	—	(42)	(42)
Restricted shares vested	75	—	—	—	—	—	—
Balance, December 31, 2016	90,952	\$ 91	\$ 264,755	\$ (194,299)	\$ (2,109)	\$ (176,231)	\$ (107,793)

See notes to consolidated financial statements.

EVERI HOLDINGS INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BUSINESS

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

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

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

All intercompany transactions and balances have been eliminated in consolidation.

Business Combinations

We apply the provisions of the Financial Accounting Standards Board (the “FASB”) Accounting Standards Codification (“ASC”) 805, “Business Combinations”, in the accounting for acquisitions. It requires us to recognize separately from goodwill the assets acquired and the liabilities assumed, at their acquisition date fair values. Goodwill as of the acquisition date is measured as the excess of consideration transferred over the net of the acquisition date fair values of the assets acquired and the liabilities assumed. Significant estimates and assumptions are required to value assets acquired and liabilities assumed at the acquisition date as well as contingent consideration, where applicable. These estimates are preliminary and typically include the calculation of an appropriate discount rate and projection of the cash flows associated with each acquired asset over its estimated useful life. As a result, during the measurement period, which may be up to one year from the acquisition date, the Company may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. In addition, deferred tax assets, deferred tax liabilities, uncertain tax positions and tax related valuation allowances assumed in connection with a business combination are initially estimated as of the acquisition date. We reevaluate these items quarterly based upon facts and circumstances that existed as of the acquisition date and any adjustments to its preliminary estimates are recorded to goodwill, in the period of identification, if identified within the measurement period. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to the Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income.

Acquisition-related Costs

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

diligence, valuation and integration; severance; and other related costs and adjustments.

Cash and Cash Equivalents

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

ATM Funding Agreements

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

For the Non-Site-Funded locations, our Contract Cash Solutions Agreement with Wells Fargo allows us to use funds owned by Wells Fargo to provide the currency needed for normal operating requirements for our ATMs. For the use of these funds, we pay Wells Fargo a cash usage fee on the average daily balance of funds utilized multiplied by a contractually defined cash usage rate. Under this agreement, all currency supplied by Wells Fargo remains the sole property of Wells Fargo at all times until it is dispensed, at which time Wells Fargo obtains an interest in the corresponding settlement receivable. As the cash is never an asset of ours, supplied cash is not reflected on our balance sheet. We are charged a cash usage fee for the cash used in these ATMs, which is included as interest expense in the Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income. We recognize the fees as interest expense due to the similar operational characteristics to a revolving line of credit, the fact that the fees are calculated on a financial index and the fees are paid for access to a capital resource.

Allowance for Doubtful Accounts

We maintain an allowance for doubtful accounts related to our trade and other receivables and notes receivable that have been deemed to have a high risk of uncollectibility. Management reviews its accounts and notes receivable on a quarterly basis to determine if any receivables will potentially be uncollectible. Management analyzes historical collection trends and changes in our customer payment patterns, customer concentration, and creditworthiness when evaluating the adequacy of our allowance for doubtful accounts. In our overall allowance for doubtful accounts we include any receivable balances for which uncertainty exists as to whether the account balance has become uncollectible. Based on the information available, management believes the allowance for doubtful accounts is adequate; however, actual write-offs may exceed the recorded allowance.

Settlement Receivables and Settlement Liabilities

In the credit card cash access and POS debit card cash access transactions provided by us, the gaming establishment is reimbursed for the cash disbursed to gaming patrons through the issuance of a negotiable instrument or through electronic settlement. We receive reimbursement from the patron’s credit or debit card issuer for the transaction in an amount equal to the amount owed to the gaming establishment plus the fee charged to the patron. This reimbursement is included within the settlement receivables on the Consolidated Balance Sheets. The amounts owed to gaming establishments are included within settlement liabilities on the Consolidated Balance Sheets.

Warranty Receivables

If a gaming establishment chooses to have a check warranted, it sends a request to our third party check warranty service provider, asking whether it would be willing to accept the risk of cashing the check. If the check warranty provider accepts the risk and warrants the check, the gaming establishment negotiates the patron’s check by providing cash for the face

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

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

Inventory

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

Property, Equipment and Leased Assets

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

Development and Placement Fee Agreements

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

Goodwill

Goodwill represents the excess of the purchase price over the identifiable tangible and intangible assets acquired plus liabilities assumed arising from business combinations. We test for impairment annually on a reporting unit basis, at the beginning of our fourth fiscal quarter, 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 use the Step 2 assessment to determine the impairment. Our reporting units are identified as operating segments or one level below. Reporting units must: (a) engage in business activities from which they earn revenues and incur expenses; (b) have operating results that are regularly reviewed by our chief operating decision makers to ascertain the resources to be allocated to the segment and assess its performance; and (c) have discrete financial information available. As of December 31, 2016, our reporting units included: Games, Cash Access, Kiosk Sales and Service, Central Credit, and Everi Compliance. During the year ended December 31, 2016, the Company combined its Cash Advance, ATM and Check Services reporting units into a Cash Access reporting unit to be consistent with the current corporate structure and segment management.

Other Intangible Assets

Other intangible assets are stated at cost, less accumulated amortization, computed primarily using the straight-line method. Other intangible assets consist primarily of: (i) customer contracts (rights to provide Games and Payments services to gaming establishment customers), developed technology, trade names and trademarks and contract rights acquired through business combinations; (ii) capitalized software development costs; and (iii) the acquisition cost of our patent related to the 3-in-1 rollover technology acquired in 2005. Customer contracts require us to make renewal assumptions, which impact the estimated useful lives of such assets. Capitalized software development costs require us to make certain judgments as to the stages of development and costs eligible for capitalization. Capitalized software costs placed in service are amortized over their useful lives, generally not to exceed five years. The acquisition cost of the 3-in-1 Rollover patent is being amortized over the term of the patent, which expires in 2018. We review intangible assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Such events or circumstances include, but are not limited to, a significant decrease in the fair value of the underlying business or market price of the asset, a significant adverse change in legal factors or business climate that could affect the value of an asset, or a current period operating or cash flow loss combined with a history of operating or cash flow losses. We group intangible assets for impairment analysis at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Recoverability of intangible assets is measured by a comparison of the carrying amount of the asset to future, net cash flows expected to be generated by the asset, undiscounted and without interest or taxes. Any impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

Debt Issuance Costs

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

Original Issue Discounts

Original issue discounts incurred in connection with long-term borrowings are capitalized and amortized to interest expense based upon the related debt agreements using the straight-line method, which approximates the effective interest method. These amounts are recorded as contra-liabilities and included in long-term debt on the Consolidated Balance Sheets.

Deferred Revenue

Deferred revenue represents amounts from the sale of fully integrated kiosks and related service contracts, anti-money laundering and tax compliance software, and gaming equipment and systems that have been billed, or for which notes receivable have been executed, but which transaction has not met our revenue recognition criteria. The cost of the fully integrated kiosks and related service contracts, anti-money laundering and tax compliance software, and gaming equipment

and systems is deferred and recorded at the time revenue is recognized. Amounts are classified between current and long-term liabilities, based upon the expected period in which the revenue will be recognized.

Revenue Recognition

Overall

We recognize revenue when evidence of an arrangement exists, services have been rendered, the price is fixed or determinable and collectability is reasonably assured. We evaluate our revenue streams for proper timing of revenue recognition. Revenue is recognized as products are delivered and or services are performed.

Games Revenues

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 and back-office equipment, collectively referred to herein as leased gaming equipment. Under these arrangements, we retain ownership of the leased gaming equipment installed at customer facilities, and we receive revenue 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. Revenue from lease participation or daily fee arrangements are considered both realizable and earned at the end of each gaming day.

Games revenues generated by player terminals deployed at sites under development or placement fee agreements are reduced by the accretion of contract rights acquired as part of those agreements. Contract rights are amounts allocated to intangible assets for dedicated floor space resulting from such agreements, described under "Development and Placement Fee Agreements." The related amortization expense, or accretion of contract rights, is netted against our respective revenue category in the Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income.

We also generate Games revenues from back-office fees with certain customers. Back-office fees cover the service and maintenance costs for back-office servers installed in each gaming facility to run our gaming equipment, as well as the cost of related software updates. Back-office fees are considered both realizable and earned at the end of each gaming day.

Payments Revenues

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 and are recognized at the time the transactions are authorized. 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.

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. Cardholder surcharges and reverse interchange are recognized as revenue when a transaction is initiated. 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.

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.

Other revenues include amounts derived from the sale of cash access devices, such as the provision of certain professional services, software licensing, and certain other ancillary fees associated with the sale, installation and maintenance of those devices. In addition, other revenues consist of Central Credit revenues 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. Also included in other revenues are revenues generated from ancillary marketing, database and Internet gaming activities.

Equipment and Systems Revenues

We sell gaming equipment, fully integrated kiosks and gaming systems directly to our customers under independent sales contracts through normal credit terms, or may grant extended credit terms under contracts secured by the related equipment.

For sales arrangements with multiple deliverables, we apply the guidance from ASC 605-25, “Revenue Recognition - Multiple-Element Arrangements.” In addition, we apply the guidance from ASC 985-605, “Software – Revenue Recognition” which affects vendors that sell or lease tangible products in an arrangement that contains software that is more than incidental to the tangible product as a whole and clarifies what guidance should be used in allocating and measuring revenue.

The majority of our multiple element sales contracts are for some combination of gaming equipment, player terminals, content, system software, license fees, ancillary equipment and maintenance.

Revenue related to systems arrangements that contain both software and non-software deliverables requires allocation of the arrangement fee to the separate deliverables using the relative selling price method. Revenue for software deliverables is recognized under software revenue recognition guidance. Revenue resulting from the sale of non-software deliverables, such as gaming devices and other hardware, are accounted for based on other applicable revenue recognition guidance as the devices are tangible products containing both software and non-software components that function together to deliver the product's essential functionality.

In allocating the arrangement fees to separate deliverables, we evaluate whether we have vendor-specific objective evidence (“VSOE”) of selling price, third party evidence (“TPE”) or estimate of selling price (“ESP”) for gaming devices, maintenance and product support fees and other revenue sources. We generally use ESP to determine the selling price used in the allocation of separate deliverables, as VSOE and TPE are generally not available. We determine the ESP on separate deliverables by estimating a margin typically received on such items and applying that margin to the product cost incurred.

Generally, player terminal sales include ancillary equipment, such as networking gear, bases, chairs, and occasionally signage, some of which may be necessary for the full functionality of the player terminals in a casino. This ancillary equipment comprises an install kit that is shipped simultaneously with the player terminals. Although our products are analyzed as multiple deliverable arrangements, revenue for the player terminal and ancillary equipment is not recognized until all elements essential for the functionality of the product have been shipped or delivered. This includes game theme software and essential ancillary equipment. If elements that are not essential to the functionality of the player terminals are shipped after the unit, such as signage, chairs, or bases, these items would be classified as deferred revenue until shipped or delivered.

Cost of Revenues (exclusive of depreciation and amortization)

The cost of revenues (exclusive of depreciation and amortization) represents the direct costs required to perform revenue generating transactions. The principal costs included within cost of revenues (exclusive of depreciation and amortization) are commissions paid to gaming establishments, interchange fees paid to credit and debit card networks, transaction processing fees to our transaction processor, inventory and related costs associated with the sale of our fully integrated kiosks, electronic gaming machines and system sales, check cashing warranties, field service and network operations personnel.

Advertising, Marketing and Promotional Costs

We expense advertising, marketing and promotional costs as incurred. Total advertising, marketing and promotional costs, included in operating expenses in the Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income, were \$1.2 million, \$0.9 million and \$1.1 million for the years ended December 31, 2016, 2015 and 2014, respectively.

Research and Development Costs

We conduct research and development activities primarily to develop gaming systems, gaming engines, casino data

management systems, casino central monitoring systems, video lottery outcome determination systems, gaming platforms and gaming content, as well as to add enhancements to our existing product lines. We believe our ability to deliver differentiated, appealing products and services to the marketplace is based on our research and development investments, and we expect to continue to make such investments in the future. Research and development costs consist primarily of salaries and benefits, consulting fees and game lab testing fees. Once the technological feasibility of a project has been established, it is transferred from research to development and capitalization of development costs begins until the product is available for general release.

Research and development costs were \$19.4 million, \$19.1 million and \$0.8 million for the years ended December 31, 2016, 2015 and 2014, respectively.

Income Taxes

We are subject to income taxes in the United States as well as various states and foreign jurisdictions in which we operate. In accordance with accounting guidance, our income taxes include amounts from domestic and international jurisdictions, plus the provision for U.S. taxes on undistributed earnings of international subsidiaries not deemed to be permanently invested. Since it is our practice and current intent to reinvest the earnings in the international operations of our foreign subsidiaries, U.S. federal income taxes have not been provided on the undistributed earnings of any foreign subsidiaries, except for our GCA (Macau) S.A. subsidiary. Some items of income and expense are not reported in tax returns and the Consolidated Financial Statements in the same year. The tax effect of such temporary differences is reported as deferred income taxes.

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

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

We also follow accounting guidance to account for uncertainty in income taxes as recognized in our consolidated financial statements. The accounting standard creates a single model to address uncertainty in income tax positions and prescribes the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. The standard also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition.

Under this standard, we may recognize tax benefits from an uncertain position only if it is more likely than not that the

position will be sustained upon examination by taxing authorities based on the technical merits of the issue. The amount recognized is the largest benefit that we believe has greater than a 50% likelihood of being realized upon settlement. Actual income taxes paid may vary from estimates depending upon changes in income tax laws, actual results of operations, and the final audit of tax returns by taxing authorities. Tax assessments may arise several years after tax returns have been filed.

Employee Benefits Plan

In connection with the acquisition of Everi Games Holding, we merged the Everi Payments 401(k) Plan (“Merged 401(k) Plan”) into the Everi Games Holding 401(k) Plan (“Surviving 401(k) Plan”), which was adopted for domestic employees of Everi Games and Everi Payments and their domestic subsidiaries. The Surviving 401(k) Plan Participant investment elections were not mapped from the current provider as the Merged 401(k) Plan assets were liquidated from their current investments and the proceeds were provided to the new provider. The participant contributions were sent to the new provider into the Surviving 401(k) Plan’s default fund until such time that a participant made investment elections. The Surviving 401(k) Plan structure is similar to the Merged 401(k) Plan and allows employees to defer up to the lesser of the Internal Revenue Code prescribed maximum amount or 100% of their income on a pre-tax basis through contributions to the plan. As a benefit to employees, we match a percentage of these employee contributions (as defined in the plan document). Expenses related to the matching portion of the contributions to the Surviving 401(k) Plan were \$1.9 million, \$1.3 million and \$0.5 million for the years ended December 31, 2016, 2015 and 2014, respectively.

Fair Values of Financial Instruments

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

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

	Level of Hierarchy	Fair Value	Outstanding Balance
December 31, 2016			
Term loan	1	\$ 451,632	\$ 465,600
Senior secured notes	3	\$ 324,950	\$ 335,000
Senior unsecured notes	1	\$ 350,000	\$ 350,000
December 31, 2015			
Term loan	1	\$ 445,900	\$ 490,000
Senior secured notes	3	\$ 314,900	\$ 335,000
Senior unsecured notes	1	\$ 297,500	\$ 350,000

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

Foreign Currency Translation

Foreign currency denominated assets and liabilities for those foreign entities for which the local currency is the functional currency are translated into U.S. dollars based on exchange rates prevailing at the end of each year. Revenues and expenses are translated at average exchange rates during the year. The effects of foreign exchange gains and losses arising from these translations are included as a component of other comprehensive income on the Consolidated Statements of (Loss)

Income and Comprehensive (Loss) Income. Translation adjustments on intercompany balances of a long-term investment nature are recorded as a component of Accumulated Other Comprehensive Income on our Consolidated Balance Sheets.

Use of Estimates

We have made estimates and judgments affecting the amounts reported in these financial statements and the accompanying notes. The actual results may differ from these estimates. These accounting estimates incorporated into the Consolidated Financial Statements include, but are not limited to:

- the estimates and assumptions related to the preparation of the unaudited pro forma financial information contained herein;
- the estimates and assumptions related to the preliminary and final purchase price allocation based on the estimated fair values of the assets acquired and liabilities assumed related to any of our acquisitions;
- the estimated reserve for warranty expense associated with our check warranty receivables;
- the estimated reserve for bad debt expense associated with our trade receivables;
- the estimated reserve for inventory obsolescence;
- the valuation and recognition of share based compensation;
- the valuation allowance on our deferred income tax assets;
- the estimated cash flows in assessing the recoverability of long lived assets;
- the estimates of future operating performance, weighted average cost of capital (“WACC”) and growth rates as well as other factors used in our annual goodwill and assets impairment evaluations;
- the renewal assumptions used for customer contracts to estimate the useful lives of such assets; and
- the judgments used to determine the stages of development and costs eligible for capitalization as internally developed software.
- the estimated liability for health care claims under our self-insured health care program.

Earnings Applicable to Common Stock

Basic earnings per share is calculated by dividing net income by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflect the effect of potential common stock resulting from assumed stock option exercises and vesting of restricted stock unless it is antidilutive.

Share-Based Compensation

Share-based payment awards result in a cost that is measured at fair value on the award’s grant date.

Our time-based stock options were measured at fair value on the grant date using the Black Scholes model. Our restricted stock awards were measured at fair value based on the stock price on the grant date. The compensation expense is recognized on a straight-line basis over the vesting period of the awards.

Our market-based options granted in 2016 under our 2014 Equity Incentive Plan (the “2014 Plan”) and 2012 Equity Incentive Plan (as amended, the “2012 Plan”) vest at a rate of 25% per year on each of the first four anniversaries of the grant date, provided that as of the vesting date for each vesting tranche, the closing price of the Company’s shares on the New York Stock Exchange is at least a specified price hurdle, defined as a 50% premium to the closing stock price on the grant date. If the price hurdle is not met as of the vesting date for a vesting tranche, then the vested tranche shall vest and

become vested shares on the last day of a period of 30 consecutive trading days during which the closing price is at least the price hurdle.

Our market-based stock options granted in 2015 under the 2014 Plan will vest if our average stock price in any period of 30 consecutive trading days meets certain target prices during a four-year period that commenced on the grant date of these options. If these target prices are not met during the four year period, the unvested shares underlying the options will terminate except if there is a Change in Control (as defined in the 2014 Plan) of the Company, in which case, the unvested shares underlying such options shall become fully vested on the effective date of such change in control transaction.

All market-based options were measured at fair value on the grant date using a lattice-based valuation model based on the median time horizon from the date of grant for these options to the vesting date for those paths that achieved the target threshold(s). The compensation expense is recognized on a straight-line basis over the median vesting periods calculated under such valuation model.

Forfeitures are estimated at the grant date for our time-based and market-based awards, with such estimates updated periodically; and with actual forfeitures recognized currently to the extent they differ from the estimates.

Unless otherwise provided by the administrator of our equity incentive plans, stock options granted under our plans generally expire ten years from the date of grant. In connection with our annual grant in 2015, certain market-based stock option awards were issued that expire seven years from the date of grant. The exercise price of stock options is generally the closing market price of our common stock on the date of the stock option grant.

Reclassification of Prior Year Balances

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

Recent Accounting Guidance

Recently Adopted Accounting Guidance

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

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

In August 2014, the FASB issued ASU No. 2014-15, which provides guidance on determining when and how reporting entities must disclose going-concern uncertainties in their financial statements. The pronouncement is effective for annual

periods ending after December 15, 2016, and interim periods thereafter, and early adoption is permitted. We adopted this guidance during the current period. There was no impact on our Consolidated Financial Statements.

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

Recent Accounting Guidance Not Yet Adopted

In January 2017, the FASB issued ASU No. 2017-04, which provides updated guidance on the goodwill impairment test and the method by which an entity recognizes an impairment charge. These amendments eliminate Step 2 from the current goodwill impairment process and require that an entity recognize an impairment charge equal to the amount by which the carrying amount exceeds the reporting unit's fair value, not to exceed the total amount of goodwill allocated to that reporting unit. Additionally, a company should also take into consideration income tax effects from tax deductible goodwill on the carrying amount of a reporting unit when recording an impairment loss. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. This guidance will be applied using a prospective approach. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. We are currently evaluating the impact of adopting this guidance on our Consolidated Financial Statements and disclosures included within Notes to Consolidated Financial Statements.

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

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

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

In August 2016, the FASB issued ASU No. 2016-15, which provides updated guidance on the classification of certain

cash receipts and cash payments in the statement of cash flows. The new standard is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. This guidance will be applied using a retrospective approach. If it is impracticable to apply the amendments retrospectively for some of the issues within this ASU, the amendments for those issues would be applied prospectively as of the earliest date practicable. Early adoption is permitted including adoption in an interim period. We are currently evaluating the impact of adopting this guidance on our Consolidated Financial Statements and disclosures included within Notes to Consolidated Financial Statements.

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

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

In February 2016, the FASB issued ASU No. 2016-02, which provides guidance on the accounting treatment of leases. The ASU establishes a right-of-use (“ROU”) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either financing or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years and early adoption is permitted. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. While we are currently assessing the impact of this ASU on our Consolidated Financial Statements, we expect the primary impact to our consolidated financial position upon adoption will be the recognition, on a discounted basis, of our minimum commitments under noncancelable operating leases on our Consolidated Balance Sheets, which will result in the recording of right of use assets and lease obligations and are currently discussed in “Note 13 Commitments and Contingencies.”

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

In May 2014, the FASB issued ASU No. 2014-09, which creates FASB ASC Topic 606, “Revenue from Contracts with Customers” and supersedes ASC Topic 605, “Revenue Recognition”. The guidance replaces industry-specific guidance and establishes a single five-step model to identify and recognize revenue. The core principle of the guidance is that an entity should recognize revenue upon transfer of control of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. Additionally, the guidance requires the entity to disclose further quantitative and qualitative information regarding the nature and amount

of revenues arising from contracts with customers, as well as other information about the significant judgments and estimates used in recognizing revenues from contracts with customers. The guidance in ASU 2014-09 was further updated by ASU 2016-08 in March 2016, which provides clarification on the implementation of the principal versus agent considerations in ASU 2014-09. In April 2016, the FASB issued ASU 2016-10, which provides clarification on the implementation of performance obligations and licensing in ASU 2014-09. In May 2016, the FASB issued ASU 2016-11, which amends guidance provided in two SEC Staff Announcements at the March 3, 2016 Emerging Issues Task Force meeting over various topics relating to ASU 606. In May 2016, the FASB issued ASU 2016-12, which clarified various topics in ASU 606. In December 2016, the FASB issued ASU 2016-20, which clarified additional topics in ASU 606. This guidance was originally effective for interim and annual reporting periods beginning after December 15, 2016. However, in August 2015, the FASB issued ASU No. 2015-14, which extended the effective date to interim and annual periods beginning after December 15, 2017. Early application is permitted only as of annual reporting periods beginning after December 15, 2015, including interim reporting periods within that reporting period. This guidance may be adopted retrospectively or under a modified retrospective method where the cumulative effect is recognized at the date of initial application.

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

3. BUSINESS COMBINATIONS

We account for business combinations in accordance with ASC 805, which requires that the identifiable assets acquired and liabilities assumed be recorded at their estimated fair values on the acquisition date separately from goodwill, which is the excess of the fair value of the purchase price over the fair values of these identifiable assets and liabilities. We include the results of operations of an acquired business as of the acquisition date.

NEWave, Inc.

In April 2014, we acquired all of the outstanding capital stock of NEWave, Inc. ("NEWave") for an aggregate purchase price of approximately \$14.9 million, of which we estimated that approximately \$2.5 million would be paid in the second quarter of 2015. On June 30, 2015, a final payment of \$2.3 million was remitted. NEWave is a supplier of anti-money laundering compliance, audit and data efficiency software to the gaming industry. The NEWave acquisition did not have a material impact on our results of operations or financial condition.

We have not provided the supplemental pro forma impact of the NEWave acquisition on the revenue and earnings of the combined entity as if the acquisition date had been January 1, 2014, and the amount of revenue and earnings derived from NEWave have not been presented on a supplemental basis as such amounts are not material.

Everi Games Holding Inc.

On December 19, 2014, Holdings completed its acquisition of Everi Games Holding Inc. Pursuant to the terms of the Agreement and Plan of Merger, dated as of September 8, 2014, by and among Holdings, Movie Merger Sub, Inc., a wholly owned subsidiary of Holdings ("Merger Sub"), and Everi Games Holding, Merger Sub merged with and into Everi Games Holding, with Everi Games Holding continuing as the surviving corporation (the "Merger"). In the Merger, Everi Games Holding became a wholly owned subsidiary of Holdings. Also, as a result of the Merger, each outstanding share of common

stock, par value \$0.01 per share, of Everi Games, other than shares held by Holdings, Everi Games Holding, Merger Sub or their respective subsidiaries, was cancelled and converted into the right to receive \$36.50 in cash, without interest, together with the acceleration and full vesting of Everi Games Holding equity awards.

Everi Games designs, manufactures and supplies gaming machines and systems to commercial and Native American casino operators as well as select lottery operators and commercial bingo facility operators. Everi Games' revenue is generated from the operation of gaming machines in revenue sharing or lease arrangements and from the sale of gaming machines and systems that feature proprietary game themes.

Our combination with Everi Games Holding creates a provider of Payments and Games solutions for our gaming establishment customers. The business combination provides us with: (a) growth opportunities, (b) enhanced scale, diversification and margins, and (c) the ability to increase profitability through cost synergies.

The total purchase consideration for Everi Games Holding was as follows (in thousands, except per share amounts):

	Amount
Purchase consideration	
Total purchase price for Everi Games common stock (29,948 shares at \$36.50 per share)	\$ 1,093,105
Payment in respect to Everi Games outstanding equity awards	56,284
Total merger consideration	1,149,389
Repayments of Everi Games debt and other obligations	25,065
Less: Everi Games outstanding cash at acquisition date	(118,299)
Total purchase consideration	\$ 1,056,155

The Merger was accounted for using the acquisition method of accounting, which requires, among other things, the assets acquired and liabilities assumed be recognized at their respective fair values as of the acquisition date. The excess of the purchase price over those fair values was recorded as goodwill, none of which was deductible for tax purposes. The goodwill recognized is attributable primarily to the income potential from Everi Games penetrating into the Class III commercial casino market, the assembled workforce of Everi Games and expected synergies.

The estimates and assumptions used include the projected timing and amount of future cash flows and discount rates reflecting risk inherent in the future cash flows. The estimated fair values of Multimedia's assets acquired and liabilities assumed and resulting goodwill were subject to adjustment as the Company finalized its fair value analysis. The significant items for which a final fair value adjustment was applicable and included in the filing of this Annual Report on Form 10-K were most notably: accrued liabilities, the valuation and estimated useful lives of tangible and intangible assets and deferred income taxes. We completed our fair value determinations and recorded the final measurement period adjustments to goodwill during the fourth quarter of 2015 in accordance with the newly adopted guidance set forth in ASU No. 2015-16 with no material change in our fair value determinations; however, there were differences compared to those amounts at December 31, 2014. In accordance with this new guidance and the immaterial nature of the measurement period adjustments, the goodwill associated with the acquisition as shown in this Note 3 section did not change from the amounts disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

We analyzed our inventory and fixed asset groups in conjunction with a review of our accrual amounts recorded in connection with the original purchase price allocation estimates. The nature of the identified inventory and undeployed fixed assets were gaming machines and related equipment with no future use that should not have been allocated any value in the original purchase price allocation. The final measurement period adjustments to goodwill were approximately \$0.9 million, comprised of \$1.1 million related to tangible assets and accrued liabilities and \$0.2 million associated with deferred income taxes, partially offset by approximately \$0.4 million associated with the tax effect of these measurement period adjustments. We determined the final measurement period adjustments to be immaterial on both a quantitative and a qualitative basis.

[Table of Contents](#)

The information below reflects the purchase price allocation (in thousands):

	<u>Amount</u>
Purchase price allocation	
Current assets	\$ 68,548
Property, equipment and leasehold improvements, net	87,283
Goodwill	669,542
Other intangible assets, net	403,300
Other receivables, non-current	5,030
Other assets, long-term	3,392
Deferred tax asset, non-current	22,287
Total assets	<u>1,259,382</u>
Current liabilities	44,291
Deferred tax liability, non-current	158,418
Other accrued expenses and liabilities	518
Total liabilities	<u>203,227</u>
Net assets acquired	<u>\$ 1,056,155</u>

Trade receivables acquired of \$24.7 million were considered to be collectible and therefore the carrying amounts were considered to approximate fair value. Inventory acquired of \$16.5 million was fair valued based on model-based valuations for which inputs and value drivers were observable.

The following table summarizes acquired tangible assets (in thousands):

	<u>Useful Life (years)</u>	<u>Estimated Fair Value</u>
Property, equipment and leased assets		
Gaming equipment	2 - 4	\$ 78,201
Leasehold and building improvements	Lease Term	2,105
Machinery and equipment	3 - 5	4,126
Other	2 - 7	2,851
Total property, equipment and leased assets		<u>\$ 87,283</u>

The fair value of property, equipment and leased assets was determined using the cost approach as the primary approach for valuing the majority of the personal property. The market approach was used to estimate the value of vehicles. The income approach was used to quantify any economic obsolescence that may be present in the personal property. No economic obsolescence adjustments were made to the personal property, as the business enterprise valuation indicated sufficient cash flows to support the values established through the cost and market approaches.

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

	<u>Useful Life (years)</u>	<u>Estimated Fair Value</u>
Other intangible assets		
Tradenames and trademarks	3 - 7	\$ 14,800
Computer software	3 - 5	3,755
Developed technology	2 - 6	139,645
Customer relationships	8 - 12	231,100
Contract rights	1 - 7	14,000
Total other intangible assets		<u>\$ 403,300</u>

The fair values of trade names and trademarks and developed technology were determined by applying the income approach utilizing the relief from royalty methodology. The fair value of customer relationships was determined by applying the income approach utilizing the excess earnings methodology. The fair value of contract rights was considered

[Table of Contents](#)

to approximate the carrying amount based on contractual obligations associated with these other intangible assets. The discount rates utilized to estimate the fair value of these other intangible assets ranged from 10.0% to 11.0%.

Everi Payments and Everi Games Holding had different fiscal year ends. Accordingly, the unaudited pro forma combined statements of income for the year ended December 31, 2014 combined historical Everi Consolidated Statements of Income and Comprehensive Income for its year ended December 31, 2014 with historical Everi Games Holding Consolidated Statements of Operations for its year ended September 30, 2014, giving effect to the Merger as if it had occurred on January 1, 2013.

The unaudited pro forma combined financial information does not purport to represent the results of operations of Everi that would have actually resulted had the Merger been completed as of the dates indicated, nor should the information be taken as indicative of the future results of operations or financial position of the combined company. The unaudited pro forma combined financial statements do not reflect the impacts of any potential operational efficiencies, cost savings or economies of scale that Everi may achieve with respect to the combined operations of Everi and Everi Games Holding. The unaudited pro forma amounts include the historical operating results of the Company and Everi Games Holding prior to the Merger, with adjustments directly attributable to the Merger. The unaudited pro forma results include increases to depreciation and amortization expense based on the purchased intangible assets and the step-up in basis associated with tangible assets acquired and increases to interest expense, related to debt issued to fund the Merger. Also reflected in the year ended December 31, 2014 are adjustments for the impact of acquisition-related costs and other cost as a result of the Merger of \$27.4 million. All adjustments utilized an effective federal statutory tax rate of 35.0%.

The following table reflects selected financial data from the unaudited pro forma consolidated financial information assuming the Merger occurred as of January 1, 2013 (in thousands):

	<u>Year Ended</u> <u>December 31,</u> <u>2014</u>
Unaudited pro forma results of operations (in thousands, except per share amounts)	
Revenues	\$ 800,732
Net loss	(5,083)
Basic loss per share	\$ (0.08)
Diluted loss per share	\$ (0.08)

The financial results for Everi Games Holding included in our Consolidated Statements of Income and Comprehensive Income since the acquisition date of December 19, 2014 reflected revenues of approximately \$7.4 million and net loss of approximately \$3.0 million, including acquisition-related costs of \$1.3 million.

During the years ended December 31, 2015 and 2014, we expensed approximately \$2.7 and \$10.7 million, respectively, of costs related to the acquisition of Everi Games Holding for financial advisory services, financing related fees, accounting and legal fees and other transaction-related expenses and are included in the Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income within Operating Expenses. These costs do not include any costs related to additional site consolidation or rationalization that we might consider following the closing of the Merger.

Resort Advantage, LLC

In August 2015, we acquired certain assets of Resort Advantage, LLC (“Resort Advantage”) for an aggregate purchase price of approximately \$13.3 million, of which we estimated that approximately \$4.7 million would be paid under the provisions of the agreement over a period of 40 months. As of September 30, 2016, a payment of approximately \$0.7 million was remitted, with a remaining estimate of approximately \$1.0 million to be potentially paid under the provisions of the agreement over the remaining term. Resort Advantage is a supplier of anti-money laundering compliance, audit and data efficiency software to the gaming industry. The Resort Advantage acquisition did not have a material impact on our results of operations or financial condition. We have not provided the supplemental pro forma impact of the Resort Advantage acquisition on the revenue and earnings of the combined entity as if the acquisition date had been January 1, 2014, and the amount of revenue and earnings derived from Resort Advantage have not been presented on a supplemental

basis as such amounts are not material.

4. FUNDING AGREEMENTS

Contract Cash Solutions Agreement

Our Contract Cash Solutions Agreement with Wells Fargo Bank, N.A. (“Wells Fargo”) allows us to use funds owned by Wells Fargo to provide the currency needed for normal operating requirements for our ATMs. For the use of these funds, we pay Wells Fargo a cash usage fee on the average daily balance of funds utilized multiplied by a contractually defined cash usage rate. These cash usage fees, reflected as interest expense within the Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income, were \$3.1 million, \$2.3 million and \$2.3 million for the years ended December 31, 2016, 2015 and 2014, respectively. We are exposed to interest rate risk to the extent that the applicable London Interbank Offered Rate (“LIBOR”) increases.

Under this agreement, all currency supplied by Wells Fargo remains the sole property of Wells Fargo at all times until it is dispensed, at which time Wells Fargo obtains an interest in the corresponding settlement receivable which is recorded on a net basis. As these funds are not our assets, supplied cash is not reflected on the Consolidated Balance Sheets. The outstanding balances of ATM cash utilized by us from Wells Fargo were \$285.4 million and \$364.5 million as of December 31, 2016 and 2015, respectively.

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

We are responsible for any losses of cash in the ATMs under this agreement and we self-insure for this risk. We incurred no material losses related to this self-insurance for the years ended December 31, 2016 and 2015.

Site-Funded ATMs

We operate ATMs at certain customer gaming establishments where the gaming establishment provides the cash required for the ATM operational needs. We are required to reimburse the customer for the amount of cash dispensed from these Site-Funded ATMs. The Site-Funded ATM liability is included within settlement liabilities in the accompanying Consolidated Balance Sheets and was \$151.0 million and \$84.9 million as of December 31, 2016 and 2015, respectively.

Prefunded Cash Access Agreements

Due to certain regulatory requirements, some international gaming establishments require prefunding of cash to cover all outstanding settlement amounts in order for us to provide cash access services to their properties. We enter into agreements with these operators for which we supply our cash access services for their properties. Under these agreements, we maintain sole discretion to either continue or cease operations as well as discretion over the amounts prefunded to the properties and may request amounts to be refunded to us, with appropriate notice to the operator, at any time. The initial prefunded amounts and subsequent amounts from the settlement of transactions are deposited into a bank account that is to be used exclusively for cash access services and we maintain the right to monitor all transaction activity in that account. The total amount of prefunded cash outstanding was approximately \$8.5 million and \$8.8 million at December 31, 2016 and 2015, respectively, and is included in prepaid expenses and other assets on our Consolidated Balance Sheets.

5. TRADE RECEIVABLES

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

	<u>At December 31,</u> 2016	<u>At December 31,</u> 2015
Trade receivables, net		
Games trade receivables	\$ 44,410	\$ 38,064
Payments trade receivables	7,241	14,318
Total trade receivables, net	<u>\$ 51,651</u>	<u>\$ 52,382</u>

At least quarterly, we evaluate the collectability of the outstanding balances and establish a reserve for the face amount of the expected losses on our receivables. The allowance for doubtful accounts for trade receivables includes reserves for both Games and Payments receivables. The provision for doubtful accounts is generally included within operating expenses in the Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income. We also have a provision for doubtful accounts specifically associated with our outstanding check warranty receivables, which is included within Payments cost of revenues (exclusive of depreciation and amortization) in the Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income. The outstanding balances of the check warranty and general reserves were \$2.7 million and \$2.0 million, respectively, as of December 31, 2016 and \$3.0 million and \$0.9 million, respectively, as of December 31, 2015.

A summary activity of the reserve for warranty losses is as follows (in thousands):

	<u>Amount</u>
Balance, December 31, 2013	<u>\$ 2,777</u>
Warranty expense provision	9,029
Charge-offs against reserve	<u>(9,022)</u>
Balance, December 31, 2014	2,784
Warranty expense provision	9,263
Charge-offs against reserve	<u>(9,074)</u>
Balance, December 31, 2015	2,973
Warranty expense provision	8,694
Charge-offs against reserve	<u>(8,972)</u>
Balance, December 31, 2016	<u>\$ 2,695</u>

6. OTHER RECEIVABLES

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

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

In May 2016, Bee Cave failed to pay its scheduled interest-only payment that was due related to its \$4.5 million secured promissory note payable to Everi Games, for which we issued a Notice of Default and Acceleration to Bee Cave of our intent to foreclose on its assets in full settlement of the outstanding note obligation under the terms of the promissory note. At such time, we recorded a write-down of approximately \$4.3 million related to the Bee Cave note receivable and warrant in operating expenses on the Condensed Consolidated Statements of Loss and Comprehensive Loss. During the third

[Table of Contents](#)

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

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

	<u>At December 31,</u> <u>2016</u>	<u>At December 31,</u> <u>2015</u>
Other receivables		
Notes and loans receivable, net of discount of \$0 and \$699 at December 31, 2016 and December 31, 2015, respectively	\$ 5,096	\$ 9,930
Federal and state income tax receivable	243	421
Other	1,681	1,232
Total other receivables	<u>7,020</u>	<u>11,583</u>
Less: non-current portion of notes and loans receivable	2,020	6,655
Total other receivables, current portion	<u>\$ 5,000</u>	<u>\$ 4,928</u>

7. 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 Consolidated Balance Sheets.

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

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

	<u>At December 31,</u> <u>2016</u>	<u>At December 31,</u> <u>2015</u>
Prepaid expenses and other assets		
Deposits	\$ 8,622	\$ 8,946
Prepaid expenses	5,937	8,255
Other	3,489	3,571
Total prepaid expenses and other assets	<u>\$ 18,048</u>	<u>\$ 20,772</u>

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

	<u>At December 31,</u> <u>2016</u>	<u>At December 31,</u> <u>2015</u>
Other assets		
Prepaid expenses and deposits	\$ 3,399	\$ 4,521
Debt issuance costs of revolving credit	689	919
Other	3,434	5,934
Total other assets	<u>\$ 7,522</u>	<u>\$ 11,374</u>

8. INVENTORY

Our inventory primarily consists of component parts as well as work-in-progress and finished goods. The cost of inventory

[Table of Contents](#)

includes cost of materials, labor, overhead and freight. The inventory is stated at the lower of cost or market and accounted for using the FIFO method.

Inventory consisted of the following (in thousands):

	<u>At December 31,</u> <u>2016</u>	<u>At December 31,</u> <u>2015</u>
Inventory		
Raw materials and component parts, net of reserves of \$2,155 and \$912 at December 31, 2016 and December 31, 2015, respectively	\$ 12,570	\$ 23,663
Work-in-progress	1,502	1,495
Finished goods	4,996	3,580
Total inventory	<u>\$ 19,068</u>	<u>\$ 28,738</u>

9. PROPERTY, EQUIPMENT AND LEASED ASSETS

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

	Useful Life (Years)	At December 31, 2016			At December 31, 2015		
		Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Property, equipment and leased assets							
Rental pool - deployed	2 - 4	\$ 123,812	\$ 59,188	\$ 64,624	\$ 91,743	\$ 29,993	\$ 61,750
Rental pool - undeployed	2 - 4	13,456	5,721	7,735	11,950	3,361	8,589
ATM equipment	5	16,537	11,189	5,348	20,601	12,885	7,716
Leasehold and building improvements	Lease Term	10,023	3,698	6,325	7,564	2,038	5,526
Cash advance equipment	3	8,590	4,499	4,091	7,662	2,711	4,951
Machinery, office and other equipment	2 - 5	30,424	20,108	10,316	32,313	14,537	17,776
Total		<u>\$ 202,842</u>	<u>\$ 104,403</u>	<u>\$ 98,439</u>	<u>\$ 171,833</u>	<u>\$ 65,525</u>	<u>\$ 106,308</u>

In the second quarter of 2016, our corporate aircraft was classified as held for sale and sold for \$4.8 million during the period. We recognized a \$0.9 million loss on the sale of the aircraft, which was included in operating expenses in the Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income for the year ended December 31, 2016. The aircraft was included in machinery, office and other equipment.

In connection with the sale of certain assets related to our PokerTek products during the year ended December 31, 2015 for a purchase price of \$5.4 million, we recorded a gain of approximately \$3.9 million, which was included in operating expenses in our Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income for such period.

Depreciation expense related to other property, equipment and leased assets totaled approximately \$50.0 million, \$45.6 million and \$8.7 million for the years ended December 31, 2016, 2015 and 2014, respectively.

There was no material impairment of our property, equipment and leased assets for the year ended December 31, 2016. In connection with our fourth quarter 2015 annual financial statement review, we determined that certain of our Games fixed assets either: (a) had economic lives that were no longer supportable and shortened given approximately one year of experience with the Games segment that resulted in an accelerated depreciation charge of approximately \$2.6 million; or (b) were fully impaired as there was little to no movement in the portfolio with recent shipments having been returned and no future deployment anticipated that resulted in an accelerated depreciation charge of approximately \$1.0 million. Our property, equipment and leased assets were not impaired for the year ended December 31, 2014.

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.

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 use the Step 2 assessment to determine the impairment.

Goodwill Testing

In performing our annual goodwill impairment tests, we utilize the two-step approach prescribed under ASC 350. The first step required a comparison of the carrying value of each reporting unit to its estimated fair value. To estimate the fair value of our reporting units for Step 1, we used a combination of an income valuation approach and a market valuation approach. The income approach is based on a discounted cash flow (“DCF”) analysis. This method involves estimating the after-tax cash flows attributable to a reporting unit and then discounting the after-tax cash flows to a present value, using a risk-adjusted discount rate. Assumptions used in the DCF require the exercise of significant judgment, including, but not limited to: appropriate discount rates and terminal values, growth rates and the amount and timing of expected future cash flows. The forecasted cash flows are based on our most recent annual budget and projected years beyond. Our budgets and forecasted cash flows are based on estimated future growth rates. We believe our assumptions are consistent with the plans and estimates used to manage the underlying businesses. The discount rates, which are intended to reflect the risks inherent in future cash flow projections, used in the DCF are based on estimates of the WACC of market participants relative to each respective reporting unit. The market approach considers comparable market data based on multiples of revenue or earnings before interest, taxes, depreciation and amortization (“EBITDA”).

If the carrying amount of a reporting unit exceeds its estimated fair value, we are required to perform the second step of the goodwill impairment test to measure the amount of impairment loss, if any. The second step of the goodwill impairment test compares the implied fair value of a reporting unit’s goodwill to its carrying amount. The implied fair value of goodwill is derived by performing a hypothetical purchase price allocation for the reporting unit as of the measurement date and allocating the reporting unit’s estimated fair value to its assets and liabilities. The residual amount from performing this allocation represents the implied fair value of goodwill. To the extent this implied fair value is below the carrying amount of goodwill, an impairment charge is recorded.

We had approximately \$640.5 million of goodwill on our Consolidated Balance Sheets at December 31, 2016 resulting from acquisitions of other businesses. All of our goodwill was subject to our annual goodwill impairment testing.

In connection with our annual goodwill impairment testing process for 2016 and 2015, we determined that our Games reporting unit did not pass the step one test and, therefore, we were required to conduct a step two analysis to determine the amount of impairment, which was approximately \$146.3 million and \$75.0 million for the years ended December 31, 2016 and 2015, respectively. The fair value substantially exceeded the carrying value for each of the Cash Access, Kiosk Sales and Services, Central Credit and Everi Compliance reporting units as of December 31, 2016 and 2015, respectively. The Company’s aggregate goodwill impairment balance was \$221.3 million and \$75.0 million as of December 31, 2016 and 2015, respectively. The impairment analysis was primarily based upon limited growth and capital expenditure constraints in the gaming industry, consolidation and increased competition in the gaming manufacturing space, stock

market volatility, global and domestic economic uncertainty and lower than forecasted operating profits and cash flows in 2016 and 2015. Based on these indicators, we revised our estimates and assumptions for the Games reporting unit. Management performs its annual forecasting process, which, among other factors, includes reviewing recent historical results, company-specific variables and industry trends. This process is generally completed in the fourth quarter and considered in conjunction with the annual goodwill impairment evaluation.

The annual evaluation of goodwill and other non-amortizing intangible assets requires the use of estimates about future operating results of each reporting unit to determine its estimated fair value. Changes in forecasted operations can materially affect these estimates, which could materially affect our results of operations. The estimate of fair value requires significant judgment and we base our fair value estimates on assumptions that we believe to be reasonable; but that are unpredictable and inherently uncertain, including: estimates of future growth rates, operating margins and assumptions about the overall economic climate as well as the competitive environment for our reporting units. There can be no assurance that our estimates and assumptions made for purposes of our goodwill testing as of the time of testing will prove to be accurate predictions of the future. If our assumptions regarding business plans, competitive environments or anticipated growth rates are not correct, we may be required to record goodwill impairment charges in future periods, whether in connection with our next annual impairment testing, or earlier, if an indicator of an impairment is present prior to our next annual evaluation.

Our reporting units are identified as operating segments or one level below. Reporting units must: (a) engage in business activities from which they earn revenues and incur expenses; (b) have operating results that are regularly reviewed by our chief operating decision makers to ascertain the resources to be allocated to the segment and assess its performance; and (c) have discrete financial information available. As of December 31, 2016, our reporting units included: Games, Cash Access, Kiosk Sales and Services, Central Credit, and Everi Compliance. During the year ended December 31, 2016, the Company combined its Cash Advance, ATM and Check Services reporting units into a single Cash Access reporting unit to be consistent with the current corporate structure and segment management. The use of different assumptions, estimates or judgments in either step of the goodwill impairment testing process, such as the estimated future cash flows of our reporting units, the discount rate used to discount such cash flows, or the estimated fair value of the reporting units' tangible and intangible assets and liabilities, could significantly increase or decrease the estimated fair value of a reporting unit or its net assets, and therefore, impact the related impairment charge, if any.

The Company determined, based on changes to our structure and the overall management of the business, that the Cash Advance, ATM, and Check Services reporting units would be combined into a single Cash Access reporting unit. Prior to combining these reporting units, we performed a separate impairment test for each of these former reporting units in addition to the test performed on the combined Cash Access reporting unit during our 2016 assessment. There was no indicated impairment for any of these three reporting units prior to combining them into a single unit.

Key assumptions used in estimating fair value of the Games reporting unit under the income approach included a discount rate 10.0% and a terminal value growth rate of approximately 3.0% for the years ended December 31, 2016 and 2015. Projected compound average revenue growth rates of approximately 5.2% and 7.5% were used for the years ended December 31, 2016 and 2015, respectively. The discounted cash flow analyses included estimated future cash inflows from operations and estimated future cash outflows for capital expenditures.

Key assumptions used in estimating fair value of the Games reporting unit under the market approach were based on observed market multiples of enterprise value to revenue and EBITDA for both comparable publicly traded companies and recent merger and acquisition transactions involving similar companies to estimate appropriate controlling basis multiples to apply to each of the reporting units. Based on the multiples implied by this market data, we selected multiples of revenue of approximately 3.1 to 3.4 times and multiples of EBITDA of 6.5 to 8.3 times for the year ended December 31, 2016. We selected multiples of revenue of approximately 3.6 to 4.8 times and multiples of EBITDA of 7.4 to 8.7 times for the year ended December 31, 2015.

Our goodwill was not impaired for the year ended December 31, 2014 based upon the results of our testing.

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

	Cash Access	Games	Other	Total
Goodwill				
Balance, December 31, 2014	\$ 157,150	\$ 669,452	\$ 31,311	\$ 857,913
Goodwill acquired during the year	—	—	6,117	6,117
Goodwill impairment	—	(75,008)	—	(75,008)
Foreign translation adjustment	(115)	—	—	(115)
Other ⁽¹⁾	—	896	—	896
Balance, December 31, 2015	<u>\$ 157,035</u>	<u>\$ 595,340</u>	<u>\$ 37,428</u>	<u>\$ 789,803</u>
Goodwill impairment	—	(146,299)	—	(146,299)
Foreign translation adjustment	20	—	—	20
Other ⁽²⁾	—	—	(2,978)	(2,978)
Balance, December 31, 2016	<u>\$ 157,055</u>	<u>\$ 449,041</u>	<u>\$ 34,450</u>	<u>\$ 640,546</u>

(1) Includes the final 2015 measurement period adjustments associated with the acquisition of our Games business in late 2014.

(2) Includes the final 2016 measurement period adjustments associated with the acquisition of certain assets of Resort Advantage in late 2015.

Other Intangible Assets

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

	Useful Life (years)	At December 31, 2016			At December 31, 2015		
		Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Other intangible assets							
Contract rights under development and placement fee agreements	1 - 7	\$ 17,742	\$ 6,281	\$ 11,461	\$ 16,453	\$ 7,612	\$ 8,841
Customer contracts	7 - 14	50,975	40,419	10,556	50,177	34,755	15,422
Customer relationships	8 - 12	231,100	42,688	188,412	231,100	21,723	209,377
Developed technology and software	1 - 6	224,265	126,721	97,544	197,658	63,591	134,067
Patents, trademarks and other	1 - 17	27,771	17,747	10,024	28,240	13,485	14,755
Total		<u>\$ 551,853</u>	<u>\$ 233,856</u>	<u>\$ 317,997</u>	<u>\$ 523,628</u>	<u>\$ 141,166</u>	<u>\$ 382,462</u>

Amortization expense related to other intangible assets totaled approximately \$94.6 million, \$85.5 million and \$14.2 million for the years ended December 31, 2016, 2015 and 2014, respectively. We capitalized \$24.2 million and \$21.0 million of internal software development costs for the years ended December 31, 2016 and 2015, respectively.

On a quarterly basis, we evaluate our other intangible assets for potential impairment as part of our quarterly review process. There was no material impairment identified for any of our other intangible assets for the years ended December 31, 2016 and 2015. For the year ended December 31, 2014, our online payment processing intangible assets were identified for further testing. We determined that these definite-lived intangible assets were potentially impaired primarily due to a combination of the following factors: (a) legislative constraints at the state and federal level; (b) significant changes in management; and (c) lower than anticipated operating results.

These definite-lived intangible assets were evaluated using an undiscounted cash flow approach to determine if an impairment existed. As impairment was indicated based on the undiscounted cash flow approach, we discounted the cash flows and applied probability factors to calculate the resulting fair values and compared to the existing carrying value to determine the amount of impairment. The amount of impairment was approximately \$3.1 million leaving a revised cost basis of \$1.6 million and a remaining life of three years at December 31, 2014. This amount was recorded in Operating Expenses in our Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income. These assets have been valued using level 3 fair value inputs.

[Table of Contents](#)

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

Anticipated amortization expense	Amount
2017	\$ 68,765
2018	50,899
2019	40,693
2020	35,978
2021	23,396
Thereafter	84,293
Total ⁽¹⁾	\$ 304,024

(1) For the year ended December 31, 2016, the Company had \$14.0 million in other intangible assets which had not yet been placed into service.

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

In addition, certain development agreements allow the facilities to buy out floor space after advances that are subject to repayment have been repaid. The development agreements typically provide for a portion of the amounts retained by each facility for its share of the operating profits of the facility to be used to repay some or all of the advances recorded as notes receivable, which are included as part of other receivables current and non-current in the Consolidated Balance Sheets. There were no receivables related to development agreements at December 31, 2016 and 2015, respectively. Placement fees and amounts advanced in excess of those to be reimbursed by the customer for real property and land improvements are allocated to intangible assets and are generally amortized over the term of the contract, which is recorded as a reduction of revenue generated from the facility. In the past we have, and in the future, we may, by mutual agreement, amend these agreements to reduce our floor space at the facilities. Any proceeds received for the reduction of floor space is first applied against the intangible asset for that particular development or placement fee agreement, if any, and the remaining net book value of the intangible asset is prospectively amortized on a straight-line method over the remaining estimated useful life. We paid approximately \$11.3 million and \$2.8 million to extend the term of placement fee agreements with a customer for certain of its locations for the years ended December 31, 2016 and 2015, respectively.

During the year ended December 31, 2016, we foreclosed on the Bee Cave assets, evaluated its platform, and began to utilize these assets in connection with our social gaming strategy to deliver content from our existing game library. Consequently, we extinguished the note receivable and recorded \$0.5 million of developed technology and software within other intangible assets, net on the Consolidated Balance Sheets during the period.

11. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

	<u>At December 31,</u> <u>2016</u>	<u>At December 31,</u> <u>2015</u>
Accounts payable and accrued expenses		
Trade accounts payable	\$ 55,352	\$ 69,182
Payroll and related expenses	12,305	8,565
Deferred and unearned revenues	9,222	10,836
Cash access processing and related expenses	7,001	4,662
Accrued taxes	2,587	1,654
Accrued interest	82	73
Other	7,842	6,540
Total accounts payable and accrued expenses	<u>\$ 94,391</u>	<u>\$ 101,512</u>

12. LONG-TERM DEBT

The following table summarizes our indebtedness (in thousands):

	<u>At December 31,</u> <u>2016</u>	<u>At December 31,</u> <u>2015</u>
Long-term debt		
Senior secured term loan	\$ 465,600	\$ 490,000
Senior secured notes	335,000	335,000
Senior unsecured notes	350,000	350,000
Total debt	1,150,600	1,175,000
Less: debt issuance costs and warrant discount	(28,720)	(35,101)
Total debt after debt issuance costs and discount	1,121,880	1,139,899
Less: current portion of long-term debt	(10,000)	(10,000)
Long-term debt, less current portion	<u>\$ 1,111,880</u>	<u>\$ 1,129,899</u>

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

Credit Facilities

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

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

[Table of Contents](#)

The Term Loan had an applicable interest rate of 6.25% as of December 31, 2016 and 2015, which represents LIBOR plus a 5.25% margin

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

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

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

The Credit Agreement contains certain covenants that, among other things, limit Holdings' ability, and the ability of certain of its subsidiaries, to incur additional indebtedness; sell assets or consolidate or merge with or into other companies; pay dividends or repurchase or redeem capital stock; make certain investments; issue capital stock of subsidiaries; incur liens; prepay, redeem or repurchase subordinated debt; and enter into certain types of transactions with our affiliates. The Credit Agreement also requires Holdings, together with its subsidiaries, to comply with a maximum consolidated secured leverage ratio as well as an annual excess cash flow requirement. At December 31, 2016, our consolidated secured leverage ratio was 3.80, with a maximum allowable ratio of 4.25. Our consolidated secured maximum leverage ratio will be 4.00, 3.75 and 3.50 as of December 31, 2017, 2018 and 2019 and thereafter, respectively. Based on our excess cash flow calculation at December 31, 2015, an excess cash flow payment of approximately \$14.4 million was made during the year ended December 31, 2016.

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

At December 31, 2016, we had approximately \$465.6 million of borrowings outstanding under the Term Loan and no borrowings outstanding under the Revolving Credit Facility. We had \$50.0 million of additional borrowing availability under the Revolving Credit Facility as of December 31, 2016. The weighted average interest rate on the Credit Facilities was approximately 6.25% for the year ended December 31, 2016.

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

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

Senior Secured Notes and Refinance of Senior Secured Notes

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

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

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

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

Senior Unsecured Notes

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

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

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

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

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

Principal Repayments

The maturities of our borrowings at December 31, 2016 are as follows (in thousands):

	<u>Amount</u>
Maturities of borrowings	
2017	\$ 10,000
2018	10,000
2019	10,000
2020	435,600
2021	335,000
Thereafter	350,000
Total	<u>\$ 1,150,600</u>

13. COMMITMENTS AND CONTINGENCIES

Lease Obligations

We lease office facilities and operating equipment under cancelable and non-cancelable agreements. Total rent expense was approximately \$6.8 million, \$5.9 million and \$1.9 million for the years ended December 31, 2016, 2015 and 2014, respectively.

We have a long-term lease agreement related to office space for our corporate headquarters located in Las Vegas, Nevada that expires in April 2023.

In September 2014, the long-term lease agreement for office space in Austin, Texas, was extended through June 2021.

We also have leased facilities in Chicago, Illinois and Reno, Nevada, which support the design, production and expansion of our gaming content. The long-term lease agreement for our Chicago facilities commenced in November 2015 and expires in January 2023. The long-term lease agreement for our Reno facilities commenced in October 2015 and expires in April 2021.

As of December 31, 2016, the minimum aggregate rental commitment under all non-cancelable operating leases were as

follows (in thousands):

	<u>Amount</u>
Minimum aggregate rental commitments	
2017	\$ 4,803
2018	4,408
2019	4,462
2020	4,148
2021	3,254
Thereafter	2,432
Total	<u>\$ 23,507</u>

Litigation Claims and Assessments

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

Gain Contingency Settlement

In January 2014, we filed a complaint against certain third party defendants alleging conspiracy in restraint of competition regarding interchange fees, monopolization by defendants in the relevant market, and attempted monopolization of the defendants in the relevant market. We demanded a trial by jury of all issues so triable. The defendants filed a motion to dismiss on March 13, 2014. A settlement agreement was reached as of January 16, 2015. On January 22, 2015, the settlement agreement was executed and delivered for which we received \$14.4 million in cash and recorded the settlement proceeds in the first quarter of 2015. This settlement is included as a reduction of operating expenses in our Consolidated Statements of (Loss) and Comprehensive (Loss) Income for the year ended December 31, 2015.

14. SHAREHOLDERS' EQUITY

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

Common Stock. Subject to the preferences that may apply to shares of preferred stock that may be outstanding at the time, the holders of outstanding shares of common stock are entitled to receive dividends out of assets legally available at the times and in the amounts as our Board of Directors may from time to time determine. All dividends are non-cumulative. In the event of the liquidation, dissolution or winding up of Everi, the holders of common stock are entitled to share ratably in all assets remaining after the payment of liabilities, subject to the prior distribution rights of preferred stock, if any, then outstanding. Each stockholder is entitled to one vote for each share of common stock held on all matters submitted to a vote of stockholders. Cumulative voting for the election of directors is not provided for. The common stock is not entitled to preemptive rights and is not subject to conversion or redemption. There are no sinking fund provisions applicable to the common stock. Each outstanding share of common stock is fully paid and non-assessable. As of December 31, 2016 and 2015, we had 90,952,185 and 90,877,273 shares of common stock issued, respectively.

Treasury Stock. Employees may direct us to withhold vested shares of restricted stock to satisfy the minimum statutory withholding requirements applicable to their restricted stock vesting. We repurchased or withheld from restricted stock awards 18,717 and 32,617 shares of common stock at an aggregate purchase price of \$41,528 and \$0.2 million for the years ended December 31, 2016 and 2015, respectively, to satisfy the minimum applicable tax withholding obligations related to the vesting of such restricted stock awards.

15. WEIGHTED AVERAGE SHARES OF COMMON STOCK

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

	At December 31,		
	2016	2015	2014
Weighted average shares			
Weighted average number of common shares outstanding - basic	66,050	65,854	65,780
Potential dilution from equity grants ⁽¹⁾	—	—	1,083
Weighted average number of common shares outstanding - diluted	<u>66,050</u>	<u>65,854</u>	<u>66,863</u>

- (1) The Company was in a net loss position for the years ended December 31, 2016 and 2015, respectively, and therefore, no potential dilution from the application of the treasury stock method was applicable. Equity awards to purchase approximately 15.7 million and 14.2 million shares of common stock for the years ended December 31, 2016 and 2015, respectively, were excluded from the computation of diluted net loss per share, as their effect would have been anti-dilutive.

16. SHARE-BASED COMPENSATION

Equity Incentive Awards

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

Generally, we grant the following award types: (a) time-based options, (b) market-based options and (c) restricted stock. These awards have varying vesting provisions and expiration periods. For the year ended December 31, 2016, we granted time- and market-based options.

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

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

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

[Table of Contents](#)

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

	<u>Stock Options Granted</u>	<u>Restricted Stock Granted</u>
Outstanding, December 31, 2015	17,440	310
Additional authorized shares	—	—
Granted	4,383	—
Exercised options or vested shares	—	(75)
Cancelled or forfeited	(3,590)	(155)
Outstanding, December 31, 2016	<u>18,233</u>	<u>80</u>

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

Stock Options

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

	<u>Year ended December 31,</u>		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Risk-free interest rate	1 %	1 %	1 %
Expected life of options (in years)	5	4	4
Expected volatility	51 %	43 %	54 %
Expected dividend yield	— %	— %	— %

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

The fair value of market-based options granted in connection with the annual grant that occurred during the second quarters of 2016 and 2015 and the first quarter of 2014 was determined as of the date of grant using a lattice-based option valuation model with the following assumptions:

	<u>Year ended December 31,</u>		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Risk-free interest rate	2 %	1 %	1 %
Measurement period (in years)	10	4	4
Expected volatility	68 %	47 %	52 %
Expected dividend yield	— %	— %	— %

For the market-based options granted during the third quarter of 2016, the assumptions were: (a) risk-free interest rate of 2%; (b) expected term of ten years; (c) expected volatility of 69%; and (d) no expected dividend yield. For the market-based options granted during the fourth quarter of 2016, the assumptions were: (a) risk-free interest rate of 2%; (b) expected term of ten years; (c) expected volatility of 70%; and (d) no expected dividend yield.

For the market-based options granted in the first quarter 2014, the assumptions were: (a) risk-free interest rate of 1%; (b) measurement period of four years; (c) expected volatility of 51%; and (d) no expected dividend yield.

The fair value of the converted options related to the Merger was recalculated upon consummation of the acquisition and

[Table of Contents](#)

it was determined that the original fair value approximated the value upon conversion and was still applicable and will continue to amortize to stock compensation expense over the remaining life of the awards.

The following tables present the options activity:

	Number of Common Shares (in thousands)	Weighted Average Exercise Price (per share)	Weighted Average Life Remaining (years)	Aggregate Intrinsic Value (in thousands)
Outstanding, December 31, 2015	17,440	\$ 7.41	6.6	\$ 1,212
Granted	4,383	1.67		
Exercised	—	—		
Canceled or forfeited	(3,590)	7.46		
Outstanding, December 31, 2016	18,233	\$ 6.02	6.4	\$ 2,387
Vested and expected to vest, December 31, 2016	16,126	\$ 6.13	6.3	\$ 1,872
Exercisable, December 31, 2016	9,492	\$ 7.16	4.8	\$ —

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding (in thousands)	Weighted Average Remaining Contract Life (Years)	Weighted Average Exercise Prices	Number Exercisable (in thousands)	Weighted Average Exercise Price
\$ 1.46 \$ 1.56	3,126	9.4	\$ 1.46	—	\$ —
1.57 5.76	3,081	6.1	3.68	2,230	4.22
5.77 6.89	3,405	5.0	6.63	2,174	6.67
6.90 7.73	1,170	7.0	7.23	814	7.20
7.74 7.76	3,784	7.2	7.74	615	7.74
7.77 9.73	2,609	6.2	8.69	2,604	8.69
9.74 14.55	1,058	0.9	10.20	1,055	10.20
	18,233			9,492	

There were 4.4 million, 6.5 million and 6.6 million options granted for the years ended December 31, 2016, 2015 and 2014, respectively. The weighted average grant date fair value per share of the options granted was \$0.83, \$2.48 and \$3.20 for the years ended December 31, 2016, 2015 and 2014, respectively. No options were exercised during the year ended December 31, 2016. The total intrinsic value of options exercised was \$0.8 million, \$2.8 million for the years ended December 31, 2015 and 2014, respectively.

There was \$11.7 million in unrecognized compensation expense related to options expected to vest as of December 31, 2016. This cost was expected to be recognized on a straight-line basis over a weighted average period of 2.1 years. We recorded \$6.3 million in non-cash compensation expense related to options granted that were expected to vest for the year ended and as of December 31, 2016. There were no proceeds received from the exercise of options, as no exercises occurred during the period.

There was \$18.1 million in unrecognized compensation expense related to options expected to vest as of December 31, 2015. This cost was expected to be recognized on a straight line basis over a weighted average period of 2.6 years. We recorded \$7.4 million and \$7.6 million in non-cash compensation expense related to options granted that were expected to vest as of December 31, 2015 and 2014, respectively. We received \$1.8 million and \$5.3 million in cash from the exercise of options for the years ended December 31, 2015 and 2014, respectively.

Restricted Stock

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

	Shares Outstanding (in thousands)	Weighted Average Grant Date Fair Value (per share)
Outstanding, December 31, 2015	310	\$ 7.11
Granted	—	—
Vested	(75)	7.10
Forfeited	(155)	7.12
Outstanding, December 31, 2016	<u>80</u>	<u>\$ 7.12</u>

There were no shares of restricted stock granted for the year ended December 31, 2016. The total fair value of restricted stock vested was \$0.2 million for the year ended December 31, 2016. There was \$1.0 million in unrecognized compensation expense related to shares of time-based restricted shares expected to vest as of December 31, 2016 and is expected to be recognized on a straight-line basis over a weighted average period of 1.7 years. There were 0.1 million shares of restricted stock that vested during 2016, and we recorded \$0.5 million in non-cash compensation expense related to the restricted stock granted that was expected to vest during 2016.

There were no shares of restricted stock granted for the year ended December 31, 2015, and 0.3 million shares of restricted stock were granted for the year ended December 31, 2014. The weighted average grant date fair value per share of restricted stock granted was \$7.12 for the year ended December 31, 2014. The total fair value of restricted stock vested was \$0.6 million and \$1.4 million for the years ended December 31, 2015 and 2014, respectively. There was \$2.0 million and \$3.0 million in unrecognized compensation expense related to shares of time-based restricted shares expected to vest as of December 31, 2015 and 2014, respectively, and is expected to be recognized on a straight-line basis over a weighted average period of 2.4 years and 3.3 years, respectively. There were 0.2 million shares and 0.2 million shares of restricted stock that vested during 2015 and 2014, respectively, and we recorded \$0.9 million and \$1.2 million in non-cash compensation expense related to the restricted stock granted that was expected to vest during 2015 and 2014, respectively.

17. INCOME TAXES

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

	Year Ended December 31,		
	2016	2015	2014
Consolidated (loss) income before tax			
Domestic	\$ (225,538)	\$ (129,602)	\$ 13,870
Foreign	7,755	6,519	6,431
Total	<u>\$ (217,783)</u>	<u>\$ (123,083)</u>	<u>\$ 20,301</u>

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

	Year Ended December 31,		
	2016	2015	2014
Income tax (benefit) provision			
Domestic	\$ 30,400	\$ (19,746)	\$ 6,637
Foreign	1,296	1,635	1,524
Total income tax (benefit) provision	<u>\$ 31,696</u>	<u>\$ (18,111)</u>	<u>\$ 8,161</u>
Income tax (benefit) provision components			
Current	\$ 1,756	\$ 1,767	\$ 1,598
Deferred	29,940	(19,878)	6,563
Total income tax (benefit) provision	<u>\$ 31,696</u>	<u>\$ (18,111)</u>	<u>\$ 8,161</u>

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

	Year Ended December 31,		
	2016	2015	2014
Income tax reconciliation			
Federal statutory rate	35.0 %	35.0 %	35.0 %
Foreign provision	0.5 %	0.6 %	(3.6)%
State/province income tax	0.8 %	1.1 %	0.9 %
Non-deductible compensation cost	(0.5)%	(1.1)%	0.7 %
Non-deductible acquisition cost	0.0 %	0.0 %	5.9 %
Adjustment to carrying value	0.2 %	0.6 %	1.9 %
Research credit	0.2 %	0.6 %	0.0 %
Valuation allowance	(27.4)%	0.0 %	0.0 %
Goodwill impairment	(23.5)%	(21.3)%	0.0 %
Other	0.1 %	(0.8)%	(0.6)%
Effective tax rate	<u>(14.6)%</u>	<u>14.7 %</u>	<u>40.2 %</u>

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

	Year Ended December 31,		
	2016	2015	2014
Deferred income tax assets related to:			
Net operating losses	\$ 98,664	\$ 81,531	\$ 64,357
Stock compensation expense	11,559	10,212	8,841
Accounts receivable allowances	1,745	1,444	1,613
Accrued and prepaid expenses	6,276	3,958	7,917
Long-term debt	493	300	290
Other	1,399	658	373
Tax credits	6,394	5,896	5,146
Valuation allowance	(61,012)	(1,442)	(2,319)
Total deferred income tax assets	<u>\$ 65,518</u>	<u>\$ 102,557</u>	<u>\$ 86,218</u>
Deferred income tax liabilities related to:			
Property, equipment and leased assets	\$ 13,216	\$ 18,274	\$ 23,785
Intangibles	106,307	108,727	109,103
Other	3,606	3,200	1,072
Total deferred income tax liabilities	<u>\$ 123,129</u>	<u>\$ 130,201</u>	<u>\$ 133,960</u>
Deferred income taxes, net	<u>\$ (57,611)</u>	<u>\$ (27,644)</u>	<u>\$ (47,742)</u>

The Company prospectively adopted the provisions of ASU No. 2015-17 as of December 31, 2015. The adoption of the provision caused us to reclassify current deferred tax assets to noncurrent (netted within noncurrent liabilities) on our Consolidated Balance Sheets. The prior reporting period was not retrospectively adjusted.

For all of our investments in foreign subsidiaries, except for GCA (Macau), deferred taxes have not been provided on unrepatriated foreign earnings. Unrepatriated earnings were approximately \$23.3 million as of December 31, 2016. These earnings were considered permanently reinvested, as it was management's intention to reinvest foreign earnings in foreign operations. We project sufficient cash flow or sufficient borrowings available under our Credit Facilities in the U.S. and therefore do not need to repatriate these foreign earnings to finance U.S. operations at this time.

As a result of certain realization requirements under the accounting guidance on share based payments, the table of deferred tax assets and liabilities shown above does not include certain deferred tax assets that arose directly from tax deductions related to equity compensation in excess of compensation recognized for financial reporting at December 31, 2016, 2015 and 2014, respectively. Equity will be increased by \$4.6 million if, and when, such deferred tax assets are ultimately

[Table of Contents](#)

realized. We use the accounting guidance on income taxes ordering for purposes of determining when excess tax benefits have been realized.

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

During the fourth quarter of 2016, we evaluated negative evidence noting that for the three-year period then ended, we reported a cumulative net loss. Pursuant to accounting guidance, a cumulative loss in recent years is a significant piece of negative evidence that must be considered and is difficult to overcome without sufficient objectively verifiable, positive evidence. As such, certain aspects of our historical results were included in our forecasted taxable income. Although our forecast of future taxable income was a positive indicator, since this form of evidence was not objectively verifiable, its weight was not sufficient to overcome the negative evidence.

As a result of this evaluation, we increased our valuation allowance for deferred tax assets by \$59.6 million. The ultimate realization of deferred tax assets depends on having sufficient taxable income in the future years when the tax deductions associated with the deferred tax assets become deductible. The establishment of a valuation allowance does not impact cash, nor does it preclude us from using our tax credits, loss carryforwards and other deferred tax assets in the future.

We had \$265.0 million, or \$92.8 million, tax effected, of accumulated federal net operating losses as of December 31, 2016. The net operating losses can be carried forward and applied to offset taxable income for 20 years and will expire starting in 2024. We had \$4.8 million, tax effected, of federal research and development credit carry forwards and \$1.6 million of federal alternative minimum tax credit carry forwards as of December 31, 2016. The research and development credits are limited to a 20 year carry forward period and will expire starting in 2033. The federal alternative minimum tax credit carry forwards do not expire. As of December 31, 2016, \$53.7 million of our valuation allowance relates to federal net operating loss carry forwards and credits that we estimate are not more likely than not to be realized.

We had tax effected state net operating loss carry forwards of approximately \$10.4 million as of December 31, 2016. The state net operating loss carry forwards will expire between 2017 and 2037. The determination and utilization of these state net operating loss carry forwards are dependent upon apportionment percentages and other respective state laws, which can change from year to year. As of December 31, 2016, \$7.2 million of our valuation allowance relates to certain state net operating loss carry forwards that we estimate are not more likely than not to be realized. The remaining valuation allowance of \$0.1 million relates to foreign net operating losses.

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

	Year Ended December 31,		
	2016	2015	2014
Unrecognized tax benefit			
Unrecognized tax benefit at the beginning of the period	\$ 729	\$ 729	\$ —
Gross increases - tax positions in prior period	105	—	—
Gross decreases - tax positions in prior period	—	—	—
Gross increases - tax positions in current period	—	—	729
Settlements	—	—	—
Unrecognized tax benefit at the end of the period	\$ 834	\$ 729	\$ 729

We have analyzed filing positions in all of the federal, state and foreign jurisdictions where it is required to file income tax returns, as well as all open tax years in these jurisdictions. As of December 31, 2016, the Company recorded \$0.8 million of unrecognized tax benefits, all of which would impact our effective tax rate, if recognized. We do not anticipate that our unrecognized tax benefits will materially change within the next 12 months. The Company has not accrued any penalties and interest for its unrecognized tax benefits. Other than the unrecognized tax benefit recorded, we believe that our income tax filing positions and deductions will be sustained upon audit, and we do not anticipate any other adjustments that will

result in a material change to our financial position. We may, from time to time, be assessed interest or penalties by tax jurisdictions, although any such assessments historically have been minimal and immaterial to our financial results. Our policy for recording interest and penalties associated with audits and unrecognized tax benefits is to record such items as a component of income tax in our Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income.

We are subject to taxation in the U.S. and various states and foreign jurisdictions. We have a number of federal and state income tax years still open for examination as a result of our net operating loss carry forwards. Accordingly, we are subject to examination for both U.S. federal and some of the state tax returns for the years 2004 to present. For the remaining state, local and foreign jurisdictions, with some exceptions, we are no longer subject to examination by tax authorities for years before 2013.

18. SEGMENT INFORMATION

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

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

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

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

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

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

The following tables present segment information (in thousands):

	For the Year Ended December 31,		
	2016	2015	2014
Revenues			
Games	\$ 213,253	\$ 214,424	\$ 7,406
Payments	646,203	612,575	585,647
Total revenues	\$ 859,456	\$ 826,999	\$ 593,053
Operating (loss) income			
Games	\$ (166,243)	\$ (73,503)	\$ (1,423)
Payments	47,688	63,773	35,205
Total operating (loss) income	\$ (118,555)	\$ (9,730)	\$ 33,782
	At December 31, 2016	At December 31, 2015	
Total assets			
Games	\$ 894,213	\$ 1,086,147	
Payments	513,950	464,238	
Total assets	\$ 1,408,163	\$ 1,550,385	

Major customers. For the years ended December 31, 2016, 2015 and 2014, no single customer accounted for more than 10% of our revenues. Our five largest customers accounted for approximately 31%, 30% and 28% of our total revenue in 2016, 2015 and 2014, respectively.

19. SELECTED QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

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

	Quarter				Year
	First	Second	Third	Fourth	
2016					
Revenues	\$ 205,769	\$ 214,000	\$ 222,177	\$ 217,510	\$ 859,456
Operating income (loss)	3,785	6,060	11,572	(139,972)	(118,555)
Net loss	(13,151)	(10,796)	(8,254)	(217,278)	(249,479)
Basic loss per share	\$ (0.20)	\$ (0.16)	\$ (0.12)	\$ (3.29)	\$ (3.78)
Diluted loss per share	\$ (0.20)	\$ (0.16)	\$ (0.12)	\$ (3.29)	\$ (3.78)
Weighted average common shares outstanding					
Basic	66,034	66,041	66,049	66,074	66,050
Diluted	66,034	66,041	66,049	66,074	66,050
2015					
Revenues	\$ 207,473	\$ 206,364	\$ 208,746	\$ 204,416	\$ 826,999
Operating income (loss)	28,141	16,336	14,716	(68,923)	(9,730)
Net income (loss)	469	(12,741)	(6,110)	(86,590)	(104,972)
Basic earnings (loss) per share	\$ 0.01	\$ (0.19)	\$ (0.09)	\$ (1.31)	\$ (1.59)
Diluted earnings (loss) per share	\$ 0.01	\$ (0.19)	\$ (0.09)	\$ (1.31)	\$ (1.59)
Weighted average common shares outstanding					
Basic	65,623	65,844	65,941	66,004	65,854
Diluted	66,492	65,844	65,941	66,004	65,854

* Rounding may cause variances.

20. CONDENSED CONSOLIDATING FINANCIAL INFORMATION

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

Presented below is condensed consolidating financial information for (a) Parent, (b) Subsidiary Issuer, (c) the Guarantor Subsidiaries and (d) our U.S. subsidiaries that are not Guarantor Subsidiaries and our foreign subsidiaries (collectively, the "Non-Guarantor Subsidiaries") as of December 31, 2016 and December 31, 2015 and for the years ended December 31, 2016, 2015 and 2014. The condensed consolidating financial information has been presented to show the nature of assets held and the results of operations and cash flows of Parent, Subsidiary Issuer, the Guarantor Subsidiaries and the Non-Guarantor Subsidiaries assuming that the guarantee structure of the Unsecured Notes had been in effect at the beginning of the periods presented.

	Year Ended December 31, 2016					
	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Revenues	\$ —	\$ 599,173	\$ 241,937	\$ 25,096	\$ (6,750)	\$ 859,456
Costs and expenses						
Cost of revenues (exclusive of depreciation and amortization)	—	480,210	59,802	14,764	(5,762)	549,014
Operating expenses	—	73,352	44,526	1,819	(988)	118,709
Research and development	—	—	19,326	30	—	19,356
Goodwill impairment	—	—	146,299	—	—	146,299
Depreciation	—	8,278	41,391	326	—	49,995
Amortization	—	12,641	79,805	2,192	—	94,638
Total costs and expenses	—	574,481	391,149	19,131	(6,750)	978,011
Operating income (loss)	—	24,692	(149,212)	5,965	—	(118,555)
Other expense (income)						
Interest expense, net of interest income	—	6,114	92,896	218	—	99,228
Equity in loss (income) of subsidiaries	249,479	(14,981)	(1,917)	—	(232,581)	—
Total other expense (income)	249,479	(8,867)	90,979	218	(232,581)	99,228
(Loss) income before income tax	(249,479)	33,559	(240,191)	5,747	232,581	(217,783)
Income tax provision (benefit)	—	21,679	8,881	1,136	—	31,696
Net (loss) income	(249,479)	11,880	(249,072)	4,611	232,581	(249,479)
Foreign currency translation	(2,427)	—	—	(2,427)	2,427	(2,427)
Comprehensive (loss) income	\$ (251,906)	\$ 11,880	\$ (249,072)	\$ 2,184	\$ 235,008	\$ (251,906)

Year Ended December 31, 2015						
	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Revenues	\$ —	\$ 566,634	\$ 243,974	\$ 17,219	\$ (828)	\$ 826,999
Costs and expenses						
Cost of revenues (exclusive of depreciation and amortization)	—	444,990	56,382	9,025	—	510,397
Operating expenses	—	61,615	38,554	1,861	(828)	101,202
Research and development	—	—	19,098	—	—	19,098
Goodwill impairment	—	—	75,008	—	—	75,008
Depreciation	—	7,635	37,734	182	—	45,551
Amortization	—	9,842	73,195	2,436	—	85,473
Total costs and expenses	—	524,082	299,971	13,504	(828)	836,729
Operating income (loss)	—	42,552	(55,997)	3,715	—	(9,730)
Other expense (income)						
Interest expense, net of interest income	—	7,639	92,343	308	—	100,290
Equity in loss (income) of subsidiaries	104,972	(13,777)	—	—	(91,195)	—
Loss on extinguishment of debt	—	13,063	—	—	—	13,063
Total other expense	104,972	6,925	92,343	308	(91,195)	113,353
(Loss) income before income tax	(104,972)	35,627	(148,340)	3,407	91,195	(123,083)
Income tax provision (benefit)	—	8,342	(27,673)	1,220	—	(18,111)
Net (loss) income	(104,972)	27,285	(120,667)	2,187	91,195	(104,972)
Foreign currency translation	(1,251)	—	—	(1,251)	1,251	(1,251)
Comprehensive (loss) income	\$ (106,223)	\$ 27,285	\$ (120,667)	\$ 936	\$ 92,446	\$ (106,223)

Year Ended December 31, 2014						
	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Revenues	\$ —	\$ 542,206	\$ 35,689	\$ 15,891	\$ (733)	\$ 593,053
Costs and expenses						
Cost of revenues (exclusive of depreciation and amortization)	—	422,544	10,864	6,663	—	440,071
Operating expenses	—	88,087	5,719	2,379	(733)	95,452
Research and development	—	—	804	—	—	804
Depreciation	—	7,428	1,134	183	—	8,745
Amortization	—	11,180	2,454	565	—	14,199
Total costs and expenses	—	529,239	20,975	9,790	(733)	559,271
Operating income	—	12,967	14,714	6,101	—	33,782
Other expense (income)						
Interest expense, net of interest income	—	7,675	3,290	(209)	—	10,756
Equity in income of subsidiaries	(12,140)	(15,218)	—	—	27,358	—
Loss on extinguishment of debt	—	2,523	202	—	—	2,725
Total other (income) expense	(12,140)	(5,020)	3,492	(209)	27,358	13,481
Income before income tax	12,140	17,987	11,222	6,310	(27,358)	20,301
Income tax provision	—	2,801	3,784	1,576	—	8,161
Net income	12,140	15,186	7,438	4,734	(27,358)	12,140
Foreign currency translation	(1,258)	—	—	(1,258)	1,258	(1,258)
Comprehensive income	\$ 10,882	\$ 15,186	\$ 7,438	\$ 3,476	\$ (26,100)	\$ 10,882

	At December 31, 2016					
	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
ASSETS						
Current assets						
Cash and cash equivalents	\$ —	\$ 88,648	\$ 9,103	\$ 21,300	\$ —	\$ 119,051
Settlement receivables	—	122,222	—	6,599	—	128,821
Trade receivables, net	—	4,401	41,500	5,750	—	51,651
Other receivables	—	4,600	243	157	—	5,000
Inventory	—	6,009	13,059	—	—	19,068
Prepaid expenses and other assets	—	5,359	3,807	8,882	—	18,048
Intercompany balances	—	106,729	188,028	1,461	(296,218)	—
Total current assets	—	337,968	255,740	44,149	(296,218)	341,639
Non-current assets						
Property, equipment and leased assets, net	—	15,144	81,993	1,302	—	98,439
Goodwill	—	151,417	488,512	617	—	640,546
Other intangible assets, net	—	23,901	289,338	4,758	—	317,997
Other receivables	—	2,019	—	1	—	2,020
Investment in subsidiaries	(107,751)	171,979	1,293	86	(65,607)	—
Deferred tax asset	—	37,578	—	—	(37,578)	—
Other assets	—	4,940	2,286	296	—	7,522
Intercompany balances	—	1,143,115	7,851	—	(1,150,966)	—
Total non-current assets	(107,751)	1,550,093	871,273	7,060	(1,254,151)	1,066,524
Total assets	\$ (107,751)	\$ 1,888,061	\$ 1,127,013	\$ 51,209	\$ (1,550,369)	\$ 1,408,163
LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY						
Current liabilities						
Settlement liabilities	\$ —	\$ 225,170	\$ 268	\$ 13,685	\$ —	\$ 239,123
Accounts payable and accrued expenses	—	64,192	28,970	1,229	—	94,391
Current portion of long-term debt	—	10,000	—	—	—	10,000
Intercompany balances	—	189,488	101,387	5,343	(296,218)	—
Total current liabilities	—	488,850	130,625	20,257	(296,218)	343,514
Non-current liabilities						
Deferred tax liability	—	—	95,189	—	(37,578)	57,611
Long-term debt, less current portion	—	1,111,880	—	—	—	1,111,880
Other accrued expenses and liabilities	—	2,583	368	—	—	2,951
Intercompany balances	—	—	1,143,116	7,850	(1,150,966)	—
Total non-current liabilities	—	1,114,463	1,238,673	7,850	(1,188,544)	1,172,442
Total liabilities	—	1,603,313	1,369,298	28,107	(1,484,762)	1,515,956
Stockholders' (deficit) equity						
Common stock	91	—	—	—	—	91
Additional paid-in capital	264,755	85,499	5,314	21,093	(111,906)	264,755
Retained (deficit) earnings	(194,299)	201,316	(247,273)	5,168	40,789	(194,299)
Accumulated other comprehensive loss	(2,067)	(2,067)	(326)	(3,159)	5,510	(2,109)
Treasury stock, at cost	(176,231)	—	—	—	—	(176,231)
Total stockholders' (deficit) equity	(107,751)	284,748	(242,285)	23,102	(65,607)	(107,793)
Total liabilities and stockholders' (deficit) equity	\$ (107,751)	\$ 1,888,061	\$ 1,127,013	\$ 51,209	\$ (1,550,369)	\$ 1,408,163

At December 31, 2015

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

	Year Ended December 31, 2016					
	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Total
Cash flows from operating activities						
Net (loss) income	\$ (249,479)	\$ 11,880	\$ (249,072)	\$ 4,611	\$ 232,581	\$ (249,479)
Adjustments to reconcile net loss to cash provided by operating activities:						
Depreciation and amortization	—	20,919	121,196	2,518	—	144,633
Amortization of financing costs	—	6,695	—	—	—	6,695
Loss on sale or disposal of assets	—	1,353	1,198	12	—	2,563
Accretion of contract rights	—	—	8,692	—	—	8,692
Provision for bad debts	—	74	9,834	—	—	9,908
Reserve for obsolescence	—	860	2,721	—	—	3,581
Other asset impairment	—	—	4,289	—	—	4,289
Goodwill impairment	—	—	146,299	—	—	146,299
Equity in loss (income) of subsidiaries	249,479	(14,981)	(1,917)	—	(232,581)	—
Stock-based compensation	—	5,091	1,644	—	—	6,735
Other non-cash items	—	—	(38)	—	—	(38)
Changes in operating assets and liabilities:						
Net settlement receivables and liabilities	—	9,275	106	5,866	—	15,247
Other changes in operating assets and liabilities	1	(11,643)	43,772	456	—	32,586
Net cash provided by operating activities	1	29,523	88,724	13,463	—	131,711
Cash flows from investing activities						
Capital expenditures	—	(8,094)	(71,583)	(1,064)	—	(80,741)
Acquisitions, net of cash acquired	—	(694)	—	—	—	(694)
Proceeds from sale of fixed assets	—	4,599	—	—	—	4,599
Placement fee agreements	—	—	(11,312)	—	—	(11,312)
Changes in restricted cash and cash equivalents	—	94	—	—	—	94
Intercompany investing activities	35	1,058	(626)	339	(806)	—
Net cash provided by (used in) investing activities	35	(3,037)	(83,521)	(725)	(806)	(88,054)
Cash flows from financing activities						
Repayments of credit facility	—	(24,400)	—	—	—	(24,400)
Debt issuance costs	—	(480)	—	—	—	(480)
Purchase of treasury stock	(42)	—	—	—	—	(42)
Intercompany financing activities	—	(36)	—	(770)	806	—
Net cash used in financing activities	(42)	(24,916)	—	(770)	806	(24,922)
Effect of exchange rates on cash	—	—	—	(1,714)	—	(1,714)
Cash and cash equivalents						
Net (decrease) increase for the period	(6)	1,570	5,203	10,254	—	17,021
Balance, beginning of the period	6	87,078	3,900	11,046	—	102,030
Balance, end of the period	\$ —	\$ 88,648	\$ 9,103	\$ 21,300	\$ —	\$ 119,051

	Year Ended December 31, 2015					
	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Cash flows from operating activities						
Net (loss) income	\$ (104,972)	\$ 27,285	\$ (120,667)	\$ 2,187	\$ 91,195	\$ (104,972)
Adjustments to reconcile net (loss) income to cash (used in) provided by operating activities:						
Depreciation and amortization	—	17,477	110,929	2,618	—	131,024
Amortization of financing costs	—	7,109	—	—	—	7,109
Loss (gain) on sale or disposal of assets	—	75	(2,864)	—	—	(2,789)
Accretion of contract rights	—	—	7,614	—	—	7,614
Provision for bad debts	—	51	10,084	—	—	10,135
Reserve for obsolescence	—	140	1,103	—	—	1,243
Goodwill impairment	—	—	75,008	—	—	75,008
Loss on early extinguishment of debt	—	13,063	—	—	—	13,063
Equity in loss (income) of subsidiaries	104,972	(13,777)	—	—	(91,195)	—
Stock-based compensation	—	6,883	1,401	—	—	8,284
Other non-cash items	—	—	(149)	—	—	(149)
Changes in operating assets and liabilities:						
Net settlement receivables and liabilities	—	22,455	22	(3,078)	—	19,399
Other changes in operating assets and liabilities	(4)	(3,299)	(36,278)	(801)	—	(40,382)
Net cash (used in) provided by operating activities	(4)	77,462	46,203	926	—	124,587
Cash flows from investing activities						
Capital expenditures	—	(25,796)	(51,108)	(84)	—	(76,988)
Acquisitions, net of cash acquired	—	(10,857)	—	—	—	(10,857)
Proceeds from sale of fixed assets	—	102	2,000	—	—	2,102
Placement fee agreements	—	—	(2,813)	—	—	(2,813)
Repayments under development agreements	—	—	3,104	—	—	3,104
Changes in restricted cash and cash equivalents	—	(97)	—	—	—	(97)
Intercompany investing activities	(3,906)	6,593	25	(9)	(2,703)	—
Net cash used in investing activities	(3,906)	(30,055)	(48,792)	(93)	(2,703)	(85,549)
Cash flows from financing activities						
Repayments of prior credit facility	—	—	—	—	—	—
Repayments of credit facility	—	(10,000)	—	—	—	(10,000)
Repayments of secured notes	—	(350,000)	—	—	—	(350,000)
Repayments of unsecured notes	—	—	—	—	—	—
Proceeds from issuance of secured notes	—	335,000	—	—	—	335,000
Debt issuance costs	—	(1,221)	—	—	—	(1,221)
Issuance of warrant	2,246	(2,246)	—	—	—	—
Proceeds from exercise of stock options	1,839	—	—	—	—	1,839
Purchase of treasury stock	(169)	—	—	—	—	(169)
Intercompany financing activities	—	(5)	—	(2,698)	2,703	—
Net cash provided by (used in) financing activities	3,916	(28,472)	—	(2,698)	2,703	(24,551)
Effect of exchange rates on cash	—	—	—	(1,552)	—	(1,552)
Cash and cash equivalents						
Net increase (decrease) for the period	6	18,935	(2,589)	(3,417)	—	12,935
Balance, beginning of the period	—	68,143	6,489	14,463	—	89,095
Balance, end of the period	\$ 6	\$ 87,078	\$ 3,900	\$ 11,046	\$ —	\$ 102,030

	Year Ended December 31, 2014					
	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Cash flows from operating activities						
Net income	\$ 12,140	\$ 15,186	\$ 7,438	\$ 4,734	\$ (27,358)	\$ 12,140
Adjustments to reconcile net (loss) income to cash provided by operating activities:						
Depreciation and amortization	—	18,608	3,588	748	—	22,944
Amortization of financing costs	—	2,035	—	—	—	2,035
Loss on sale or disposal of assets	—	54	—	1	—	55
Accretion of contract rights	—	—	301	—	—	301
Provision for bad debts	—	—	8,991	—	—	8,991
Reserve for obsolescence	—	270	—	—	—	270
Other asset impairment	—	3,129	—	—	—	3,129
Loss on early extinguishment of debt	—	2,523	202	—	—	2,725
Equity in income of subsidiaries	(12,140)	(15,218)	—	—	27,358	—
Stock-based compensation	—	8,849	27	—	—	8,876
Other non-cash items	—	(2)	(17)	—	—	(19)
Changes in operating assets and liabilities:						
Net settlement receivables and liabilities	—	(31,414)	141	594	—	(30,679)
Other changes in operating assets and liabilities	(47)	34,504	(20,047)	(20,647)	—	(6,237)
Net cash (used in) provided by operating activities	(47)	38,524	624	(14,570)	—	24,531
Cash flows from investing activities						
Capital expenditures	—	(5,886)	(3,464)	(9,092)	—	(18,442)
Acquisitions, net of cash acquired	—	(11,845)	(1,056,155)	—	—	(1,068,000)
Proceeds from sale of fixed assets	—	421	—	—	—	421
Repayments under development agreements	—	—	276	—	—	276
Changes in restricted cash and cash equivalents	—	(102)	—	—	—	(102)
Intercompany investing activities	6,889	(1,085,709)	—	(1,425)	1,080,245	—
Net cash provided by (used in) investing activities	6,889	(1,103,121)	(1,059,343)	(10,517)	1,080,245	(1,085,847)
Cash flows from financing activities						
Repayments of prior credit facility	—	(103,000)	—	—	—	(103,000)
Proceeds from securing credit facility	—	500,000	—	—	—	500,000
Proceeds from issuance of secured notes	—	350,000	—	—	—	350,000
Proceeds from issuance of unsecured notes	—	350,000	—	—	—	350,000
Debt issuance costs	—	(52,735)	—	—	—	(52,735)
Proceeds from exercise of stock options	5,338	—	—	—	—	5,338
Purchase of treasury stock	(12,180)	—	—	—	—	(12,180)
Intercompany financing activities	—	(12,098)	1,063,059	29,284	(1,080,245)	—
Net cash (used in) provided by financing activities	(6,842)	1,032,167	1,063,059	29,284	(1,080,245)	1,037,423
Effect of exchange rates on cash	—	—	—	(1,266)	—	(1,266)
Cash and cash equivalents						
Net (decrease) increase for the period	—	(32,430)	4,340	2,931	—	(25,159)
Balance, beginning of the period	—	100,573	2,149	11,532	—	114,254
Balance, end of the period	\$ —	\$ 68,143	\$ 6,489	\$ 14,463	\$ —	\$ 89,095

21. SUBSEQUENT EVENTS

As of the date of the filing of our Annual Report on Form 10-K, we had not identified, and were not aware of, any material subsequent events that occurred for the year ended December 31, 2016.

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

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

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

Management's Report of Internal Control over Financial Reporting

The Company's management, including its Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15(d)-15(f) under the Exchange Act. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Management assessed the effectiveness of internal control over financial reporting as of December 31, 2016, utilizing the criteria described in the "Internal Control - Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management's assessment included evaluation of elements such as the design and operating effectiveness of key financial reporting controls, process documentation, accounting policies, and our overall control environment. Based on this assessment, management has concluded that our internal control over financial reporting was effective as of December 31, 2016.

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

Changes in Internal Control over Financial Reporting during the Quarter Ended December 31, 2016

There were no changes to our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the fourth quarter ended December 31, 2016 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited Everi Holdings Inc. and subsidiaries' internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Everi Holdings Inc. and subsidiaries' management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Item 9A, Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, Everi Holdings Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Everi Holdings Inc. and subsidiaries as of December 31, 2016 and 2015, and the related consolidated statements of loss and comprehensive loss, stockholders' (deficit) equity, and cash flows for each of the two years in the period ended December 31, 2016 and our report dated March 14, 2017 expressed an unqualified opinion thereon.

/s/ BDO USA, LLP

Las Vegas, Nevada
March 14, 2017

PART II I

Item 10. Directors, Executive Officers and Corporate Governanc e.

The information called for by this Item 10 is incorporated herein by reference to the Company’s definitive proxy statement to be filed with the SEC in connection with our 2017 annual meeting of stockholders (the “2017 Proxy Statement”), which is expected to be filed with the SEC within 120 days after the fiscal year ended December 31, 2016.

Item 11. Executive Compensatio n.

The information called for by this Item 11 is incorporated herein by reference to the 2017 Proxy Statement.

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

The information called for by this Item 12 is incorporated herein by reference to the 2017 Proxy Statement.

Item 13. Certain Relationships and Related Transactions, and Director Independenc e.

The information called for by this Item 13 is incorporated herein by reference to the 2017 Proxy Statement.

Item 14. Principal Accounting Fees and Service s.

The information called for by this Item 11 is incorporated herein by reference to the 2017 Proxy Statement.

PART IV

Item 15. Exhibits, Financial Statement Schedule s.

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

1. Financial Statements

Report of BDO USA, LLP, Independent Registered Public Accounting Firm	64
Report of Deloitte & Touche LLP, Independent Registered Public Accounting Firm	65
Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income for the three years ended December 31, 2016	66
Consolidated Balance Sheets as of December 31, 2016 and 2015	67
Consolidated Statements of Cash Flows for the three years ended December 31, 2016	68
Consolidated Statements of Stockholders’ (Deficit) Equity for the three years ended December 31, 2016	70
Notes to Consolidated Financial Statements	71

2. Financial Statement Schedules

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

3. See Item 15(b)

(b) Exhibit s:

Exhibit Number	Exhibit Description
2.1	Agreement and Plan of Merger, dated as of September 8, 2014, by and among Everi Holdings Inc. (formerly known as Global Cash Access Holdings, Inc.) (“Holdings”), Movie Merger Sub, Inc. and Everi Games Holding Inc. (formerly known as Multimedia Games Holding Company, Inc.) (“Everi Games”) (incorporated by reference to Exhibit 2.1 of Holdings’ Current Report on Form 8-K filed with the SEC on September 8, 2014).
3.1	Amended and Restated Certificate of Incorporation of Holdings (incorporated by reference to Exhibit 3.1 of Holdings’ Registration Statement on Form S-1 (Registration No. 333-123514) filed with the SEC on May 26, 2005).

- 3.2 Certificate of Amendment of Amended and Restated Certificate of Incorporation of Holdings (incorporated by reference to Exhibit 3.1 of Holdings' Current Report on Form 8-K filed with the SEC on April 30, 2009).
- 3.3 Certificate of Amendment of Amended and Restated Certificate of Incorporation of Holdings (incorporated by reference to Exhibit 3.1 of Holdings' Current Report on Form 8-K filed with the SEC on August 14, 2015).
- 3.4 Second Amended and Restated Bylaws of Holdings (effective as of August 24, 2015) (incorporated by reference to Exhibit 3.2 of Holdings' Current Report on Form 8-K filed with the SEC on August 14, 2015).
- 4.1 Indenture governing 7.75% Senior Secured Notes due 2021, dated as of December 19, 2014, between Everi Payments Inc. (formerly known as Global Cash Access, Inc.) ("Everi Payments"), as issuer, and Deutsche Bank Trust Company Americas, as collateral agent and trustee (incorporated by reference to Exhibit 4.1 of Holdings' Current Report on Form 8-K filed with the SEC on December 22, 2014).
- 4.2 Supplemental Indenture, dated as of December 19, 2014, among Everi Payments, as issuer, Holdings, as a guarantor, the subsidiary guarantors party thereto and Deutsche Bank Trust Company Americas, as collateral agent and trustee, related to the 7.75% Senior Secured Notes due 2021 (incorporated by reference to Exhibit 4.2 of Holdings' Current Report on Form 8-K filed with the SEC on December 22, 2014).
- 4.3 Indenture governing 10.00% Senior Unsecured Notes Due 2022, dated as of December 19, 2014, between Everi Payments and Deutsche Bank Trust Company Americas, as trustee (incorporated by reference to Exhibit 4.3 to Holdings' Current Report on Form 8-K filed with the SEC on December 22, 2014).
- 4.4 Supplemental Indenture, dated as of December 19, 2014, among Everi Payments, as issuer, Holdings, as a guarantor, the subsidiary guarantors party thereto and Deutsche Bank Trust Company Americas, as trustee, related to the 10.00% Senior Unsecured Notes due 2022 (incorporated by reference to Exhibit 4.4 to Holdings' Current Report on Form 8-K filed with the SEC on December 22, 2014).
- 4.5 Second Supplemental Indenture, dated as of August 4, 2015, among Everi Payments, as issuer, Holdings, as a guarantor, the subsidiary guarantors party thereto and Deutsche Bank Trust Company Americas, as trustee, related to the 10.00% Senior Unsecured Notes due 2022 (incorporated by reference to Exhibit 10.5 to Holdings' Quarterly Report on Form 10-Q filed with the SEC on August 6, 2015).
- 4.6 Registration Rights Agreement, dated as of December 19, 2014, among Movie Escrow, Inc. (a former wholly owned subsidiary of Everi Payments) (and, by a joinder agreement, Everi Payments, Holdings, as a guarantor, and the subsidiary guarantors party thereto) and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representative for the initial purchasers listed therein, related to the 10.00% Senior Unsecured Notes due 2022 (incorporated by reference to Exhibit 4.5 of Holdings' Current Report on Form 8-K filed with the SEC on December 22, 2014).
- 4.7 Warrant, dated as of April 15, 2015, issued by Holdings to CPPIB Credit Investments III Inc. (incorporated by reference to Exhibit 4.1 to Holdings' Current Report on Form 8-K filed with the SEC on April 15, 2015).
- 10.1 Purchase Agreement, dated as of December 17, 2014, among Movie Escrow, Inc. (a former wholly owned subsidiary of Everi Payments), as issuer, and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representative for the initial purchasers listed therein (incorporated by reference to Exhibit 10.1 of Holdings' Current Report on Form 8-K filed with the SEC on December 22, 2014).
- 10.2 Security Agreement, dated as of December 19, 2014, among Everi Payments, as issuer, Holdings, as a guarantor, the subsidiary guarantors party thereto and Deutsche Bank Trust Company Americas, as collateral agent, related to the 7.75% Senior Secured Notes due 2021 (incorporated by reference to Exhibit 10.2 of Holdings' Current Report on Form 8-K filed with the SEC on December 22, 2014).

- 10.3 Credit Agreement, dated as of December 19, 2014, among Everi Payments, Holdings, Bank of America, N.A. as administrative agent, collateral agent, swing line lender and letter of credit issuer; Deutsche Bank Securities Inc., as syndication agent; and Merrill Lynch, Pierce, Fenner & Smith Incorporated and Deutsche Bank Securities Inc., as joint lead arrangers and joint book managers (incorporated by reference to Exhibit 10.3 of Holdings' Current Report on Form 8-K filed with the SEC on December 22, 2014).
- 10.4 Security Agreement, dated December 19, 2014, among Everi Payments, Holdings, as a guarantor, the subsidiary guarantors party thereto, and Bank of America, N.A., as collateral agent, related to the Credit Agreement (incorporated by reference to Exhibit 10.4 of Holdings' Current Report on Form 8-K filed with the SEC on December 22, 2014).
- 10.5 Guaranty, dated December 19, 2014, by Holdings, as a guarantor, and the subsidiary guarantors party thereto, in favor of the lenders party from time to time to the Credit Agreement and Bank of America, N.A., as administrative agent (incorporated by reference to Exhibit 10.5 of Holdings' Current Report on Form 8-K filed with the SEC on December 22, 2014).
- 10.6 Note Purchase Agreement, dated as of April 15, 2015, among Everi Payments, as issuer, Holdings, as parent, CPPIB Credit Investments III Inc., as purchaser, and Deutsche Bank Trust Company Americas, as collateral agent, related to the 7.25% Senior Secured Notes due 2021 (incorporated by reference to Exhibit 10.1 to Holdings' Current Report on Form 8-K filed with the SEC on April 15, 2015).
- 10.7 Security Agreement, dated as of April 15, 2015, among Everi Payments, as issuer, Holdings, as a guarantor, the subsidiary guarantors party thereto and Deutsche Bank Trust Company Americas, as collateral agent, related to the 7.25% Senior Secured Notes due 2021 (incorporated by reference to Exhibit 10.2 to Holdings' Current Report on Form 8-K filed with the SEC on April 15, 2015).
- 10.8 Guaranty, dated as of April 15, 2015, among Holdings, as a guarantor, and the subsidiary guarantors party thereto in favor of Deutsche Bank Trust Company Americas, as collateral agent, related to the 7.25% Senior Secured Notes due 2021 (incorporated by reference to Exhibit 10.3 to Holdings' Current Report on Form 8-K filed with the SEC on April 15, 2015).
- 10.9 Patent Purchase and License Agreement, dated as of March 22, 2005, by and between Everi Payments and USA Payments (incorporated by reference to Exhibit 10.28 of Holdings' Registration Statement on Form S-1 (Registration No. 333-123514) filed with the SEC on March 22, 2005).
- +10.10 Agreement for Processing Services, dated as of August 20, 2013, by and between Columbus Data Services, LLC and Everi Payments (incorporated by reference to Exhibit 10.10 of Holdings' Annual Report on Form 10-K filed with the SEC on March 16, 2016).
- 10.11 Contract Cash Solutions Agreement, dated as of November 12, 2010, between Everi Payments and Wells Fargo Bank, N.A. (incorporated by reference to Exhibit 10.11 of Holdings' Annual Report on Form 10-K filed with the SEC on March 16, 2016).
- 10.12 Second Amendment to Contract Cash Solutions Agreement, dated as of June 4, 2012, between Everi Payments and Wells Fargo Bank, N.A. (incorporated by reference to Exhibit 10.1 of Holdings' Current Report on Form 8-K filed with the SEC on June 7, 2012).
- 10.13 Third Amendment to Contract Cash Solutions Agreement, dated as of November 4, 2013, between Everi Payments and Wells Fargo Bank, N.A. (incorporated by reference to Exhibit 10.1 of Holdings' Quarterly Report on Form 10-Q filed with the SEC on November 5, 2013).
- 10.14 Fourth Amendment to Contract Cash Solutions Agreement, dated as of January 29, 2015, between Everi Payments and Wells Fargo Bank, N.A. (incorporated by reference to Exhibit 10.1 of Holdings' Current Report on Form 8-K filed with the SEC on July 1, 2015).

- 10.15 Fifth Amendment to Contract Cash Solutions Agreement, dated as of December 21, 2016, between Everi Payments and Wells Fargo Bank, N.A. (incorporated by reference to Exhibit 10.1 of Holdings' Current Report on Form 8-K filed with the SEC on December 28, 2016).
- +10.16 Sponsorship Agreement, dated February 11, 2011, between Everi Payments and American State Bank (incorporated by reference to Exhibit 10.54 of Holdings' Annual Report on Form 10-K filed with the SEC on March 14, 2011).
- †10.17 Holdings 2005 Stock Incentive Plan (incorporated by reference to Exhibit 10.25 of the Annual Report on Form 10-K of Everi Payments filed with the SEC on March 10, 2005).
- †10.18 Form of Stock Option Award for Performance Price Vesting under the 2005 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to Holdings' Quarterly Report on Form 10-Q filed with the SEC on August 5, 2014).
- †10.19 Form of Stock Option Award for Cliff Vesting under the 2005 Stock Incentive Plan (incorporated by reference to Exhibit 10.2 to Holdings' Quarterly Report on Form 10-Q filed with the SEC on August 5, 2014).
- †10.20 Form of Stock Option Award for Non-Employee Directors under the 2005 Stock Incentive Plan (incorporated by reference to Exhibit 10.3 to Holdings' Quarterly Report on Form 10-Q filed with the SEC on August 5, 2014).
- †10.21 Form of Stock Option Award for Executives under the 2005 Stock Incentive Plan (incorporated by reference to Exhibit 10.4 to Holdings' Quarterly Report on Form 10-Q filed with the SEC on August 5, 2014).
- †10.22 Form of Stock Option Award for Employees under the 2005 Stock Incentive Plan (incorporated by reference to Exhibit 10.5 to Holdings' Quarterly Report on Form 10-Q filed with the SEC on August 5, 2014).
- †10.23 Holdings 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.6 to Holdings' Quarterly Report on Form 10-Q filed with the SEC on August 5, 2014).
- †10.24 Form of Stock Option Agreement under the 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.7 to Holdings' Current Report on Form 8-K filed with the SEC on May 10, 2016).
- †10.25 Form of Stock Option Award (Performance-Based) (Double-Trigger Acceleration) for Non-Employee Directors under the 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.2 to Holdings' Current Report on Form 8-K filed with the SEC on May 10, 2016).
- †10.26 Form of Stock Option Award (Performance-Based) (Double-Trigger Acceleration) for Executives under the 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.3 to Holdings' Current Report on Form 8-K filed with the SEC on May 10, 2016).
- †10.27 Form of Stock Option Award (Time-Based) (Double-Trigger Acceleration) for Non-Employee Directors under the 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.4 to Holdings' Current Report on Form 8-K filed with the SEC on May 10, 2016).
- †10.28 Form of Stock Option Award (Time-Based) (Double-Trigger Acceleration) for Executives under the 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.5 to Holdings' Current Report on Form 8-K filed with the SEC on May 10, 2016).
- †10.29 Form of Stock Option Award (Time-Based) (Double-Trigger Acceleration) for Employees under the 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.6 to Holdings' Current Report on Form 8-K filed with the SEC on May 10, 2016).

Table of Contents

- †10.30 Holdings 2012 Equity Incentive Plan (incorporated by reference to Exhibit 99.1 to Holdings' Current Report on Form 8-K filed with the SEC on March 16, 2015).
- †10.31 Amendment to the Holdings 2012 Equity Incentive Plan (incorporated by reference to Exhibit 99.2 to Holdings' Current Report on Form 8-K filed with the SEC on March 16, 2015).
- †10.32 Form of Stock Option Agreement under the 2012 Equity Incentive Plan (incorporated by reference to Exhibit 10.13 to Holdings' Current Report on Form 8-K filed with the SEC on May 10, 2016).
- †10.33 Form of Stock Option Award (Performance-Based) (Double-Trigger Acceleration) for Non-Employee Directors under the 2012 Equity Incentive Plan (incorporated by reference to Exhibit 10.8 to Holdings' Current Report on Form 8-K filed with the SEC on May 10, 2016).
- †10.34 Form of Stock Option Award (Performance-Based) (Double-Trigger Acceleration) for Executives under the 2012 Equity Incentive Plan (incorporated by reference to Exhibit 10.9 to Holdings' Current Report on Form 8-K filed with the SEC on May 10, 2016).
- †10.35 Form of Stock Option Award (Time-Based) (Double-Trigger Acceleration) for Non-Employee Directors under the 2012 Equity Incentive Plan (incorporated by reference to Exhibit 10.10 to Holdings' Current Report on Form 8-K filed with the SEC on May 10, 2016).
- †10.36 Form of Stock Option Award (Time-Based) (Double-Trigger Acceleration) for Executives under the 2012 Equity Incentive Plan (incorporated by reference to Exhibit 10.11 to Holdings' Current Report on Form 8-K filed with the SEC on May 10, 2016).
- †10.37 Form of Stock Option Award (Time-Based) (Double-Trigger Acceleration) for Employees under the 2012 Equity Incentive Plan (incorporated by reference to Exhibit 10.12 to Holdings' Current Report on Form 8-K filed with the SEC on May 10, 2016).
- †10.38 Form of Indemnification Agreement between Holdings and each of its executive officers and directors (incorporated by reference to Exhibit 10.27 to Holdings' Registration Statement on Form S-1 (Registration No. 333-123514) filed with the SEC on March 22, 2005).
- †10.39 Employment Agreement with Ram V. Chary (effective January 27, 2014) (incorporated by reference to Exhibit 10.1 of Holdings' Current Report on Form 8-K filed with the SEC on January 28, 2014).
- †10.40 Amendment No.1 to Employment Agreement with Ram V. Chary (effective as of August 5, 2014) (incorporated by reference to Exhibit 10.4 of Holdings' Current Report on Form 8-K filed with the SEC on August 5, 2014).
- †10.41 Form of Stock Option Agreement for Ram V. Chary (incorporated by reference to Exhibit 10.2 of Holdings' Current Report on Form 8-K filed with the SEC on January 28, 2014).
- †10.42 Form of Indemnification Agreement for Ram V. Chary (incorporated by reference to Exhibit 10.3 of Holdings' Current Report on Form 8-K filed with the SEC on January 28, 2014).
- †10.43 Employment Agreement with Randy L. Taylor (effective as of August 5, 2014) (incorporated by reference to Exhibit 10.1 of Holdings' Current Report on Form 8-K filed with the SEC on August 5, 2014).
- †10.44 Employment Agreement with Juliet A. Lim (effective as of August 5, 2014) (incorporated by reference to Exhibit 10.34 of Holdings' Annual Report on Form 10-K filed with the SEC on March 16, 2015).
- *†10.45 First Amendment to Employment Agreement with Juliet A. Lim (effective as of January 3, 2017).
- †10.46 Employment Agreement with David Lucchese (effective as of August 5, 2014) (incorporated by reference to Exhibit 10.2 of Holdings' Current Report on Form 8-K filed with the SEC on August 5, 2014).
- *†10.47 First Amendment to Employment Agreement with David Lucchese (effective as of January 3, 2017).

[Table of Contents](#)

†10.48	Employment Agreement with Edward A. Peters (effective January 15, 2015) (incorporated by reference to Exhibit 10.1 of Holdings' Current Report on Form 8-K filed with the SEC on January 22, 2015).
†10.49	Employment Agreement with Michael Rumbolz (effective February 13, 2016) (incorporated by reference to Exhibit 10.1 of Holdings' Current Report on Form 8-K filed with the SEC on March 2, 2016).
†10.50	First Amendment to Employment Agreement with Michael Rumbolz (effective as of May 10, 2016) (incorporated by reference to Exhibit 10.1 of Holdings' Current Report on Form 8-K filed with the SEC on May 10, 2016).
†10.51	Notice of Grant of Stock Option with Michael Rumbolz, dated February 13, 2016 (incorporated by reference to Exhibit 10.1 of Holdings' Current Report on Form 8-K filed with the SEC on February 16, 2016).
†10.52	Form of Notice of Stock Option Award and Stock Option Award Agreement for Michael Rumbolz (effective August 30, 2010) (incorporated by reference to Exhibit 10.3 of Holdings' Current Report on Form 8-K filed with the SEC on September 2, 2010).
16.1	Letter to Securities and Exchange Commission from Deloitte & Touche LLP, dated March 20, 2015 (incorporated by reference to Exhibit 16.1 to Holdings' Current Report on Form 8-K filed with the SEC on March 23, 2015).
*21.1	Subsidiaries of Holdings.
*23.1	Consent of BDO USA, LLP.
*23.2	Consent of Deloitte & Touche LLP.
*24.1	Power of Attorney (included on signature page).
*31.1	Certification of Chief Executive Officer of Holdings in accordance with Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*31.2	Certification of Chief Financial Officer of Holdings in accordance with Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
**32	Certification of the Chief Executive Officer and Chief Financial Officer of Holdings 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.

† Management contracts or compensatory plans or arrangements.

+ Confidential treatment has been granted for certain portions of this exhibit pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended. The confidential information has been omitted and filed separately with the SEC.

Item 16. Form 10-K Summary .

None.

FIRST AMENDMENT TO EMPLOYMENT AGREEMENT

This First Amendment to Employment Agreement (the "Amendment"), is made as of this 3rd day of January 2017 (the "Effective Date"), by and between Everi Payments Inc., a Delaware corporation formerly known as Global Cash Access, Inc. (the "Company") and wholly-owned subsidiary of Everi Holdings Inc., a Delaware corporation formerly known as Global Cash Access Holdings, Inc. ("Everi Holdings"), and Juliet A. Lim ("Executive"). This Amendment amends that certain Employment Agreement, dated August 5, 2014, by and between the Company and the Executive (the "Agreement"). Capitalized terms used in this Amendment and not defined have the meanings given them in the Agreement.

RECITALS

- A. Whereas, the Company and Executive desire to amend the Agreement.
- B. The Company and Executive therefore wish to enter into this Amendment regarding Executive's employment with Company.

AMENDMENT

NOW, THEREFORE, based on the foregoing recitals and in consideration of the commitments set forth below, Executive and the Company agree as follows:

1. Section 1.1 of the Agreement shall be deleted in its entirety and replaced with the following:

1.1 Position, Duties, Responsibilities

"1.1 Position. The Company hereby employs Executive to render services to the Company in the position of Executive Vice President, Payments Business Leader, reporting directly to the Chief Executive Officer of the Company. The duties of this position shall include such duties and responsibilities as are reasonably assigned to Executive by the Chief Executive Officer, including but not limited to those customarily performed by Executive Vice Presidents, Payments Business Leader of similarly situated corporations. Executive agrees to serve in a similar capacity for the benefit of Everi Holdings Inc. and any of the Company's direct or indirect, wholly-owned or partially-owned subsidiaries or Everi Holdings Inc.'s affiliates. Executive shall also hold the position of Chief Legal Officer for the Company and shall perform such duties and responsibilities in that role as are reasonably assigned to Executive by the Chief Executive Officer or Board of Directors; provided that, upon the Company's appointment of a person to the position of General Counsel of the Company, Executive shall have no further responsibility or obligation to, and shall not, act in the capacity of General Counsel or otherwise supervise, oversee or direct the Company's General Counsel or any of the other members of the legal and compliance departments or outside counsel engaged in legal representation of the Company. 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."

2. Section 4.3 of the Agreement shall be amended to include a final sentence that reads as follows:

"If Executive provides not less than ninety (90) days' prior written notice of her intent to voluntarily resign from the Company as of a date that is on or prior to December 31, 2017, then, upon the effective date of her resignation following such ninety (90) day period, her resignation shall be deemed a Termination by Executive for Good Reason and she shall be entitled to the severance payments and benefits provided in the event of a Termination by Executive for Good Reason as set forth in Sections 4.3.1-4.3.4."

3. Section 4.3.2 of the Agreement shall be amended to place an "(a)" in front of the current provision and adding a clause (b) and a clause (c) thereto that read as follows:

"(b) In addition to the benefits provided under Section 4.3.2(a) above, if Executive voluntarily resigns her employment with the Company during the fiscal year ending December 31, 2017 in accordance with the last sentence of Section 4.3 and, pursuant to the last sentence of Section 4.3, such voluntary resignation is treated as a Termination by Executive for Good Reason, then Executive shall be entitled to receive a bonus (the "Pro Rata Bonus") equal to Executive's base salary at the effective date of termination multiplied by a percentage equal to the product of (i) the average percentage of base salary earned by and paid to the other senior executives of the Company as a group as an incentive bonus for the fiscal year ending December 31, 2017, as calculated by the Company pursuant to its 2017 cash incentive bonus plan, multiplied by (ii) a fraction, the numerator of which is the number of days elapsed between January 1, 2017 and the effective date of Executive's voluntary resignation, and the denominator of which is 365. For the avoidance of doubt, "the average percentage of base salary" shall be determined by adding together the percentages earned by each person in the senior executive group and dividing by the number of persons in the senior executive group, such that, if there are five other members of the senior executive group who receive bonuses equal to 40%, 50%, 60%, 70% and 80% of base salary, then the average percentage of base salary would be 60%. For example, if, pursuant to the last sentence of Section 4.3, Executive provides written notice on March 1, 2017 of her intent to voluntarily resign from the Company effective May 31, 2017, and the other senior executives of the Company later are determined to have earned bonuses for the fiscal year ending December 31, 2017 equal to an average of 60% of base salary, then Executive shall be entitled to receive a Pro Rata Bonus equal to Executive's base salary at the effective date of termination multiplied by 24.82%, such percentage being determined as follows: (A) Executive's base salary at the effective date of termination, multiplied by (B) 60%, multiplied by (C) 151/365. Any such Pro Rata Bonus payable pursuant to the foregoing, if any, shall be paid in cash when the other senior executives of the Company are paid their annual bonuses for 2017, and on or before March 15, 2018.

(c) In addition to the benefits provided under Section 4.3.2(a) and Section 4.3.2(b) above, if Executive voluntarily resigns her employment with the Company during the fiscal year ending December 31, 2017 in accordance with the last sentence of Section 4.3 and, pursuant to the last sentence of Section 4.3, such voluntary resignation is treated as a Termination by

Executive for Good Reason, then the Company shall pay to Executive an amount equal to \$33,000, as a reimbursement for moving expenses incurred by Executive, such amount to be paid in a single lump sum on the first regular payroll date of the Company following the Release Deadline (as defined in Section 4.8) and to be subject to standard deductions and withholdings."

4. Section 7.2 of the Agreement shall be amended by deleting the second and third sentences thereof and replacing such sentences with the following:

"For the avoidance of doubt, the foregoing shall not prohibit Executive from (a) being employed by or engaged as a consultant by, or having any ownership interest in, or participating in the financing, operation, management or control of, any of the following companies (or their respective subsidiaries and successors): Scientific Games Corporation, International Game Technology or Novomatic AG, or (b) 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."

5. Except as otherwise set forth specifically in this Amendment, the Agreement shall remain in full force and effect.

(Signatures on following page)

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

EVERI PAYMENTS INC.

EXECUTIVE

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

/s/ Juliet A. Lim
Juliet A. Lim

FIRST AMENDMENT TO EMPLOYMENT AGREEMENT

This First Amendment to Employment Agreement (the "Amendment"), is made as of this 3rd day of January 2017 (the "Effective Date"), by and between Everi Payments Inc., a Delaware corporation formerly known as Global Cash Access, Inc. (the "Company") and wholly-owned subsidiary of Everi Holdings Inc., a Delaware corporation formerly known as Global Cash Access Holdings, Inc. ("Everi Holdings"), and David Lucchese ("Executive"). This Amendment amends that certain Employment Agreement, dated August 5, 2014, by and between the Company and the Executive (the "Agreement"). Capitalized terms used in this Amendment and not defined have the meanings given them in the Agreement.

RECITALS

A. Whereas, the Company and Executive desire to amend the Agreement.

B. The Company and Executive therefore wish to enter into this Amendment regarding Executive's employment with Company.

AMENDMENT

NOW, THEREFORE, based on the foregoing recitals and in consideration of the commitments set forth below, Executive and the Company agree as follows:

1. Section 1.1 of the Agreement shall be deleted in its entirety and replaced with the following:

1.1 Position, Duties, Responsibilities

" **1.1 Position** . The Company hereby employs Executive to render services to the Company in the position of Executive Vice President, Digital and Interactive Business Leader, reporting directly to the Executive Vice President and Games Business Leader. The duties of this position shall include such duties and responsibilities as are reasonably assigned to Executive by the Games Business Leader. 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 Games Business Leader may from time to time reasonably and lawfully prescribe. The Company and Executive further agree that a written job description shall be created for Executive's position within a reasonable period following final execution of this Agreement. The Company and Executive further agree that, once complete and agreed upon by the parties, said description shall be incorporated into this Agreement by reference and shall govern Executive's duties and responsibilities owed to the Company. 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."

2. For purposes of Section 2.1 of the Agreement, the Company and Executive agree that, beginning as of the Effective Date, the Company shall pay Executive a base salary at the rate of

Three Hundred Seventy-Five Thousand Dollars (\$375,000) 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. Section 2.1 shall otherwise remain in full force and effect.

3. Section 4.3 of the Agreement shall be amended to include a final sentence that reads as follows:

"If Executive provides not less than ninety (90) days' prior written notice of his intent to voluntarily resign from the Company as of a date that is on or prior to December 31, 2017, then, upon the effective date of his resignation following such ninety (90) day period, his resignation shall be deemed a Termination by Executive for Good Reason and he shall be entitled to the severance payments and benefits provided in the event of a Termination by Executive for Good Reason as set forth in Sections 4.3.1-4.3.4."

4. Section 4.3.1 of the Agreement shall be amended by deleting the first sentence thereof and replacing such first sentence with the following:

"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 twelve (12) months following the date of termination of Executive's employment (the "Salary Continuation Period"); provided, that if Executive voluntarily resigns his employment with the Company during the fiscal year ending December 31, 2017 in accordance with the last sentence of Section 4.3 and, pursuant to the last sentence of Section 4.3, such voluntary resignation is treated as a Termination by Executive for Good Reason, then the Company shall continue to pay Executive's base salary for the Salary Continuation Period at the annual salary rate of \$425,000."

5. Section 4.3.2 of the Agreement shall be deleted in its entirety and replaced with the following:

" 4.3.2. Target Bonus .

(a) In the event that the termination of Executive's employment occurs after the first anniversary of the Effective Date of the Agreement, the Company shall also pay to Executive, subject to standard 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); provided, that if Executive voluntarily resigns his employment with the Company during the fiscal year ending December 31, 2017 in accordance with the last sentence of Section 4.3 and, pursuant to the last sentence of Section 4.3, such voluntary resignation is treated as a Termination by Executive for Good Reason, then the bonus payable by the Company under this Section 4.3.2(a) shall be based upon a base salary of \$425,000.

(b) In addition to the benefits provided under Section 4.3.2(a) above, if Executive voluntarily resigns his employment with the Company during the fiscal year

ending December 31, 2017 in accordance with the last sentence of Section 4.3 and, pursuant to the last sentence of Section 4.3, such voluntary resignation is treated as a Termination by Executive for Good Reason, then Executive shall be entitled to receive a bonus (the "Pro Rata Bonus") equal to Executive's base salary at the effective date of termination multiplied by a percentage equal to the product of (i) the average percentage of base salary earned by and paid to the other senior executives of the Company as a group as an incentive bonus for the fiscal year ending December 31, 2017, as calculated by the Company pursuant to its 2017 cash incentive bonus plan, multiplied by (ii) a fraction, the numerator of which is the number of days elapsed between January 1, 2017 and the effective date of Executive's voluntary resignation, and the denominator of which is 365. For the avoidance of doubt, "the average percentage of base salary" shall be determined by adding together the percentages earned by each person in the senior executive group and dividing by the number of persons in the senior executive group, such that, if there are five other members of the senior executive group who receive bonuses equal to 40%, 50%, 60%, 70% and 80% of base salary, then the average percentage of base salary would be 60%. For example, if, pursuant to the last sentence of Section 4.3, Executive provides written notice on March 1, 2017 of his intent to voluntarily resign from the Company effective May 31, 2017, and the other senior executives of the Company later are determined to have earned bonuses for the fiscal year ending December 31, 2017 equal to an average of 60% of base salary, then Executive shall be entitled to receive a Pro Rata Bonus equal to Executive's base salary at the effective date of termination multiplied by 24.82%, such percentage being determined as follows: (A) Executive's base salary at the effective date of termination, multiplied by (B) 60%, multiplied by (C) 151/365. Any such Pro Rata Bonus payable pursuant to the foregoing, if any, shall be paid in cash when the other senior executives of the Company are paid their annual bonuses for 2017, and on or before March 15, 2018.

(c) In addition to the benefits provided under Section 4.3.2(a) and Section 4.3.2(b) above, if Executive voluntarily resigns his employment with the Company during the fiscal year ending December 31, 2017 in accordance with the last sentence of Section 4.3 and, pursuant to the last sentence of Section 4.3, such voluntary resignation is treated as a Termination by Executive for Good Reason, then the Company shall pay to Executive an amount equal to \$75,000, as a reimbursement for moving expenses incurred by Executive, such amount to be paid in a single lump sum on the first regular payroll date of the Company following the Release Deadline (as defined in Section 4.8) and to be subject to standard deductions and withholdings."

6. Section 7.2 of the Agreement shall be amended by deleting the second and third sentences thereof and replacing such sentences with the following:

"For the avoidance of doubt, the foregoing shall not prohibit Executive from (a) being employed by or engaged as a consultant by, or having any ownership interest in, or participating in the financing, operation, management or control of, any of the following companies (or their respective subsidiaries and successors): Scientific Games Corporation, International Game Technology or Novomatic AG, or (b) 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."

7. Except as otherwise set forth specifically in this Amendment, the Agreement shall remain in full force and effect.

(Signatures on following page)

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

EVERI PAYMENTS INC.

EXECUTIVE

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

/s/ David Lucchese
David Lucchese

SUBSIDIARIES OF EVERI HOLDINGS INC.

<u>Name</u>	<u>Jurisdiction of Incorporation or Organization</u>	<u>Name(s) under which doing business</u>
Everi Payments Inc.	Delaware	
Everi Logistics, LLC	Nevada	
Global Cash Access (Canada) Inc.	Ontario, Canada	
Global Cash Access (Panama), Inc.	Panama	
Game Financial Caribbean, N.V.	Netherlands, Antilles	
Global Cash Access (Belize), LTD.	Belize	
Central Credit, LLC	Delaware	Louisiana – Central Credit, a Delaware LLC New Hampshire - Central Credit (Delaware) Nebraska – Delaware Central Credit, LLC Ohio – Central Credit Delaware, LLC (Central Credit, LLC) Vermont – Delaware Central Credit
Global Cash Access (BVI) Inc.	British Virgin Islands	
Arriva Card, Inc.	Delaware	GCA Access Card, Inc.
Global Cash Access Switzerland AG	Switzerland	
Global Cash Access (HK) Ltd.	Hong Kong	
GCA (Macau) S.A.	Macau SAR	
Global Cash Access (Belgium) S.A.	Belgium	
Global Cash Access (UK) Limited	United Kingdom	
GCA India Private Limited	India	
GCA MTL, LLC	Delaware	
Everi Games Holding Inc.	Texas	
Everi Games Inc.	Delaware	
MGAM Technologies, LLC	Delaware	
MGAM Canada, Inc.	British Columbia	
MegaBingo International, LLC	Delaware	
Multimedia Games de Mexico	Mexico	
Multimedia Games de Mexico 1	Mexico	
Servicios de Wild Basin	Mexico	
MGAM Peru SRL	Peru	

Consent of Independent Registered Public Accounting Firm

Everi Holdings Inc.
Las Vegas, Nevada

We hereby consent to the incorporation by reference in the Registration Statements on Form S-4 (No. 333-207593) and Forms S-8 (File Nos. 333-131904, 333-140878, 333-149496, 333-157512, 333-165264, 333-172358, 333-187199, 333-197860 and 333-202798) of Everi Holdings Inc. of our reports dated March 14, 2017, relating to the consolidated financial statements, and the effectiveness of Everi Holdings, Inc.'s internal control over financial reporting, which appear in this Form 10-K.

/s/ BDO USA, LLP

Las Vegas, Nevada
March 14, 2017

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-131904, 333-140878, 333-149496, 333-157512, 333-165264, 333-172358, 333-187199, 333-197860 and 333-202798 each on Form S-8 of our report dated March 16, 2015 (October 23, 2015 as to Notes 18 and 20 and March 15, 2016 as to the reclassifications to the 2014 consolidated financial statements discussed in Note 2), relating to the consolidated financial statements of Global Cash Access Holdings, Inc. (now known as Everi Holdings Inc.) and subsidiaries appearing in this Annual Report on Form 10-K of Everi Holdings Inc. for the year ended December 31, 2016.

/s/ DELOITTE & TOUCHE LLP
Las Vegas, Nevada
March 14, 2017

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

I, Michael D. Rumbolz, certify that:

1. I have reviewed this Annual Report on Form 10-K of Everi Holdings Inc.;
2. Based on my knowledge, this Annual Report on Form 10-K 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 Annual Report on Form 10-K;
3. Based on my knowledge, the financial statements, and other financial information included in this Annual Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Annual 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 Annual Report on Form 10-K 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 Annual Report on Form 10-K our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Annual Report on Form 10-K based on such evaluation; and
 - d) Disclosed in this Annual Report on Form 10-K 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.

Date: March 14, 2017

/s/ MICHAEL D. RUMBOLZ

Michael D. Rumbolz
President and Chief Executive Officer
(Principal Executive Officer)

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

I, Randy L. Taylor, certify that:

1. I have reviewed this Annual Report on Form 10-K of Everi Holdings Inc.;
2. Based on my knowledge, this Annual Report on Form 10-K 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 Annual Report on Form 10-K;
3. Based on my knowledge, the financial statements, and other financial information included in this Annual Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Annual 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 Annual Report on Form 10-K 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 Annual Report on Form 10-K our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Annual Report on Form 10-K based on such evaluation; and
 - d) Disclosed in this Annual Report on Form 10-K 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.

Date: March 14, 2017

/s/ Randy L. Taylor
Randy L. Taylor
Chief Financial Officer
(Principal Financial Officer)

**Certification of Principal Executive Officer and Principal Financial Officer
Pursuant to 18 U.S.C. Section 1350
as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned hereby certify, in his capacity as an officer of Everi Holdings Inc. (the "Company"), that, to his knowledge:

1. The Annual Report on Form 10-K for the period ended December 31, 2016 of the Company (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.

Date: March 14, 2017

By: /s/ MICHAEL D. RUMBOLZ
Michael D. Rumbolz
*President and Chief Executive Officer (Principal
Executive Officer)*

Date: March 14, 2017

By: /s/ Randy L. Taylor
Randy L. Taylor
Chief Financial Officer (Principal Financial Officer)

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2017

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____
Commission File Number 001-32622

EVERI HOLDINGS INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction
of incorporation or organization)
7250 S. Tenaya Way, Suite 100, Las Vegas, Nevada
(Address of principal executive offices)

20-0723270
(I.R.S. Employer
Identification No.)
89113
(Zip Code)

(800) 833-7110

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

Title of each class
Common Stock, \$0.001 par value per share

Name of each exchange on which registered
New York Stock Exchange

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

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

(Do not check if a smaller reporting 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 Act). Yes No

As of June 30, 2017, the aggregate market value of the registrant's common stock held by non-affiliates was approximately \$485.3 million based on the closing sale price as reported on The New York Stock Exchange.

There were 68,825,422 shares of the registrant's common stock issued and outstanding as of the close of business on March 1, 2018.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the registrant's Definitive Proxy Statement for its 2018 Annual Meeting of Stockholders (which is expected to be filed with the Securities and Exchange Commission within 120 days after the end of the registrant's 2017 fiscal year) are incorporated by reference into Part III of this Annual Report on Form 10-K. Except as expressly incorporated by reference, the registrant's Proxy Statement shall not be deemed to be a part of this Annual Report on Form 10-K.

EVERI HOLDINGS INC.

ANNUAL REPORT ON FORM 10-K
FOR FISCAL YEAR ENDED DECEMBER 31, 2017

TABLE OF CONTENTS

PART I

<u>Item 1.</u>	<u>Business.</u>	5
<u>Item 1A.</u>	<u>Risk Factors.</u>	18
<u>Item 1B.</u>	<u>Unresolved Staff Comments.</u>	36
<u>Item 2.</u>	<u>Properties.</u>	36
<u>Item 3.</u>	<u>Legal Proceedings.</u>	36
<u>Item 4.</u>	<u>Mine Safety Disclosures.</u>	36

PART II

<u>Item 5.</u>	<u>Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.</u>	37
<u>Item 6.</u>	<u>Selected Financial Data.</u>	40
<u>Item 7.</u>	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations.</u>	41
<u>Item 7A.</u>	<u>Quantitative and Qualitative Disclosures about Market Risk.</u>	61
<u>Item 8.</u>	<u>Financial Statements and Supplementary Data.</u>	62
<u>Item 9.</u>	<u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.</u>	106
<u>Item 9A.</u>	<u>Controls and Procedures.</u>	106
<u>Item 9B.</u>	<u>Other Information.</u>	106

PART III

<u>Item 10.</u>	<u>Directors, Executive Officers and Corporate Governance.</u>	109
<u>Item 11.</u>	<u>Executive Compensation.</u>	109
<u>Item 12.</u>	<u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.</u>	109
<u>Item 13.</u>	<u>Certain Relationships and Related Transactions, and Director Independence.</u>	109
<u>Item 14.</u>	<u>Principal Accounting Fees and Services</u>	109

PART IV

<u>Item 15.</u>	<u>Exhibits, Financial Statement Schedules</u>	110
<u>Item 16.</u>	<u>Form 10-K Summary</u>	114

<u>SIGNATURES</u>		115
-------------------	--	-----

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

CAUTIONARY INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

Everi Holdings Inc. (“Everi Holdings,” “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 Everi Holdings together with its consolidated subsidiaries.

Our disclosure and analysis in this Annual Report on Form 10-K contain “forward-looking” statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and the Private Securities Litigation Reform Act of 1995. From time to time, we also provide forward-looking statements in other materials we release to the public, as well as oral forward-looking statements. We have tried, wherever possible, to identify such statements by using 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. The forward-looking statements in this Annual Report on Form 10-K reflect the Company’s current views with respect to future events and financial performance.

Forward-looking statements include, but are not limited to, statements regarding the following matters: trends in gaming establishment and patron usage of our products; benefits realized by using our products and services; product development, including the release of new game features and additional game and system releases in the future; regulatory approvals; gaming regulatory, card association and statutory compliance; the implementation of new or amended card association and payment network rules; consumer collection activities; future competition; future tax liabilities; future goodwill impairment charges; international expansion; resolution of litigation; dividend policy; new customer contracts and contract renewals; future results of operations (including revenue, expenses, margins, earnings, cash flow and capital expenditures); future interest rates and interest expense; future borrowings; and future equity incentive activity and compensation expense.

Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent risks, uncertainties and changes in circumstances that are often difficult to predict and many of which are beyond our control. Our actual results and financial condition may differ materially from those indicated in forward-looking statements. Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements include, without limitation:

- our history of net losses and our ability to generate profits in the future;
- our substantial leverage and our ability to raise additional capital to fund operations;
- our ability to generate sufficient cash to service all of our indebtedness and fund working capital and capital expenditures;
- restrictions under our indebtedness;
- our ability to compete in the gaming industry;
- the impact of changes in Federal corporate tax laws;
- our ability to maintain our current customers;
- our ability to prevent, mitigate or timely recover from cybersecurity breaches, attacks and compromises;

- our ability to execute on mergers, acquisitions 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 development and 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 ("EMV");
- our ability to introduce new products and services, including third-party licensed content;
- gaming establishment and patron preferences;
- expenditures and product development;
- anticipated sales performance;
- employee turnover;
- national and international economic conditions;
- changes in gaming regulatory, card association and statutory requirements;
- regulatory and licensing difficulties;
- competitive pressures;
- operational limitations;
- gaming market contraction;
- uncertainty of litigation outcomes;
- interest rate fluctuations;
- business prospects;
- unanticipated expenses or capital needs;
- technological obsolescence; and
- those other risks and uncertainties discussed in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Item 1A. Risk Factors" of this Annual Report on Form 10-K.

In light of these risks and uncertainties, there can be no assurance that the forward-looking information contained in this Annual Report on Form 10-K will in fact transpire or prove to be accurate. Readers are cautioned to consider the specific risk factors described herein and in "Item 1A. Risk Factors" of this Annual Report on Form 10-K and not to place undue reliance on the forward-looking statements contained herein, which are based only on information currently available to us and speak only as of the date hereof.

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

PART I

Item 1. Business.

Overview

Everi is a leading supplier of technology solutions for the casino gaming industry. The Company provides 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. We are divided into two primary business segments: "Everi Games" or "Games" and "Everi Payments" or "Payments."

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 ("VLTs") 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) fully integrated gaming industry kiosks that provide cash access and related services; (c) products and services that improve credit decision making, automate cashier operations and enhance patron marketing activities for gaming establishments; (d) compliance, audit and data solutions; and (e) online payment processing solutions for gaming operators in states that offer intrastate, internet-based gaming and lottery activities.

Everi Holdings was formed as a Delaware limited liability company on February 4, 2004 and was converted to a Delaware corporation on May 14, 2004. Our principal executive offices are located at 7250 South Tenaya Way, Suite 100, Las Vegas, Nevada 89113. Our telephone number is (800) 833-7110. Our website address is www.everi.com. The information on our website is not part of this Annual Report on Form 10-K or our other filings with the SEC.

Our Business Segments

We report our financial performance, and organize and manage our operations, across the following two business segments: (a) Games; and (b) Payments. For additional information on our segments see, "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Operating Segments" and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies — Segment Reporting" included elsewhere in this Annual Report on Form 10-K.

A summary of our segment financial information is contained in "Note 17. Segment Information" within our Financial Statements included elsewhere in this Annual Report on Form 10-K.

Our Products and Services

Everi Games

Our Games products and services include commercial products, such as Native American Class II products, and other bingo products, Class III products, lottery systems, and other back office systems. In our Games business, we generally retain ownership of the leased gaming equipment installed at customer facilities and receive recurring revenue 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. We also make direct sales of player terminals, licenses, back office systems and other related equipment to customers. The majority of these direct sales contracts are for some combination of gaming equipment, player terminals, content, system software, license fees, ancillary equipment and maintenance.

With respect to our Games business, we have expanded our licensing into new jurisdictions, increased investment in research and development, and introduced premium game products (which typically include high definition (“HD”) dual-screens, liquid crystal display (“LCD”) panels, and red green blue (“RGB”) top box lighting). From our historical focus on placement of games into the Oklahoma and Washington tribal markets, Everi Games has diversified its installed base in recent years with entry into new commercial and tribal markets as well as the development and placement of premium products. Everi Games has grown premium game installations with approximately 2,532 units installed (representing approximately 19.0% of our installed base as of December 31, 2017) since entering the category approximately five years ago. Development of generally higher-earning premium games has supported Everi Games’ ability to enter new markets, expand its footprint, and provide broad and new content across its installed base.

Everi Games provides the New York State Gaming Commission with an accounting and central determinant system for the VLTs in operation at licensed State of New York gaming facilities. In January 2018, an amendment to the agreement between Everi Games and the New York State Gaming Commission was approved and became effective. Under this amendment, Everi Games will continue to provide and maintain the central determinant system for the New York Lottery through December of 2019. As of December 31, 2017, this system connected to approximately 19,100 VLTs and has the ability to interface with, provide outcomes to, and manage the VLTs. Pursuant to its agreement with the New York State Gaming Commission, Everi Games receives a portion of the network-wide net win (generally, cash-in less prizes paid) per day in exchange for provision and maintenance of the central determinant system. Everi Games also provides central determinant system technology to Native American tribes in the State of Washington for which it receives a portion of the revenue generated from the VLTs connected to the system.

Our Games products include:

Classic Mechanical Reel Games . Our full range of classic mechanical reel games provides players with a traditional, high denomination slot gaming experience. These games leverage our long-standing experience in building enduring brands, such as *Black Diamond* and *Wild Wild Gems* , and feature a unique take on traditional slot games with eye-catching features. *Super Jackpot Series* offers large linked progressives on the Player Classic packaged with the Foundation Sign to display rolling progressive meters and exciting win celebrations from across the casino floor. The premium *Skyline* mechanical reel series is a vintage-inspired bezel showcasing RGB lighting and a 24-inch LCD display, with successful titles including *Double Jackpot Gems*, *Kingmaker*, and *Blazin’ Gems*. Our licensed brand strategy spans into *Skyline* with DreamWorks Animation® themes, *Smokin’ Hot Stuff* and *Casper* .

Video Reel Games . We offer a growing range of dual-screen video reel games that provide a uniquely entertaining slot gaming experience. These games leverage the well-established *Player HD* and recently introduced, high-performing *Core HDX* cabinets to deliver eye-catching graphics and full, rich sound. *Everi Way Pays* games have been introduced to the market, in partnership with Lightning Box Games, for titles including *More Fire* , *Silver Pride* , and *Great Tiger* . A range of progressive features round out our game library, such as *Must-Hit Jackpots™* in *Dream Catcher* , *Money Frog* , and *Egypt Twins* ; and the *Jackpot Jump™* feature in *Jackpot Inferno*, *Payday Jackpots*, *Golden Riches*, *Fire Jewels*, *Hearts of Egypt* and *Fiesta* . Additional specialized game mechanics include *Lightning Multipliers™* in *High Voltage Blackout*; *Sticky Stacks™* in *Butterfly Kingdom* , *Pixie Power* , and *Tiger Queen* ; *Real Match™* feature on *Start Magic* and *El Dorado The Lost City*; and *Wild Match™* in *Fortuna Goddess of Luck* and *Carnival in Rio Wild Match* .

Core HDX. The *Core HDX* enhances the player gaming experience with its dual widescreen 23” monitors with 1080p HD capability, integrated touchscreens and premium 3-way sound system. Its eye-catching cabinet commands a presence on the casino floor with game-controlled lighting and a custom premium LCD topper. Select *Core HDX* games feature Everi Bet™, the bet configuration system that gives casino operators the power to optimize the casino floor for maximum returns. The vast majority of our standard video library on our MForce platform is designed to be playable on the *Core HDX* .

Empire MPX and The Texan HDX . The new *Empire MPX* represents both a premium participation cabinet and a single-screen, for sale cabinet that offers a 43-inch monitor, full 1080p HD graphics capabilities, a fully-customizable touchscreen button panel, and a smaller footprint that allows for tighter pod banking configurations.

The *Empire MPX* debuted in April 2017 with the launch of the Company's first video title on its WAP. *The Texan HDX* is an 8-foot tall cabinet with two 42-inch video screens, featuring a two-person bench seat. The cabinet is designed to showcase the Everi Standard Video Library in oversized format, allowing the games to be prominently displayed on the casino floor.

Wide Area Progressive. We debuted our first WAP in Class II markets in 2017. Spanning two product lines, our WAP is offered to customers on *Player Classic* and *Empire MPX*. The mechanical offering, *Jackpot Lockdown*, debuted with two themes: *Jackpot Lockdown Mega Meltdown* and *Jackpot Lockdown High Voltage*, and will have additional branded themes including *Willie Nelson* and *Singing in the Rain* available in 2018. *Empire MPX* features branded video content with *Casablanca* and *Penn & Teller*, all hitting the casino floor in 2017, and new titles, including *Buffy the Vampire Slayer* and *South Park*, expected to be delivered in 2018.

TournEvent®. Our award-winning slot tournament system is a proven solution that allows operators to switch from in-revenue gaming to out-of-revenue tournaments with the simple click of a mouse. *TournEvent*®'s expansive tournament game library helps operators customize their tournaments, including providing unique bonus opportunities that improve scores or automatically move a player to first place. Casino operators can easily design and build a variety of flexible tournament formats, such as solo or team tournament play, session or round winner advancement, and cumulative or maximum scoring. The latest *TournEvent*® 5.0 version includes new system enhancements that improve operator efficiencies and hardware and offers engaging tournament games that attracts players. New *TournEvent*® 5.0 features include:

- Automated *Wild Card* drawing and feature for potential round advancement that automates current tournament procedure and facilitates a smooth player selection process, utilizing overhead signage to quickly identify players who were randomly selected to advance.
- *Find Your Seat Helper* that allows operators to preset a color for tournament banks/ electronic gaming machines ("EGMs"), auto assign colors to players, and display player names on EGM screens, allowing players to quickly locate their assigned seats.
- Automated *VIP Filter* that allows operators to filter a player database so that only select players will be automatically registered into tournaments when a player card is swiped.
- *On Deck Display* feature that consists of three session panes, which continuously display player registrations in real-time and allow players to see who is in the current and future sessions.
- *New Skill Tournament Games* with interactive bonuses:
 - *Fruit Ninja*® is an interactive game, much like the popular mobile app game that brings skill into slot tournaments.
 - *Electric Diamonds* features two new interactive bonuses, *Pop Frenzy* and *Reel Frenzy*.

With the wireless tablet option, casino operators will be able to sign up players for tournaments remotely, allowing for a more efficient tournament registration and an overall better tournament experience for the casinos and players alike. *TournEvent*® also is available with multiple sign options, consisting of a 65-inch television, lighted accent dividers, and the ability to be featured on new bank configurations.

Everi Payments

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

The markets we address with our principal Payments products and services are:

ATM Cash Withdrawals. ATM cash withdrawal transactions represent the largest category of electronic payment transactions that we process, as measured by dollar and transaction volume. In an ATM cash withdrawal transaction,

a patron directly accesses funds from a device enabled with our ATM service by either using an ATM or debit card to withdraw funds from the patron's demand deposit account, or using a credit card to access the patron's line of credit. In either event, the patron must use the personal identification number ("PIN") associated with such card. Our processor then routes the transaction request through an electronic funds transfer ("EFT") network to the patron's bank or issuer, as applicable. Depending upon a number of factors, including the patron's account balance or credit limit and daily withdrawal limit (which limits are set by the bank or issuer, as applicable), the bank or issuer will either authorize or decline the transaction. If the transaction is authorized, then the ATM-enabled device dispenses the cash to the patron. For a transaction using an ATM or debit card, the patron's demand deposit account is debited by the amount of cash disbursed plus a service fee that we assess the patron for the use of the ATM service. For a transaction using a credit card with a PIN, the patron's credit card account is charged by the amount of the cash disbursed plus a service fee that we assess the patron for the use of the ATM service. In both cases, the service fee is currently a fixed dollar amount and not a percentage of the transaction size. We also receive a fee, which we refer to as a reverse interchange fee, from the patron's card-issuing bank for accommodating the card issuer's customer. In most circumstances, we pay a percentage of the service fee that we receive from the patron and, in some circumstances, a portion of the reverse interchange fees we receive, as a commission to our gaming establishment customers for the right to operate on their premises.

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

When a patron requests a credit card cash access or POS debit card transaction, our processor routes the transaction request through one of the card associations, or EFT networks to the issuing bank. Depending upon several factors, such as the available credit or bank account balance, the transaction is either authorized or declined by the issuing bank. If authorized, the patron's bank account is debited or the patron's credit card balance is increased, in both cases, by an amount equal to the funds requested plus our service fee. The service fee is a fixed dollar amount, a percentage of the transaction size or a combination of a fixed dollar amount and percentage of the transaction size. If the transaction is authorized, the device informs the patron that the transaction has been approved. The device then further instructs the patron to proceed to the gaming establishment's cashier, or Company-operated satellite cage ("financial services center"), to complete the transaction because credit card cash access and POS debit card cash access transactions must, in most circumstances, be completed in face-to-face environments and a unique signature must be received in order to comply with rules of the card associations. Once at the gaming establishment's cashier or at our financial services center, the patron acknowledges acceptance of the fee. We reimburse the gaming establishment for the amount of cash that it provided to the patron by paying the gaming establishment via wire transfer or other similar form of electronic payment. In addition, we generally pay the gaming establishment a portion of the service fee as a commission for the right to operate on its premises, although this payment as a percentage of the fee is generally smaller for credit card cash access and POS debit card cash access transactions than for ATM withdrawals. In addition, we are obligated to pay interchange fees to the issuing bank and processing costs related to the electronic payment transaction to card associations.

Check-Related Services . Patrons are able to cash checks at certain gaming establishments. When a patron presents a check to the cashier, the gaming establishment can accept or deny the transaction based on its own customer information and at its own risk, obtain third-party verification information about the check writer, the bank account number and other information relating to the check to manage its risk, or obtain a warranty on payment of the check, which entitles the gaming establishment to reimbursement of the full amount of the check if it is dishonored.

If a gaming establishment chooses to have a check warranted, it sends a request to a check warranty service provider, inquiring whether it would be willing to accept the risk of cashing the check. If the check warranty provider accepts the risk and warrants the check, the gaming establishment negotiates the patron's check by providing cash for the face amount of the check. If the check is dishonored by the patron's bank upon presentment,

the gaming establishment invokes the warranty, and the check warranty service provider purchases the check from the gaming establishment for the full check amount and then pursues collection activities on its own.

For those gaming establishments that seek to manage their own risk, we provide a subscription check verification service via a database operated by our subsidiary, Central Credit, LLC (“Central Credit”), which is used by gaming establishments to make credit issuing decisions. Central Credit maintains information on the check cashing and credit history of many gaming establishment patrons. For those gaming establishments that prefer to obtain a warranty, we currently provide check warranty services through a third-party check warranty service provider. We pay this third-party provider to assist with the warranty decision, check processing, billing and collection activities. On our behalf, this third-party provider charges our gaming establishment customers a fee for the check warranty services, which is typically a percentage of the face amount of the check being warranted. In such circumstances, we receive all of the check warranty revenue. We are exposed to risk for the losses associated with any warranted items that cannot be collected from patrons issuing the items. Warranty expenses are defined as any amounts paid by the third-party provider to gaming establishments to purchase dishonored checks that will not be collectible from patrons and any expenses related to the collection on these amounts. We also pay certain fees and operating expenses to our third-party provider related to the provision of these services.

Our principal Payments products and services consist of the following:

Casino Cash Plus 3-in-1 ATMs are unmanned, cash-dispensing machines that enable ATM cash withdrawals, POS debit card cash access transactions, and credit card cash access transactions directly, or using our 3-in-1 Rollover functionality. Most financial institutions that issue debit cards impose daily ATM withdrawal limits, and, in some instances, aggregate and count Friday, Saturday and Sunday as a single day in calculating such limits. If a patron has reached his or her daily ATM limit, our 3-in-1 Rollover functionality automatically enables the patron to obtain funds via a POS debit card transaction or a credit card cash access transaction instead.

Check Verification and Warranty Services allow gaming establishments to manage and reduce risk on patron checks that they cash. A gaming establishment can query our Central Credit database to review the check cashing history of a gaming establishment patron before deciding whether to cash the patron’s check. If the gaming establishment desires additional protection against loss, it can seek a warranty on payment of the check. We have a relationship with a third-party check warranty service provider to market check warranty services to gaming establishments.

CashClub® provides gaming establishments with a single dashboard interface that streamlines credit and debit card cash access transaction processing and check warranty transactions. It allows for electronic signature capture and dynamic currency conversion. It also interfaces with our Everi Compliance to assist casino operations with meeting regulatory requirements under Title 31 of the Bank Secrecy Act.

Fully Integrated Kiosks are a complete line of products that provide multiple functions to the casino floor. This includes cash access functionality, such as our 3-in-1 Rollover, which provides casino patrons access to perform cash advance, POS debit and ATM transactions. The kiosks also provide functionality to perform check cashing transactions, slot machine ticket redemption, bill breaking and loyalty program access as well as integration with mobile and wallet technology. The availability of our cash access platform on these slot ticket redemption devices provides us with additional points of contact with gaming patrons at locations that are usually closer to gaming devices than traditional cash access devices that are typically located on the periphery of the gaming area within the casino floor and also provides gaming patrons with more opportunities to access their cash with less cashier involvement.

Other Integrated Kiosk Solutions provide casinos with more efficient and streamlined methods for cash handling and transaction processing. They allow casino personnel to immediately process and dispense taxable jackpots in the form of cash, tickets or a combination of both. They also help to improve cage security and accuracy while reducing count and balancing times. These products are designed to be integrated with our suite of cage compliance software to ensure compliance with anti-money laundering regulations and provide an automated way to process common tax forms such as the Internal Revenue Service Form W-2G or Form 1042-S.

Central Credit is our gaming patron credit bureau service which, on a subscription basis, allows gaming establishments to improve their credit-granting decisions by obtaining access to a database containing credit information and transaction data on millions of gaming patrons. Our gaming credit reports are comprised of

information recorded from patron credit histories at hundreds of gaming establishments. We provide such information to gaming establishments that subscribe to the service. These establishments then use that data, among other things, to determine how much credit, if any, they will grant to a gaming patron. We typically charge our customers for access to gaming patron credit reports on a monthly basis and our fees are generally comprised of a fixed minimum fee plus per-transaction charges for certain requests.

Everi Compliance is our suite of compliance software offerings for gaming operators. These compliance solutions help our gaming establishment customers comply with financial services and gaming regulations. These compliance solutions include software to assist with anti-money laundering regulations, such as filing currency transaction reports (“CTRs”) and suspicious activity reports (“SARs”). Additionally, these compliance solutions also assist casinos in filing required tax forms in connection with the payout of jackpot winnings to patrons and assist casinos with auditing cash on the floor and in casino cages.

We also offer:

- Stand alone, non-ATM terminals that perform authorizations for credit card cash access and POS debit card cash access transactions.
- Database services that allow gaming establishments access to information from our proprietary patron transaction database for purposes of player acquisition, direct marketing, market share analysis, and a variety of other patron promotional uses. Our proprietary patron transaction database includes information that is captured from transactions we process. Patrons may “opt out” of having their names included in marketing mailing lists.
- An online payment processing solution for gaming operators in states that offer intra-state, internet-based gaming and lottery activities.

Manufacturing

We utilize contract manufacturers to produce the cabinets that make up our EGMs and our kiosk products, as well as other sub-assemblies. We have assembly facilities in Austin, Texas and Las Vegas, Nevada, where we assemble the EGMs and our kiosk products, which include the cabinets, computer assemblies, LCD screens, printers, bill validators and acceptors, and other wiring and harnesses. We believe that our sources of supply of component parts and raw materials for our products are generally adequate and we have few sole-sourced parts.

Research and Development

We conduct research and development activities primarily to develop gaming systems, gaming engines, casino data management systems, casino central monitoring systems, video lottery outcome determination systems, gaming platforms and gaming content, as well as to add enhancements to our existing product lines. We believe our ability to deliver differentiated, appealing products and services to the marketplace is based on our research and development investments, and we expect to continue to make such investments in the future. Research and development costs consist primarily of salaries and benefits, consulting fees and game lab testing fees. Once the technological feasibility of a project has been established, it is transferred from research to development and capitalization of development costs begins until the product is available for general release. Research and development costs were \$18.9 million, \$19.4 million and \$19.1 million for the years ended December 31, 2017, 2016 and 2015, respectively.

Customers

As of December 31, 2017, we served over 1,000 casinos and other gaming properties in the United States, Europe, Canada, the Caribbean, Central America and Asia. In certain limited circumstances, we provide our products and services to non-gaming establishments, such as gas stations and other retail businesses associated with gaming establishment customers. However, the revenue generated from these operations is not material to our operations and we do not actively market or target non-gaming establishment customers.

Sales and Marketing

In our Games business, we sell and market our products and services to gaming establishments primarily through the use of a direct sales force, which targets gaming establishments in the United States and in international markets. With respect to our gaming products, we participate in the Class III and Class II gaming machine markets, as well as the central determinant system market in North America, through participation, or revenue share, and fixed fee arrangements and the sale of proprietary EGMs and systems. Revenues from our operations outside the United States were 4.7%, 3.7% and 2.9% for the years ended December 31, 2017, 2016 and 2015, respectively. All of our long-lived assets outside of the United States were immaterial for each of fiscal 2017 and 2016.

In our Payments business, we sell and market Cash Access (Cash Advance, ATM and Check Services), Kiosks Sales and Services, Compliance Sales and Services and Central Credit Services. For the year ended December 31, 2017, approximately 95% of our revenues were earned from North American sources, while the remaining 5% were derived internationally.

Our sales and marketing efforts are directed by a team of customer service executives, each of whom has business development responsibility for gaming establishments in specified geographic regions. These customer service executives direct their efforts at all levels of gaming establishment personnel, including senior executives, finance professionals, marketing staff, slot directors, and cashiers, and seek to educate them on the benefits of our products and services. In some cases, our customer service executives are supported by field service and account managers, who provide on-site customer service to most of our customers. In other cases, our sales executives directly maintain the customer relationships. These customer service executives and field service and account managers generally reside in the vicinity of the specific gaming establishments that they support to ensure that they respond to the customer service needs of those gaming establishments. We also have joint sales efforts with a number of strategic partners, including independent sales organizations, which allow us to market our products and services to gaming establishments through channels other than our direct sales force.

Competition

In our Games business, we compete across different gaming markets with a variety of gaming equipment suppliers. Competition is generally based upon the: (a) amount of revenue our products generate for our customers relative to the amount of revenue generated by our competitors' products; (b) prices and fees we and our competitors charge for products and services offered; and (c) appeal of our competitors' products to gaming patrons, which has a direct effect on the volume of play generated by a product and, accordingly, the revenues generated for our customers. To drive customer demand and improve product attractiveness to end users, we continually work to develop new game themes, gaming engines, hardware platforms and systems that appeal to gaming patrons, all while working to release these new products to the marketplace in a timely manner.

In our Payments business, we compete with other providers of cash access services to the gaming industry, as well as with financial institutions and other regional and local banks that operate ATMs on the premises of gaming establishments. Some of these other providers and financial institutions have established cooperative relationships with each other to expand their service offerings. We also face increased competition from: (a) independent sales organizations, which provide basic services and aggressive pricing; (b) other manufacturers that provide similar good and services; and (c) traditional transaction processors that have entered the gaming patron cash access services market. This increased competition amongst these various providers of cash access services has resulted in pricing pressure and margin erosion with respect to our core cash access products and services.

Proprietary Rights

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

We rely on a combination of patents, trademarks, copyrights, trade secrets and contractual restrictions to protect our intellectual property. In our business, we have over 250 patents issued related to games and systems and processes, and have more than 50 patent applications pending world-wide. The expiration dates of these patents vary and are based on their filing and issuances dates. We intend to continue to actively file for patent protection, when such filings are commercially reasonable, within and outside the United States. We also seek trademark protection for our names and products and have registered hundreds of trademarks in the United States and various foreign countries. Under permission or license agreements with third parties, we also sell gaming products covered by independently filed copyrights, trademarks or patents. Typically, these contracts require us to pay royalties to the licensing party. Royalty expenses are included in the cost of gaming and systems in our Financial Statements included elsewhere in this Annual Report on Form 10-K. In addition to our patents, trademarks, and copyrights, we also rely on a broader scope of intellectual property including trade secrets, in-house know-how and innovation.

Employees

As of December 31, 2017, we had approximately 1,100 employees. We believe that our relations with our employees are good. We have never experienced a work stoppage and none of our employees are subject to a collective bargaining agreement.

Available Information

Our website address is www.everi.com. We make available free of charge on our website our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and all amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after such reports are electronically filed with, or furnished to, the SEC. In addition, our earnings conference calls are web cast live via our website. In addition to visiting our website, you may read and copy any document we file with the SEC at the SEC's Public Reference Room at 100 F. Street NE, Washington, D.C. 20549 or at www.sec.gov. Please call the SEC at 1-800-SEC-0330 for information on the Public Reference Room.

REGULATION

Gaming Regulation

The gaming industry is highly regulated under legal systems that frequently evolve and change based on governmental public policies. Various aspects of our business are subject to comprehensive laws, regulations and ordinances applicable to the ownership, management and operation of gambling establishments as well as certain financial services conducted at such establishments. These gaming laws, regulations and ordinances require us to be licensed, registered, found suitable, qualified or otherwise approved by various city, county, state, provincial, federal, tribal and foreign government agencies (collectively, "Gaming Authorities") in the jurisdictions where we conduct business. We must maintain those licenses, registrations, or other approvals in good standing to continue our business, all of which generally impose certain: (i) financial and operational reporting, and oversight requirements; and (ii) character and fitness suitability requirements, in each case administered by the Gaming Authorities, upon us and our affiliated or subsidiary organizations, as well as the officers, directors, key personnel and, in certain instances, holders of our debt or equity securities in each of those organizations, and our material business associates. Gaming Authorities have broad discretion in determining whether to grant a license, registration or other approval. Subject to complying with certain procedural requirements, Gaming Authorities may deny any application, or limit, condition, restrict, revoke or suspend any license, registration, finding of suitability, qualification or other approval for any cause deemed reasonable to them.

In general, the licensure, qualification and approval requirements and the regulations imposed on non-gaming suppliers and vendors are less stringent than those requirements and regulations imposed on gaming operators, gaming-related manufacturers and suppliers. However, some jurisdictions do not distinguish between non-gaming and gaming suppliers and vendors while other jurisdictions classify all of our products and services as gaming-related. In those jurisdictions which classify our products and services as gaming-related, we are subject to the more stringent licensing and regulatory framework. The stated policies and other purposes behind such laws, regulations, and ordinances are generally to: (i) ensure the public's trust and confidence in legalized gambling through a system of mandated regulation, internal controls, accounting practices, and operating procedures; and (ii) promote economic activity for the state, county and local governments through revenue opportunities emanating from taxes, licensing fees, and other economic benefits arising out of gambling and related activities.

Moreover, our gaming devices and certain other products and technologies must be certified or approved by Gaming Authorities in many jurisdictions where we conduct business. These Gaming Authorities test the gaming devices, systems, and related equipment directly or through an independent testing laboratory and may also require a field trial under the regulator’s technical standards before allowing us to sell the product. Although we collaborate closely with the Gaming Authorities and independent testing laboratories, we cannot control whether our products will be approved or the length of time taken to review our products for sale to third parties.

We believe that we are in substantial compliance with all material gaming and financial institution laws applicable to our business. We can give no assurance, however, that our business activities or the activities of our customers in the gaming industry will not be subject to any regulatory or legal enforcement proceedings in the future and a violation of applicable gaming laws by us or any of our subsidiaries could have a material adverse effect on our financial condition, prospects and results of operations. Depending on the nature of any noncompliance, our failure to comply with such laws, regulations, and ordinances may result in the suspension or revocation of any license, registration, or other approval, a partial or complete cessation of our business, seizure of our assets, as well as the imposition of civil fines and criminal penalties.

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

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

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

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

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

State and Tribal Gaming Commissions . We are regulated by gaming commissions or similar authorities at the state or tribal level as either a: (i) manufacturer of gaming devices, in those jurisdictions where we manufacture gaming devices and systems; (ii) supplier of “associated equipment,” in those jurisdictions where we sell and service fully integrated kiosks and other integrated kiosk solutions; and (iii) non-gaming supplier or vendor, in those jurisdictions where we provide cash access and Central Credit services only. Such commissions or similar authorities may include: Nevada Gaming Commission and Gaming Control Board, Mississippi Gaming Commission, Indiana Gaming Commission, Illinois Gaming Board, New Jersey Casino Control Commission, New Jersey Division of Gaming Enforcement, Iowa Racing and Gaming Commission, the Kansas Lottery Commission, the Kansas Racing and Gaming Commission, the Louisiana State Gaming Control Board, the Louisiana State Racing Commission, as well as other various federal, state and local government entities and agencies.

The process of obtaining necessary licenses, registrations, or other approvals often involves substantial disclosure of confidential or proprietary information about us and our officers, directors, key personnel and, in certain instances, beneficial owners of our debt or equity securities, and requires a determination by the regulators as to our suitability as a manufacturer, supplier, or vendor to gaming establishments. Such suitability examinations may also generally include the following:

- requiring the licensure or finding of suitability of any of our officers, directors, key employees, or beneficial owners of our debt or equity securities as well as our key third-party vendors, suppliers, customers, and other companies with whom we conduct business;
- the termination or disassociation with such officer, director, key employee, or beneficial owner of our securities that fails to file an application or to obtain a license or finding of suitability and prohibiting unapproved payments and distributions to such persons;
- the submission of detailed financial and operating reports;
- the submission of reports of material loans, leases, sales of securities, and financings; and
- the regulatory approval of certain material transactions, such as the merger with or acquisition of other companies, the transfer or pledge of our stock or other equity interests or restrictions on transfer of such interests, or similar financing transactions.

These regulatory obligations are imposed upon gaming-related manufacturers, suppliers, or vendors on an ongoing basis, and there are no guaranties that we will be successful in obtaining and maintaining all necessary licenses, permits, and approvals and to continue to hold other necessary gaming licenses, permits, and approvals to conduct our businesses as currently being conducted by us. The expansion of our businesses, the introduction of new games, systems, products or services, or changes to applicable rules and regulations may result in additional regulatory or licensing requirements being imposed upon us. Many Gaming Authorities will require us to submit software and other key technology components of our gaming devices and systems, as well as our fully integrated kiosks and other integrated kiosk solutions, to government or third-party gaming laboratories for testing and certification prior to deploying such games, systems, and devices in a particular gaming jurisdiction.

Gaming regulatory authorities have broad discretion and may require any beneficial holder of our securities, regardless of the number of shares of common stock or amount of debt securities owned, to file an application, make personal or confidential disclosures, be investigated, and be subject to a determination of suitability. Many jurisdictions require any person who acquires beneficial ownership of more than a certain percentage of voting securities of a gaming company and, in some jurisdictions, non-voting securities, typically 5%, to report the acquisition to Gaming Authorities, and Gaming Authorities may require such holders to apply for qualification or a finding of suitability, subject to limited exceptions for “institutional investors” that hold a company’s voting securities for investment purposes only. If a beneficial holder of our securities is a corporation, partnership, or trust, such entity must submit detailed business and financial information, which may include information regarding its officers, directors, partners, key personnel, and beneficial owners. Further disclosure by those officers, directors, partners, key personnel, and beneficial owners may also be required. Under some circumstances and in some jurisdictions, an institutional investor, as defined in the applicable gaming regulations, that acquires and holds a specified amount of our securities in the ordinary course of its business may apply to the regulatory authority for a waiver of these licensure, qualification, or finding of suitability requirements, provided that the institutional investor holds the voting securities for investment purposes only, meets certain thresholds relating to the number of securities held, and certifies as to its intentions not to directly or indirectly exert control or influence over the management, policies, and operations of the licensed entity or to change its corporate governance documents.

Tribal-State Compacts and Tribal Regulation . Native American gaming is subject to certain federal and tribal laws, rules, and regulations, including, for purposes of illustration and without limitation, IGRA. IGRA is the federal enactment that created the NIGC, which is vested with the authority to regulate gaming activities conducted by federally-recognized Native American tribes on Indian lands. Tribal legislation regarding gambling operations on Indian lands must be approved by the NIGC and, in certain instances, compacts are required to be executed between Native American tribes and the state governments proximate to such Indian lands. Native American tribes must adopt and submit for NIGC approval the ordinances that regulate their gaming activities. Pursuant to the requirements of IGRA, our tribal customers require the tribe to have the sole proprietary interest in their gaming

activities, and management contracts and collateral agreements in which tribes transfer authority to a third party for purposes of controlling all or part of the gaming operations are subject to the express review and approval of the NIGC. Because federally recognized Native American tribes are considered “domestic dependent nations” with certain sovereign rights, Native American tribes can enact their own laws and regulate gaming operations and contracts, and, with some exceptions, generally enjoy a degree of sovereign immunity, which, among other things, recognizes a tribe’s inherent authority of self-determination and self-governance, immunizes the tribe from certain lawsuits outside of tribal jurisdiction, and generally authorizes a tribe’s powers of taxation and spending over its federally-recognized nation.

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

Charity Regulation. We have historically supplied bingo games and systems to nonprofit organizations that operate these games for charitable, educational and other lawful purposes. Bingo for charity is not subject to a nationwide regulatory system, such as the system created by IGRA to regulate Native American gaming, and, as a result, regulation for this market is generally on a state-by-state basis, although in some cases it is regulated by county commissions or other local government authorities.

Lottery Commissions. Most states and the District of Columbia have lotteries. The operation of lotteries is subject to extensive regulation. Many aspects of lottery operations are determined by state or local legislation, but lottery regulatory authorities exercise significant discretion to ensure the integrity of contract awards and lottery operations, including in the process of selecting suppliers of equipment, technology and services and retailers of lottery products. Lottery regulatory commissions typically require detailed background disclosure by and investigations of vendors and their subsidiaries, affiliates, principal stockholders, officers, directors, and employees who will be directly responsible for the operation of lottery systems. These regulators may have authority to order removal of employees who they deem to be unsuitable or whose presence they believe may adversely affect the operational security or integrity of the lottery. Some lottery commissions mandate extensive personal and financial disclosure and background checks from persons and entities beneficially owning a specified percentage (typically 5% or more) of a vendor’s securities. The failure of such beneficial owners of our securities to cooperate with the regulators could result in penalties, jeopardize the award of a lottery contract to us, or provide grounds for termination of an existing lottery contract.

Internet and Online Gaming Regulation. Several states have passed implementing legislation and regulations to allow certain intra-state, wager-based, online casino or lottery games, such as online poker, online lottery, lottery ticket purchases, or lottery ticket subscriptions. This is due, in part, to: (a) a rule of construction contained within the Unlawful Internet Gaming Enforcement Act (“UIGEA”) that limits and prevents UIGEA application from altering, limiting or extending any federal, state or tribal laws regulating gambling; (b) a definition within UIGEA that excludes certain intra-state, intra-tribal and interstate horseracing transactions from the phrase “unlawful Internet gambling,” provided certain threshold requirements are met; (c) a memorandum dated September 20, 2011 and published by the United States Department of Justice, Criminal Division, in which the Department concludes, among other things, that the Federal Wire Act of 1961 (the “Wire Act”) does not apply to interstate transmissions of wire communications that do not relate to a sporting event or contest; and (d) traditional constitutional jurisprudence originating from the Commerce Clause of and Tenth (10th) Amendment to the United States Constitution and preemption jurisprudence, among others. To date, states such as Delaware, Georgia, Illinois, Michigan, Nevada, New Jersey, New York, North Carolina, North Dakota and Pennsylvania have authorized some form of internet or online gaming or lottery activities.

However, the legislative and regulatory environment surrounding online, wager-based games in the United States remains uncertain and complex, and it is unclear how the legislative and regulatory framework governing these activities will evolve in the future. Many states have yet to introduce or finalize regulations regarding the licensing and operational requirements regarding online, wager-based activity, including the licensing and technological requirements relating to the funding and processing of payments relating to online, wager-based casino and lottery games. In addition, the funding of online casino gaming activity is subject to the requirement of the UIGEA, which

may prohibit or significantly impede the funding of online, wager-based gaming activity. There is also a possibility that the Wire Act may be amended in the future to prevent or prohibit the use of Internet or mobile-based platforms regardless of the involvement of a sporting event or contest or that the United States Department of Justice may amend, modify, rescind, or otherwise alter its previous memoranda and that such action may result in a materially different interpretation of the Wire Act, which may result in civil or criminal enforcement actions.

Financial Services Regulation

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

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

Anti-Money Laundering . The USA PATRIOT Act of 2001, other federal statutes, generally referred to as the Bank Secrecy Act, and implementing federal regulations require us to establish and maintain an anti-money laundering program. Our anti-money laundering program includes: internal policies, procedures and controls designed to identify and report money laundering, a designated compliance officer, an ongoing employee training program, and an independent audit function to test the program. In addition, the cash access services that we provide are subject to record keeping and reporting obligations under the Bank Secrecy Act. Our gaming establishment customers are required to file a SAR with the U.S. Treasury Department’s Financial Crimes Enforcement Network to report any suspicious transactions relevant to a possible violation of law or regulation. We are also required to file a SAR where we provide our cash access services directly to patrons through financial services centers that we staff and operate. To be reportable, such a transaction must meet criteria that are designed to identify the hiding or disguising of funds derived from illegal activities. Our gaming establishment customers, in situations where our cash access services are provided through gaming establishment cashier personnel, and we, in situations where we provide our cash access services through a financial services center, are required to file a CTR of each deposit, withdrawal, exchange of currency or other payment or transfer by, through or to us which involves a transaction in currency of more than \$10,000 in a single day. Our CashClub[®] product can assist in identifying transactions that give rise to reporting obligations. When we issue or sell drafts for currency in amounts between \$3,000 and \$10,000, we maintain a record of information about the purchaser, such as the purchaser’s address and date of birth.

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

State Money Transmission Laws . Many states where we complete credit card cash access and POS debit card cash access transactions or offer our online payment processing solution require us to have a money transmitter license.

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

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

Privacy Regulations . Our collection of information from patrons who use our financial products and services, such as our cash access services, are subject to the financial information privacy protection provisions of the Gramm-Leach-Bliley Act and its implementing federal regulations. We gather, as permitted by law, non-public, personally-identifiable financial information from patrons who use our cash access services, such as names, addresses, telephone numbers, bank and credit card account numbers and transaction information. The Gramm-Leach-Bliley Act requires us to safeguard and protect the privacy of such non-public personal information and also requires us to make disclosures to patrons regarding our privacy and information sharing policies and give patrons the opportunity to direct us not to disclose information about them to unaffiliated third parties in certain situations. We are also subject to state privacy regulations which, in some cases, may be even stricter than federal law. We continue to implement policies and programs as well as adapt our business practices in order to comply with federal and state privacy laws and regulations.

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

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

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

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

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

International Regulation

We are also subject to a variety of gaming and financial services regulations and other laws, including the Foreign Corrupt Practices Act, in the international markets in which we operate. We expect to become subject to additional gaming and financial services regulations and other laws in the jurisdictions into which we expand our operations. Our expansion into new markets is dependent upon our ability to comply with the regulatory regimes adopted by such jurisdictions. Difficulties in obtaining approvals, licenses or waivers from the gaming and monetary authorities, in addition to other potential regulatory and quasi-regulatory issues that we have not yet ascertained, may arise in other international jurisdictions into which we wish to enter.

Item 1A. Risk Factors .

The following section describes material risks and uncertainties that we believe may adversely affect our business, financial condition, results of operations or the market price of our stock. This section should be read in conjunction with our Financial Statements and Results of Operations included elsewhere in this Annual Report on Form 10-K.

Risks Related to Our Business

We have recorded net losses in each of the last three fiscal years and we may not generate profits in the future.

We had net losses of \$51.9 million, \$249.5 million and \$105.0 million for the years ended December 31, 2017, 2016 and 2015, respectively. As a result of the interest payments on the indebtedness incurred in connection with Everi Holdings' purchase of Everi Games Holding in December 2014 (the "Merger"), amortization of intangible assets associated with the Merger and other acquisitions, other related acquisition and financing costs, asset impairment charges and depreciation and other amortization, we may not be able to generate profits in the future. We expect to continue to incur charges in the future in connection with the Merger and future acquisitions and we cannot assure you that we will generate net profits from operations in 2018 or subsequent years. Our ability to generate net profits in the future will depend, in part, on our ability to:

- establish strategic business relationships with new and existing customers;
- sell our products and services into new markets and to new customers in existing markets and retain our existing customers;
- develop new games or license third party content in our Games business and develop new products and services in our Payments business;
- effectively manage a larger and more diversified workforce and business;
- react to changes, including technological and regulatory changes, in the markets we target or operate in;
- respond to competitive developments and challenges;
- continue to comply with the EMV global standard for cards equipped with security chip technology; and
- attract and retain experienced and talented personnel.

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

Our substantial leverage could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in our industry or the economy, expose us to interest rate risk to the extent of our variable rate debt, and prevent us from meeting our obligations with respect to our indebtedness.

As of December 31, 2017, our total indebtedness was approximately \$1.2 billion, which included the New Credit Facilities and the 2017 Unsecured Notes, each of which contain restrictive covenants. Our high degree of leverage could have significant adverse effects on our business, including:

- requiring a substantial portion of cash flow from operations to be dedicated to the payment of principal and interest on our indebtedness, therefore reducing our ability to use our cash flow to fund our operations, capital expenditures, and future business opportunities;
- making it more difficult for us to satisfy our obligations with respect to our indebtedness and any failure to comply with the obligations of any of our debt instruments, including restrictive covenants and borrowing conditions, could result in an event of default under the New Credit Facilities and the indentures governing the 2017 Unsecured Notes;
- increasing our vulnerability to adverse economic, industry or competitive developments;
- restricting us from making strategic acquisitions or causing us to make non-strategic divestitures;
- limiting our ability to obtain additional financing for working capital, capital expenditures, product development, debt service requirements, acquisitions and general corporate or other purposes; and
- limiting our flexibility in planning for, or reacting to, changes in our business or market conditions and placing us at a competitive disadvantage compared to our competitors who are less highly leveraged or may have more resources than us and who therefore may be able to take advantage of opportunities that our leverage prevents us from exploiting.

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

Our ability to make scheduled payments on our indebtedness, including the New Credit Facilities and the 2017 Unsecured Notes, will depend upon our future operating performance and on our ability to generate cash flow in the future, which is subject to general economic, financial, business, competitive, legislative, regulatory, and other factors that are beyond our control. We cannot assure you that our business will generate sufficient cash flow from operations, or that future borrowings, including those under the New Credit Facilities, will be available to us in an amount sufficient to pay our indebtedness or to fund other liquidity needs.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we could face substantial liquidity problems and could be forced to reduce or delay investment and capital expenditures or to dispose of material assets or operations, seek additional equity capital, or restructure or refinance our indebtedness. We may not be able to affect any such alternative measures, if necessary, on commercially reasonable terms or at all and, even if successful, such alternative actions may not allow us to meet our scheduled debt service obligations. The New Credit Facilities and the indenture governing the 2017 Unsecured Notes restrict our ability to dispose of assets and use the proceeds from any such disposition.

If we cannot make scheduled payments on our debt, we will be in default and, as a result, the holders of the 2017 Unsecured Notes could declare all outstanding principal and interest to be due and payable, the lenders under the New Credit Facilities could declare all outstanding amounts under such facilities due and payable and terminate their commitments to loan money, and, in each case, foreclose against the assets securing the borrowings under the New Credit Facilities, and we could be forced into bankruptcy or liquidation.

If our indebtedness is accelerated, we may need to refinance all or a portion of our indebtedness before maturity. We may not be able to refinance any of our indebtedness on commercially reasonable terms or at all. There can be no assurance that we will be able to obtain sufficient funds to enable us to repay or refinance our debt obligations on commercially reasonable terms, or at all.

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

The New Credit Facilities and the indenture governing the 2017 Unsecured Notes contain a number of significant restrictions and covenants that limit our ability to:

- incur additional indebtedness;
- sell assets or consolidate or merge with or into other companies;
- pay dividends or repurchase or redeem capital stock;
- make certain investments;
- issue capital stock of our subsidiaries;
- incur liens;
- prepay, redeem or repurchase subordinated debt; and
- enter into certain types of transactions with our affiliates.

These covenants could have the effect of limiting our flexibility in planning for or reacting to changes in our business and the markets in which we compete. In addition, the New Credit Facilities require us to comply with a financial maintenance covenant under certain circumstances. Operating results below current levels or other adverse factors, including a significant increase in interest rates, could result in our being unable to comply with the financial covenants contained in the New Credit Facilities, if applicable. If we violate this covenant and are unable to obtain a waiver from our lenders, our debt under the New Credit Facilities would be in default and could be accelerated by our lenders. Based on cross-default provisions in the agreements and instruments governing our indebtedness, a default under one agreement or instrument could result in a default under, and the acceleration of, our other indebtedness. In addition, the lenders under the New Credit Facilities could proceed against the collateral securing that indebtedness.

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

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

As of December 31, 2017, we had tax effected federal and state net operating loss (“NOL”) carry forwards of approximately \$74.1 million and \$13.1 million, respectively, federal research and development credit carry forwards of approximately \$6.0 million, and foreign tax credit carry forwards of approximately \$0.5 million. The federal net operating losses can be carried forward and applied to offset taxable income for 20 years and will expire starting in 2022. The state net operating loss carry forwards will expire between 2018 and 2038. The federal research and development credits are limited to a 20 year carry forward period and will begin to expire in varying amounts in 2029, if not utilized. The foreign tax credits can be carried forward 10 years and will expire in 2020, if not utilized.

Based on the weight of available evidence, including both positive and negative indicators, if it is more likely than not that a portion, or all, of the deferred tax assets will not be realized, we must consider recording a valuation allowance. Greater weight is given to evidence that is objectively verifiable, most notably historical results. As we are in a cumulative loss position, we increased our valuation allowance for deferred tax assets by \$2.3 million (net of a reduction for the decrease in the US federal corporate tax rate) during 2017, related to these NOL and other tax credit carry-forwards. Our ability to utilize the remaining NOL and other tax credit carry forwards to reduce taxable income in future years may be further limited, including the possibility that projected future taxable income is insufficient to realize the benefit of these NOL carry forwards prior to their expiration. To the extent our results of operations do not improve, we may not have the ability to overcome the more likely than not accounting standard that would allow us to reverse the valuation allowance and may be subject to record an additional valuation allowance in the future.

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

The recently passed Tax Cuts and Jobs Act of 2017 ("2017 Tax Act") could adversely affect our business and financial condition.

The 2017 Tax Act, among other changes, makes a US federal net operating loss less valuable as an asset due to a new flat US federal corporate income tax rate of 21%, replacing a graduated rate with a maximum income tax rate of 35%, effective January 1, 2018. Net operating losses arising in taxable years beginning after December 31, 2017 are limited in use to offset eighty percent of taxable income, without the ability to carryback such net operating losses, but with an indefinite carryforward of such losses (instead of the former 2 year carryback and 20 year carryforward for net operating losses arising in taxable years beginning before December 31, 2017). The amount of the net US federal interest expense deduction is generally limited to (a) 30% of adjusted taxable income, calculated without regard to depreciation, amortization, depletion or interest, effective for tax years beginning after December 31, 2017 and before January 1, 2022 and (b) 30% of adjusted taxable income, calculated without regard to interest (reduced by depreciation, amortization and depletion), effective for tax years beginning after December 31, 2021. Disallowed amounts may be carried forward indefinitely, subject to ownership change limitations. We continue to examine the impact this tax reform legislation may have on our deferred tax assets and our business. Notwithstanding the reduction in the corporate income tax rate, the overall impact of the 2017 Tax Act is uncertain and our business and financial condition could be adversely affected.

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

In the course of providing our cash access services, we engage third-party processors, data center providers, telecommunication networks and other third-party technology vendors. In addition, we gather, as permitted by law, non-public, personally-identifiable financial information from patrons who use our cash access services, such as names, addresses, telephone numbers, bank and credit card account numbers and transaction information, which may be routed through our third-party vendors. We are required by law to safeguard and protect the privacy of such non-public personal information and we take such responsibilities seriously, which we demonstrate by carefully vetting the third parties we choose to provide technology services to us.

In the course of providing our gaming related products and services, we engage third-party processors, data center providers, telecommunication networks and other third-party technology vendors. In the event our EGMs are compromised, gaming establishments may require us to remediate any abnormality or suspicious activity or require us to indemnify casino operators for lost business and, potentially, their patrons. This may have cascading implications across our network security platform and information technology infrastructure that could require greater management and employee focus on these issues, resulting in lost productivity and increased costs. We also could be subject to liability claims or regulatory compliance implications.

Our internal network, systems and related infrastructure, in addition to the networks, systems and related infrastructure of our third-party technology vendors, may be vulnerable to computer viruses and other malware that infiltrate such systems and networks, as well as physical or electronic security breaches, natural disasters and similar disruptions. They may also be the target of attempts to identify and exploit network and system vulnerabilities, penetrate or bypass security measures in order to interrupt or degrade the quality of the services we receive, or provide or otherwise gain unauthorized access to our networks and systems or those of our third-party vendors. These vulnerabilities or other attempts at access may result from, or be caused by, human error or technology failures, but they may also be the product of malicious actions by third parties intending to harm our business. The methods that may be used by these third parties to cause service interruptions or failures or to obtain unauthorized access to information change frequently, are difficult to detect, and are hard to defend against. Our defensive measures, and those employed by our third-party vendors, may not be sufficient to defend against all such methods, and any such failure to defend could lead to interruptions or outages of our services, delays, loss of data or public release of confidential data. In some instances, such failures could cause us to fail to meet contractual deadlines or

specifications and force us to renegotiate contracts on less favorable terms, pay penalties or liquidated damages or suffer major losses if the customer exercises its right to terminate. We are parties to certain agreements that could require us to pay damages resulting from loss of revenues if our systems are not properly functioning or as a result of a system malfunction. For example, our agreement with the New York State Gaming Commission permits termination of the contract at any time for failure by us or our system to perform properly, and any such unforeseen downtime could subject us to liquidated damages. In addition, if we fail to meet the terms specified in our contracts, we may not realize their full benefits. Failure to perform under any contract could result in substantial monetary damages, as well as contract termination. We also could be subject to liability for claims relating to misuse of personal information in violation of contractual obligations or data privacy laws. In addition, we cannot provide assurance that the contractual requirements related to the security and privacy that we impose on our third-party vendors who have access to this data will be followed or will be adequate to prevent the misuse of this data.

Any of the issues described above, whether experienced by us or a third-party vendor, could harm our reputation, deter existing and prospective customers from using our services, increase our operating expenses in order to contain and remediate the incident, expose us to unanticipated or uninsured liabilities, disrupt our operations (including potential service interruptions), distract our management, increase our risk of litigation or regulatory scrutiny, result in the imposition of penalties and fines under applicable laws, or lead to the loss of customers and revenue. We maintain insurance against cybersecurity and related risks, but it may not cover all losses that we could suffer.

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

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

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

We provide our gaming-related and cash access products and services almost exclusively to gaming establishments. As a result, our business depends on consumer demand for gaming. Gaming is a discretionary leisure activity, participation in which has in the past and may in the future decline during periods of (i) economic growth, due to changes in consumers' spending habits, (ii) economic downturns, due to decreases in our customers' disposable income or general tourism activities, and (iii) declining consumer confidence, due to general economic conditions, geopolitical concerns or other factors. Gaming competes with other leisure activities as a form of consumer entertainment and may lose popularity as new leisure activities arise or as other leisure activities become more popular. In addition, gaming in traditional gaming establishments (to which we sell our products and services) competes with internet-based gaming. The popularity and acceptance of gaming is also influenced by the prevailing social mores and changes in social mores, including changes driven by social responsibility organizations that are dedicated to addressing problem gaming, which could result in reduced acceptance of gaming as a leisure activity or litigation or lobbying efforts focused on limiting gaming activities. To the extent that the popularity or availability of gaming in traditional gaming establishments declines as a result of any of these factors, the demand for our cash access and gaming-related products and services, or the willingness of our customers to spend new capital on acquiring gaming equipment or utilize revenue share agreements, may decline and our business may be harmed.

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

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

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

As of December 31, 2017, we operated 8,875 Class II gaming units under lease or daily fixed fee arrangements to our customers. Customers who enter into compacts with state governments may desire to change from Class II gaming units to Class III gaming units, as Class III units generally perform better than Class II units. This may result in the loss of placements under lease or daily fixed fee arrangements as customers purchase or lease Class III units from other equipment suppliers to replace our existing Class II units. If we are unable to replace these lost units with our proprietary Class III units, then our business, financial condition, operations or cash flows may suffer an adverse effect.

If we are unable to renew our contract with the New York State Gaming Commission, our revenues, financial condition, operations or cash flows may suffer a material adverse effect.

Our contract to provide an accounting and central determinant system for the VLTs in the State of New York has provided Games segment revenues of approximately \$18.1 million for the years ended December 31, 2017 and 2016. In January 2018, an amendment to the agreement between Everi Games and the New York State Gaming Commission was approved and became effective. Under this amendment, Everi Games will continue to provide and maintain the central determinant system for the New York Lottery through December of 2019. Upon its expiration, if we are unsuccessful in renewing the contract, our business, financial condition, operations or cash flows may suffer a material adverse effect.

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

We often execute contracts with customers pursuant to which we provide products and services at multiple gaming establishments. Accordingly, the expiration or termination of a single key contract can mean the loss of multiple gaming facilities at which our products and services are used. In addition, consolidation among operators of gaming establishments may also result in the loss of customers if one of our customers is acquired by a business that utilizes one of our competitors.

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

We derive a significant percentage of our revenue from the provision of cash access and gaming-related products and services to gaming facilities operated on Native American lands.

Native American tribes that are federally recognized are considered “domestic dependent nations” with certain sovereign rights and, in the absence of a specific grant of authority by Congress to a state or a specific compact or

agreement between a tribal entity and a state that would allow the state to regulate activities taking place on Native American lands, such tribes can enact their own laws and regulate gaming operations and contracts. In this capacity, Native American tribes generally enjoy a degree of sovereign immunity, which, among other things, recognizes a tribe's inherent authority of self-determination and self-governance, immunizes the tribe from certain lawsuits outside of tribal jurisdiction, and generally authorizes a tribe's powers of taxation and spending over its federally-recognized nation. Accordingly, before we can seek to enforce contract rights with a Native American tribe, or an agency or instrumentality of a Native American tribe, we must obtain from the Native American tribe a general or limited waiver of its sovereign immunity with respect to the matter in dispute, which we are not always able to do. Without a general or limited waiver of sovereign immunity, or if such waiver is held to be ineffective, we could be precluded from judicially enforcing any rights or remedies against a Native American tribe, including the right to enter Native American lands to retrieve our property in the event of a breach of contract by the tribal party to that contract. Even if the waiver of sovereign immunity by a Native American tribe is deemed effective, there could be an issue as to the forum in which a lawsuit may be brought against the Native American tribe. Federal courts are courts of limited jurisdiction and generally do not have jurisdiction to hear civil cases relating to Native American tribes, and we may be unable to enforce any arbitration decision effectively. Although we attempt to agree upon governing law and venue provisions in our contracts with Native American tribal customers, these provisions vary widely and may not be enforceable.

Certain of our agreements with Native American tribes are subject to review by regulatory authorities. For example, our development agreements are subject to review by the NIGC, and any such review could require substantial modifications to our agreements or result in the determination that we have a proprietary interest in a Native American tribe's gaming activity, which could materially and adversely affect the terms on which we conduct our business. The NIGC has previously expressed the view that some of our development agreements could be in violation of the requirements of the IGRA and Native American tribal gaming regulations, which state that the Native American tribes must hold "sole proprietary interest" in the Native American tribes' gaming operations, which presents additional risk for our business. The NIGC may also reinterpret applicable laws and regulations, which could affect our agreements with Native American tribes. We could also be affected by alternative interpretations of the Johnson Act as the Native American tribes, who are the customers for our Class II games, could be subject to significant fines and penalties if it is ultimately determined they are offering an illegal game, and an adverse regulatory or judicial determination regarding the legal status of our products could have material adverse consequences for our business, financial condition, operations, cash flows or prospects.

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

Certain Native American tribes require us to contract with entities that are owned, controlled or managed by tribal members to provide a portion of our services. In some instances, these entities are subcontractors of ours in connection with providing our services, while in other instances we are a subcontractor to these entities who contract with the applicable tribal gaming casino or tribe directly to provide cash access services. Our ability to provide our services is dependent upon our relationship with these third parties and their ability to provide services in accordance with the terms of our contractual arrangement with these third parties and, in some instances, the third parties' relationship or contractual arrangement with the applicable tribal gaming casino or tribe.

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

Our success is dependent on our ability to develop and sell new games, products and services that are attractive not only to our customers but also to their customers, the gaming patrons. If our games, products, and services do not appeal to gaming operators and patrons, or do not meet or sustain revenue and profitability of contractual

obligations and expectations, we may lose business to our competitors. Additionally, we may be unable to enhance existing games, products and services in a timely manner in response to changing regulatory, legal or market conditions or customer requirements, or new games, products and services may not achieve market acceptance in new or existing markets. Delay in regulatory approvals of new gaming devices and equipment may adversely impact new product deployment. Furthermore, as we attempt to generate new streams of revenue by selling our games, products and services to new customers in new jurisdictions, we will face licensing and approval requirements of Gaming Authorities influencing the timing of our market entry and we may have difficulty implementing an effective sales strategy for these new jurisdictions. If we are unable to keep pace with rapid innovations in new technologies or product design and deployment or if we are unable to quickly adapt our development, manufacturing or sales processes to compete, our business, financial condition, operations or cash flows could suffer a material adverse effect.

We may not successfully enter new markets and potential new markets may not develop quickly or at all.

If and as new and developing domestic markets develop, competition among providers of gaming-related and cash access products and services will intensify. We will face a number of hurdles in our attempts to enter these markets, including the need to expand our sales and marketing presence, compete against pre-existing relationships that our target customers may have with our competitors, the uncertainty of compliance with new or developing regulatory regimes (including regulatory regimes relating to Internet gaming) with which we are not currently familiar, and oversight by regulators that are not familiar with us or our businesses. Each of these risks could materially impair our ability to successfully expand our operations into these new and developing domestic markets.

In addition, as we attempt to sell our gaming-related and cash access products and services into international markets in which we have not previously operated, we may become exposed to political, economic, tax, legal and regulatory risks not faced by businesses that operate only in the United States. The legal and regulatory regimes of foreign markets and their ramifications on our business are less certain. Our international operations are subject to a variety of risks, including different regulatory requirements and interpretations, trade barriers, difficulties in staffing and managing foreign operations, higher rates of fraud, compliance with anti-corruption and export control laws, fluctuations in currency exchange rates, difficulty in enforcing or interpreting contracts or legislation, political and economic instability and potentially adverse tax consequences. Difficulties in obtaining approvals, licenses or waivers from the monetary and Gaming Authorities of other jurisdictions, in addition to other potential regulatory and quasi-regulatory issues that we have not yet ascertained, may arise in international jurisdictions into which we attempt to enter. In these new markets, our operations will rely on an infrastructure of, among other things, financial services and telecommunications facilities that may not be sufficient to support our business needs, such as the authorization and settlement services that are required to implement electronic payment transactions and the telecommunications facilities that would enable us to reliably connect our networks to our products at gaming establishments in these new markets. In these new markets, we may additionally provide services based upon interpretations of applicable law, which interpretation may be subject to regulatory or judicial review. These risks, among others, could materially and adversely affect our business, financial condition and operations. In connection with our expansion into new international markets, we may forge strategic relationships with business partners to assist us. The success of our expansion into these markets therefore may depend in part upon the success of the business partners with whom we forge these strategic relationships. If we do not successfully form strategic relationships with the right business partners or if we are not able to overcome cultural or business practice differences, our ability to penetrate these new international markets could suffer.

We are subject to the risk that the domestic or international markets we attempt to enter or expand into may not develop as quickly as anticipated, or at all. The development of new gaming markets is subject to political, social, regulatory and economic forces beyond our control. The expansion of gaming activities in new markets can be very controversial and may depend heavily on the support and sponsorship of local government. Changes in government leadership, failure to obtain requisite voter support in referendums, failure of legislators to enact enabling legislation and limitations on the volume of gaming activity that is permitted in particular markets may inhibit the development of new markets. Further, our estimates of the potential future opportunities in new markets are based on a variety of assumptions that may prove to be inaccurate. To the extent that we overestimate the potential of a new market, incorrectly gauge the timing of the development of a new market or fail to anticipate the differences between a new market and our existing markets, we may fail in our strategy of growing our business by expanding into new markets. Moreover, if we are unable to meet the needs of our existing customers as they enter markets that we do not currently serve, our relationships with these customers could be harmed.

We may not realize satisfactory returns on money loaned or otherwise funded to new and existing customers to develop or expand gaming facilities.

In our gaming business, we enter into placement fee agreements typically to secure a long-term revenue share percentage and a fixed number of player terminal placements in the gaming facility. These placement fee arrangements may provide for the removal of our player terminal placements in the event of poor game performance with no further obligation of the gaming customer. Additionally, we have historically entered into development fee arrangements and may continue to do so in the future. Under the development fee arrangements, we provide financing for construction, expansion or remodeling of gaming facilities in exchange for a long-term revenue share percentage and a fixed number of player terminal placements in the gaming facility until the development fee is repaid to us. The success of these ventures is dependent upon the timely completion of the gaming facility, the placement of our player terminals and a favorable regulatory environment. Our development and placement efforts and financing activities may result in operating difficulties, financial and regulatory risks, or required expenditures that could materially and adversely affect our liquidity. In connection with one or more of these transactions, and to obtain the necessary development and placement fee funds, we may need to extend secured and unsecured credit to potential or existing customers that may not be repaid, incur debt on terms unfavorable to us, incur difficulties in perfecting security interests in collateral on Indian lands, or that we are unable to repay, or incur other contingent liabilities. The failure to maintain controls and processes related to our collection efforts or the deterioration of regulatory or financial condition of our customers could negatively impact our business.

We depend on third-party transaction processors, third-party data center providers, telecommunication networks and other third-party technology vendors to provide our cash access and related services; and if we, or any of these third parties, experience system or service failures, the products and services we provide could be delayed or interrupted, which could harm our business and reputation.

Our ability to provide uninterrupted and high levels of services depends upon the performance of the third-party processors, data center providers, telecommunication networks and other third-party technology vendors that we use. Any significant interruptions in, or degradation of, the quality of the services, including infrastructure storage and support, that these third parties provide to us could severely harm our business and reputation and lead to the loss of customers and revenue. Our internal network, systems and related infrastructure as well as third-party providers and their networks, systems and related infrastructure are potentially vulnerable to computer viruses, physical or electronic security breaches, natural disasters and similar disruptions, which could lead to interruptions or outages of our services, delays, loss of data or public release of confidential data, all of which could have a material adverse effect on our business, financial condition, operations or cash flows. In some instances, such failures could cause us to fail to meet contractual deadlines or specifications and force us to renegotiate contracts on less favorable terms, pay penalties or liquidated damages or suffer major losses if the customer exercises its right to terminate. We are parties to certain agreements that could require us to pay damages resulting from loss of revenues if our systems are not properly functioning or as a result of a system malfunction. For example, our agreement with the New York State Gaming Commission permits termination of the contract at any time for failure by us or our system to perform properly, and any such unforeseen downtime could subject us to liquidated damages. In addition, if we fail to meet the terms specified in our contracts, we may not realize their full benefits. Failure to perform under any contract could result in substantial monetary damages, as well as contract termination. Our results of operations are dependent on our ability to maximize our earnings from our contracts.

We typically rely on a single third-party processor to process substantially all of our cash access transactions that are processed through various card associations and EFT payment networks, and the failure of our third-party processor to adequately provide such processing services could have a material adverse effect on our business, financial condition, operations or cash flows.

We typically rely on a single third party to provide processing services for the majority of our cash access transactions by obtaining authorizations for ATM cash withdrawal, POS debit card and credit card cash access transactions and to provide settlement transaction files to card associations and EFT payment networks for some of these transactions. If our third-party processor fails to adequately provide these services, it could result in our systems being unable to process our cash access transactions intermittently or for extended periods of time, which could have a material adverse effect on our business, financial condition, operations or cash flows.

An unexpectedly high level of chargebacks, as the result of fraud or otherwise, including in connection with new technology standards being implemented in the United States regarding chip-based cards , could materially and adversely affect our cash access business.

In 1994, Europay, MasterCard and Visa jointly developed EMV, designed to deter fraudulent card transactions related to identity theft, counterfeit cards and the misuse of lost or stolen cards via enhanced card authentication, transaction authorization and cardholder verification using chip-based smart-cards. EMV has been adopted in many regions of the world as the global standard for fraud deterrence in chip based smart-card payments. Historically, the U.S. payments industry has relied on magnetic stripe cards instead of EMV compliant chip-based cards. Recently, however, U.S. card issuers have begun to offer EMV-capable chip-based smart-cards, and as of October 1, 2015, the U.S. payment card industry shifted the liability for fraudulent transactions generated through EMV-enabled cards onto merchants whose devices are not capable of processing chip-based smart-card EMV transactions. This shifted the responsibility for chargebacks due to fraudulent transactions on such cards from the card issuer onto the merchant. We currently do not incur such costs as we are compliant with the EMV regulations. However, if we are unable to maintain such status, our cash access business may be adversely affected.

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

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

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

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

Our success depends, in part, on developing and protecting our intellectual property. We rely on copyright, patent, trademark and trade secret laws to protect our intellectual property. We also rely on other confidentiality and contractual agreements and arrangements with our employees, affiliates, business partners and customers to establish and protect our intellectual property and similar proprietary rights. While we expect these agreements and arrangements to be honored, we cannot assure you that they will be and, despite our efforts, our trade secrets and proprietary know-how could become known to, or independently developed by, competitors. Any litigation relating to the defense of our intellectual property, whether successful or unsuccessful, could result in substantial costs to us and potentially cause a diversion of our resources.

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

Our 3-in-1 Rollover patent expired in early 2018 and our business, financial condition, operations or cash flows may suffer an adverse effect from our competitors' use of this technology.

We no longer have the ability to extend our existing 3-in-1 Rollover patent, which allows a patron that has reached his or her daily ATM limit to obtain funds via a POS debit card cash access transaction or a credit card cash access transaction instead. As a result of the patent expiration, our competitors will have the ability to emulate this technology; and our business, financial condition, operations or cash flows may suffer an adverse effect.

We rely on hardware, software and games licensed from third parties, and on technology provided by third-party vendors, the loss of which could materially and adversely affect our business, increase our costs and delay deployment or suspend development of our gaming systems and player terminals.

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

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

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

Our inability to identify business opportunities and future acquisitions, or successfully execute any of our identified business opportunities or future acquisitions could limit our future growth.

From time to time, we pursue strategic acquisitions in support of our strategic goals. In connection with any such acquisitions, we could face significant challenges in timely securing required approvals of Gaming Authorities, or managing and integrating our expanded or combined operations, including acquired assets, operations and personnel. There can be no assurance that acquisition opportunities will be available on acceptable terms or at all or that we will be able to obtain necessary financing or regulatory approvals to complete potential acquisitions.

We may not achieve the intended benefits of our acquisitions, if any, nor may we be able to integrate those businesses successfully, and any such acquisitions may disrupt our current plans and operations.

Our ability to succeed in implementing our strategy will depend to some degree upon the ability of our management to successfully integrate commercially viable acquisitions. Acquisition transactions may disrupt our ongoing business and distract management from other responsibilities. The expected cost synergies associated with such acquisitions may not be fully realized in the anticipated amounts or within the contemplated timeframes or cost expectations, which could result in increased costs and have an adverse effect on our prospects, results of operations, cash flows and financial condition. Our businesses may be negatively impacted if we are unable to effectively manage our expanded operations. The integration of these acquisitions will require significant time and focus from management and may divert attention from the day-to-day operations of the combined business or delay the achievement of our strategic objectives. We expect to incur incremental costs and capital expenditures related to our contemplated integration activities.

The risks we commonly encounter in acquisitions include:

- if, in addition to our current indebtedness, we incur significant debt to finance a future acquisition and our combined business does not perform as expected, we may have difficulty complying with debt covenants;
- we may be unable to make a future acquisition which is in our best interest due to our current level of indebtedness;
- if we use our stock to make a future acquisition, it will dilute existing stockholders;
- we may have difficulty assimilating the operations and personnel of any acquired company;
- the challenge and additional investment involved with integrating new products and technologies into our sales and marketing process;
- we may have difficulty effectively integrating any acquired technologies or products with our current products and technologies, particularly where such products reside on different technology platforms or overlap with our products;
- our ongoing business may be disrupted by transition and integration issues;
- the costs and complexity of integrating the internal information technology infrastructure of each acquired business with ours may be greater than expected and may require additional capital investments;
- we may not be able to retain key technical and managerial personnel from an acquired business;
- we may be unable to achieve the financial and strategic goals for any acquired and combined businesses;
- we may have difficulty in maintaining controls, procedures and policies during the transition and integration period following a future acquisition;
- our relationships with partner companies or third-party providers of technology or products could be adversely affected;
- our relationships with employees and customers could be impaired;
- our due diligence process may fail to identify significant issues with product quality, product architecture, legal or tax contingencies, customer obligations and product development, among other things;
- as successor we may be subject to certain liabilities of our acquisition targets;
- we may face new intellectual property challenges; and
- we may be required to sustain significant exit or impairment charges if products acquired in business combinations are unsuccessful.

Our failure to effectively integrate any future acquisition would adversely affect the benefit of such transaction, including potential synergies or sales growth opportunities, in the time frame anticipated.

We operate our business in regions subject to natural disasters. Any interruption to our business resulting from a natural disaster will adversely affect our revenues and results of operations.

In the event of a natural disaster, the operations of gaming establishments could be negatively impacted or consumer demand for gaming could decline, or both, and as a result, our business could be interrupted, which could materially and adversely affect our revenues and results of operations. Adverse weather conditions, particularly flooding, hurricanes, tornadoes, heavy snowfall and other extreme weather conditions often deter our customer's end users from traveling or make it difficult for them to frequent the sites where our games are installed. If any of those sites experienced prolonged adverse weather conditions, or if the sites in the State of Oklahoma, where a significant number of our games are installed, simultaneously experienced adverse weather conditions, our results of business,

financial condition and operations could be materially and adversely affected. During 2017, the impact of weather-related natural disasters resulted in business disruption at certain of our customers' facilities.

Risks Related to Regulation of Our Industry

We may be subject to fines, penalties, liabilities and legal claims resulting from unauthorized disclosure of cardholder and patron data, whether through a security breach of our computer systems, our third-party processor's computer systems or otherwise, or through our unauthorized use or transmission of such data.

We collect and store personally identifiable information about cardholders and patrons that perform certain cash access and Central Credit transactions, including names, addresses, social security numbers, driver's license numbers and account numbers, and we maintain a database of cardholder and patron data, including account numbers, in order to process our cash access and Central Credit transactions. We also rely on our third-party processor and certain other technology partners to process and store cardholder and patron data relating to our cash access and Central Credit transactions. As a result, we, as well as our third-party processor, certain of our other technology providers and some of our gaming establishment customers, are required to comply with various federal and state privacy statutes and regulations and the PCI Data Security Standard. Compliance with these regulations and requirements, which are subject to change at any time, is often difficult and costly, and our failure, or the failure of these other third parties, to comply may result in significant fines or civil penalties, regulatory enforcement action, liability to our sponsor bank and termination of our agreements with our gaming establishment customers, each of which could have a material adverse effect on our business, financial condition, operations or cash flows. If our computer systems or those of our third-party processor or other technology providers suffer a security breach, we may be subject to liability, including claims for unauthorized transactions with misappropriated bank card information, impersonation or similar fraud claims, as well as for any failure to comply with laws governing required notifications of such a breach, and these claims could result in protracted and costly litigation, penalties or sanctions from the card associations and EFT payment networks, and damage to our reputation, which could reduce and limit our ability to provide cash access and related services to our gaming establishment customers.

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

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

Our operation of gaming activities, including the sale and manufacturing of gaming devices, fully integrated kiosks, the provision of cash access services at gaming establishments and the operation of central determinant systems, is subject to extensive regulation by the jurisdictions where we operate. The gaming laws, regulations and ordinances vary from jurisdiction to jurisdiction, but generally concern the antecedents, acumen, financial stability and character of our owners, officers and directors, as well as those persons financially interested or involved in our companies. Our violation of these gaming laws, regulations and ordinances could result in the imposition of substantial fines, or in the conditioning, limitation, suspension or revocation of a required license, registration or other approval, either of which could have a material adverse impact on our business depending on the specific circumstances. In addition, we are subject to the possible increase at any time by various state and federal

legislatures and officials of gaming taxes or fees, which could adversely affect our results. For a summary of gaming regulations that could affect our business, see “Item 1. Business—Regulation.”

Our ability to conduct both our gaming and cash access businesses, expand operations, develop and distribute new games, products and systems, and expand into new gaming markets is also subject to significant federal, state, local, Native American and foreign regulations. In the United States and many other countries, gaming must be expressly authorized by law. Once authorized, such activities are subject to extensive and evolving governmental regulation. While we seek to comply with the standards and regulations set forth by each jurisdiction, a governmental agency or court could disagree with our interpretation of these standards and regulations or determine that the manufacturing and use of certain of our electronic player terminals, and perhaps other key components of our gaming systems that rely to some extent upon electronic equipment to run a game, is impermissible under applicable law. An adverse regulatory or judicial determination regarding the legal status of our products could have material adverse consequences for us in other jurisdictions, including with gaming regulators, and our business, operating results and prospects could suffer and we and our officers and directors could be subject to significant fines and penalties. Furthermore, the failure to become licensed, or the loss or conditioning of a license, in one market may have the adverse effect of preventing licensing in other markets or the revocation of licenses we already maintain.

As we expand into new markets, we expect to encounter business, legal, operational and regulatory uncertainties as well as additional responsibilities. As we enter new jurisdictions, we are subject to increasing legal, regulatory and reporting requirements that will require substantial additional resources, such as new licenses, permits and approvals, including third-party certifications that our games comply with a particular jurisdiction’s stated regulations, in order to meet our expectations for new market entry, and such licenses, permits or approvals may not be timely granted to us, or granted to us at all, which could have a material effect on our business in general and new market entry specifically. Obtaining and maintaining all required licenses, findings of suitability, registrations, permits or approvals is time consuming, expensive and potentially distracting to management. As we enter new jurisdictions, our reporting systems will need to be developed or updated, and we may fail to provide timely or adequate notifications or reporting requirements within these new jurisdictions, which could have adverse regulatory consequences for us in that, or in other, jurisdictions, which could affect our business. In addition, entry into new markets may require us to make changes to our gaming systems to ensure that they comply with applicable regulatory requirements. We may also encounter additional legal and regulatory challenges that are difficult or impossible to foresee and which could result in an unforeseen adverse impact on planned revenues or costs associated with the new market opportunity. If we are unable to effectively develop and operate within these new markets, then our business, operating results and financial condition would be impaired.

Generally, our placement of systems, games and technology into new market segments involves a number of business uncertainties, including whether:

- the technical platform on which our gaming units, systems and products are based will comply, or can be modified to comply, with the minimum technical requirements for each of the identified new gaming markets;
- we are able to successfully pass required field trials and comply with the initial game/system installation requirements for each new jurisdiction;
- our resources and expertise will enable us to effectively operate and grow in such new markets, including meeting regulatory requirements;
- our internal processes and controls will continue to function effectively within these new segments;
- we have enough experience to accurately predict revenues and expenses in these new markets;
- the diversion of management attention and resources from our traditional business, caused by entering into new market segments, will have harmful effects on our traditional business;
- we will be able to successfully compete against larger companies who dominate the markets that we are trying to enter; and
- we can timely perform under our agreements in these new markets because of other unforeseen obstacles.

In addition, the suspension, revocation, nonrenewal or limitation of any of our licenses could have a material adverse effect on our business operations, financial condition, and results of operations and our ability to maintain key employees. The Gaming Authorities may deny, limit, condition, suspend or revoke a gaming license or related approval for violations of applicable gaming laws and regulations and may impose substantial fines and take other actions, any one of which could have a significant adverse effect on our business, financial condition and results of operations.

Further, changes in existing gaming laws or regulations or new interpretations of existing gaming laws may hinder or prevent us from continuing to operate in those jurisdictions where we currently do business, which could harm our operating results. In particular, the enactment of unfavorable legislation or government efforts affecting or directed at manufacturers or gaming operators, such as referendums to increase gaming taxes or requirements to use local distributors, could have a negative impact on our operations. Moreover, in addition to the risk of enforcement action, we are also at risk of loss of business reputation in the event of any potential legal or regulatory investigation, whether or not we are ultimately accused of or found to have committed any violation.

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

Our Central Credit gaming patron credit bureau and check verification and warranty services are subject to the Fair Credit Reporting Act, the Fair and Accurate Credit Transactions Act of 2003 and similar state laws. The collection practices that are used by our third-party providers and us may be subject to the Fair Debt Collection Practices Act and applicable state laws relating to debt collection. All of our cash access services and patron marketing services are subject to the privacy provisions of state and federal law, including the Gramm-Leach-Bliley Act. Our POS debit card cash access transactions and ATM withdrawal services are subject to the Electronic Fund Transfer Act. Our ATM services are subject to the applicable state banking regulations in each jurisdiction in which we operate ATMs. Our ATM services may also be subject to state and local regulations relating to the imposition of daily limits on the amounts that may be withdrawn from ATMs, the location of ATMs, our ability to surcharge cardholders who use our ATMs, and the form and type of notices that must be disclosed regarding the provision of our ATM services. The cash access services we provide are subject to record keeping and reporting obligations under the Bank Secrecy Act and the USA PATRIOT Act of 2001. We are required to file SARs with respect to transactions completed at all gaming establishments where we provide our cash access services through a gaming establishment's cashier or financial services center. If we are found to be noncompliant in any way with these laws, we could be subject to substantial civil and criminal penalties. In jurisdictions in which we serve as a check casher, we are subject to the applicable state licensing requirements and regulations governing check cashing activities. We are also subject to various state licensing requirements and regulations governing money transmitters.

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

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

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

service these cards present risks to us that are similar to those posed by the rules and regulations of VISA, MasterCard and other payment networks.

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

Card associations and EFT networks may change interchange reimbursement rates or network operating fees or assess new fees associated with the processing and settlement of our cash access transactions or otherwise change their operating rules and regulations without our consent and such changes may affect our revenues, cost of revenues (exclusive of depreciation and amortization), net income and our business generally.

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

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

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

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

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

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

Our ATM services are subject to the applicable federal, state and local banking regulations in each jurisdiction in which we operate ATMs, which regulations relate to the imposition of daily limits on the amounts that may be withdrawn from ATMs, the location of ATMs, our ability to surcharge cardholders who use our ATMs, and the form and type of notices that must be disclosed with respect to the fees we charge to patrons in connection with our ATM services. ATMs are also subject to requirements of the Americans with Disabilities Act, which in general require that ATMs be accessible to individuals with disabilities, such as visually-impaired persons. These laws and regulations may impose significant burdens on our ability to operate ATMs profitably in some locations, or at all, and our business, financial condition, operations or cash flows could be materially adversely affected. Moreover, because these regulations are subject to change, we may be forced to modify our ATM operations in a manner inconsistent with the assumptions upon which we relied when entering into contracts to provide ATM services at gaming establishments. If federal, state, local or foreign authorities adopt new laws or regulations or raise enforcement levels on existing laws and regulations that make it more difficult for us to operate our ATM business, then our revenues and earnings may be negatively affected. If legislation or regulations are enacted in the future that adversely impact our ATM business, we may be forced to modify our operations in a manner inconsistent with the assumptions upon which we relied when entering into contracts to provide ATMs at gaming establishments and our business, financial condition, operations or cash flows could suffer a material adverse effect.

Consumer privacy laws may change, requiring us to change our business practices or expend significant amounts on compliance with such laws.

Our patron marketing and database services depend on our ability to collect and use non-public personal information relating to patrons who use our products and services and the transactions they consummate using our services. We are required by federal and state privacy laws and rules to safeguard and protect the privacy of such information, to make disclosures to patrons regarding our privacy and information sharing policies and, in some cases, to provide patrons an opportunity to “opt out” of the use of their information for certain purposes. The failure or circumvention of the means by which we safeguard and protect the privacy of information we gather may result in the dissemination of non-public personal information, which may harm our reputation and may expose us to liability to the affected individuals and regulatory enforcement proceedings or fines. Regulators reviewing our policies and practices may require us to modify our practices in a material or immaterial manner or impose fines or other penalties if they believe that our policies and practices do not meet the necessary standard. To the extent that our patron marketing and database services have failed, are now failing or in the future fail to comply with applicable law, our privacy policies or the notices that we provide to patrons, we may become subject to actions by a regulatory authority or patrons which cause us to pay monetary penalties or require us to modify the manner in which we provide patron marketing and database services. To the extent that patrons exercise their right to “opt out,” our ability to leverage existing and future databases of information would be curtailed. Consumer and data privacy laws are evolving, and due to recent high profile thefts and losses of sensitive consumer information from protected databases, such laws may be broadened in their scope and application, impose additional requirements and restrictions on gathering, encrypting and using patron information or narrow the types of information that may be collected or used for marketing or other purposes or require patrons to “opt-in” to the use of their information for specific purposes, or impose additional fines or potentially costly compliance requirements which will hamper the value of our patron marketing and database services.

Risks Related to Our Stock

Our common stock has been publicly traded since September 2005, and we expect that the price of our common stock will fluctuate substantially.

There has been a public market for our common stock since September 2005. The market price of our common stock may fluctuate significantly in response to a number of factors, some of which are beyond our control, including those described above under “—Risks Related to Our Business,” “—Risks Related to Regulation of Our Industry” and the following:

- our failure to maintain our current customers, including because of consolidation in the gaming industry;
- increases in commissions paid to gaming establishments as a result of competition;
- increases in interchange rates, processing fees or other fees paid by us;

- decreases in reverse interchange rates paid to us;
- actual or anticipated fluctuations in our or our competitors' revenue, operating results or growth rate;
- our inability to adequately protect or enforce our intellectual property rights;
- any adverse results in litigation initiated by us or by others against us;
- our inability to make payments on our outstanding indebtedness as they become due or our inability to undertake actions that might otherwise benefit us based on the financial and other restrictive covenants contained in the New Credit Facilities and the indenture governing the 2017 Unsecured Notes;
- the loss, or failure, of a significant supplier or strategic partner to provide the goods or services that we require from them;
- our inability to introduce successful, new products and services in a timely manner or the introduction of new products or services by our competitors that reduce the demand for our products and services;
- our failure to successfully enter new markets or the failure of new markets to develop in the time and manner that we anticipate;
- announcements by our competitors of significant new contracts or contract renewals or of new products or services;
- changes in general economic conditions, financial markets, the gaming industry or the payments processing industry;
- the trading volume of our common stock;
- sales of common stock or other actions by our current officers, directors and stockholders;
- acquisitions, strategic alliances or joint ventures involving us or our competitors;
- future sales of our common stock or other securities;
- the failure of securities analysts to cover our common stock or changes in financial estimates or recommendations by analysts;
- our failure to meet the revenue, net income or earnings per share estimates of securities analysts or investors;
- departures of key personnel or our inability to attract or retain key personnel;
- our ability to prevent, mitigate or timely recover from cybersecurity breaches, attacks and compromises with respect to our infrastructure, systems and information technology environment;
- terrorist acts, theft, vandalism, fires, floods or other natural disasters; and
- rumors or speculation as to any of the above which we may be unable to confirm or deny due to disclosure restrictions imposed on us by law or which we otherwise deem imprudent to comment upon.

Some provisions of our amended and restated certificate of incorporation and amended and restated bylaws may delay or prevent transactions that many stockholders may favor.

Some provisions of our amended and restated certificate of incorporation and amended and restated bylaws may have the effect of delaying, discouraging, or preventing a merger or acquisition that our stockholders may consider favorable or a change in our management or our Board of Directors. These provisions:

- divide our Board of Directors into three separate classes serving staggered three-year terms, which will have the effect of requiring at least two annual stockholder meetings instead of one, to replace a majority of our directors, which could have the effect of delaying or preventing a change in our control or management;
- provide that special meetings of stockholders can only be called by our Board of Directors, Chairman of the Board or Chief Executive Officer. In addition, the business permitted to be conducted at any special meeting of stockholders is limited to the business specified in the notice of such meeting to the stockholders;

- provide for an advance notice procedure with regard to business to be brought before a meeting of stockholders which may delay or preclude stockholders from bringing matters before a meeting of stockholders or from making nominations for directors at a meeting of stockholders, which could delay or deter takeover attempts or changes in management;
- eliminate the right of stockholders to act by written consent so that all stockholder actions must be effected at a duly called meeting;
- provide that directors may only be removed for cause with the approval of stockholders holding a majority of our outstanding voting stock;
- provide that vacancies on our Board of Directors may be filled by a majority, although less than a quorum, of directors in office and that our Board of Directors may fix the number of directors by resolution;
- allow our Board of Directors to issue shares of preferred stock with rights senior to those of the common stock and that otherwise could adversely affect the rights and powers, including voting rights and the right to approve or not to approve an acquisition or other change in control, of the holders of common stock, without any further vote or action by the stockholders; and
- do not provide for cumulative voting for our directors, which may make it more difficult for stockholders owning less than a majority of our stock to elect any directors to our Board of Directors. In addition, we are also subject to Section 203 of the Delaware General Corporation Law, which provides, subject to enumerated exceptions, that if a person acquires 15% or more of our voting stock, the person is an “interested stockholder” and may not engage in “business combinations” with us for a period of three years from the time the person acquired 15% or more of our voting stock.

These provisions may have the effect of entrenching our management team and may deprive our stockholders of the opportunity to sell shares to potential acquirers at a premium over prevailing prices. This potential inability to obtain a premium could reduce the price of our common stock.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Our headquarters are located in a facility in Las Vegas, Nevada, consisting of approximately 62,000 square feet of office space under a lease through April 2023. In addition, we have approximately 103,000 square feet of office space in Austin, Texas under a lease through June 2021. We also lease facilities with approximately 17,000 square feet in Chicago, Illinois and Reno, Nevada, which support the design, production and expansion of our gaming content. These design studios are under a lease through June 2023 and May 2021 for the Chicago and Reno offices, respectively. We also lease several other properties that are used to support all our products and services.

We believe that these facilities are adequate for our business as presently conducted.

Item 3. Legal Proceedings.

We are involved in various investigations, claims and lawsuits in the ordinary course of our business. 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 4. Mine Safety Disclosures.

Not applicable.

PART II

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

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

Our common stock is listed for trading on the New York Stock Exchange under the symbol “EVRI.” On March 1, 2018, there were five holders of record of our common stock. Because many of our shares of common stock are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of beneficial stockholders represented by these record holders.

The following table sets forth for the indicated periods, the high and low sale prices per share of our common stock:

	Price Range	
	High	Low
2017		
First Quarter	\$ 5.06	\$ 2.16
Second Quarter	7.50	4.66
Third Quarter	8.99	6.81
Fourth Quarter	8.99	7.16
2016		
First Quarter	\$ 4.50	\$ 1.73
Second Quarter	2.29	1.13
Third Quarter	2.64	1.16
Fourth Quarter	2.60	1.21

On March 1, 2018, the closing sale price of our common stock on the New York Stock Exchange was \$7.32.

Dividend Policy

We have never declared or paid any cash dividends on our capital stock. We currently intend to retain all earnings for the repayment of our outstanding debt and to finance the growth and development of our business. Any future change in our dividend policy will be made at the discretion of our Board of Directors and will depend on contractual restrictions, our results of operations, earnings, capital requirements and other factors considered relevant by our Board of Directors. In addition, the New Credit Facilities and the indenture governing the 2017 Unsecured Notes limit our ability to declare and pay cash dividends.

Common Stock Repurchases

We did not have a share repurchase program in effect for the years ended December 31, 2017, 2016 and 2015.

Issuer Purchases and Withholding of Equity Securities

We repurchased or withheld from restricted stock awards 15,457, 18,717, and 32,617 shares of our common stock at an aggregate purchase price of \$0.1 million, \$41,528, and \$0.2 million, respectively, to satisfy the minimum applicable tax withholding obligations incident to the vesting of such restricted stock awards for the years ended December 31, 2017, 2016 and 2015, respectively. The following table includes the monthly repurchases or withholdings of our common stock during the fourth quarter ended December 31, 2017:

	<u>Total Number of Shares Purchased ⁽¹⁾ (in thousands)</u>	<u>Average Price per Share ⁽²⁾</u>
Tax Withholdings		
10/1/17 - 10/31/17	10.2	\$ 8.14
11/1/17 - 11/30/17	0.4	\$ 8.38
12/1/17 - 12/31/17	0.5	\$ 7.70
Total	<u>11.1</u>	<u>\$ 8.13</u>

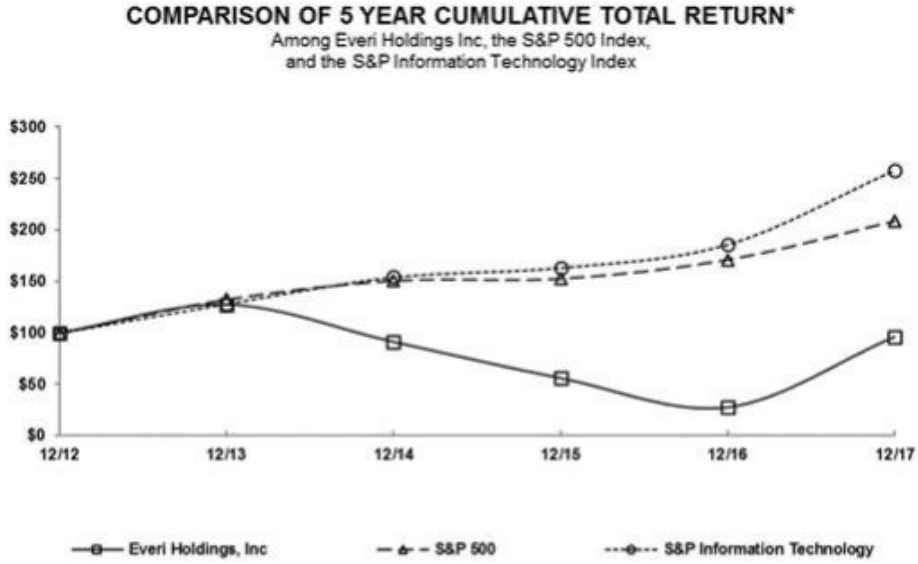
(1) Represents the shares of common stock that were withheld from restricted stock awards to satisfy the minimum applicable tax withholding obligations incident to the vesting of such restricted stock awards. There are no limitations on the number of shares of common stock that may be withheld from restricted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

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

Stock Performance Graph

The line graph below compares the cumulative total stockholder return on our common stock with the cumulative total return of the Standard & Poor’s (“S&P”) 500 Index and the S&P Information Technology Index during the five year period ended December 31, 2017.

The graph assumes that \$100 was invested on December 31, 2012 in our common stock, in the S&P 500 Index and the S&P Information Technology Index, and that all dividends were reinvested. Research Data Group, Inc. furnished this data and the cumulative total stockholder returns for our common stock, the S&P 500 Index and the S&P Information Technology Index are based on the calendar month end closing prices. The comparisons in the graph are required by the SEC and are not intended to forecast or be indicative of possible future performance of our common stock.



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

Copyright© 2017 S&P, a division of The McGraw-Hill Companies Inc. All rights reserved.

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

Item 6. Selected Financial Data.

The following selected historical financial data has been derived from, and should be read in conjunction with, our Financial Statements and Results of Operations included elsewhere in this Annual Report on Form 10-K. Our selected consolidated financial data may not be indicative of our future financial condition or results of operations (in thousands, except per share amounts).

	Year Ended December 31,				
	2017 (1)	2016 (2)	2015 (3)	2014 (5)	2013
Income Statement Data					
Revenues	\$ 974,948	\$ 859,456	\$ 826,999	\$ 593,053	\$ 582,444
Operating income (loss)	81,819	(118,555)	(9,730)	33,782	49,150
Net (loss) income	(51,903)	(249,479)	(104,972)	12,140	24,398
Basic (loss) earnings per share	(0.78)	(3.78)	(1.59)	0.18	0.37
Diluted (loss) earnings per share	(0.78)	(3.78)	(1.59)	0.18	0.36
Weighted average common shares outstanding					
Basic	66,816	66,050	65,854	65,780	66,014
Diluted	66,816	66,050	65,854	66,863	67,205

	At and For the Year Ended December 31,				
	2017 (1)	2016 (2)	2015 (3)(4)	2014 (5)	2013
Balance sheet data					
Cash and cash equivalents	\$ 128,586	\$ 119,051	\$ 102,030	\$ 89,095	\$ 114,254
Working capital (6)	(12,040)	(1,875)	2,452	12,550	(1,682)
Total assets	1,537,074	1,408,163	1,550,385	1,707,285	527,327
Total borrowings	1,167,843	1,121,880	1,139,899	1,188,787	103,000
Stockholders' (deficit) equity	(140,633)	(107,793)	137,420	231,473	218,604
Cash flow data					
Net cash provided by operating activities	\$ 95,828	\$ 131,711	\$ 124,587	\$ 24,531	\$ 4,334
Net cash used in investing activities	(109,979)	(88,054)	(85,549)	(1,085,847)	(13,990)
Net cash provided by (used in) financing activities	22,394	(24,922)	(24,551)	1,037,423	(29,183)

- (1) During 2017, we refinanced our senior secured term loan, senior secured notes and senior unsecured notes, which resulted in approximately \$51.8 million of loss on extinguishment of debt.
- (2) During 2016, the Games reporting unit had a goodwill impairment of \$146.3 million.
- (3) 2015 amounts include a full year of financial results for Everi Games. During 2015, the Games reporting unit had a goodwill impairment of \$75.0 million.
- (4) We reclassified \$23.7 million of debt issuance costs related to our outstanding debt from the non-current portion of other assets to contra-liabilities included in long-term debt as of December 31, 2015 in connection with our retrospective adoption of Accounting Standards Update (“ASU”) No. 2015-03 in 2016. This reclassification decreased the December 31, 2015 balance of both total assets and total borrowings.
- (5) 2014 amounts affected by the Merger for which total merger consideration of \$1.1 billion on December 19, 2014 was paid and results of operations were recorded from the date of acquisition through December 31, 2014.
- (6) As a result of the Merger on December 19, 2014, we provide a classified balance sheet, for which a calculation of working capital has been included.

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

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

The following discussion and analysis of financial condition and results of operations should be read in conjunction with “Item 1. Business,” “Item 6. Selected Financial Data” and our Financial Statements included elsewhere in this Annual Report on Form 10-K and the information included in our other filings with the SEC.

This discussion includes forward-looking statements within the meaning of Section 27A of the Securities Act, Section 21E of the Exchange Act and the Private Securities Litigation Reform Act of 1995 and should be read in conjunction with the disclosure and information contained and referenced in “Cautionary Note Regarding Forward-Looking Statements” and “Item 1A. Risk Factors” included elsewhere in this Annual Report on Form 10-K.

Overview

Everi is a leading supplier of technology solutions for the casino gaming industry. The Company provides 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 VLTs 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 ATM cash withdrawals, credit card cash access transactions, POS debit card cash access transaction and check verification and warranty services; (b) fully integrated gaming industry kiosks that provide cash access and related services; (c) products and services that improve credit decision making, automate cashier operations and enhance patron marketing activities for gaming establishments; (d) compliance, audit and data solutions; and (e) online payment processing solutions for gaming operators in states that offer intrastate, internet-based gaming and lottery activities.

Items Impacting Comparability of Results of Operations

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

- During the fourth quarter of 2017, we recorded 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 (defined herein) and approximately \$10.9 million for the write-off of related unamortized debt issuance costs and fees. An additional \$14.6 million loss on extinguishment of debt was incurred in the second quarter of 2017 for the unamortized deferred financing fees and discounts related to the extinguished term loan under the Prior Credit Facility and the redeemed Refinanced Secured Notes (both defined herein). In April 2015, we redeemed, in full, the 7.75% Secured Notes due 2021 and issued the Refinanced Secured Notes resulting in \$13.0 million of debt issuance costs and fees being expensed to loss on extinguishment of debt.
- In October of each year, we conduct our annual impairment test for our reporting units. Based on the results of our testing, there was no goodwill impairment for 2017 and there were goodwill impairments of approximately \$146.3 million and \$75.0 million for 2016 and 2015, respectively.

- The income tax benefit was \$20.2 million for the year ended December 31, 2017, as compared to an income tax provision of \$31.7 million in the prior year period. The income tax benefit for the year ended December 31, 2017 reflected an effective income tax rate of 28.0%, which was less than the statutory federal rate of 35.0% primarily due to a decrease in the carrying value of our deferred tax liabilities as a result of the enactment of the 2017 Tax Act, offset by an increase in the valuation allowance for deferred tax assets. The income tax provision for the year ended December 31, 2016 reflected a negative effective income tax rate of 14.6%, which was less than the statutory federal rate of 35.0%, primarily due to an increase in our valuation allowance for deferred tax assets and the impairment of goodwill for which no tax benefit was provided for book purposes.
- In January 2015, we entered into a settlement agreement in connection with a lawsuit we participated in as plaintiffs, pursuant to which we received and recorded the settlement proceeds of \$14.4 million in the first quarter of 2015. This settlement is included as a reduction of operating expenses in our Statements of Loss for the year ended December 31, 2015. The Company utilized the proceeds along with cash on hand to make a \$15.0 million principal reduction payment on the Secured Notes due 2021 in the first quarter of 2015.

As a result of the above transactions and events, the results of operations and earnings per share in the periods covered by our Financial Statements may not be directly comparable.

Trends and Developments Impacting our Business

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

- Casino gaming is dependent upon discretionary consumer spending, which is typically the first type of spending that is restrained by consumers when they are uncertain about their jobs and income. Global economic uncertainty in the marketplace may have an impact on casino gaming and ultimately the demand for new gaming equipment.
- The total North American installed slot base in 2017 remained relatively flat to 2016 and 2015. We expect flat to moderate growth in the forward replacement cycle for EGMs.
- The volume of new casino openings and new market expansions in North America is expected to be slightly higher in 2018 as compared to the prior year. This could positively impact the overall demand for slot machines in North America during 2018.
- We face continued competition from smaller competitors in the gaming cash access market and face additional competition from larger gaming equipment manufacturers and systems providers. This increased competition has resulted in pricing pressure for both our Games and Payments businesses.
- Governmental oversight related to the cost of transaction processing and related fees to the consumer has increased in recent years. We expect the financial services and payments industry to respond to these legislative acts by changing other fees and costs, which may negatively impact our Payments business in the future.
- Casino operators continue to try to broaden their appeal by focusing on investments in the addition of non-gaming amenities to their facilities, which could impact casino operator's capital allocation for games and payment solution products.

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

As discussed in "Note 2 — Basis of Presentation and Summary of Significant Accounting Policies – Recent Accounting Guidance – Recent Accounting Guidance Not Yet Adopted," in *Item 8: Financial Statements and Supplementary Data*, on January 1, 2018, the Company implemented the new revenue recognition standard promulgated by the FASB. The Company adopted ASC 606 using the modified retrospective method that requires companies to record a cumulative adjustment to retained earnings (or deficit) presented in the unaudited condensed,

consolidated balance sheets for interim periods and presented in the audited consolidated balance sheets for annual periods for any contract modifications made to those arrangements not yet completed as of the adoption date of January 1, 2018. The Company determined that there was no such cumulative adjustment required to be made to its interim, condensed, consolidated balance sheets as of the adoption date. In addition, under the modified retrospective method, the Company's prior period results will not be recast to reflect the new revenue recognition standard.

The Company determined that the adoption of ASC 606 will have a material impact on the presentation of its financial information primarily due to the reporting on a net revenues basis, rather than a gross presentation, of certain costs of revenues (exclusive of depreciation and amortization) related to the cash access activities of the Company's Payments segment (with additional immaterial changes due to the net reporting of certain of the gaming operations activities of the Company's Games segment). The net revenues reporting requirement under ASC 606 will have an effect on both the Payments and Games segment revenues and related cost of revenues (exclusive of depreciation and amortization); however, this net presentation will not have an effect on operating income (loss), net loss, cash flows or the timing of revenues recognized and costs incurred.

To provide a greater understanding of the impact of this new revenue recognition standard, the Company determined that under the provisions set forth in ASC 606, the effect on certain Payments and Games revenues and costs of revenues would have collectively decreased by approximately \$564.2 million, \$476.4 million and \$438.3 million for the years ended December 31, 2017, 2016 and 2015, respectively.

With respect to its Payments segment, the Company will have a material impact on the presentation of its financial information related to the reclassification of certain cost of revenues (exclusive of depreciation and amortization) included in the cash advance, automated teller machine and check services revenue streams to be netted against those related revenue streams. The Company will report these items, which include commission expenses paid to casino operators, interchange costs paid to the network associations and processing and related costs paid to other third party partners as amounts that will be reported "net of transaction price" as reductions to its Payments segment revenues, rather than the current gross revenues presentation with these costs and expenses historically reported as Payments segment cost of revenue (exclusive of depreciation and amortization).

With respect to its Games segment, the Company will not have a material impact on the presentation of its financial information related to the reclassification of certain cost of revenues included in the gaming operations revenue stream to be netted against this revenue stream in connection with the Company's Wide Area Progressive (the "WAP") offering, which was initiated in 2017. The Company will report these items, which include WAP jackpot expenses as amounts that will be reported "net of the transaction price" as reductions to its Games segment revenues, rather than the current gross revenues presentation with these expenses historically reported as Games segment cost of revenue (exclusive of depreciation and amortization).

Furthermore, for presentation purposes, given the fact that the Company's total revenues, on a consolidated basis, will be significantly reduced in connection with the adoption of the new revenue recognition standard, the Company's revenue streams will be evaluated on a recurring basis to ensure compliance with Rule 5-03(b) of Regulation S-X to present those revenues that exceed the quantitative threshold on the Company's Statements of Loss. For a preview of revenues on a disaggregated basis, we refer to the tabular illustration presented in this section Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations under the sub-caption, "Results of Operations." In addition, the Company determined that there was no cumulative adjustment to be recorded to Stockholders' Deficit in its Consolidated Balance Sheets.

Operating Segments

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

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

- The Games segment provides 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. It also develops and manages the central determinant system for the VLTs installed in the State of New York.
- The Payments segment provides its casino customers cash access and related products and services including: (a) access to cash at gaming facilities via ATM cash withdrawals, credit card cash access transactions, POS debit card cash access transactions, and check verification and warranty services; (b) fully integrated gaming industry kiosks that provide cash access and related services; (c) products and services that improve credit decision making, automate cashier operations and enhance patron marketing activities for gaming establishments; (d) compliance, audit and data solutions; and (e) online payment processing solutions for gaming operators in states that offer intrastate, internet-based gaming and lottery activities.

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 appropriate operating segment.

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

Results of Operations

Year ended December 31, 2017 compared to the year ended December 31, 2016

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

	Year Ended					
	December 31, 2017		December 31, 2016		2017 vs 2016	
	\$	%	\$	%	\$ Variance	% Variance
Revenues						
Games	\$ 222,777	23 %	\$ 213,253	25 %	\$ 9,524	4 %
Payments	752,171	77 %	646,203	75 %	105,968	16 %
Total revenues	974,948	100 %	859,456	100 %	115,492	13 %
Costs and expenses						
Games cost of revenue (exclusive of depreciation and amortization)	54,695	6 %	50,308	6 %	4,387	9 %
Payments cost of revenue (exclusive of depreciation and amortization)	583,850	60 %	498,706	58 %	85,144	17 %
Operating expenses	118,935	12 %	118,709	14 %	226	— %
Research and development	18,862	2 %	19,356	2 %	(494)	(3) %
Goodwill impairment	—	— %	146,299	17 %	(146,299)	(100) %
Depreciation	47,282	5 %	49,995	6 %	(2,713)	(5) %
Amortization	69,505	7 %	94,638	11 %	(25,133)	(27) %
Total costs and expenses	893,129	92 %	978,011	114 %	(84,882)	(9) %
Operating income (loss)	81,819	8 %	(118,555)	(14) %	200,374	169 %
Other expenses						
Interest expense, net of interest income	102,136	10 %	99,228	12 %	2,908	3 %
Loss on extinguishment of debt	51,750	5 %	—	— %	51,750	— %
Total other expenses	153,886	15 %	99,228	12 %	54,658	55 %
Loss before income tax	(72,067)	(7) %	(217,783)	(25) %	145,716	67 %
Income tax (benefit) provision	(20,164)	(2) %	31,696	4 %	(51,860)	(164) %
Net loss	\$ (51,903)	(5) %	\$ (249,479)	(29) %	\$ 197,576	79 %

* Rounding may cause variances.

Total Revenues

Total revenues increased by \$115.5 million, or 13%, to \$974.9 million for the year ended December 31, 2017, as compared to the prior year period. This was due to increased Payments and Games revenues.

Games revenues increased by \$9.5 million, or 4%, to \$222.8 million for the year ended December 31, 2017, as compared to the prior year period. This was primarily due to an increase in units sold, partially offset by lower daily win per unit on leased games.

Payments revenues increased by \$106.0 million, or 16%, to \$752.2 million for the year ended December 31, 2017, as compared to the prior year period. This was primarily due to higher dollar and transaction volume and fees earned from cash access services, new customer openings, the expansion of our ATM services in Canada, as well as overall growth in the segment.

Costs and Expenses

Games cost of revenues (exclusive of depreciation and amortization) increased by \$4.4 million, or 9%, to \$54.7 million for the year ended December 31, 2017, as compared to the prior year period. This was primarily due to higher variable costs associated with increased unit sales.

Payments cost of revenues (exclusive of depreciation and amortization) increased by \$85.1 million, or 17%, to \$583.9 million for the year ended December 31, 2017, as compared to the prior year period. This was primarily due to higher costs associated with the increase in cash access services.

Operating expenses remained relatively consistent to the prior year. This was primarily due to an increase in payroll and benefit-related expenses offset by the decrease in expenses related to the 2016 Bee Cave loan impairment that did not impact our 2017 results for our Games segment; and an increase in payroll and benefits-related expenses and professional services expenses offset by the decrease in expenses related to the 2016 separation costs for our former CEO that did not impact our 2017 results for our Payments segment.

There was no goodwill impairment for the year ended December 31, 2017, as compared to \$146.3 million in the prior year period as a result of our October 1, 2016 annual goodwill assessment attributable to our Games reporting unit.

Depreciation decreased by \$2.7 million, or 5%, to \$47.3 million for the year ended December 31, 2017, as compared to the prior year period. This was primarily due to a decrease in depreciation from certain assets being fully depreciated in both our Games and Payments segments.

Amortization decreased by \$25.1 million, or 27%, to \$69.5 million for the year ended December 31, 2017, as compared to the prior year period. This was primarily due to certain acquired intangible assets being fully amortized in the fourth quarter of 2016 for both our Games and Payments segments.

Primarily as a result of the factors described above, operating income increased by \$200.4 million, or 169%, to \$81.8 million for the year ended December 31, 2017, as compared to the prior year period. The operating income margin increased from negative 14% to a positive 8% for the year ended December 31, 2017.

Interest expense, net of interest income, increased by \$2.9 million, or 3%, to \$102.1 million for the year ended December 31, 2017, as compared to the prior year period. This was primarily attributable to higher interest recognized as a result of our debt restructuring activities in the fourth quarter of 2017 as well as higher cash usage fees, partially offset by lower interest expense as a result of our debt refinancing in May 2017.

Loss on extinguishment of debt for the year ended December 31, 2017 was \$51.8 million, which consisted of a \$26.3 million make-whole premium related to the satisfaction and redemption of the 2014 Unsecured Notes (defined herein), approximately \$10.9 million for the write-off of related unamortized debt issuance costs and fees in the fourth quarter of 2017 and approximately \$14.6 million for the unamortized deferred financing fees and discounts related to our extinguished term loan under the Prior Credit Facility and the redeemed Refinanced Secured Notes (both defined herein) in the second quarter of 2017. There was no loss on extinguishment of debt in the prior year period.

Income tax benefit was \$20.2 million for the year ended December 31, 2017, as compared to an income tax provision of \$31.7 million in the prior year period. The income tax benefit for the year ended December 31, 2017 reflected an effective income tax rate of 28.0%, which was less than the statutory federal rate of 35.0% primarily due to a decrease in the carrying value of our deferred tax liabilities as a result of the enactment of the 2017 Tax Act, offset by an increase in the valuation allowance for deferred tax assets. The income tax provision for the year ended December 31, 2016 reflected a negative effective income tax rate of 14.6%, which was less than the statutory federal rate of 35.0%, primarily due to an increase in our valuation allowance for deferred tax assets and the impairment of goodwill for which no tax benefit was provided for book purposes.

Primarily as a result of the foregoing, our net loss decreased by \$197.6 million, or 79%, to \$51.9 million for the year ended December 31, 2017, as compared to the prior year period.

Year ended December 31, 2016 compared to year ended December 31, 2015:

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

	Year Ended				December 31, 2016 vs 2015	
	December 31, 2016		December 31, 2015		\$ Variance	% Variance
	\$	%	\$	%		
Revenues						
Games	\$ 213,253	25 %	\$ 214,424	26 %	\$ (1,171)	(1) %
Payments	646,203	75 %	612,575	74 %	33,628	5 %
Total revenues	859,456	100 %	826,999	100 %	32,457	4 %
Costs and expenses						
Games cost of revenue (exclusive of depreciation and amortization)	50,308	6 %	47,017	6 %	3,291	7 %
Payments cost of revenue (exclusive of depreciation and amortization)	498,706	58 %	463,380	56 %	35,326	8 %
Operating expenses	118,709	14 %	101,202	12 %	17,507	17 %
Research and development	19,356	2 %	19,098	2 %	258	1 %
Goodwill impairment	146,299	17 %	75,008	9 %	71,291	95 %
Depreciation	49,995	6 %	45,551	6 %	4,444	10 %
Amortization	94,638	11 %	85,473	10 %	9,165	11 %
Total costs and expenses	978,011	114 %	836,729	101 %	141,282	17 %
Operating loss	(118,555)	(14) %	(9,730)	(1) %	(108,825)	1,118 %
Other expenses						
Interest expense, net of interest income	99,228	12 %	100,290	12 %	(1,062)	(1) %
Loss on extinguishment of debt	—	— %	13,063	2 %	(13,063)	(100) %
Total other expenses	99,228	12 %	113,353	14 %	(14,125)	(12) %
Loss before income tax	(217,783)	(25) %	(123,083)	(15) %	(94,700)	77 %
Income tax provision (benefit)	31,696	4 %	(18,111)	(2) %	49,807	(275) %
Net loss	\$ (249,479)	(29) %	\$ (104,972)	(13) %	\$ (144,507)	138 %

* Rounding may cause variances.

Total Revenues

Total revenues increased by \$32.5 million, or 4%, to \$859.5 million for the year ended December 31, 2016, as compared to the prior year period. This was due to increased Payments revenues, slightly offset by lower Games revenues.

Games revenues decreased by \$1.2 million, or 1%, to \$213.3 million for the year ended December 31, 2016, as compared to the prior year period. This was primarily due to a lower daily win per unit on leased games, partially offset by an increase in unit sales and average sales price per unit.

Payments revenues increased by \$33.6 million, or 5%, to \$646.2 million for the year ended December 31, 2016, as compared to the prior year period. This was primarily due to higher ATM transaction volume and fees, including an increase in transaction volume from ATM portfolios acquired in late 2015.

Costs and Expenses

Games cost of revenues (exclusive of depreciation and amortization) increased by \$3.3 million, or 7%, to \$50.3 million for the year ended December 31, 2016, as compared to the prior year period. This was primarily due to higher costs associated with the increased unit sales volume.

Payments cost of revenues (exclusive of depreciation and amortization) increased by \$35.3 million, or 8%, to \$498.7 million for the year ended December 31, 2016, as compared to the prior year period. This was primarily due to the ATM portfolio acquisitions and higher commission expense on ATM revenues.

Operating expenses increased by \$17.5 million, or 17%, to \$118.7 million for the year ended December 31, 2016, as compared to the prior year period. This was primarily due to the impact of a \$14.4 million gain contingency settlement during the prior year and a \$4.3 million write-down of a note receivable and warrant associated with Bee Cave Games, Inc.

Goodwill impairment increased by \$71.3 million, or 95%, to \$146.3 million for the year ended December 31, 2016, as compared to the prior year period. This non-cash charge was a result of our October 1, 2016 annual goodwill assessment and attributable to our Games reporting unit.

Depreciation increased by \$4.4 million, or 10%, to \$50.0 million for the year ended December 31, 2016, as compared to the prior year period. This was primarily related to increased fixed assets being placed in service.

Amortization increased by \$9.2 million, or 11%, to \$94.6 million for the year ended December 31, 2016, as compared to the prior year period. This was primarily related to an increase in intangible assets being placed in service related to developed technology and software.

Primarily, as a result of the factors described above, operating loss increased by \$108.8 million, or 1,118%, to an operating loss of \$118.6 million for the year ended December 31, 2016, as compared to the prior year period. The operating loss margin increased to 14% for the year ended December 31, 2016, as compared to 1% for the prior year period. Excluding the goodwill impairment charge in 2016 and 2015, the operating margin would have been approximately 3% and 8%, respectively.

Interest expense, net of interest income, decreased by \$1.1 million, or 1%, to \$99.2 million for the year ended December 31, 2016, as compared to the prior year period. This was primarily related to lower outstanding debt balances, the write-off of debt issuance costs related to our Refinanced Secured Notes, partially offset by a higher interest rate under the Contract Cash Solutions Agreement with Wells Fargo.

There was no loss on extinguishment of debt for the year ended December 31, 2016, as compared to a loss on extinguishment of debt of \$13.1 million in the prior year period.

Income tax provision was \$31.7 million for the year ended December 31, 2016, as compared to an income tax benefit in the prior year period. This was primarily due to an increase in our valuation allowance for deferred tax assets. The income tax provision reflected a negative effective income tax rate of 14.6% for the year ended December 31, 2016, which was less than the statutory federal rate of 35.0% primarily due to an increase in our valuation allowance for deferred tax assets and the impairment of goodwill, for which no tax benefit is provided for book purposes. The income tax benefit reflected an effective income tax rate of 14.7% for the prior year, which was greater than the statutory federal rate of 35.0%, primarily due to the impairment of goodwill for which no tax benefit was provided for book purposes.

Primarily, as a result of the foregoing, net loss increased by \$144.5 million, or 138%, to \$249.5 million for the year ended December 31, 2016, as compared to the prior year period.

Games Revenues

The following table includes the revenues from our Games segment (amounts in thousands):

	Year Ended			
	December 31, 2017		December 31, 2016	
	Revenues	% of Games Revenues	Revenues	% of Games Revenues
Games revenues				
Gaming operations	\$ 148,636	67 %	\$ 152,455	71 %
Gaming sales	70,117	31 %	56,277	26 %
Other	4,024	2 %	4,521	3 %
Total	\$ 222,777	100 %	\$ 213,253	100 %

Payments Revenues

The following table includes the revenues from our Payments segment (amounts in thousands):

	Year Ended			
	December 31, 2017		December 31, 2016	
	Revenues	% of Payments Revenues	Revenues	% of Payments Revenues
Payments revenues				
Cash access services	\$ 707,222	94 %	\$ 601,873	93 %
Kiosk sales and services	25,000	3 %	25,330	4 %
Compliance and other	19,949	3 %	19,000	3 %
Total	\$ 752,171	100 %	\$ 646,203	100 %

Critical Accounting Policies

The preparation of our financial statements in conformity with U.S. generally accepted accounting principles (“GAAP”) requires us to make estimates and assumptions that affect our reported amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities in our Financial Statements. The SEC has defined critical accounting policies as 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. Based on this definition, we have identified our critical accounting policies as those addressed below. We also have other key accounting policies that involve the use of estimates, judgments and assumptions. You should review “Note 2. Basis of Presentation and Summary of Significant Accounting Policies” within our Financial Statements included elsewhere in this Annual Report on Form 10-K for a summary of these policies. We believe that our estimates and assumptions are reasonable, based upon information presently available; however, actual results may differ from these estimates under different assumptions or conditions.

Segment Reporting. We apply the provisions of the Financial Accounting Standards Board (the “FASB”) Accounting Standards Codification (“ASC”) 280, “Segment Reporting”, in accounting for our business segments. This defines operating segments as components of an enterprise for which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. In addition, ASC 280-10-50-34, as well as Rule 3-03(e) of Regulation S-X, requires us to recast financial information from prior years for segments if we change our internal organization in a way that effects the compositions of our reportable segments. Our operating segments were previously organized and managed under five business segments: (a) Cash Advance, (b) ATM, (c) Check Services, (d) Games, and (e) Other. During the first quarter of 2015, we changed our organizational structure as part of our transformation to a Games and Payments company providing solutions to the gaming industry. Accordingly, since the first quarter of 2015, we have reported our financial performance, and organized and managed our operations, across the following two business segments: (a) Games, and (b) Payments. Each of these segments is monitored by our management for performance against its internal forecast and is consistent with our internal management reporting.

Business Combinations. We apply the provisions of the FASB ASC 805, “Business Combinations”, in the accounting for acquisitions. It requires us to recognize separately from goodwill the assets acquired and the liabilities assumed, at their acquisition date fair values. Goodwill as of the acquisition date is measured as the excess of consideration transferred over the net of the acquisition date fair values of the assets acquired and the liabilities assumed. Significant estimates and assumptions are required to value assets acquired and liabilities assumed at the acquisition date as well as contingent consideration, where applicable. These estimates are preliminary and typically include the calculation of an appropriate discount rate and projection of the cash flows associated with each acquired asset over its estimated useful life. As a result, during the measurement period, which may be up to one year from the acquisition date, the Company may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. In addition, deferred tax assets, deferred tax liabilities, uncertain tax positions and tax related valuation allowances assumed in connection with a business combination are initially estimated as of the acquisition date. We reevaluate these items quarterly based upon facts and circumstances that existed as of the acquisition date and any adjustments to its preliminary estimates are recorded to goodwill, in the period of identification, if identified within the measurement period. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to the Statements of Loss.

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

Property, Equipment and Leased Assets . We have approximately \$113.5 million in net property, equipment and leased assets on our Balance Sheets at December 31, 2017. Property, equipment and leased assets are stated at cost, less accumulated depreciation, computed using the straight-line method over the lesser of the estimated life of the related assets, generally two to five years, or the related lease term. Player terminals and related components and equipment are included in our rental pool. The rental pool can be further delineated as “rental pool – deployed,” which consists of assets deployed at customer sites under participation arrangements, and “rental pool – undeployed,” which consists of assets held by us that are available for customer use. Rental pool – undeployed consists of both new units awaiting deployment to a customer site and previously deployed units currently back with us to be refurbished awaiting re-deployment. Routine maintenance of property, equipment and leased gaming equipment is expensed in the period incurred, while major component upgrades are capitalized and depreciated over the estimated remaining useful life of the component. Sales and retirements of depreciable property are recorded by removing the related cost and accumulated depreciation from the accounts. Gains or losses on sales and retirements of property are reflected in our Statements of Loss. Property, equipment and leased assets are reviewed for impairment whenever events or circumstances indicate that their carrying amounts may not be recoverable. Impairment is indicated when undiscounted future cash flows do not exceed the asset’s carrying value.

Goodwill. We had approximately \$640.6 million of goodwill on our Balance Sheets at December 31, 2017 resulting from acquisitions of other businesses. All of our goodwill was subject to our annual goodwill impairment testing. 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, an impairment charge equal to the amount by which the carrying amount of goodwill for the reporting unit exceeds the implied fair value of that goodwill is recorded. In connection with our annual goodwill impairment testing process for 2017, we determined that no impairment adjustment was necessary as the fair value exceeded the carrying amount for each of the Games (limited excess fair value), Cash Access Services, Kiosk Sales and Services, Central Credit Services and Compliance Sales and Services reporting units.

Management performs its annual forecasting process, which, among other factors, includes reviewing recent historical results, company-specific variables and industry trends. This process is generally completed in the fourth quarter and considered in conjunction with the annual goodwill impairment evaluation.

The annual evaluation of goodwill and other non-amortizing intangible assets requires the use of estimates about future operating results of each reporting unit to determine its estimated fair value. Changes in forecasted operations can materially affect these estimates, which could materially affect our results of operations. The estimate of fair value requires significant judgment and we base our fair value estimates on assumptions that we believe to be reasonable; but that are unpredictable and inherently uncertain, including: estimates of future growth rates, operating margins and assumptions about the overall economic climate as well as the competitive environment for our reporting units. There can be no assurance that our estimates and assumptions made for purposes of our goodwill testing as of the time of testing will prove to be accurate predictions of the future. If our assumptions regarding business plans, competitive environments or anticipated growth rates are not correct, we may be required to record goodwill impairment charges in future periods, whether in connection with our next annual impairment testing, or earlier, if an indicator of an impairment is present prior to our next annual evaluation.

Our reporting units are identified as operating segments or one level below. Reporting units must: (a) engage in business activities from which they earn revenues and incur expenses; (b) have operating results that are regularly reviewed by our segment management to ascertain the resources to be allocated to the segment and assess its performance; and (c) have discrete financial information available. As of December 31, 2017, our reporting units included: Games, Cash Access Services, Kiosk Sales and Services, Central Credit Services, and Compliance Sales and Services. During the year ended December 31, 2016, the Company combined its Cash Advance, ATM and Check Services reporting units into a single Cash Access reporting unit to be consistent with the current corporate structure and segment management. The use of different assumptions, estimates or judgments in the goodwill impairment testing process, such as the estimated future cash flows of our reporting units, the discount rate used to discount such cash flows, or the estimated fair value of the reporting units' tangible and intangible assets and liabilities, could significantly increase or decrease the estimated fair value of a reporting unit or its net assets, and therefore, impact the related impairment charge, if any.

Other Intangible Assets. We have approximately \$324.3 million in net unamortized other intangible assets on our Balance Sheets at December 31, 2017. Other intangible assets are stated at cost, less accumulated amortization and computed primarily using the straight-line method. Other intangible assets consist primarily of: (i) customer contracts (rights to provide Games and Payments services to gaming establishment customers), developed technology, trade names and trademarks and contract rights acquired through business combinations; (ii) capitalized software development costs; and (iii) the acquisition cost of our patent related to the 3-in-1 rollover technology acquired in 2005. Customer contracts require us to make renewal assumptions, which impact the estimated useful lives of such assets. Capitalized software development costs require us to make certain judgments as to the stages of development and costs eligible for capitalization. Capitalized software costs placed in service are amortized over their useful lives, generally not to exceed five years. The acquisition cost of the 3-in-1 Rollover patent is being amortized over the term of the patent, which expired in January 2018. We review intangible assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Such events or circumstances include, but are not limited to, a significant decrease in the fair value of the underlying business or market price of the asset, a significant adverse change in legal factors or business climate that could affect the value of an asset, or a current period operating or cash flow loss combined with a history of operating or cash flow losses. We group intangible assets for impairment analysis at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Recoverability of intangible assets is measured by a comparison of the carrying amount of the asset to future, net cash flows expected to be generated by the asset, undiscounted and without interest or taxes. Any impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

Income Taxes. We are subject to income taxes in the United States as well as various states and foreign jurisdictions in which we operate. In accordance with accounting guidance, our income taxes include amounts from domestic and international jurisdictions, plus the provision for U.S. taxes on undistributed earnings of international subsidiaries as of December 31, 2017. With respect to new tax reform, we account for such provisions in the year of enactment in accordance with GAAP. Some items of income and expense are not reported in tax returns and our Financial Statements in the same year. The tax effect of such temporary differences is reported as deferred income taxes.

Our deferred tax assets and liabilities are recognized for the expected future tax consequences of events that have been included in our Financial Statements or income tax returns. Deferred tax assets and liabilities are determined based upon differences between financial statement carrying amounts of existing assets and their respective tax bases using enacted tax rates expected to apply to taxable income in years in which those temporary differences are

expected to be recovered or settled. The effect on the income tax provision or benefit and deferred tax assets and liabilities for a change in rates is recognized in the Statements of Loss in the period that includes the enactment date.

When measuring deferred tax assets, certain estimates and assumptions are required to assess whether a valuation allowance should be established by evaluating both positive and negative factors in accordance with accounting guidance. This evaluation requires that we exercise judgment in determining the relative significance of each factor. The assessment of valuation allowance involves significant estimates regarding future taxable income and when it is recognized, the amount and timing of taxable differences, the reversal of temporary differences and the implementation of tax-planning strategies. A valuation allowance is established based on the weight of available evidence, including both positive and negative indicators, if it is more likely than not that a portion, or all, of the deferred tax assets will not be realized. Greater weight is given to evidence that is objectively verifiable, most notably historical results. If we report a cumulative loss from continuing operations before income taxes for a reasonable period of time, this form of negative evidence is difficult to overcome. Therefore, we include certain aspects of our historical results in our forecasts of future taxable income, as we do not have the ability to solely rely on forecasted improvements in earnings to recover deferred tax assets. If we no longer report a cumulative loss position, to the extent our results of operations improve, such that we have the ability to overcome the more likely than not accounting standard, we expect to be able to reverse the valuation allowance in the applicable period of determination. In addition, we rely on deferred tax liabilities in our assessment of the realizability of deferred tax assets if the temporary timing difference is anticipated to reverse in the same period and jurisdiction and the deferred tax liabilities are of the same character as the temporary differences giving rise to the deferred tax assets.

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

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

Revenue Recognition

Overview

We recognize revenue when evidence of an arrangement exists, services have been rendered, the price is fixed or determinable and collectability is reasonably assured. We evaluate our revenue streams for proper timing of revenue recognition. Revenue is recognized as products are delivered and or services are performed.

For sales arrangements with multiple deliverables, we apply the guidance from ASC 605-25, "Revenue Recognition - Multiple-Element Arrangements." In addition, we apply the guidance from ASC 985-605, "Software – Revenue Recognition" which affects vendors that sell or lease tangible products in an arrangement that contains software that is more than incidental to the tangible product as a whole and clarifies what guidance should be used in allocating and measuring revenue. In allocating the arrangement fees to separate deliverables, we evaluate whether we have vendor-specific objective evidence ("VSOE") of selling price, third party evidence ("TPE") or estimate of selling price ("ESP") for gaming devices, maintenance and product support fees and other revenue sources. We generally use ESP to determine the selling price used in the allocation of separate deliverables, as VSOE and TPE are generally not available. We determine the ESP on separate deliverables by estimating a margin typically received on such items and applying that margin to the product cost incurred.

Sales taxes and other taxes collected from customers on behalf of governmental authorities are accounted for on a net basis and are not included in revenues or operating expenses.

Games Revenues

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 determinate systems for devices placed in service in licensed jurisdictions and back-office equipment, collectively referred to herein as leased gaming equipment. Generally, under these arrangements, we retain ownership of the leased gaming equipment installed at customer facilities and we receive revenue 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. Revenue 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 are reduced by the accretion of contract rights acquired in connection with those agreements. Contract rights are amounts allocated to intangible assets for dedicated floor space resulting from such agreements, described under "Development and Placement Fee Agreements." The related amortization expense, or accretion of contract rights, is recorded net against the respective revenue category in the Statements of Loss.

In addition, we sell gaming equipment directly to our customers under sales contracts on standard credit terms, or may grant extended credit terms under sales contracts secured by the related equipment.

Other Games revenues primarily consist of our TournEvent of Champions[®] national tournament offering.

Generally, player terminal sales include ancillary equipment, such as networking gear, bases, chairs, and occasionally signage, some of which may be necessary for the full functionality of the player terminals in a casino. This ancillary equipment comprises an install kit that is shipped simultaneously with the player terminals. Although our products are analyzed as multiple deliverable arrangements, revenue for the player terminal and ancillary equipment is not recognized until all elements essential for the functionality of the product have been shipped or delivered. This includes game theme software and essential ancillary equipment. If elements that are not essential to the functionality of the player terminals are shipped after the unit, such as signage, chairs, or bases, these items would be classified as deferred revenue until shipped or delivered.

Revenue related to systems arrangements that contain both software and non-software deliverables requires allocation of the arrangement fee to the separate deliverables using the relative selling price method. Revenue for software deliverables is recognized under software revenue recognition guidance. Revenue resulting from the sale of non-software deliverables, such as gaming devices and other hardware, are accounted for based on other applicable revenue recognition guidance as the devices are tangible products containing both software and non-software components that function together to deliver the product's essential functionality.

The majority of our multiple element sales contracts are for some combination of gaming equipment, player terminals, content, system software, license fees, ancillary equipment and maintenance.

Payments Revenues

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 and are recognized at the time the transactions are authorized. 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.

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. Cardholder surcharges and reverse interchange are recognized as revenue when a transaction is initiated. 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.

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. We sell

fully integrated kiosks directly to our customers under sales contracts on standard credit terms, or may grant extended credit terms under sales contracts secured by the related equipment.

Kiosk Sales and Services revenues are derived from the sale of cash access equipment and certain other ancillary fees associated with the sale, installation and maintenance of those offerings directly to our customers under sales contracts on standard credit terms, or may grant extended credit terms under sales contracts secured by the related equipment.

Compliance and other revenues include amounts derived from: (i) the sale of software licensing, software subscriptions professional services and certain other ancillary fees; (ii) Central Credit revenues 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 (iii) fees generated from ancillary marketing, database and internet-based gaming activities.

The majority of our multiple element sales contracts are for some combination of cash access services, fully integrated kiosks and related equipment, ancillary services and maintenance.

Stock-Based Compensation. Stock-based compensation expense for all awards is based on the grant date fair value estimated. We estimate the weighted-average fair value of options granted for our time-based and cliff vesting time-based options using the Black-Scholes Option Pricing Model. We estimate the weighted-average fair value of options granted for our market-based options using a lattice-based option valuation model. Each model is based on assumptions regarding expected volatility, dividend yield, risk-free interest rates, the expected term of the option and the expected forfeiture rate. Each of these assumptions, while reasonable, requires a certain degree of judgment and the fair value estimates could vary if the actual results are materially different than those initially applied.

Recent Accounting Guidance

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

Liquidity and Capital Resources

Overview

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

	At December 31,	
	2017	2016
Balance sheet data		
Total assets	\$ 1,537,074	\$ 1,408,163
Total borrowings	1,167,843	1,121,880
Total stockholders' deficit	(140,633)	(107,793)
Cash available		
Cash and cash equivalents	\$ 128,586	\$ 119,051
Settlement receivables	227,403	128,821
Settlement liabilities	(317,744)	(239,123)
Net cash position (1)	38,245	8,749
Undrawn revolving credit facility	35,000	50,000
Net cash available (1)	<u>\$ 73,245</u>	<u>\$ 58,749</u>

- (1) Non-GAAP measure. In order to enhance investor understanding of our cash balance, we are providing in this Annual Report on Form 10-K net cash position and net cash available, which are not measures of our financial performance or position under GAAP. Accordingly, these measures should not be considered in isolation or as a substitute for, and should be read in conjunction with, our cash and cash equivalents prepared in accordance with GAAP. We define (i) net cash position as cash and cash equivalents plus settlement receivables less settlement liabilities and (ii) net cash available as net cash position plus undrawn amounts available under our

Revolving Credit Facility (defined herein). We present net cash position because our cash position, as measured by cash and cash equivalents, depends upon changes in settlement receivables and the timing of payments related to settlement liabilities. As such, our cash and cash equivalents can change substantially based upon the timing of our receipt of payments for settlement receivables and payments we make to customers for our settlement liabilities. We present net cash available as management monitors this amount in connection with its forecasting of cash flows and future cash requirements.

Cash Resources

Our cash balance, cash flows and line of credit are expected to be sufficient to meet our recurring operating commitments and to fund our planned capital expenditures for the foreseeable future. Cash and cash equivalents at December 31, 2017 included cash in non-U.S. jurisdictions of approximately \$18.6 million. Generally, these funds are available for operating and investment purposes within the jurisdiction in which they reside, but may be subject to withholding tax in the foreign jurisdiction upon repatriation.

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 December 31, 2017, we had \$227.4 million in settlement receivables for which we generally receive payment within one week. As of December 31, 2017, we had \$317.7 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.

Our cash and cash equivalents were \$128.6 million and \$119.1 million as of December 31, 2017 and December 31, 2016, respectively. Our net cash position after considering the impact of settlement receivables and settlement liabilities was \$38.2 million and \$8.7 million as of December 31, 2017 and December 31, 2016, respectively. Our net cash available after considering the net cash position and undrawn amounts available under our Revolving Credit Facility was approximately \$73.2 million and \$58.7 million as of December 31, 2017 and December 31, 2016, respectively.

Cash Flows

The following table summarizes our cash flows for the years ended December 31, 2017, 2016 and 2015 (in thousands):

	Year Ended December 31,			Increase/(Decrease)	
	2017	2016	2015	2017 Vs 2016	2016 Vs 2015
Cash flow activities					
Net cash provided by operating activities	\$ 95,828	\$ 131,711	\$ 124,587	\$ (35,883)	\$ 7,124
Net cash used in investing activities	(109,979)	(88,054)	(85,549)	(21,925)	(2,505)
Net cash provided by (used in) financing activities	22,394	(24,922)	(24,551)	47,316	(371)
Effect of exchange rates on cash	1,292	(1,714)	(1,552)	3,006	(162)
Cash and cash equivalents					
Net increase for the period	9,535	17,021	12,935	(7,486)	4,086
Balance, beginning of the period	119,051	102,030	89,095	17,021	12,935
Balance, end of the period	<u>\$ 128,586</u>	<u>\$ 119,051</u>	<u>\$ 102,030</u>	<u>\$ 9,535</u>	<u>\$ 17,021</u>

Cash flows provided by operating activities were \$95.8 million, \$131.7 million, and \$124.6 million for the years ended December 31, 2017, 2016 and 2015, respectively. Cash flows provided by operating activities decreased by \$35.9 million for the year ended December 31, 2017, as compared to the prior year period. This was primarily attributable to the impact of the change in settlement receivables and settlement liabilities. Cash flows provided by operating activities increased by \$7.1 million for the year ended December 31, 2016, as compared to the prior year period. This was also primarily attributable to the impact of the change in settlement receivables and settlement liabilities.

Cash flows used in investing activities were \$110.0 million, \$88.1 million, and \$85.5 million for the years ended December 31, 2017, 2016 and 2015, respectively. Cash flows used in investing activities increased by \$21.9 million for the year ended December 31, 2017, as compared to the prior year period. This was primarily attributable to an increase in capital expenditures, higher placement fee arrangements in our Games segment and decreased sales of fixed assets. Cash flows used in investing activities increased by \$2.5 million for the year ended December 31, 2016, as compared to the prior year period. This was primarily attributable to an increase in capital expenditures and placement fee arrangements in our Games segment, partially offset by a reduction in capital expenditures in our Payments segment.

Cash flows provided by financing activities were \$22.4 million for the year ended December 31, 2017 compared to \$24.9 million and \$24.6 million of cash flows used in financing activities for the years ended December 31, 2016 and 2015, respectively. The increase in cash flows from financing activities of \$47.3 million in the year ended December 31, 2017, as compared to the prior year period was primarily attributable to our debt restructuring activities completed in 2017 and an increase in proceeds from the exercise of the stock options, partially offset by an increase in debt issuance costs. The cash flows used in 2016 and 2015 were relatively consistent and were primarily associated with the repayments of debt.

Long -Term Debt

The following table summarizes our indebtedness (in thousands):

Refinancing

	December 31,	
	2017	2016
Long-term debt		
Senior secured term loan	\$ 815,900	\$ 465,600
Senior secured notes	—	335,000
Senior unsecured notes	375,000	350,000
Total debt	1,190,900	1,150,600
Less: debt issuance costs and discount	(23,057)	(28,720)
Total debt after debt issuance costs and discount	1,167,843	1,121,880
Less: current portion of long-term debt	(8,200)	(10,000)
Long-term debt, less current portion	\$ 1,159,643	\$ 1,111,880

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 December 31, 2017, our consolidated secured leverage ratio was 3.59 to 1.00, with a maximum allowable ratio of 5.00 to 1.00. Our maximum consolidated secured leverage ratio will be 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 December 31, 2017.

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

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

For the period from January 1, 2017 to the Closing Date, the Prior Credit Facility had an applicable weighted average interest rate of 6.43%. For the period from the Closing Date to December 31, 2017, the New Term Loan Facility had an applicable weighted average interest rate of 5.55%. Together, for the year ended December 31, 2017, the two facilities had a blended weighted average interest rate of 5.73%.

At December 31, 2017, we had approximately \$815.9 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 December 31, 2017.

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 plus accrued and unpaid interest. As a result of the redemption, the Company recorded non-cash charges of approximately \$1.7 million, which consisted of unamortized deferred financing fees of \$0.2 million and discounts of \$1.5 million, which were included in the total \$14.6 million non-cash charge.

Senior Unsecured Notes

In December 2014, we issued \$350.0 million in aggregate principal amount of 10.0% 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 refinancing of our 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, 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 December 31, 2017.

Contractual Obligations

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

	At December 31, 2017						
	Total	2018	2019	2020	2021	2022	Thereafter
Contractual obligations							
Debt obligations (1)	\$ 1,190,900	\$ 8,200	\$ 8,200	\$ 8,200	\$ 8,200	\$ 8,200	\$ 1,149,900
Estimated interest obligations (2)	476,236	69,264	68,079	67,755	67,379	66,870	136,889
Operating lease obligations	22,107	4,943	5,050	5,046	4,007	2,193	868
Purchase obligations (3)	98,094	68,089	25,646	1,994	1,820	508	37
Total contractual obligations	<u>\$ 1,787,337</u>	<u>\$ 150,496</u>	<u>\$ 106,975</u>	<u>\$ 82,995</u>	<u>\$ 81,406</u>	<u>\$ 77,771</u>	<u>\$ 1,287,694</u>

- (1) We are required to make principal payments of 1% annually under the New Term Loan Facility and may also be required to make an excess cash flow payment that is based on full year end earnings and our consolidated secured leverage ratio in effect at that time. The above table does not reflect any future payments related to excess cash flow payments.
- (2) Estimated interest payments were computed using the interest rate in effect at December 31, 2017 multiplied by the principal balance outstanding after scheduled principal amortization payments. For our debt obligations, the weighted average rate assumed was approximately 5.70% until 2025, when the weighted average rate would increase to approximately 7.50%.
- (3) Included in purchase obligations are minimum transaction processing services from various third-party processors used by us as well as open purchase orders and placement fee agreements related to our Games business.

Other Liquidity Needs and Resources

We need cash to support our foreign operations. As a result of the 2017 Tax Act, enacted December 22, 2017, we will not be subject to additional taxation if we decide to repatriate foreign funds, except for potential withholding tax. Depending on the jurisdiction and the treaty between different foreign jurisdictions our withholding tax rates can vary significantly. If we expand our business into new foreign jurisdictions, we must rely on treaty-favored cross-border transfers of funds, the cash generated by our operations in those foreign jurisdictions or alternate sources of working capital.

Off-Balance Sheet Arrangements

Our Contract Cash Solutions Agreement with Wells Fargo Bank, N.A. ("Wells Fargo") allows us to use funds owned by Wells Fargo to provide the currency needed for normal operating requirements for our ATMs. For the use of these funds, we pay Wells Fargo a cash usage fee on the average daily balance of funds utilized multiplied by a contractually defined cash usage rate. These cash usage fees, reflected as interest expense within the Statements of Loss, were \$4.9 million, \$3.1 million and \$2.3 million for the years ended December 31, 2017, 2016 and 2015, respectively. We are exposed to interest rate risk to the extent that the applicable LIBOR (defined to be the Interbank Offered Rate or a comparable or successor rate) increases.

Under this agreement, all currency supplied by Wells Fargo remains the sole property of Wells Fargo at all times until it is dispensed, at which time Wells Fargo obtains an interest in the corresponding settlement receivable which is recorded on a net basis. As these funds are not our assets, supplied cash is not reflected on the Balance Sheets. The outstanding balances of ATM cash utilized by us from Wells Fargo were \$289.8 million and \$285.4 million as of December 31, 2017 and 2016, respectively.

The Contract Cash Solutions Agreement, as amended, 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 New Years. The term of the agreement 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 years ended December 31, 2017 and 2016.

Effects of Inflation

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

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

In the normal course of business, we are exposed to foreign currency exchange risk. We operate and conduct business in foreign countries and, as a result, are exposed to movements in foreign currency exchange rates. Our exposure to foreign currency exchange risk related to our foreign operations is not material to our results of operations, cash flows or financial 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 \$289.8 million as of December 31, 2017. Based upon this outstanding amount of currency supplied by Wells Fargo, each 1% increase in the applicable LIBOR would have a \$2.9 million impact on income before taxes over a 12-month period. Foreign gaming establishments or third-party vendors supply the currency needs for the ATMs located on their premises.

The Credit Facilities bear interest at rates that can vary over time. We have the option of having interest on the outstanding amounts under the New Credit Facilities paid based on a base rate or based on the Eurodollar Rate. We have historically elected to pay interest based on the Eurodollar Rate, and we expect to continue to pay interest based on the Eurodollar Rate of various maturities. The weighted average interest rate on credit facilities was approximately 5.73% for the year ended December 31, 2017. Based upon the outstanding balance on the New Credit Facilities of \$815.9 million as of December 31, 2017, each 1% increase in the applicable Eurodollar Rate would have an \$8.2 million impact on interest expense over a 12-month period. The interest rate on the 2017 Unsecured Notes are fixed and therefore an increase in interest rates does not impact the interest expense associated with the notes.

Item 8. Financial Statements and Supplementary Data.

Index to Consolidated Financial Statements

<u>Report of BDO USA, LLP, Independent Registered Public Accounting Firm</u>	63
<u>Consolidated Statements of Loss and Comprehensive Loss for the three years ended December 31, 2017</u>	64
<u>Consolidated Balance Sheets as of December 31, 2017 and 2016</u>	65
<u>Consolidated Statements of Cash Flows for the three years ended December 31, 2017</u>	66
<u>Consolidated Statements of Stockholders' (Deficit) Equity for the three years ended December 31, 2017</u>	68
<u>Notes to Consolidated Financial Statements</u>	69

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders and Board of Directors

Everi Holdings Inc. and subsidiaries
Las Vegas, NV

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Everi Holdings Inc. (the “Company”) and subsidiaries as of December 31, 2017 and 2016, the related consolidated statements of loss and comprehensive loss, stockholders’ (deficit) equity, and cash flows for each of the three years in the period ended December 31, 2017, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and subsidiaries at December 31, 2017 and 2016, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) and our report dated March 15, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

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

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

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

/s/ BDO USA, LLP

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

Las Vegas, Nevada
March 15, 2018

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

	Year Ended December 31,		
	2017	2016	2015
Revenues			
Games	\$ 222,777	\$ 213,253	\$ 214,424
Payments	752,171	646,203	612,575
Total revenues	<u>974,948</u>	<u>859,456</u>	<u>826,999</u>
Costs and expenses			
Games cost of revenue (exclusive of depreciation and amortization)	54,695	50,308	47,017
Payments cost of revenue (exclusive of depreciation and amortization)	583,850	498,706	463,380
Operating expenses	118,935	118,709	101,202
Research and development	18,862	19,356	19,098
Goodwill impairment	—	146,299	75,008
Depreciation	47,282	49,995	45,551
Amortization	69,505	94,638	85,473
Total costs and expenses	<u>893,129</u>	<u>978,011</u>	<u>836,729</u>
Operating income (loss)	<u>81,819</u>	<u>(118,555)</u>	<u>(9,730)</u>
Other expenses			
Interest expense, net of interest income	102,136	99,228	100,290
Loss on extinguishment of debt	51,750	—	13,063
Total other expenses	<u>153,886</u>	<u>99,228</u>	<u>113,353</u>
Loss before income tax	<u>(72,067)</u>	<u>(217,783)</u>	<u>(123,083)</u>
Income tax (benefit) provision	(20,164)	31,696	(18,111)
Net loss	<u>(51,903)</u>	<u>(249,479)</u>	<u>(104,972)</u>
Foreign currency translation	1,856	(2,427)	(1,251)
Comprehensive loss	<u>\$ (50,047)</u>	<u>\$ (251,906)</u>	<u>\$ (106,223)</u>
Loss per share			
Basic	<u>\$ (0.78)</u>	<u>\$ (3.78)</u>	<u>\$ (1.59)</u>
Diluted	<u>\$ (0.78)</u>	<u>\$ (3.78)</u>	<u>\$ (1.59)</u>
Weighted average common shares outstanding			
Basic	66,816	66,050	65,854
Diluted	66,816	66,050	65,854

See notes to consolidated financial statements.

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

	At December 31,	
	2017	2016
ASSETS		
Current assets		
Cash and cash equivalents	\$ 128,586	\$ 119,051
Settlement receivables	227,403	128,821
Trade and other receivables, net of allowances for doubtful accounts of \$4,706 and \$4,701 at December 31, 2017 and December 31, 2016, respectively	47,782	56,651
Inventory	23,967	19,068
Prepaid expenses and other assets	20,670	18,048
Total current assets	448,408	341,639
Non-current assets		
Property, equipment and leased assets, net	113,519	98,439
Goodwill	640,589	640,546
Other intangible assets, net	324,311	317,997
Other receivables	2,638	2,020
Other assets	7,609	7,522
Total non-current assets	1,088,666	1,066,524
Total assets	\$ 1,537,074	\$ 1,408,163
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities		
Settlement liabilities	\$ 317,744	\$ 239,123
Accounts payable and accrued expenses	134,504	94,391
Current portion of long-term debt	8,200	10,000
Total current liabilities	460,448	343,514
Non-current liabilities		
Deferred tax liability	38,207	57,611
Long-term debt, less current portion	1,159,643	1,111,880
Other accrued expenses and liabilities	19,409	2,951
Total non-current liabilities	1,217,259	1,172,442
Total liabilities	1,677,707	1,515,956
Commitments and contingencies (Note 12)		
Stockholders' deficit		
Common stock, \$0.001 par value, 500,000 shares authorized and 93,120 and 90,952 shares issued at December 31, 2017 and December 31, 2016, respectively	93	91
Convertible preferred stock, \$0.001 par value, 50,000 shares authorized and no shares outstanding at December 31, 2017 and December 31, 2016, respectively	—	—
Additional paid-in capital	282,070	264,755
Accumulated deficit	(246,202)	(194,299)
Accumulated other comprehensive loss	(253)	(2,109)
Treasury stock, at cost, 24,883 and 24,867 shares at December 31, 2017 and December 31, 2016, respectively	(176,341)	(176,231)
Total stockholders' deficit	(140,633)	(107,793)
Total liabilities and stockholders' deficit	\$ 1,537,074	\$ 1,408,163

See notes to consolidated financial statements.

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

	Year Ended December 31,		
	2017	2016	2015
Cash flows from operating activities			
Net loss	\$ (51,903)	\$ (249,479)	\$ (104,972)
Adjustments to reconcile net loss to cash provided by operating activities:			
Depreciation and amortization	116,787	144,633	131,024
Amortization of financing costs and discounts	8,706	6,695	7,109
Loss (gain) on sale or disposal of assets	2,513	2,563	(2,789)
Accretion of contract rights	7,819	8,692	7,614
Provision for bad debts	9,737	9,908	10,135
Deferred income taxes	(20,015)	29,940	(19,878)
Write-down of assets	—	4,289	—
Reserve for obsolescence	397	3,581	1,243
Goodwill impairment	—	146,299	75,008
Loss on extinguishment of debt	51,750	—	13,063
Stock-based compensation	6,411	6,735	8,284
Changes in operating assets and liabilities:			
Settlement receivables	(98,390)	(83,998)	(1,830)
Trade and other receivables	(884)	(8,207)	(5,219)
Inventory	(5,753)	5,600	(1,075)
Prepaid and other assets	(1,536)	4,480	(5,553)
Settlement liabilities	78,465	99,245	21,229
Accounts payable and accrued expenses	(8,276)	735	(8,806)
Net cash provided by operating activities	95,828	131,711	124,587
Cash flows from investing activities			
Capital expenditures	(96,490)	(80,741)	(76,988)
Acquisitions, net of cash acquired	—	(694)	(10,857)
Proceeds from sale of fixed assets	10	4,599	2,102
Placement fee agreements	(13,300)	(11,312)	(2,813)
Repayments under development agreements	—	—	3,104
Changes in restricted cash	(199)	94	(97)
Net cash used in investing activities	(109,979)	(88,054)	(85,549)
Cash flows from financing activities			
Proceeds from new credit facility	820,000	—	—
Proceeds from unsecured notes	375,000	—	—
Repayments of prior credit facility	(465,600)	(24,400)	(10,000)
Repayments of secured notes	(335,000)	—	(350,000)
Repayments of unsecured notes	(350,000)	—	—
Repayments of new credit facility	(4,100)	—	—
Proceeds from issuance of secured notes	—	—	335,000
Debt issuance costs	(28,702)	(480)	(1,221)
Proceeds from exercise of stock options	10,906	—	1,839
Purchase of treasury stock	(110)	(42)	(169)
Net cash provided by (used in) financing activities	22,394	(24,922)	(24,551)
Effect of exchange rates on cash	1,292	(1,714)	(1,552)
Cash and cash equivalents			
Net increase for the period	9,535	17,021	12,935
Balance, beginning of the period	119,051	102,030	89,095
Balance, end of the period	\$ 128,586	\$ 119,051	\$ 102,030

See notes to consolidated financial statements.

	Year Ended December 31,		
	2017	2016	2015
Supplemental cash disclosures			
Cash paid for interest	\$ 89,008	\$ 93,420	\$ 98,361
Cash paid for income tax	1,009	1,703	2,098
Cash refunded for income tax	829	171	14,477
Supplemental non-cash disclosures			
Accrued and unpaid capital expenditures	\$ 1,386	\$ 2,104	\$ 5,578
Accrued and unpaid placement fees	39,074	—	—
Accrued and unpaid contingent liability for acquisitions	—	(3,169)	4,681
Transfer of leased gaming equipment to inventory	7,820	9,042	4,698
Issuance of warrant	—	—	2,246

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

	Common Stock—		Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total (Deficit) Equity
	Series A						
	Number of Shares	Amount					
Balance, December 31, 2014	90,405	\$ 90	\$ 245,682	\$ 160,152	\$ 1,569	\$ (176,020)	\$ 231,473
Net loss	—	—	—	(104,972)	—	—	(104,972)
Foreign currency translation	—	—	—	—	(1,251)	—	(1,251)
Stock-based compensation expense	—	—	8,258	—	—	—	8,258
Exercise of options	343	1	1,834	—	—	—	1,835
Restricted share vesting withholdings	—	—	—	—	—	(169)	(169)
Restricted shares	129	—	—	—	—	—	—
Issuance of warrants	—	—	2,246	—	—	—	2,246
Balance, December 31, 2015	90,877	\$ 91	\$ 258,020	\$ 55,180	\$ 318	\$ (176,189)	\$ 137,420
Net loss	—	—	—	(249,479)	—	—	(249,479)
Foreign currency translation	—	—	—	—	(2,427)	—	(2,427)
Stock-based compensation expense	—	—	6,735	—	—	—	6,735
Restricted share vesting withholdings	—	—	—	—	—	(42)	(42)
Restricted shares	75	—	—	—	—	—	—
Balance, December 31, 2016	90,952	\$ 91	\$ 264,755	\$ (194,299)	\$ (2,109)	\$ (176,231)	\$ (107,793)
Net loss	—	—	—	(51,903)	—	—	(51,903)
Foreign currency translation	—	—	—	—	1,856	—	1,856
Stock-based compensation expense	—	—	6,411	—	—	—	6,411
Exercise of options	2,037	2	10,904	—	—	—	10,906
Restricted share vesting withholdings	—	—	—	—	—	(110)	(110)
Restricted shares	131	—	—	—	—	—	—
Balance, December 31, 2017	93,120	\$ 93	\$ 282,070	\$ (246,202)	\$ (253)	\$ (176,341)	\$ (140,633)

See notes to consolidated financial statements.

EVERI HOLDINGS INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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. The Company provides 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 VLTs 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) fully integrated gaming industry kiosks that provide cash access and related services; (c) products and services that improve credit decision making, automate cashier operations and enhance patron marketing activities for gaming establishments; (d) compliance, audit and data solutions; and (e) online payment processing solutions for gaming operators in states that offer intrastate, internet-based gaming and lottery activities.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

All intercompany transactions and balances have been eliminated in consolidation.

Business Combinations

We apply the provisions of the Financial Accounting Standards Board (the “FASB”) Accounting Standards Codification (“ASC”) 805, “Business Combinations”, in the accounting for acquisitions. It requires us to recognize separately from goodwill the assets acquired and the liabilities assumed, at their acquisition date fair values. Goodwill as of the acquisition date is measured as the excess of consideration transferred over the net of the acquisition date fair values of the assets acquired and the liabilities assumed. Significant estimates and assumptions are required to value assets acquired and liabilities assumed at the acquisition date as well as contingent consideration, where applicable. These estimates are preliminary and typically include the calculation of an appropriate discount rate and projection of the cash flows associated with each acquired asset over its estimated useful life. As a result, during the measurement period, which may be up to one year from the acquisition date, the Company may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. In addition, deferred tax assets, deferred tax liabilities, uncertain tax positions and tax related valuation allowances assumed in connection with a business combination are initially estimated as of the acquisition date. We reevaluate these items quarterly based upon facts and circumstances that existed as of the acquisition date and any

adjustments to its preliminary estimates are recorded to goodwill, in the period of identification, if identified within the measurement period. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to the Statements of Loss.

Acquisition-related Costs

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

Cash and Cash Equivalents

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

ATM Funding Agreements

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

For the Non-Site-Funded locations, our Contract Cash Solutions Agreement with Wells Fargo allows us to use funds owned by Wells Fargo to provide the currency needed for normal operating requirements for our ATMs. For the use of these funds, we pay Wells Fargo a cash usage fee on the average daily balance of funds utilized multiplied by a contractually defined cash usage rate. Under this agreement, all currency supplied by Wells Fargo remains the sole property of Wells Fargo at all times until it is dispensed, at which time Wells Fargo obtains an interest in the corresponding settlement receivable. As the cash is never an asset of ours, supplied cash is not reflected on our balance sheet. We are charged a cash usage fee for the cash used in these ATMs, which is included as interest expense in the Statements of Loss. We recognize the fees as interest expense due to the similar operational characteristics to a revolving line of credit, the fact that the fees are calculated on a financial index and the fees are paid for access to a capital resource.

Allowance for Doubtful Accounts

We maintain an allowance for doubtful accounts related to our trade and other receivables and notes receivable that have been deemed to have a high risk of uncollectibility. Management reviews its accounts and notes receivable on a quarterly basis to determine if any receivables will potentially be uncollectible. Management analyzes historical collection trends and changes in our customer payment patterns, customer concentration, and creditworthiness when evaluating the adequacy of our allowance for doubtful accounts. In our overall allowance for doubtful accounts we include any receivable balances for which uncertainty exists as to whether the account balance has become uncollectible. Based on the information available, management believes the allowance for doubtful accounts is adequate; however, actual write-offs may exceed the recorded allowance.

Settlement Receivables and Settlement Liabilities

In the credit card cash access and POS debit card cash access transactions provided by us, the gaming establishment is reimbursed for the cash disbursed to gaming patrons through the issuance of a negotiable instrument or through electronic settlement. We receive reimbursement from the patron’s credit or debit card issuer for the transaction in an amount equal to the amount owed to the gaming establishment plus the fee charged to the patron. This

reimbursement is included within the settlement receivables on the Balance Sheets. The amounts owed to gaming establishments are included within settlement liabilities on the Balance Sheets.

Warranty Receivables

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

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

Inventory

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

Property, Equipment and Leased Assets

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

Development and Placement Fee Agreements

We enter into development and placement fee agreements to provide financing for new gaming facilities or for the expansion of existing facilities. All or a portion of the funds provided under development agreements are reimbursed to us, while funds provided under placement fee agreements are not reimbursed. In return, the facility dedicates a percentage of its floor space to placement of our player terminals, and we receive a fixed percentage of those player terminals' hold per day over the term of the agreement which is generally for 12 to 83 months. Certain of the agreements contain player terminal performance standards that could allow the facility to reduce a portion of our guaranteed floor space. In addition, certain development agreements allow the facilities to buy out floor space after advances that are subject to repayment have been repaid. The agreements typically provide for a portion of the

amounts retained by the gaming facility for their share of the operating profits of the facility to be used to repay some or all of the advances recorded as notes receivable.

Goodwill

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

Our reporting units are identified as operating segments or one level below. Reporting units must: (a) engage in business activities from which they earn revenues and incur expenses; (b) have operating results that are regularly reviewed by our segment management to ascertain the resources to be allocated to the segment and assess its performance; and (c) have discrete financial information available. As of December 31, 2017, our reporting units included: Games, Cash Access Services, Kiosk Sales and Service, Central Credit Services and Compliance Sales and Services. During the year ended December 31, 2016, the Company combined its Cash Advance, ATM and Check Services reporting units into a Cash Access reporting unit to be consistent with the current corporate structure and segment management.

Other Intangible Assets

Other intangible assets are stated at cost, less accumulated amortization, and are computed primarily using the straight-line method. Other intangible assets consist primarily of: (i) customer contracts (rights to provide Games and Payments services to gaming establishment customers), developed technology, trade names and trademarks and contract rights acquired through business combinations; (ii) capitalized software development costs; and (iii) the acquisition cost of our patent related to the 3-in-1 rollover technology acquired in 2005. Customer contracts require us to make renewal assumptions, which impact the estimated useful lives of such assets. Capitalized software development costs require us to make certain judgments as to the stages of development and costs eligible for capitalization. Capitalized software costs placed in service are amortized over their useful lives, generally not to exceed five years. The acquisition cost of the 3-in-1 Rollover patent is being amortized over the term of the patent, which expires in 2018. We review intangible assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Such events or circumstances include, but are not limited to, a significant decrease in the fair value of the underlying business or market price of the asset, a significant adverse change in legal factors or business climate that could affect the value of an asset, or a current period operating or cash flow loss combined with a history of operating or cash flow losses. We group intangible assets for impairment analysis at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Recoverability of intangible assets is measured by a comparison of the carrying amount of the asset to future, net cash flows expected to be generated by the asset, undiscounted and without interest or taxes. Any impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

Debt Issuance Costs

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

Original Issue Discounts

Original issue discounts incurred in connection with long-term borrowings are capitalized and amortized to interest expense based upon the related debt agreements using the straight-line method, which approximates the effective interest method. These amounts are recorded as contra-liabilities and included in long-term debt on the Balance Sheets.

Deferred Revenue

Deferred revenue represents amounts from the sale of fully integrated kiosks and related service contracts, anti-money laundering and tax compliance software, and gaming equipment and systems that have been billed, or for which notes receivable have been executed, but which transaction has not met our revenue recognition criteria. The cost of the fully integrated kiosks and related service contracts, anti-money laundering and tax compliance software, and gaming equipment and systems is deferred and recorded at the time revenue is recognized. Amounts are classified between current and long-term liabilities, based upon the expected period in which the revenue will be recognized.

Revenue Recognition

Overall

We recognize revenue when evidence of an arrangement exists, services have been rendered, the price is fixed or determinable and collectability is reasonably assured. We evaluate our revenue streams for proper timing of revenue recognition. Revenue is recognized as products are delivered and or services are performed.

For sales arrangements with multiple deliverables, we apply the guidance from ASC 605-25, "Revenue Recognition - Multiple-Element Arrangements." In addition, we apply the guidance from ASC 985-605, "Software – Revenue Recognition" which affects vendors that sell or lease tangible products in an arrangement that contains software that is more than incidental to the tangible product as a whole and clarifies what guidance should be used in allocating and measuring revenue. In allocating the arrangement fees to separate deliverables, we evaluate whether we have vendor-specific objective evidence ("VSOE") of selling price, third party evidence ("TPE") or estimate of selling price ("ESP") for gaming devices, maintenance and product support fees and other revenue sources. We generally use ESP to determine the selling price used in the allocation of separate deliverables, as VSOE and TPE are generally not available. We determine the ESP on separate deliverables by estimating a margin typically received on such items and applying that margin to the product cost incurred.

Sales taxes and other taxes collected from customers on behalf of governmental authorities are accounted for on a net basis and are not included in revenues or operating expenses.

Games Revenues

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 determinate systems for devices placed in service in licensed jurisdictions and back-office equipment, collectively referred to herein as leased gaming equipment. Generally, under these arrangements, we retain ownership of the leased gaming equipment installed at customer facilities and we receive revenue 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. Revenue 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 are reduced by the accretion of contract rights acquired in connection with those agreements. Contract rights are amounts allocated to intangible assets for dedicated floor space resulting from such agreements, described under "Development and Placement Fee Agreements." The related amortization expense, or accretion of contract rights, is recorded net against the respective revenue category in the Statements of Loss.

In addition, we sell gaming equipment directly to our customers under sales contracts on standard credit terms, or may grant extended credit terms under sales contracts secured by the related equipment.

Other Games revenues primarily consist of our TournEvent of Champions[®] national tournament offering.

Generally, player terminal sales include ancillary equipment, such as networking gear, bases, chairs, and occasionally signage, some of which may be necessary for the full functionality of the player terminals in a casino. This ancillary equipment comprises an install kit that is shipped simultaneously with the player terminals. Although our products are analyzed as multiple deliverable arrangements, revenue for the player terminal and ancillary equipment is not recognized until all elements essential for the functionality of the product have been shipped or delivered. This includes game theme software and essential ancillary equipment. If elements that are not essential to the functionality of the player terminals are shipped after the unit, such as signage, chairs, or bases, these items would be classified as deferred revenue until shipped or delivered.

Revenue related to systems arrangements that contain both software and non-software deliverables requires allocation of the arrangement fee to the separate deliverables using the relative selling price method. Revenue for software deliverables is recognized under software revenue recognition guidance. Revenue resulting from the sale of non-software deliverables, such as gaming devices and other hardware, are accounted for based on other applicable revenue recognition guidance as the devices are tangible products containing both software and non-software components that function together to deliver the product's essential functionality.

The majority of our multiple element sales contracts are for some combination of gaming equipment, player terminals, content, system software, license fees, ancillary equipment and maintenance.

Payments Revenues

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 and are recognized at the time the transactions are authorized. 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.

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. Cardholder surcharges and reverse interchange are recognized as revenue when a transaction is initiated. 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.

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.

Kiosk Sales and Services revenues are derived from the sale of cash access equipment and certain other ancillary fees associated with the sale, installation and maintenance of those offerings directly to our customers under sales contracts on standard credit terms, or may grant extended credit terms under sales contracts secured by the related equipment.

Compliance and other revenues include amounts derived from: (i) the sale of software licensing, software subscriptions professional services and certain other ancillary fees; (ii) Central Credit revenues 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 (iii) fees generated from ancillary marketing, database and internet-based gaming activities.

The majority of our multiple element sales contracts are for some combination of cash access services, fully integrated kiosks and related equipment, ancillary services and maintenance.

Cost of Revenues (exclusive of depreciation and amortization)

The cost of revenues (exclusive of depreciation and amortization) represents the direct costs required to perform revenue generating transactions. The principal costs included within cost of revenues (exclusive of depreciation and amortization) are commissions paid to gaming establishments, interchange fees paid to credit and debit card networks, transaction processing fees to our transaction processor, inventory and related costs associated with the sale of our fully integrated kiosks, electronic gaming machines and system sales, check cashing warranties, field service and network operations personnel.

Advertising, Marketing and Promotional Costs

We expense advertising, marketing and promotional costs as incurred. Total advertising, marketing and promotional costs, included in operating expenses in the Statements of Loss, were \$1.1 million, \$1.2 million and \$0.9 million for the years ended December 31, 2017, 2016 and 2015, respectively.

Research and Development Costs

We conduct research and development activities primarily to develop gaming systems, gaming engines, casino data management systems, casino central monitoring systems, video lottery outcome determination systems, gaming platforms and gaming content, as well as to add enhancements to our existing product lines. We believe our ability to deliver differentiated, appealing products and services to the marketplace is based on our research and development investments, and we expect to continue to make such investments in the future. Research and development costs consist primarily of salaries and benefits, consulting fees and game lab testing fees. Once the technological feasibility of a project has been established, it is transferred from research to development and capitalization of development costs begins until the product is available for general release.

Research and development costs were \$18.9 million, \$19.4 million and \$19.1 million for the years ended December 31, 2017, 2016 and 2015, respectively.

Income Taxes

We are subject to income taxes in the United States as well as various states and foreign jurisdictions in which we operate. In accordance with accounting guidance, our income taxes include amounts from domestic and international jurisdictions, plus the provision for U.S. taxes on undistributed earnings of international subsidiaries as of December 31, 2017. With respect to new tax reform, we account for such provisions in the year of enactment in accordance with GAAP. Some items of income and expense are not reported in tax returns and our Financial Statements in the same year. The tax effect of such temporary differences is reported as deferred income taxes.

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

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

to the extent our results of operations improve, such that we have the ability to overcome the more likely than not accounting standard, we expect to be able to reverse the valuation allowance in the applicable period of determination. In addition, we rely on deferred tax liabilities in our assessment of the realizability of deferred tax assets if the temporary timing difference is anticipated to reverse in the same period and jurisdiction and the deferred tax liabilities are of the same character as the temporary differences giving rise to the deferred tax assets.

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

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

Employee Benefits Plan

The Company provides a 401(k) Plan that allows employees to defer up to the lesser of the Internal Revenue Code prescribed maximum amount or 100% of their income on a pre-tax basis through contributions to the plan. As a benefit to employees, the Company matches a percentage of these employee contributions (as defined in the plan document). Expenses related to the matching portion of the contributions to the Surviving 401(k) Plan were \$2.3 million, \$1.9 million and \$1.3 million for the years ended December 31, 2017, 2016 and 2015, respectively.

Fair Values of Financial Instruments

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

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

	Level of Hierarchy	Fair Value	Outstanding Balance
December 31, 2017			
Term loan	2	\$ 826,099	\$ 815,900
Senior unsecured notes	1	\$ 372,656	\$ 375,000
December 31, 2016			
Term loan	1	\$ 451,632	\$ 465,600
Senior secured notes	3	\$ 324,950	\$ 335,000
Senior unsecured notes	1	\$ 350,000	\$ 350,000

The 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 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 December 31, 2017 .

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

Foreign Currency Translation

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

Use of Estimates

We have made estimates and judgments affecting the amounts reported in these financial statements and the accompanying notes. The actual results may differ from these estimates. These accounting estimates incorporated into our Financial Statements include, but are not limited to:

- the estimated reserve for warranty expense associated with our check warranty receivables;
- the estimated reserve for bad debt expense associated with our trade receivables;
- the estimated reserve for inventory obsolescence;
- the valuation and recognition of share based compensation;
- the valuation allowance on our deferred income tax assets;
- the estimated cash flows in assessing the recoverability of long lived assets;
- the estimates of future operating performance, weighted average cost of capital (“WACC”) and growth rates as well as other factors used in our annual goodwill and assets impairment evaluations;
- the renewal assumptions used for customer contracts to estimate the useful lives of such assets;
- the judgments used to determine the stages of development and costs eligible for capitalization as internally developed software; and
- the estimated liability for health care claims under our self-insured health care program.

Earnings Applicable to Common Stock

Basic earnings per share is calculated by dividing net income by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflect the effect of potential common stock resulting from assumed stock option exercises and vesting of restricted stock unless it is antidilutive.

Share-Based Compensation

Share-based payment awards result in a cost that is measured at fair value on the award’s grant date.

Our time-based stock options were measured at fair value on the grant date using the Black Scholes model. Our restricted stock awards were measured at fair value based on the stock price on the grant date. The compensation expense is recognized on a straight-line basis over the vesting period of the awards.

Our market-based options granted in 2017 and 2016 under our 2014 Equity Incentive Plan (the “2014 Plan”) and 2012 Equity Incentive Plan (as amended, the “2012 Plan”) vest at a rate of 25% per year on each of the first four anniversaries of the grant date, provided that as of the vesting date for each vesting tranche, the closing price of the Company’s shares on the New York Stock Exchange is at least a specified price hurdle, defined as a 25% and 50% premium for 2017 and 2016, respectively, 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.

Our market-based stock options granted in 2015 under the 2014 Plan will vest if our average stock price in any period of 30 consecutive trading days meets certain target prices during a four-year period that commenced on the grant date of these options. If these target prices are not met during the four year period, the unvested shares underlying the options will terminate except if there is a Change in Control (as defined in the 2014 Plan) of the Company, in which case, the unvested shares underlying such options shall become fully vested on the effective date of such change in control transaction.

The market-based options were measured at fair value on the grant date using a lattice-based valuation model based on the median time horizon from the date of grant for these options to the vesting date for those paths that achieved the target threshold(s). The compensation expense is recognized on a straight-line basis over the median vesting periods calculated under such valuation model.

Forfeitures are estimated at the grant date for our time-based and market-based awards, with such estimates updated periodically; and with actual forfeitures recognized currently to the extent they differ from the estimates.

Unless otherwise provided by the administrator of our equity incentive plans, stock options granted under our plans generally expire ten years from the date of grant. In connection with our annual grant in 2015, certain market-based stock option awards were issued that expire seven years from the date of grant. The exercise price of stock options is generally the closing market price of our common stock on the date of the stock option grant.

Reclassification of Prior Year Balances

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

Recent Accounting Guidance

Recently Adopted Accounting Guidance

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

In March 2016, the FASB issued ASU No. 2016-09, which simplifies several aspects of the accounting for share-based payment transactions, including the accounting for income taxes, statutory tax withholding requirements and classification on the statement of cash flows. The new standard is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. This guidance will be applied either prospectively, retrospectively or using a modified retrospective transition method, depending on the area covered in this update. Early adoption is permitted. We adopted this guidance in the current period on a prospective basis. As of December 31, 2017, the adoption of ASU No. 2016-09 has not materially impacted our Financial Statements. With respect to forfeitures, the Company will continue to estimate the number of awards expected to be forfeited in

accordance with our existing accounting policy. In addition, our Cash Flows present excess tax benefits as operating activities in the current period, as the prior period was not adjusted.

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

Recent Accounting Guidance Not Yet Adopted

In May 2017, the FASB issued ASU No. 2017-09 to clarify which changes to the terms and conditions of share-based payment awards require an entity to apply modification accounting under Topic 718. An entity is required to account for the effects of a modification unless all of the following conditions are met: (i) the fair value (or calculated value or intrinsic value, if such an alternative measurement method is used) of the modified award is the same as the fair value (or value using an alternative measurement method) of the original award immediately before the original award is modified. If the modification does not affect any of the inputs to the valuation technique that the entity uses to value the award, the entity is not required to estimate the value immediately before and after the modification; (ii) the vesting conditions of the modified award are the same as the vesting conditions of the original award immediately before the original award is modified; and (iii) the classification of the modified award as an equity instrument or a liability instrument is the same as the classification of the original award immediately before the original award is modified. The new standard is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted in the first period of the year this guidance is adopted. We do not expect the adoption of this guidance to 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. Early adoption is permitted for acquisitions, or disposals that occur before the issuance date or effectiveness date of the amendments when the transaction has not been reported in financial statements that have been issued or made available for issuance. We do not expect the adoption of this guidance to 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. The new standard is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. This guidance will be applied using a retrospective approach to each period presented. Early adoption is permitted and adoption in an interim period should reflect adjustments as of the beginning of the fiscal year that includes that interim period. We do not expect the adoption of this guidance to 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. The new standard is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. This guidance will be applied using a modified retrospective approach through a cumulative-effective adjustment directly to retained earnings as of the beginning of the period of adoption. Early adoption is permitted during the first interim period of

the year this guidance is adopted. We do not expect the adoption of this guidance to 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. The new standard is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. This guidance will be applied using a retrospective approach. If it is impracticable to apply the amendments retrospectively for some of the issues within this ASU, the amendments for those issues would be applied prospectively as of the earliest date practicable. Early adoption is permitted including adoption in an interim period. We do not expect the adoption of this guidance to have a material impact 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 assessing the effect the adoption of this guidance will have on our Financial Statements, but do not expect the effect to be material.

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

In May 2014, the FASB issued ASC 606, “Revenue from Contracts with Customers,” which outlines a new, single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes the existing revenue recognition guidance, including industry-specific guidance. 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. This guidance was originally effective for interim and annual reporting periods beginning after December 15, 2016. However, in August 2015, the FASB issued ASU No. 2015-14, which extended the effective date to interim and annual periods beginning after December 15, 2017. This guidance may be adopted under a full retrospective application or under a modified retrospective method whereby the cumulative effect is recognized at the date of initial application.

On January 1, 2018, the Company implemented the new revenue recognition standard promulgated by the FASB. The Company adopted ASC 606 using the modified retrospective method that requires companies to record a cumulative adjustment to retained earnings (or deficit) presented in the unaudited condensed, consolidated balance sheets for interim periods and presented in the audited consolidated balance sheets for annual periods for any contract modifications made to those arrangements not yet completed as of the adoption date of January 1, 2018. The Company determined that there was no such cumulative adjustment required to be made to its interim, condensed, consolidated balance sheets as of the adoption date. In addition, under the modified retrospective method, the Company’s prior period results will not be recast to reflect the new revenue recognition standard.

The Company determined that the adoption of ASC 606 will have a material impact on the presentation of its financial information primarily due to the reporting on a net revenues basis, rather than a gross presentation, of certain costs of revenues (exclusive of depreciation and amortization) related to the cash access activities of the Company's Payments segment (with additional immaterial changes due to the net reporting of certain of the gaming operations activities of the Company's Games segment). The net revenues reporting requirement under ASC 606 will have an effect on both the Payments and Games segment revenues and related cost of revenues (exclusive of depreciation and amortization); however, this net presentation will not have an effect on operating income (loss), net loss, cash flows or the timing of revenues recognized and costs incurred.

To provide a greater understanding of the impact of this new revenue recognition standard, the Company determined that under the provisions set forth in ASC 606, the effect on certain Payments and Games revenues and costs of revenues would have collectively decreased by approximately \$564.2 million, \$476.4 million and \$438.3 million for the years ended December 31, 2017, 2016 and 2015, respectively.

With respect to its Payments segment, the Company will have a material impact on the presentation of its financial information related to the reclassification of certain cost of revenues (exclusive of depreciation and amortization) included in the cash advance, automated teller machine and check services revenue streams to be netted against those related revenue streams. The Company will report these items, which include commission expenses paid to casino operators, interchange costs paid to the network associations and processing and related costs paid to other third party partners as amounts that will be reported "net of transaction price" as reductions to its Payments segment revenues, rather than the current gross revenues presentation with these costs and expenses historically reported as Payments segment cost of revenue (exclusive of depreciation and amortization).

With respect to its Games segment, the Company will not have a material impact on the presentation of its financial information related to the reclassification of certain cost of revenues included in the gaming operations revenue stream to be netted against this revenue stream in connection with the Company's Wide Area Progressive (the "WAP") offering, which was initiated in 2017. The Company will report these items, which include WAP jackpot expenses as amounts that will be reported "net of the transaction price" as reductions to its Games segment revenues, rather than the current gross revenues presentation with these expenses historically reported as Games segment cost of revenue (exclusive of depreciation and amortization).

Furthermore, for presentation purposes, given the fact that the Company's total revenues, on a consolidated basis, will be significantly reduced in connection with the adoption of the new revenue recognition standard, the Company's revenue streams will be evaluated on a recurring basis to ensure compliance with Rule 5-03(b) of Regulation S-X to present those revenues that exceed the quantitative threshold on the Company's Statements of Loss. In addition, the Company determined that there was no cumulative adjustment to be recorded to Stockholders' Deficit in its Consolidated Balance Sheets.

We have completed our review of the requirements of the new revenue recognition standard by major revenue stream and present the impact to our operating segments as follows:

Major Revenue Stream	Impact Upon Adoption
<u>Games Segment:</u>	
Game Sales	The adoption of ASC 606 will not have a material impact on this revenue stream; however, for presentation purposes, there will be a change to show this line item on our Consolidated Statements of Loss as we expect it to exceed the quantitative threshold set forth in Rule 5-03(b) of Regulation S-X.
Gaming Operations	The adoption of ASC 606 will not have a material impact on this revenue stream; however, with respect to our Wide Area Progressive (“WAP”) offering, which was initiated in 2017, there will be a change as the jackpot expense is required to be netted against the corresponding WAP revenue as opposed to the existing accounting practice of recording these amounts on a gross basis to Games cost of revenue. In addition, for presentation purposes, there will be a change to show this line item on our Statements of Loss as we expect it to exceed the quantitative threshold set forth in Rule 5-03(b) of Regulation S-X.
Games Segment Impact	The Games segment impact, on a pro forma basis giving effect to the implementation of ASC 606 for revenue and cost of revenue (exclusive of depreciation and amortization), would have been a decrease of approximately \$0.6 million for the year ended December 31, 2017. There was no effect to the Statements of Loss with respect to the Games segment for the years ended December 31, 2016 and 2015.
<u>Payments Segment:</u>	
Cash Advance, ATM and Check Services	There will be significant changes to the presentation of our financial information related to the Cash Advance, ATM and Check Services revenue streams. Certain costs of revenue, which include: (i) commission expenses paid to casino operators; (ii) interchange costs paid to the network associations; and (iii) processing and related costs paid to other third party partners, will be netted against the corresponding Payments segment revenue as opposed to the existing accounting practice of recording these amounts on a gross basis to Payments cost of revenue. In addition, for presentation purposes, there will be a change to show certain of these line items on our Statements of Loss as we expect it to exceed the quantitative threshold set forth in Rule 5-03(b) of Regulation S-X.
Central Credit	The adoption of ASC 606 will not have a material impact and there is no change expected from our current practices.
Kiosk Sales and Services	The adoption of ASC 606 will not have a material impact and there is no change expected from our current practices.
Compliance Sales and Services	The adoption of ASC 606 will not have a material impact and there is no change expected from our current practices.

Payments Segment Impact

The Payments segment impact on a pro forma basis giving effect to the implementation of ASC 606 for revenue and cost of revenue (exclusive of depreciation and amortization) would have been a decrease of approximately \$563.6 million, \$476.4 million and \$438.3 million for the years ended December 31, 2017, 2016 and 2015, respectively.

3. BUSINESS COMBINATIONS

We account for business combinations in accordance with ASC 805, which requires that the identifiable assets acquired and liabilities assumed be recorded at their estimated fair values on the acquisition date separately from goodwill, which is the excess of the fair value of the purchase price over the fair values of these identifiable assets and liabilities. We include the results of operations of an acquired business as of the acquisition date. We had no material acquisitions for the years ended December 31, 2017, 2016 and 2015.

4. FUNDING AGREEMENTS

Contract Cash Solutions Agreement

Our Contract Cash Solutions Agreement with Wells Fargo Bank, N.A. (“Wells Fargo”) allows us to use funds owned by Wells Fargo to provide the currency needed for normal operating requirements for our ATMs. For the use of these funds, we pay Wells Fargo a cash usage fee on the average daily balance of funds utilized multiplied by a contractually defined cash usage rate. These cash usage fees, reflected as interest expense within the Statements of Loss, were \$4.9 million, \$3.1 million and \$2.3 million for the years ended December 31, 2017, 2016 and 2015, respectively. We are exposed to interest rate risk to the extent that the applicable LIBOR (defined to be the Interbank Offered Rate or a comparable or successor rate) increases.

Under this agreement, all currency supplied by Wells Fargo remains the sole property of Wells Fargo at all times until it is dispensed, at which time Wells Fargo obtains an interest in the corresponding settlement receivable which is recorded on a net basis. As these funds are not our assets, supplied cash is not reflected on the Balance Sheets. The outstanding balances of ATM cash utilized by us from Wells Fargo were \$289.8 million and \$285.4 million as of December 31, 2017 and 2016, respectively.

The Contract Cash Solutions Agreement, as amended, 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 New Years. The term of the agreement 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 years ended December 31, 2017 and 2016.

Site-Funded ATMs

We operate ATMs at certain customer gaming establishments where the gaming establishment provides the cash required for the ATM operational needs. We are required to reimburse the customer for the amount of cash dispensed from these Site-Funded ATMs. The Site-Funded ATM liability is included within settlement liabilities in the accompanying Balance Sheets and was \$210.8 million and \$151.0 million as of December 31, 2017 and 2016, respectively.

Prefunded Cash Access Agreements

Due to certain regulatory requirements, some international gaming establishments require prefunding of cash to cover all outstanding settlement amounts in order for us to provide cash access services to their properties. We enter into agreements with these operators for which we supply our cash access services for their properties. Under these agreements, we maintain sole discretion to either continue or cease operations as well as discretion over the amounts prefunded to the properties and may request amounts to be refunded to us, with appropriate notice to the operator, at

any time. The initial prefunded amounts and subsequent amounts from the settlement of transactions are deposited into a bank account that is to be used exclusively for cash access services and we maintain the right to monitor all transaction activity in that account. The total amount of prefunded cash outstanding was approximately \$8.4 million and \$8.5 million at December 31, 2017 and 2016, respectively, and is included in prepaid expenses and other assets on our Balance Sheets.

5. TRADE AND OTHER RECEIVABLES

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

In addition, we had a note receivable with Bee Cave Games, Inc. (“Bee Cave”), which was established in December 2014 pursuant to a secured promissory note in the amount of \$4.5 million. In connection with the promissory note, the Company received a warrant to purchase the common stock of Bee Cave and recorded a discount to the note for the fair value of the warrant received. In May 2016, Bee Cave failed to pay its scheduled interest-only. At such time, we recorded a write-down of approximately \$4.3 million related to the Bee Cave note receivable and warrant in operating expenses on the Statements of Loss. During the third quarter of 2016, we foreclosed on the Bee Cave assets, evaluated its platform, and began to utilize these assets in connection with our social gaming strategy to deliver content from our existing game library. Consequently, we extinguished the note receivable and recorded \$0.5 million of developed technology and software within other intangible assets, net on the Balance Sheets.

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

	At December 31,	
	2017	2016
Trade and other receivables, net		
Games trade and loans receivables	\$ 38,070	\$ 44,410
Payments trade and loans receivables	10,780	12,337
Other receivables	1,570	1,924
Total trade and other receivables, net	\$ 50,420	\$ 58,671
Less: non-current portion of receivables	2,638	2,020
Total trade and other receivables, current portion	\$ 47,782	\$ 56,651

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

A summary activity of the reserve for check warranty losses is as follows (in thousands):

	Amount
Balance, December 31, 2014	\$ 2,784
Warranty expense provision	9,263
Charge-offs against reserve	(9,074)
Balance, December 31, 2015	2,973
Warranty expense provision	8,694
Charge-offs against reserve	(8,972)
Balance, December 31, 2016	2,695
Warranty expense provision	9,418
Charge-offs against reserve	(9,404)
Balance, December 31, 2017	\$ 2,709

6. INVENTORY

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

Inventory consisted of the following (in thousands):

	At December 31,	
	2017	2016
Inventory		
Raw materials and component parts, net of reserves of \$1,327 and \$2,155 at December 31, 2017 and 2016, respectively	\$ 18,782	\$ 12,570
Work-in-progress	985	1,502
Finished goods	4,200	4,996
Total inventory	\$ 23,967	\$ 19,068

7. 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 prepaid and other assets, current consisted of the following (in thousands):

	At December 31,	
	2017	2016
Prepaid expenses and other assets		
Deposits	\$ 9,003	\$ 8,622
Prepaid expenses	6,426	5,937
Other	5,241	3,489
Total prepaid expenses and other assets	\$ 20,670	\$ 18,048

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

	At December 31,	
	2017	2016
Other assets		
Prepaid expenses and deposits	\$ 4,103	\$ 3,399
Debt issuance costs of revolving credit facility	849	689
Other	2,657	3,434
Total other assets	\$ 7,609	\$ 7,522

8. PROPERTY, EQUIPMENT AND LEASED ASSETS

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

	Useful Life (Years)	At December 31, 2017			At December 31, 2016		
		Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Property, equipment and leased assets							
Rental pool - deployed	2-4	\$ 162,319	\$ 80,895	\$ 81,424	\$ 123,812	\$ 59,188	\$ 64,624
Rental pool - undeployed	2-4	17,366	9,374	7,992	13,456	5,721	7,735
Cash access equipment	3-5	25,907	18,654	7,253	25,127	15,688	9,439
Leasehold and building improvements	Lease Term	10,981	5,211	5,770	10,023	3,698	6,325
Machinery, office and other equipment	2-5	35,167	24,087	11,080	30,424	20,108	10,316
Total		\$ 251,740	\$ 138,221	\$ 113,519	\$ 202,842	\$ 104,403	\$ 98,439

In the second quarter of 2016, our corporate aircraft was classified as held for sale and sold for \$4.8 million during the period. We recognized a \$0.9 million loss on the sale of the aircraft, which was included in operating expenses in the Statements of Loss for the year ended December 31, 2016. The aircraft was included in machinery, office and other equipment.

In connection with the sale of certain assets related to our PokerTek products during the year ended December 31, 2015 for a purchase price of \$5.4 million, we recorded a gain of approximately \$3.9 million, which was included in operating expenses in our Statements of Loss for such period.

Depreciation expense related to other property, equipment and leased assets totaled approximately \$47.3 million, \$50.0 million and \$45.6 million for the years ended December 31, 2017, 2016 and 2015, respectively.

There was no material impairment of our property, equipment and leased assets for the years ended December 31, 2017 and 2016. In connection with our fourth quarter 2015 annual financial statement review, we determined that certain of our Games fixed assets either: (a) had economic lives that were no longer supportable and shortened given approximately one year of experience with the Games segment that resulted in an accelerated depreciation charge of approximately \$2.6 million; or (b) were fully impaired as there was little to no movement in the portfolio with recent shipments having been returned and no future deployment anticipated that resulted in an accelerated depreciation charge of approximately \$1.0 million.

9. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

Goodwill represents the excess of the purchase price over the identifiable tangible and intangible assets acquired plus liabilities assumed arising from business combinations.

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.

Goodwill Testing

In performing our annual goodwill impairment tests, we utilize the approach prescribed under ASC 350. The “Step 1” required a comparison of the carrying amount of each reporting unit to its estimated fair value. To estimate the fair value of our reporting units for “Step 1”, we used a combination of an income valuation approach and a market valuation approach. The income approach is based on a discounted cash flow (“DCF”) analysis. This method involves estimating the after-tax cash flows attributable to a reporting unit and then discounting the after-tax cash flows to a present value, using a risk-adjusted discount rate. Assumptions used in the DCF require the exercise of significant judgment, including, but not limited to: appropriate discount rates and terminal values, growth rates and the amount and timing of expected future cash flows. The forecasted cash flows are based on our most recent annual budget and projected years beyond. Our budgets and forecasted cash flows are based on estimated future growth rates. We believe our assumptions are consistent with the plans and estimates used to manage the underlying businesses. The discount rates, which are intended to reflect the risks inherent in future cash flow projections, used in the DCF are based on estimates of the WACC of market participants relative to each respective reporting unit. The market approach considers comparable market data based on multiples of revenue or earnings before interest, taxes, depreciation and amortization (“EBITDA”). If the fair value of a reporting unit is less than its carrying amount, an impairment charge equal to the amount by which the carrying amount of goodwill for the reporting unit exceeds the fair value of that goodwill is recorded in accordance with the adoption of ASU No 2017-04.

We had approximately \$640.6 million and \$640.5 million of goodwill on our Balance Sheets as of December 31, 2017 and 2016, respectively, resulting from acquisitions of other businesses.

In connection with our annual goodwill impairment testing process for 2017, we determined that no impairment adjustment was necessary. The fair value exceeded the carrying amount for each of the Games, Cash Access Services, Kiosk Sales and Services, Central Credit Services and Compliance Sales and Services reporting units.

In connection with our annual goodwill impairment testing process for 2016 and 2015, we determined that impairment adjustments were necessary. The fair value exceeded the carrying amount for each of the Cash Access Services, Kiosk Sales and Services, Central Credit Services and Compliance Sales and Services reporting units, while Games reporting unit had a goodwill impairment of \$146.3 million and \$75.0 million for 2016 and 2015, respectively. The impairments recorded in 2016 and 2015 were primarily based upon limited growth and capital expenditure constraints in the gaming industry, consolidation and increased competition in the gaming manufacturing space, stock market volatility, global and domestic economic uncertainty and lower than forecasted operating profits and cash flows. Based on these indicators, we revised our estimates and assumptions for the Games reporting unit.

Management performs its annual forecasting process, which, among other factors, includes reviewing recent historical results, company-specific variables and industry trends. This process is generally completed in the fourth quarter and considered in conjunction with the annual goodwill impairment evaluation.

The annual evaluation of goodwill and other non-amortizing intangible assets requires the use of estimates about future operating results of each reporting unit to determine its estimated fair value. Changes in forecasted operations can materially affect these estimates, which could materially affect our results of operations. The estimate of fair value requires significant judgment and we base our fair value estimates on assumptions that we believe to be reasonable; but that are unpredictable and inherently uncertain, including: estimates of future growth rates,

operating margins and assumptions about the overall economic climate as well as the competitive environment for our reporting units. There can be no assurance that our estimates and assumptions made for purposes of our goodwill testing as of the time of testing will prove to be accurate predictions of the future. If our assumptions regarding business plans, competitive environments or anticipated growth rates are not correct, we may be required to record goodwill impairment charges in future periods, whether in connection with our next annual impairment testing, or earlier, if an indicator of an impairment is present prior to our next annual evaluation.

Our reporting units are identified as operating segments or one level below. Reporting units must: (a) engage in business activities from which they earn revenues and incur expenses; (b) have operating results that are regularly reviewed by our segment management to ascertain the resources to be allocated to the segment and assess its performance; and (c) have discrete financial information available. In 2017, our reporting units included: Games, Cash Access Services, Kiosk Sales and Services, Central Credit Services, and Compliance Sales and Services. During the year ended December 31, 2016, the Company combined its Cash Advance, ATM and Check Services reporting units into a single Cash Access Services reporting unit to be consistent with the current corporate structure and segment management. The use of different assumptions, estimates or judgments in the goodwill impairment testing process, such as the estimated future cash flows of our reporting units, the discount rate used to discount such cash flows, or the estimated fair value of the reporting units' tangible and intangible assets and liabilities, could significantly increase or decrease the estimated fair value of a reporting unit or its net assets, and therefore, impact the related impairment charge, if any.

Key assumptions used in estimating fair value of the Games reporting unit under the income approach included a discount rate of 9.5% and 10% and a terminal value growth rate of approximately 3% for the years ended December 31, 2017 and 2016. Projected compound average revenue growth rates of approximately 11% and 5.2% were used for the years ended December 31, 2017 and 2016, respectively. The discounted cash flow analyses included estimated future cash inflows from operations and estimated future cash outflows for capital expenditures.

Key assumptions used in estimating fair value of the Games reporting unit under the market approach were based on observed market multiples of enterprise value to revenue and EBITDA for both comparable publicly traded companies and recent merger and acquisition transactions involving similar companies to estimate appropriate controlling basis multiples to apply to each of the reporting units. Based on the multiples implied by this market data, we selected multiples of revenue of approximately 1.4 to 1.6 times and multiples of EBITDA of 6.8 to 7.7 times for the year ended December 31, 2017. We selected multiples of revenue of approximately 3.1 to 3.4 times and multiples of EBITDA of 6.5 to 8.3 times for the year ended December 31, 2016.

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

	Games	Cash Access Services	Kiosk Sales and Services	Central Credit Services	Compliance Sales and Services	Total
Goodwill						
Balance, December 31, 2015	\$ 595,340	\$ 157,035	\$ 5,745	\$ 17,127	\$ 14,556	\$ 789,803
Goodwill impairment	(146,299)	—	—	—	—	(146,299)
Foreign translation adjustment	—	20	—	—	—	20
Other (1)	—	—	—	—	(2,978)	(2,978)
Balance, December 31, 2016	\$ 449,041	\$ 157,055	\$ 5,745	\$ 17,127	\$ 11,578	\$ 640,546
Foreign translation adjustment	—	43	—	—	—	43
Balance, December 31, 2017	\$ 449,041	\$ 157,098	\$ 5,745	\$ 17,127	\$ 11,578	\$ 640,589

(1) Includes the final 2016 measurement period adjustments associated with the acquisition of certain assets of Resort Advantage in late 2015.

The Company's cumulative goodwill impairment as of December 31, 2017 was \$221.3 million and was comprised of \$146.3 million and \$75.0 million recognized in 2016 and 2015, respectively, related to our Games segment.

Other Intangible Assets

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

	Weighted Average Remaining Life (years)	At December 31, 2017			At December 31, 2016		
		Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Other intangible assets							
Contract rights under placement fee agreements	4	\$ 57,231	\$ 3,910	\$ 53,321	\$ 17,742	\$ 6,281	\$ 11,461
Customer contracts	6	51,175	43,638	7,537	50,975	40,419	10,556
Customer relationships	8	231,100	63,653	167,447	231,100	42,688	188,412
Developed technology and software	2	249,064	158,919	90,145	224,265	126,721	97,544
Patents, trademarks and other	4	29,046	23,185	5,861	27,771	17,747	10,024
Total		<u>\$ 617,616</u>	<u>\$ 293,305</u>	<u>\$ 324,311</u>	<u>\$ 551,853</u>	<u>\$ 233,856</u>	<u>\$ 317,997</u>

Amortization expense related to other intangible assets totaled approximately \$69.5 million, \$94.6 million and \$85.5 million for the years ended December 31, 2017, 2016 and 2015, respectively. We capitalized \$29.4 million and \$24.2 million of internal software development costs for the years ended December 31, 2017 and 2016, respectively.

On a quarterly basis, we evaluate our other intangible assets for potential impairment as part of our quarterly review process. There was no material impairment identified for any of our other intangible assets for the years ended December 31, 2017, 2016 and 2015.

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

Anticipated amortization expense	Amount
2018	\$ 66,650
2019	53,922
2020	46,283
2021	32,485
2022	30,004
Thereafter	77,694
Total (1)	<u>\$ 307,038</u>

(1) For the year ended December 31, 2017, the Company had \$17.3 million in other intangible assets which had not yet been placed into service.

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

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

received for the reduction of floor space are first applied against the intangible asset for that particular placement fee agreement, if any, and the remaining net book value of the intangible asset is prospectively amortized on a straight-line method over the remaining estimated useful life.

In July 2017, we entered into a placement fee agreement with a customer for certain of its locations for approximately \$49.1 million, net of \$10.1 million of unamortized fees related to superseded contracts. We paid approximately \$13.3 million in placement fees to this customer for the year ended December 31, 2017.

We paid approximately \$11.3 million and \$2.8 million to extend the term of placement fee agreements with a customer for certain of its locations for the years ended December 31, 2016 and 2015, respectively.

During the year ended December 31, 2016, we foreclosed on the Bee Cave assets, evaluated its platform, and began to utilize these assets in connection with our social gaming strategy to deliver content from our existing game library. Consequently, we extinguished the note receivable and recorded \$0.5 million of developed technology and software within other intangible assets, net on the Balance Sheets during the period.

10. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

	At December 31,	
	2017	2016
Accounts payable and accrued expenses		
Trade accounts payable	\$ 59,435	\$ 55,352
Placement fees (1)	22,328	—
Payroll and related expenses	14,178	12,305
Deferred and unearned revenues	10,450	9,222
Cash access processing and related expenses	8,932	7,001
Accrued interest	5,766	82
Accrued taxes	2,112	2,587
Other	11,303	7,842
Total accounts payable and accrued expenses	\$ 134,504	\$ 94,391

- (1) Total placement fees liability was \$39.1 million as of December 31, 2017. The remaining \$16.8 million of non-current placement fees was included in other accrued expenses and liabilities in our Balance Sheet.

11. LONG-TERM DEBT

The following table summarizes our indebtedness (in thousands):

	At December 31,	
	2017	2016
Long-term debt		
Senior secured term loan	\$ 815,900	\$ 465,600
Senior secured notes	—	335,000
Senior unsecured notes	375,000	350,000
Total debt	1,190,900	1,150,600
Less: debt issuance costs and discount	(23,057)	(28,720)
Total debt after debt issuance costs and discount	1,167,843	1,121,880
Less: current portion of long-term debt	(8,200)	(10,000)
Long-term debt, less current portion	\$ 1,159,643	\$ 1,111,880

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 with in 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 December 31, 2017, our consolidated secured leverage ratio was 3.59 to 1.00, with a maximum allowable ratio of 5.00 to 1.00. Our maximum consolidated secured leverage ratio will be 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 December 31, 2017.

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

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

For the period from January 1, 2017 to the Closing Date, the Prior Credit Facility had an applicable weighted average interest rate of 6.43%. For the period from the Closing Date to December 31, 2017, the New Term Loan Facility had an applicable weighted average interest rate of 5.55%. Together, for the year ended December 31, 2017, the two facilities had a blended weighted average interest rate of 5.73%.

At December 31, 2017, we had approximately \$815.9 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 December 31, 2017.

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 plus accrued and unpaid interest. As a result of the redemption, the Company 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, which were included in the total \$14.6 million non-cash charge.

Senior Unsecured Notes

In December 2014, we issued \$350.0 million in aggregate principal amount of 10.0% 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 refinancing of our 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, 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 December 31, 2017.

Principal Repayments

The maturities of our borrowings at December 31, 2017 are as follows (in thousands):

	<u>Amount</u>
Maturities of borrowings	
2018	\$ 8,200
2019	8,200
2020	8,200
2021	8,200
2022	8,200
Thereafter	1,149,900
Total	<u>\$ 1,190,900</u>

12. COMMITMENTS AND CONTINGENCIES

Placement Fee Arrangements

In July 2017, we extended the term of our then existing placement fee agreement to 6 years and 11 months with our largest customer in Oklahoma. Under the terms of the agreement, we will pay approximately \$5.6 million per quarter in placement fees, inclusive of imputed interest, beginning in January 2018 and ending in July 2019. We paid approximately \$13.3 million in placement fees to this customer for the year ended December 31, 2017.

Lease Obligations

We lease office facilities and operating equipment under cancelable and non-cancelable agreements. Total rent expense was approximately \$6.8 million, \$6.8 million and \$5.9 million for the years ended December 31, 2017, 2016 and 2015, respectively.

We have a long-term lease agreement related to office space for our corporate headquarters located in Las Vegas, Nevada that expires in April 2023.

In September 2014, the long-term lease agreement for office space in Austin, Texas was extended through June 2021.

We also have leased facilities in Chicago, Illinois and Reno, Nevada, which support the design, production and expansion of our gaming content. The long-term lease agreement for our Chicago facilities commenced in November 2015 and expires in June 2023. The long-term lease agreement for our Reno facilities commenced in February 2016 and expires in May 2021.

As of December 31, 2017, the minimum aggregate rental commitment under all non-cancelable operating leases were as follows (in thousands):

	<u>Amount</u>
Minimum aggregate rental commitments	
2018	\$ 4,943
2019	5,050
2020	5,046
2021	4,007
2022	2,193
Thereafter	868
Total	<u>\$ 22,107</u>

Litigation Claims and Assessments

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

Gain Contingency Settlement

In January 2015, we entered into a settlement agreement in connection with a lawsuit we participated in as plaintiffs, pursuant to which we received and recorded the settlement proceeds of \$ 14.4 million in the first quarter of 2015. This settlement is included as a reduction of operating expenses in our Statements of Loss for the year ended December 31, 2015.

13. SHAREHOLDERS' EQUITY

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

Common Stock. Subject to the preferences that may apply to shares of preferred stock that may be outstanding at the time, the holders of outstanding shares of common stock are entitled to receive dividends out of assets legally available at the times and in the amounts as our Board of Directors may from time to time determine. All dividends are non-cumulative. In the event of the liquidation, dissolution or winding up of Everi, the holders of common stock are entitled to share ratably in all assets remaining after the payment of liabilities, subject to the prior distribution rights of preferred stock, if any, then outstanding. Each stockholder is entitled to one vote for each share of common stock held on all matters submitted to a vote of stockholders. Cumulative voting for the election of directors is not provided for. The common stock is not entitled to preemptive rights and is not subject to conversion or redemption. There are no sinking fund provisions applicable to the common stock. Each outstanding share of common stock is fully paid and non-assessable. As of December 31, 2017 and 2016, we had 93,119,988 and 90,952,185 shares of common stock issued, respectively.

Treasury Stock. Employees may direct us to withhold vested shares of restricted stock to satisfy the minimum statutory withholding requirements applicable to their restricted stock vesting. We repurchased or withheld from restricted stock awards 15,457 and 18,717 shares of common stock at an aggregate purchase price of \$0.1 million and \$41,528 for the years ended December 31, 2017 and 2016, respectively, to satisfy the minimum applicable tax withholding obligations related to the vesting of such restricted stock awards.

14. WEIGHTED AVERAGE SHARES OF COMMON STOCK

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

	At December 31,		
	2017	2016	2015
Weighted average shares			
Weighted average number of common shares outstanding - basic	66,816	66,050	65,854
Weighted average number of common shares outstanding - diluted (1)	66,816	66,050	65,854

(1) The Company was in a net loss position for the years ended December 31, 2017, 2016 and 2015; therefore, no potential dilution from the application of the treasury stock method was applicable. Equity awards to purchase approximately 16.0 million, 15.7 million and 14.2 million shares of common stock for the years ended December 31, 2017, 2016 and 2015, respectively, were excluded from the computation of diluted net loss per share, as their effect would have been anti-dilutive.

15. SHARE-BASED COMPENSATION

Equity Incentive Awards

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

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

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

Our market-based options granted in 2017 and 2016 under our 2014 Plan and 2012 Plan vest at a rate of 25% per year on each of the first four anniversaries of the grant date, provided that as of the vesting date for each vesting tranche, the closing price of the Company’s shares on the New York Stock Exchange is at least a specified price hurdle, defined as a 25% and 50% premium for 2017 and 2016, respectively, to the closing stock price on the grant date. If the price hurdle is not met as of the vesting date for a vesting tranche, then the vested tranche shall vest and become vested shares on the last day of a period of 30 consecutive trading days during which the closing price is at least the price hurdle. These options expire after a ten-year period.

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

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

	<u>Stock Options Granted</u>	<u>Restricted Stock Granted</u>
Outstanding, December 31, 2016	18,233	80
Granted	4,338	50
Exercised options or vested shares	(2,037)	(56)
Cancelled or forfeited	(1,403)	—
Outstanding, December 31, 2017	<u>19,131</u>	<u>74</u>

As of December 31, 2017, the maximum number of shares available for future equity awards under the 2012 Plan and the 2014 Plan is approximately 4.4 million shares of our common stock. There are no shares available for future equity awards under the 2005 Plan.

Stock Options

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

	Year ended December 31,		
	2017	2016	2015
Risk-free interest rate	2%	1%	1%
Expected life of options (in years)	6	5	4
Expected volatility	54%	51%	43%
Expected dividend yield	—%	—%	—%

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

The fair values of market-based options granted in connection with the annual grants that occurred during the first quarter of 2017 and the second quarters of 2016 and 2015 were determined as of the date of grant using a lattice-based option valuation model with the following assumptions:

	Year ended December 31,		
	2017	2016	2015
Risk-free interest rate	3%	2%	1%
Measurement period (in years)	10	10	4
Expected volatility	70%	68%	47%
Expected dividend yield	—%	—%	—%

For the market-based options granted during the third quarter of 2016, the assumptions were: (a) risk-free interest rate of 2%; (b) expected term of ten years; (c) expected volatility of 69%; and (d) no expected dividend yield. For the market-based options granted during the fourth quarter of 2016, the assumptions were: (a) risk-free interest rate of 2%; (b) expected term of ten years; (c) expected volatility of 70%; and (d) no expected dividend yield.

The following tables present the option 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, 2016	18,233	\$ 6.02	6.4	\$ 2,387
Granted	4,338	3.62		
Exercised	(2,037)	5.35		
Canceled or forfeited	(1,403)	8.79		
Outstanding, December 31, 2017	19,131	\$ 5.34	6.4	\$ 45,887
Vested and expected to vest, December 31, 2017	16,991	\$ 5.36	6.5	\$ 40,636
Exercisable, December 31, 2017	8,719	\$ 6.51	5.4	\$ 12,200

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

Range of Exercise Prices		Options Outstanding			Options Exercisable	
		Number Outstanding (in thousands)	Weighted Average Remaining Contract Life (Years)	Weighted Average Exercise Prices	Number Exercisable (in thousands)	Weighted Average Exercise Price
\$ 1.46	\$ 1.72	3,177	7.7	\$ 1.48	665	\$ 1.48
2.01	2.78	821	7.2	2.62	606	2.64
3.29	3.29	3,886	8.6	3.29	6	3.29
3.41	6.59	3,222	5.0	5.87	2,384	5.63
6.72	7.61	1,749	4.7	7.15	1,407	7.10
7.74	9.74	6,276	5.5	8.15	3,651	8.42
		<u>19,131</u>			<u>8,719</u>	

There were 4.3 million, 4.4 million and 6.5 million options granted for the years ended December 31, 2017, 2016 and 2015, respectively. The weighted average grant date fair value per share of the options granted was \$1.98, \$0.83 and \$2.48 for the years ended December 31, 2017, 2016 and 2015, respectively. The total intrinsic value of options exercised was \$5.3 million for the year ended December 31, 2017. There were no options exercised in 2016, and the intrinsic value of options exercised for the year ended December 31, 2015 was \$0.8 million.

There was \$7.9 million in unrecognized compensation expense related to options expected to vest as of December 31, 2017. This cost was expected to be recognized on a straight-line basis over a weighted average period of 3.5 years. We recorded \$6.0 million in non-cash compensation expense related to options granted that were expected to vest for the year ended and as of December 31, 2017. We received \$10.9 million in cash proceeds from the exercise of options during 2017.

There was \$11.7 million in unrecognized compensation expense related to options expected to vest as of December 31, 2016. This cost was expected to be recognized on a straight-line basis over a weighted average period of 2.1 years. We recorded \$6.3 million and \$7.4 million in non-cash compensation expense related to options granted that were expected to vest as of December 31, 2016 and 2015, respectively. There were no proceeds received from the exercise of options during 2016, as no exercises occurred during the period, and we received \$1.8 million in cash proceeds from the exercise of options for the year ended December 31, 2015.

Restricted Stock

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

	Shares Outstanding (in thousands)	Weighted Average Grant Date Fair Value (per share)
Outstanding, December 31, 2016	80	\$ 7.12
Granted	50	6.84
Vested	(56)	7.02
Forfeited	—	—
Outstanding, December 31, 2017	<u>74</u>	\$ 7.00

There were 50,000 shares of restricted stock granted for the year ended December 31, 2017. The total fair value of restricted stock vested was \$0.4 million for the year ended December 31, 2017. There was \$0.5 million in unrecognized compensation expense related to shares of time-based restricted shares expected to vest as of December 31, 2017 and is expected to be recognized on a straight-line basis over a weighted average period of 1.1 years. There were 56,578 shares of restricted stock that vested during 2017, and we recorded \$0.4 million in non-cash compensation expense related to the restricted stock granted that was expected to vest during 2017.

There were no shares of restricted stock granted for the years ended December 31, 2016 and 2015, respectively. The total fair value of restricted stock vested was \$0.2 million and \$0.6 million for the years ended December 31, 2016 and 2015, respectively. There was \$1.0 million and \$2.0 million in unrecognized compensation expense related to shares of time-based restricted shares expected to vest as of December 31, 2016 and 2015, respectively, and is expected to be recognized on a straight-line basis over a weighted average period of 1.7 years and 2.4 years, respectively. There were 0.1 million shares and 0.2 million shares of restricted stock that vested during 2016 and 2015, respectively, and we recorded \$0.5 million and \$0.9 million in non-cash compensation expense related to the restricted stock granted that was expected to vest during 2016 and 2015, respectively.

16. INCOME TAXES

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

	Year Ended December 31,		
	2017	2016	2015
Consolidated loss before tax			
Domestic	\$ (73,445)	\$ (225,538)	\$ (129,602)
Foreign	1,378	7,755	6,519
Total	\$ (72,067)	\$ (217,783)	\$ (123,083)

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

	Year Ended December 31,		
	2017	2016	2015
Income tax (benefit) provision			
Domestic	\$ (20,507)	\$ 30,400	\$ (19,746)
Foreign	343	1,296	1,635
Total income tax (benefit) provision	\$ (20,164)	\$ 31,696	\$ (18,111)
Income tax (benefit) provision			
Current	\$ 461	\$ 1,756	\$ 1,767
Deferred	(20,625)	29,940	(19,878)
Total income tax (benefit) provision	\$ (20,164)	\$ 31,696	\$ (18,111)

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

	Year Ended December 31,		
	2017	2016	2015
Income tax reconciliation			
Federal statutory rate	35.0 %	35.0 %	35.0 %
Foreign provision	0.3 %	0.5 %	0.6 %
State/province income tax	2.4 %	0.8 %	1.1 %
Non-deductible compensation cost	(2.0) %	(0.5) %	(1.1) %
Adjustment to carrying value ⁽¹⁾	31.2 %	0.2 %	0.6 %
Research credit	1.9 %	0.2 %	0.6 %
Valuation allowance	(39.6) %	(27.4) %	0.0 %
Goodwill impairment	— %	(23.5) %	(21.3) %
Other	(1.2) %	0.1 %	(0.8) %
Effective tax rate	28.0 %	(14.6) %	14.7 %

(1) The adjustment to carrying value in 2017 is due primarily to the federal tax rate change in the Tax Cuts and Jobs Act of 2017 (“2017 Tax Act”).

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

	Year Ended December 31,		
	2017	2016	2015
Deferred income tax assets related to:			
Net operating losses	\$ 87,250	\$ 98,664	\$ 81,531
Stock compensation expense	6,601	11,559	10,212
Accounts receivable allowances	1,117	1,745	1,444
Accrued and prepaid expenses	3,953	6,276	3,958
Long-term debt	—	493	300
Other	479	1,399	658
Tax credits	6,822	6,394	5,896
Valuation allowance	(63,303)	(61,012)	(1,442)
Total deferred income tax assets	\$ 42,919	\$ 65,518	\$ 102,557
Deferred income tax liabilities related to:			
Property, equipment and leased assets	\$ 3,129	\$ 13,216	\$ 18,274
Intangibles	73,597	106,307	108,727
Long-term debt	3,292	—	—
Other	1,108	3,606	3,200
Total deferred income tax liabilities	\$ 81,126	\$ 123,129	\$ 130,201
Deferred income taxes, net	\$ (38,207)	\$ (57,611)	\$ (27,644)

We adopted FASB ASU No. 2016-09, regarding several aspects of the accounting for share-based payment transactions, including the accounting for income taxes, in the current period on a prospective basis. As a result of the Company's application of ASU No. 2016-09, certain excess tax benefits at the time of exercise (for an option) or upon vesting (for restricted stock) are recognized as income tax benefits in the Statements of Loss. As of December 31, 2017, the adoption of ASU No. 2016-09 has not materially impacted our Financial Statements. However, it has increased the gross deferred tax assets in our Financial Statements by \$4.6 million for excess tax benefits in previous years before it was offset by a corresponding valuation allowance. As a result of certain realization requirements under the prior years' accounting guidance on share based payments, the table of deferred tax assets and liabilities shown above does not include certain deferred tax assets that arose directly from tax deductions related to equity compensation in excess of compensation recognized for financial reporting at December 31, 2016 and 2015, respectively.

The 2017 Tax Act was enacted on December 22, 2017. The 2017 Tax Act made significant changes to federal tax law, including a reduction in the federal income tax rate from 35% to 21% effective January 1, 2018, stricter limits on deduction of interest, an 80% taxable income limitation on the use of post-2017 NOLs, and a one-time transition tax on previously deferred earnings of certain foreign subsidiaries. As a result of our initial analysis of the 2017 Tax Act and existing implementation guidance, we remeasured our deferred tax assets and liabilities, which resulted in a \$22.5 million reduction in our income tax expense in 2017. We computed our transition tax liability of \$1.3 million due to the Tax Act, net of associated foreign tax credits, which was completely offset by additional foreign tax credits carried forward. The foreign tax credits used to offset the transition tax relate to deemed foreign taxes paid on a 2010 Canadian dividend which we are now claiming as a foreign tax credit rather than a foreign tax deduction. Any remaining foreign tax credits not utilized by the transition tax has been fully offset by a valuation allowance.

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 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 (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 GILTI provisions of the 2017 Tax Act and its impact, if any, on our Consolidated Financial Statements as of December 31, 2017. 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.

For all of our investments in foreign subsidiaries, a one-time tax has been provided on the mandatory deemed repatriation of post 1986 untaxed earnings and profits, in accordance with the 2017 Tax Act. Unrepatriated earnings were approximately \$19.7 million as of December 31, 2017. Almost all of these earnings are considered permanently reinvested, as it is management's intention to reinvest foreign earnings in foreign operations. We project sufficient cash flow or sufficient borrowings available under our Credit Facilities in the U.S. and therefore do not need to repatriate these foreign earnings to finance U.S. operations at this time.

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

During 2016 and 2017, we evaluated negative evidence noting that for the three-year periods then ended, we reported cumulative net losses. Pursuant to accounting guidance, a cumulative loss in recent years is a significant piece of negative evidence that must be considered and is difficult to overcome without sufficient objectively verifiable, positive evidence. As such, certain aspects of our historical results were included in our forecasted taxable income. Although our forecast of future taxable income was a positive indicator, since this form of evidence was not objectively verifiable, its weight was not sufficient to overcome the negative evidence.

As a result of this evaluation, we increased our valuation allowance for deferred tax assets by \$2.3 million (net of a reduction for the decrease in the US federal corporate tax rate) during 2017. The ultimate realization of deferred tax assets depends on having sufficient taxable income in the future years when the tax deductions associated with the deferred tax assets become deductible. The establishment of a valuation allowance does not impact cash, nor does it preclude us from using our tax credits, loss carryforwards and other deferred tax assets in the future.

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

	Year Ended December 31,		
	2017	2016	2015
Balance at beginning of period	\$ 61,012	\$ 1,442	\$ 2,319
Charged to provision for income taxes	(2,263)	59,570	(877)
Other (1)	4,554	—	—
Balance at end of period	<u>\$ 63,303</u>	<u>\$ 61,012</u>	<u>\$ 1,442</u>

(1) This amount has been recorded in retained deficit as a result of our adoption of ASU No. 2016-09.

We had \$352.8 million, or \$74.1 million, tax effected, of accumulated federal net operating losses as of December 31, 2017. The net operating losses can be carried forward and applied to offset taxable income for 20 years and will expire starting in 2022. We had \$6.0 million, tax effected, of federal research and development credit carry forwards and \$0.5 million, tax effected, of foreign tax credit carry forwards as of December 31, 2017. The research and development credits are limited to a 20 year carry forward period and will expire starting in 2029. The foreign tax

credits can be carried forward 10 years and will expire in 2020, if not utilized. Almost all of the \$1.6 million of federal alternative minimum tax credit carry forwards in our December 31, 2016 financial statements have or will be refunded within the next 12 months, net of the IRS sequestration fee, and have been reclassified as a receivable. Any remaining alternative minimum tax credits will be refunded over the next five years in accordance with the 2017 Tax Act. As of December 31, 2017, \$53.9 million of our valuation allowance relates to federal net operating loss carry forwards and credits that we estimate are not more likely than not to be realized.

We had tax effected state net operating loss carry forwards of approximately \$13.1 million as of December 31, 2017. The state net operating loss carry forwards will expire between 2018 and 2038. The determination and utilization of these state net operating loss carry forwards are dependent upon apportionment percentages and other respective state laws, which can change from year to year. As of December 31, 2017, \$9.3 million of our valuation allowance relates to certain state net operating loss carry forwards that we estimate are not more likely than not to be realized. The remaining valuation allowance of \$0.1 million relates to foreign net operating losses.

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

	Year Ended December 31,		
	2017	2016	2015
Unrecognized tax benefit			
Unrecognized tax benefit at the beginning of the period	\$ 834	\$ 729	\$ 729
Gross increases - tax positions in prior period	103	105	—
Gross decreases - tax positions in prior period	—	—	—
Gross increases - tax positions in current period	—	—	—
Settlements	—	—	—
Unrecognized tax benefit at the end of the period	\$ 937	\$ 834	\$ 729

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 December 31, 2017, the Company 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. The Company has not accrued any penalties and interest for its unrecognized tax benefits. Other than the unrecognized tax benefit recorded, we believe that our income tax filing positions and deductions will be sustained upon audit, and we do not anticipate any other adjustments that will result in a material change to our financial position. We may, from time to time, be assessed interest or penalties by tax jurisdictions, although any such assessments historically have been minimal and immaterial to our financial results. Our policy for recording interest and penalties associated with audits and unrecognized tax benefits is to record such items as a component of income tax in our Statements of Loss.

We are subject to taxation in the U.S. and various states and foreign jurisdictions. We have a number of federal and state income tax years still open for examination as a result of our net operating loss carry forwards. Accordingly, we are subject to examination for both U.S. federal and some of the state tax returns for the years 2004 to present. For the remaining state, local and foreign jurisdictions, with some exceptions, we are no longer subject to examination by tax authorities for years before 2014.

17. SEGMENT INFORMATION

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

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

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

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

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

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

The following tables present segment information (in thousands):

	For the Year Ended December 31,		
	2017	2016	2015
Games			
Total revenues	\$ 222,777	\$ 213,253	\$ 214,424
Costs and expenses			
Cost of revenues	54,695	50,308	47,017
Operating expenses	42,780	42,561	36,154
Research and development	18,862	19,356	19,098
Goodwill impairment	—	146,299	75,008
Depreciation	40,428	41,582	37,716
Amortization	57,060	79,390	72,934
Total costs and expenses	213,825	379,496	287,927
Operating income (loss)	\$ 8,952	\$ (166,243)	\$ (73,503)

	For the Year Ended December 31,		
	2017	2016	2015
Payments			
Total revenues	\$ 752,171	\$ 646,203	\$ 612,575
Costs and expenses			
Cost of revenues	583,850	498,706	463,380
Operating expenses	76,155	76,148	65,048
Depreciation	6,854	8,413	7,835
Amortization	12,445	15,248	12,539
Total costs and expenses	679,304	598,515	548,802
Operating income	\$ 72,867	\$ 47,688	\$ 63,773

	For the Year Ended December 31,		
	2017	2016	2015
Total Games and Payments			
Total revenues	\$ 974,948	\$ 859,456	\$ 826,999
Costs and expenses			
Cost of revenues	638,545	549,014	510,397
Operating expenses	118,935	118,709	101,202
Research and development	18,862	19,356	19,098
Goodwill impairment	—	146,299	75,008
Depreciation	47,282	49,995	45,551
Amortization	69,505	94,638	85,473
Total costs and expenses	893,129	978,011	836,729
Operating income (loss)	<u>\$ 81,819</u>	<u>\$ (118,555)</u>	<u>\$ (9,730)</u>

	At December 31,	
	2017	2016
Total assets		
Games	\$ 925,186	\$ 894,213
Payments	611,888	513,950
Total assets	<u>\$ 1,537,074</u>	<u>\$ 1,408,163</u>

Major customers. For the years ended December 31, 2017, 2016 and 2015, no single customer accounted for more than 10% of our revenues. Our five largest customers accounted for approximately 31%, 31% and 30% of our total revenue in 2017, 2016 and 2015, respectively.

18. SELECTED QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

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

	Quarter				Year
	First	Second	Third	Fourth	
2017					
Revenues	\$ 237,537	\$ 242,230	\$ 247,322	\$ 247,859	\$ 974,948
Operating income	22,603	21,292	19,795	18,129	81,819
Net loss	(3,508)	(19,057)	(4,289)	(25,049)	(51,903)
Basic loss per share	\$ (0.05)	\$ (0.29)	\$ (0.06)	\$ (0.38)	\$ (0.78)
Diluted loss per share	\$ (0.05)	\$ (0.29)	\$ (0.06)	\$ (0.38)	\$ (0.78)
Weighted average common shares outstanding					
Basic	66,090	66,350	66,897	67,755	66,816
Diluted	66,090	66,350	66,897	67,755	66,816
2016					
Revenues	\$ 205,769	\$ 214,000	\$ 222,177	\$ 217,510	\$ 859,456
Operating income (loss)	3,785	6,060	11,572	(139,972)	(118,555)
Net loss	(13,151)	(10,796)	(8,254)	(217,278)	(249,479)
Basic loss per share	\$ (0.20)	\$ (0.16)	\$ (0.12)	\$ (3.29)	\$ (3.78)
Diluted loss per share	\$ (0.20)	\$ (0.16)	\$ (0.12)	\$ (3.29)	\$ (3.78)
Weighted average common shares outstanding					
Basic	66,034	66,041	66,049	66,074	66,050
Diluted	66,034	66,041	66,049	66,074	66,050

* Rounding may cause variances.

19. SUBSEQUENT EVENTS

In January 2018, an amendment to the agreement between Everi Games and the New York State Gaming Commission was approved and became effective. Under this amendment, Everi Games will continue to provide and maintain the central determinant system for the New York Lottery through December of 2019.

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

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

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

Management's Report of Internal Control over Financial Reporting

The Company's management, including its Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Management assessed the effectiveness of internal control over financial reporting as of December 31, 2017, utilizing the criteria described in the "Internal Control - Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management's assessment included evaluation of elements such as the design and operating effectiveness of key financial reporting controls, process documentation, accounting policies, and our overall control environment. Based on this assessment, management has concluded that our internal control over financial reporting was effective at a reasonable assurance level as of December 31, 2017.

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

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

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

Item 9B. Other Information.

The information set forth below is included herein for the purpose of providing the disclosure required under "Item 1.01 - Entry into a Material Definitive Agreement" of Form 8-K that was not filed within four business days of the reportable event.

Entry into a Material Definitive Agreement.

On December 29, 2017, Everi Payments entered into a Sixth Amendment (the "Sixth Amendment") to Contract Cash Solutions Agreement with Wells Fargo Bank, N.A. The Sixth Amendment, among other things, reduces the maximum amount of cash available under the Contract Cash Solutions Agreement from \$425.0 million to \$300.0 million and extends the term by one year from June 30, 2019 to June 30, 2020. For a summary of the Contract Cash

Solutions Agreement, as amended by the Sixth Amendment, see “Note 4. Funding Agreements” within our Financial Statements included elsewhere in this Annual Report on Form 10-K.

The foregoing description and referenced summary do not purport to be complete and are qualified in their entirety by the text of the Sixth Amendment, a copy of which is filed as Exhibit 10.44 to this Annual Report on Form 10-K.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on Internal Control over Financial Reporting

We have audited Everi Holdings Inc. and subsidiaries' (the "Company's") internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on the COSO criteria .

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Company and subsidiaries as of December 31, 2017 and 2016, the related consolidated statements of loss comprehensive loss, stockholders' (deficit) equity, and cash flows for each of the three years in the period ended December 31, 2017, and the related notes and our report dated March 15, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

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

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

Definition and Limitations of Internal Control over Financial Reporting

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

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

/s/ BDO USA, LLP

Las Vegas, Nevada
March 15, 2018

PART III

Item 10. Directors , Executive Officers and Corporate Governance.

The information regarding our directors, executive officers, and certain corporate governance related matters contained under the headings “Election of Class I Directors,” “Executive Officers,” “Section 16(a) Beneficial Ownership Reporting Compliance” and “Board and Corporate Governance Matters” in the Company’s definitive proxy statement to be filed with the SEC in connection with our 2018 annual meeting of stockholders (the “2018 Proxy Statement”) is incorporated herein by reference.

Item 11. Executive Compensation.

The information regarding director compensation and executive officer compensation contained under the headings “Board and Corporate Governance Matters – 2017 Director Compensation” and “Executive Compensation,” respectively, in the 2018 Proxy Statement is incorporated herein by reference.

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

The information regarding share ownership contained under the heading “Security Ownership of Certain Beneficial Owners and Management” in the 2018 Proxy Statement is incorporated herein by reference.

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

The information regarding director independence and related party transactions under the headings “Board and Corporate Governance Matters – Director Independence” and “Transactions with Related Persons,” respectively,” in the 2018 Proxy Statement is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services.

The information regarding audit fees, audit-related fees, tax fees, all other fees and the Audit Committee’s policies and procedures on pre-approval of audit and permissible non-audit services of independent auditors contained under the heading “Ratification of the Appointment of Independent Registered Public Accounting Firm” in the 2018 Proxy Statement is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

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

1. Financial Statements

<u>Report of BDO USA, LLP, Independent Registered Public Accounting Firm</u>	63
<u>Consolidated Statements of Loss and Comprehensive Loss for the three years ended December 31, 2017</u>	64
<u>Consolidated Balance Sheets as of December 31, 2017 and 2016</u>	65
<u>Consolidated Statements of Cash Flows for the three years ended December 31, 2017</u>	66
<u>Consolidated Statements of Stockholders' (Deficit) Equity for the three years ended December 31, 2017</u>	68
<u>Notes to Consolidated Financial Statements</u>	69

2. Financial Statement Schedules

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

3. See Item 15(b)

(b) Exhibits:

Exhibit Number	Exhibit Description
3.1	<u>Amended and Restated Certificate of Incorporation of Holdings (incorporated by reference to Exhibit 3.1 of Holdings' Registration Statement on Form S-1 (Registration No. 333-123514) filed with the SEC on May 26, 2005).</u>
3.2	<u>Certificate of Amendment of Amended and Restated Certificate of Incorporation of Holdings (incorporated by reference to Exhibit 3.1 of Holdings' Current Report on Form 8-K filed with the SEC on April 30, 2009).</u>
3.3	<u>Certificate of Amendment of Amended and Restated Certificate of Incorporation of Holdings (incorporated by reference to Exhibit 3.1 of Holdings' Current Report on Form 8-K filed with the SEC on August 14, 2015).</u>
3.4	<u>Second Amended and Restated Bylaws of Holdings (effective as of August 24, 2015) (incorporated by reference to Exhibit 3.2 of Holdings' Current Report on Form 8-K filed with the SEC on August 14, 2015).</u>
4.1	<u>Indenture (and form of 7.50% Senior Note due 2025 attached as Exhibit A thereto), dated as of December 5, 2017, by and among Everi Payments Inc., Everi Holdings Inc., certain of its wholly owned subsidiaries, as guarantors, and Deutsche Bank Trust Company Americas, as trustee, (incorporated by reference to Exhibit 4.1 of Holdings' Current Report on Form 8-K filed with the SEC on December 5, 2017).</u>
10.1	<u>Credit Agreement, dated as of May 9, 2017, among Everi Payments, Holdings, the lenders party thereto and Jefferies Finance LLC, as administrative agent, collateral agent, swing line lender, letter of credit issuer, sole lead arranger and sole book manager (incorporated by reference to Exhibit 10.1 of Holdings' Current Report on Form 8-K filed with the SEC on May 9, 2017).</u>
10.2	<u>Security Agreement, dated as of May 9, 2017, among Everi Payments, Holdings, as a guarantor, the subsidiary guarantors party thereto, and Jefferies Finance LLC, as collateral agent, related to the Credit Agreement (incorporated by reference to Exhibit 10.2 of Holdings' Current Report on Form 8-K filed with the SEC on May 9, 2017).</u>

Exhibit Number	Exhibit Description
10.3	<u>Guaranty, dated May 9, 2017, by Everi Holdings Inc., as a guarantor, and the subsidiary guarantors party thereto, in favor of the lenders party from time to time to the Credit Agreement and Jefferies Finance LLC, as administrative agent (incorporated by reference to Exhibit 10.3 of Holdings' Current Report on Form 8-K filed with the SEC on May 9, 2017).</u>
10.4	<u>First Amendment to Credit Agreement, dated November 13, 2017, among Everi Payments, Holdings, the lenders party thereto and Jefferies Finance LLC, as administrative agent (incorporated by reference to Exhibit 10.1 of Holdings' Current Report on Form 8-K filed with the SEC on November 13, 2017).</u>
+10.5	<u>Agreement for Processing Services, dated as of August 20, 2013, by and between Columbus Data Services, LLC and Everi Payments (incorporated by reference to Exhibit 10.10 of Holdings' Annual Report on Form 10-K filed with the SEC on March 15, 2016).</u>
10.6	<u>Contract Cash Solutions Agreement, dated as of November 12, 2010, between Everi Payments and Wells Fargo Bank, N.A. (incorporated by reference to Exhibit 10.11 of Holdings' Annual Report on Form 10-K filed with the SEC on March 15, 2016).</u>
10.7	<u>Second Amendment to Contract Cash Solutions Agreement, dated as of June 4, 2012, between Everi Payments and Wells Fargo Bank, N.A. (incorporated by reference to Exhibit 10.1 of Holdings' Current Report on Form 8-K filed with the SEC on June 7, 2012).</u>
10.8	<u>Third Amendment to Contract Cash Solutions Agreement, dated as of November 4, 2013, between Everi Payments and Wells Fargo Bank, N.A. (incorporated by reference to Exhibit 10.1 of Holdings' Quarterly Report on Form 10-Q filed with the SEC on November 5, 2013).</u>
10.9	<u>Fourth Amendment to Contract Cash Solutions Agreement, dated as of January 29, 2015, between Everi Payments and Wells Fargo Bank, N.A. (incorporated by reference to Exhibit 10.1 of Holdings' Current Report on Form 8-K filed with the SEC on July 1, 2015).</u>
10.10	<u>Fifth Amendment to Contract Cash Solutions Agreement, dated as of December 21, 2016, between Everi Payments and Wells Fargo Bank, N.A. (incorporated by reference to Exhibit 10.1 of Holdings' Current Report on Form 8-K filed with the SEC on December 28, 2016).</u>
+10.11	<u>Sponsorship Agreement, dated February 11, 2011, between Everi Payments and American State Bank (incorporated by reference to Exhibit 10.54 of Holdings' Annual Report on Form 10-K filed with the SEC on March 14, 2011).</u>
†10.12	<u>Holdings 2005 Stock Incentive Plan (incorporated by reference to Exhibit 10.25 of the Annual Report on Form 10-K of Everi Payments filed with the SEC on March 10, 2005).</u>
†10.13	<u>Form of Stock Option Award for Performance Price Vesting under the 2005 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to Holdings' Quarterly Report on Form 10-Q filed with the SEC on August 5, 2014).</u>
†10.14	<u>Form of Stock Option Award for Cliff Vesting under the 2005 Stock Incentive Plan (incorporated by reference to Exhibit 10.2 to Holdings' Quarterly Report on Form 10-Q filed with the SEC on August 5, 2014).</u>
†10.15	<u>Form of Stock Option Award for Non-Employee Directors under the 2005 Stock Incentive Plan (incorporated by reference to Exhibit 10.3 to Holdings' Quarterly Report on Form 10-Q filed with the SEC on August 5, 2014).</u>

Exhibit Number	Exhibit Description
†10.16	<u>Form of Stock Option Award for Executives under the 2005 Stock Incentive Plan (incorporated by reference to Exhibit 10.4 to Holdings' Quarterly Report on Form 10-Q filed with the SEC on August 5, 2014).</u>
†10.17	<u>Form of Stock Option Award for Employees under the 2005 Stock Incentive Plan (incorporated by reference to Exhibit 10.5 to Holdings' Quarterly Report on Form 10-Q filed with the SEC on August 5, 2014).</u>
†10.18	<u>Holdings Amended and Restated 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to Holdings' Current Report on Form 8-K filed with the SEC on May 26, 2017).</u>
†10.19	<u>Form of Stock Option Agreement under the Amended and Restated 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.7 to Holdings' Current Report on Form 8-K filed with the SEC on May 10, 2016).</u>
†10.20	<u>Form of Stock Option Award (Performance-Based) (Double-Trigger Acceleration) for Non-Employee Directors under the Amended and Restated 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.2 to Holdings' Current Report on Form 8-K filed with the SEC on May 10, 2016).</u>
†10.21	<u>Form of Stock Option Award (Performance-Based) (Double-Trigger Acceleration) for Executives under the Amended and Restated 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.3 to Holdings' Current Report on Form 8-K filed with the SEC on May 10, 2016).</u>
†10.22	<u>Form of Stock Option Award (Time-Based) (Double-Trigger Acceleration) for Non-Employee Directors under the Amended and Restated 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.4 to Holdings' Current Report on Form 8-K filed with the SEC on May 10, 2016).</u>
†10.23	<u>Form of Stock Option Award (Time-Based) (Double-Trigger Acceleration) for Executives under the Amended and Restated 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.5 to Holdings' Current Report on Form 8-K filed with the SEC on May 10, 2016).</u>
†10.24	<u>Form of Stock Option Award (Time-Based) (Double-Trigger Acceleration) for Employees under the Amended and Restated 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.6 to Holdings' Current Report on Form 8-K filed with the SEC on May 10, 2016).</u>
†10.25	<u>Holdings 2012 Equity Incentive Plan (incorporated by reference to Exhibit 99.1 to Holdings' Current Report on Form S-8 filed with the SEC on March 16, 2015).</u>
†10.26	<u>Amendment to the Holdings 2012 Equity Incentive Plan (incorporated by reference to Exhibit 99.2 to Holdings' Current Report on Form S-8 filed with the SEC on March 16, 2015).</u>
†10.27	<u>Form of Stock Option Agreement under the 2012 Equity Incentive Plan (incorporated by reference to Exhibit 10.13 to Holdings' Current Report on Form 8-K filed with the SEC on May 10, 2016).</u>
†10.28	<u>Form of Stock Option Award (Performance-Based) (Double-Trigger Acceleration) for Non-Employee Directors under the 2012 Equity Incentive Plan (incorporated by reference to Exhibit 10.8 to Holdings' Current Report on Form 8-K filed with the SEC on May 10, 2016).</u>
†10.29	<u>Form of Stock Option Award (Performance-Based) (Double-Trigger Acceleration) for Executives under the 2012 Equity Incentive Plan (incorporated by reference to Exhibit 10.9 to Holdings' Current Report on Form 8-K filed with the SEC on May 10, 2016).</u>

Exhibit Number	Exhibit Description
†10.30	<u>Form of Stock Option Award (Time-Based) (Double-Trigger Acceleration) for Non-Employee Directors under the 2012 Equity Incentive Plan (incorporated by reference to Exhibit 10.10 to Holdings' Current Report on Form 8-K filed with the SEC on May 10, 2016).</u>
†10.31	<u>Form of Stock Option Award (Time-Based) (Double-Trigger Acceleration) for Executives under the 2012 Equity Incentive Plan (incorporated by reference to Exhibit 10.11 to Holdings' Current Report on Form 8-K filed with the SEC on May 10, 2016).</u>
†10.32	<u>Form of Stock Option Award (Time-Based) (Double-Trigger Acceleration) for Employees under the 2012 Equity Incentive Plan (incorporated by reference to Exhibit 10.12 to Holdings' Current Report on Form 8-K filed with the SEC on May 10, 2016).</u>
10.33	<u>Form of Indemnification Agreement between Holdings and each of its executive officers and directors (incorporated by reference to Exhibit 10.27 to Holdings' Registration Statement on Form S-1 (Registration No. 333-123514) filed with the SEC on March 22, 2005).</u>
10.34	<u>Employment Agreement with Randy L. Taylor (effective as of August 5, 2014) (incorporated by reference to Exhibit 10.1 of Holdings' Current Report on Form 8-K filed with the SEC on August 5, 2014).</u>
10.35	<u>Employment Agreement with Juliet A. Lim (effective as of August 5, 2014) (incorporated by reference to Exhibit 10.34 of Holdings' Annual Report on Form 10-K filed with the SEC on March 16, 2015).</u>
10.36	<u>First Amendment to Employment Agreement with Juliet A. Lim (effective as of January 3, 2017) (incorporated by reference to Exhibit 10.45 of Holdings' Annual Report on Form 10-K filed with the SEC on March 14, 2017).</u>
10.37	<u>Employment Agreement with David Lucchese (effective as of August 5, 2014) (incorporated by reference to Exhibit 10.2 of Holdings' Current Report on Form 8-K filed with the SEC on August 5, 2014).</u>
†10.38	<u>First Amendment to Employment Agreement with David Lucchese (effective as of January 3, 2017) (incorporated by reference to Exhibit 10.47 of Holdings' Annual Report on Form 10-K filed with the SEC on March 14, 2017).</u>
10.39	<u>Employment Agreement with Edward A. Peters (effective January 15, 2015) (incorporated by reference to Exhibit 10.1 of Holdings' Current Report on Form 8-K filed with the SEC on January 22, 2015).</u>
10.40	<u>Amended and Restated Employment Agreement with Michael Rumbolz (effective May 5, 2017) (incorporated by reference to Exhibit 10.4 of Holdings' Current Report on Form 8-K filed with the SEC on May 9, 2017).</u>
†10.41	<u>Notice of Grant of Stock Option with Michael Rumbolz, dated February 13, 2016 (incorporated by reference to Exhibit 10.1 of Holdings' Current Report on Form 8-K filed with the SEC on February 16, 2016).</u>
†10.42	<u>Form of Notice of Stock Option Award and Stock Option Award Agreement for Michael Rumbolz (effective August 30, 2010) (incorporated by reference to Exhibit 10.3 of Holdings' Current Report on Form 8-K filed with the SEC on September 2, 2010).</u>
10.43	<u>Transition and Resignation Agreement and General Release of All Claims with Juliet A. Lim dated October 25, 2017 (incorporated by reference to Exhibit 10.1 of Holdings' Quarterly Report on Form 10-Q filed with the SEC on November 7, 2017).</u>

Exhibit Number	Exhibit Description
*10.44	Sixth Amendment to Contract Cash Solutions Agreement, dated as of December 29, 2017 between Everi Payments and Wells Fargo Bank, N.A.
*21.1	Subsidiaries of Holdings.
*23.1	Consent of BDO USA, LLP.
*24.1	Power of Attorney (included on signature page).
*31.1	Certification of Chief Executive Officer of Holdings in accordance with Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*31.2	Certification of Chief Financial Officer of Holdings in accordance with Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
**32.1	Certification of the Chief Executive Officer of Holdings 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 the Chief Financial Officer of Holdings 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.

† Management contracts or compensatory plans or arrangements.

+ Confidential treatment has been granted for certain portions of this exhibit pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended. The confidential information has been omitted and filed separately with the SEC.

Item 16. Form 10-K Summary.

None.

SIXTH AMENDMENT TO CONTRACT CASH SOLUTIONS AGREEMENT

THIS SIXTH AMENDMENT TO CONTRACT CASH SOLUTIONS AGREEMENT (this " Amendment "), dated and effective as of December 29, 2017, is made and entered into among EVERI PAYMENTS INC. ("Client"), formerly known as GLOBAL CASH ACCESS INC., (" GCA "), and WELLS FARGO BANK, N.A. (" Wells Fargo ").

RECITALS:

A. Client and Wells Fargo entered into a Contract Cash Solutions Agreement, dated as of November 12, 2010 (as modified or amended from time to time, the " Agreement ").

B. Client has changed its legal name from Global Cash Access, Inc. to Everi Payments Inc. on August 24, 2015 and the parties to the Agreement and this Amendment understand and accept that this Amendment and the Agreement interchangeably refer to Client as either CGA and/or Everi Payments Inc.

C. Client has requested that Wells Fargo extend the term of the Agreement through June 30, 2020, and subject to and on the terms and conditions of this Amendment, Wells Fargo has agreed to do so.

D. Client and Wells Fargo entered into that certain Fee Letter, dated June 29th, 2015 (as modified or amended from time to time, the "Fee Letter") and desire to amend certain of the Fees (as defined therein) as described herein.

NOW, THEREFORE, in consideration of the foregoing recitals and other good and valuable considerations, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows, intending to be legally bound:

ARTICLE I

Definitions

Capitalized terms used in this Amendment, to the extent not otherwise defined herein, shall have the meanings assigned to such terms in the Agreement.

ARTICLE II

Amendment

Section 2 .

(a) Agreement (Term). Section XI. A of the Agreement is hereby amended and restated in its entirety to read as follows:

(a) "General". The initial term of this Agreement, which expired on November 30, 2013, was previously extended through November 30, 2014, pursuant to a written amendment to the Agreement, further extended pursuant to a written amendment to the Agreement to November 30, 2015, again further extended pursuant to a written amendment to the Agreement to June 30, 2018 and again further extended pursuant to a written amendment to the Agreement to June 30th, 2019. The Parties hereby agree to further extend the term of the Agreement to June 30th, 2020. In addition, the Agreement shall be renewed for additional one-year periods unless a Party gives at least 90 days' prior written notice of its intent not to renew, provided, however, that each such renewal shall be subject to a written agreement about pricing and such other terms and conditions to be mutually agreed upon among the Parties (the "Stated Termination Date"), unless earlier terminated by a Party as provided in this Agreement (the "Actual Termination Date")."

(b) Agreement (Maximum Available Amount). Section II.C is hereby amended and restated in its entirety to read as follows:

"C. Maximum Amount of Cash to be Supplied. The aggregate total of Cash to be provided by Wells Fargo under this Agreement shall at no time exceed \$300 Million Dollars including (i) all Cash with Armored Carriers, (ii) all Cash in Covered Machines, and (iii) all payments owed by Servicers, including any amount to be reimbursed by way of credit to the Settlement Account in immediately available funds, net of all adjustments, chargebacks, representations and other corrections to all transactions under the Servicing Agreements (the "Maximum Available Amount"); provided, however, Wells Fargo acknowledges that Client may require Cash not to exceed \$75 Million Dollars in excess of the Maximum Available Amount (the "Additional Requested Amount") for a particular period (such period shall not exceed five (5) Business Days) (e.g. the five (5) Business Day period surrounding New Years Eve), on an occasional basis but in no event shall there be more than four such periods in any calendar year, and in such a situation, Client shall use best efforts to notify Wells Fargo with reasonable advance notice of the anticipated period and the anticipated amount of the Additional Requested Amount and Wells Fargo shall provide the Maximum Available Amount and shall use best efforts to provide Cash in an amount equal to the Additional Requested Amount.

Notwithstanding the foregoing, Client may decrease the Maximum Available Amount by providing Bank with ten (10) Business Days' written notice of such reduction; provided, however, (i) the Maximum Available Amount shall not be decreased below \$225 Million Dollars and (ii) such Maximum Available Amount may not be increased subsequent to such decrease without Bank's prior written approval."

(c) Fee Letter. The Fee Letter is hereby amended and restated in its entirety to read as set forth on Exhibit A to this Amendment.

ARTICLE III

Conditions Precedent

The effectiveness of this Amendment is subject to the satisfaction of the following conditions precedent:

(d) Client and Wells Fargo shall have executed and delivered this Amendment; and

(e) Clients shall have provided to Wells Fargo such other and further documents and instruments, if any, as Wells Fargo may reasonably request.

ARTICLE IV

Representations and Warranties; Acknowledgments

Each of the Parties represents and warrants to the other that (i) the execution, delivery and performance of this Amendment has been duly authorized by all requisite action on its part; and (ii) it is in compliance with the terms and conditions contained in the Agreement applicable to it.

ARTICLE V

General Provisions

Section 5.1 Counterparts. This Amendment may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same document.

Section 5.2 Facsimile Signatures. Delivery by fax of an executed counterpart of a signature page to this Amendment shall be effective as delivery of an original executed counterpart of this Amendment.

Section 5.3 Section Headings. The section headings in this Amendment are for purposes of reference only and shall not limit or affect any of the terms hereof.

Section 5.4 Successors and Assigns. This Amendment is binding upon and shall inure to the benefit of Parties hereto and their respective successors and assigns, subject, however, to the requirements of Section **XIII.D.** of the Agreement.

Section 5.5 Governing Law. The Governing Law shall govern this Amendment and the interpretation thereof.

Section 5.6 Entire Agreement: Modification. The Agreement and this Amendment constitute the entire agreement between Wells Fargo and Client relating to the subject matter hereof and may not be changed orally, but only by written instrument signed by both Parties. There are no restrictions, promises, warranties, covenants, or undertakings relating to the subject matter of this Amendment other than those expressly set forth or

referred-to herein. Nothing in this Amendment alters or impairs the Agreement except for the amendments specifically provided herein.

[Balance of Page Intentionally Left Blank. Signature Page Follows]

IN WITNESS WHEREOF, each of the Parties has caused this Amendment to be executed on its behalf by the duly authorized officers as of the date and year first written above.

EVERI PAYMENTS, INC.

By: /s/ Randy L. Taylor
RANDY L. TAYLOR
CHIEF FINANCIAL OFFICER

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: /s/ Olga Wisnicky
OLGA WISNICKY
SENIOR VICE PRESIDENT

EXHIBIT A to AMENDMENT

EXHIBIT A

EXECUTION VERSION

Amended and Restated Fee Letter

December 29, 2017

Everi Payments, Inc.
7250 S Tenaya Way, Suite 100
Las Vegas, NV 89113
Attention: General Counsel

Ladies and Gentlemen:

Reference is made to (a) the November 12, 2010, Contract Cash Solutions Agreement (“Agreement”) among Everi Payments, Inc, formerly known as Global Cash Access, Inc. ("Client") and Wells Fargo Bank, N. A. ("Wells Fargo") and (b) the November 12, 2010, Fee Letter, between Client and Wells Fargo (the “2010 Fee Letter”), as amended by that certain Fee Letter, dated as of June 29, 2015 between Client and Wells Fargo (the “Amended Fee Letter” and, together with the Original Fee Letter, collectively, the “Original Fee Letter”) . This letter agreement (the “Fee Letter”) amends and restates the Original Fee Letter and is the Fee Letter referred to in the Agreement. Capitalized terms used but not defined herein have the meanings assigned to them in the Agreement.

Client agrees to pay to Wells Fargo the Fees calculated in accordance with the terms of Exhibits A and B to this Fee Letter incorporated herein), effective as of January 1, 2018 unless otherwise stated in the Fee Letter. Client agrees by its execution of this Fee Letter, that this Fee Letter complies with Wells Fargo’s obligation under Section VII(A) of the Agreement. The Fees may be changed pursuant to the terms of Section VII of the Agreement. Client agrees that its obligations under this Fee Letter will survive the consummation of the transactions described in the Agreement.

Notwithstanding the amendment and restatement of the Original Fee Letter by this Fee Letter, Client shall continue to be liable to Wells Fargo for all Fees and other amounts owed under the Original Fee Letter accrued to the date hereof under the Original Fee Letter. This Fee Letter is not intended as payment of any obligations of Client to Wells Fargo, and is in no way intended to constitute a novation of the Original Fee Letter. Nothing contained herein is intended to amend, modify or otherwise affect any obligation of Client existing prior to the date hereof.

Please confirm your agreement with the Fees by signing and returning to us a copy of this Fee Letter, whereupon it shall constitute a binding agreement between us. Client agrees that this Fee Letter and its contents are subject to confidentiality provisions and will not be disclosed except as required by law or a final order of a court of competent jurisdiction; and provided that the disclosure of Fees shall be subject to the provisions of Section XIII.O of the Agreement.

Yours very truly,

WELLS FARGO BANK, N. A.

By: /s/ Olga Wisnicky
OLGA WISNICKY
SENIOR VICE PRESIDENT

Accepted and Agreed to on December 29, 2017:

EVERI PAYMENTS, INC.

By: /s/ Randy L. Taylor
RANDY L. TAYLOR
CHIEF FINANCIAL OFFICER

EXHIBIT A

Fees

1. Monthly Fee. Client shall pay a monthly fee as calculated in accordance with the following formula:

Monthly Fee = The sum of A x B x C

Where:

A = The Average Daily LIBOR Tranche Dollars Outstanding

B = (Daily Three Month LIBOR plus Wells Fargo LIBOR Margin)/360

C = The number of days in the calendar month

2. Definitions. The following terms when used in this Exhibit A shall have the following meanings:

" **Average Daily LIBOR Tranche Dollars Outstanding** " during the calendar month means an amount equal to the average amount of Cash, at the end of each day during such calendar month, that has previously been provided by Wells Fargo to Client by way of delivery of the same to an Armored Carrier for the benefit of Client, but has not yet been reimbursed by way of credit to a Settlement Account in immediately available funds.

- (a) " **Daily Three Month LIBOR** " means, for each day, LIBOR then in effect for delivery for a three month period on such day or if such day is not a Business Day on the immediately preceding Business Day.
- (b) " **LIBOR** " means the rate per annum determined pursuant to the following formula:

$$\text{LIBOR} = \frac{\text{Base LIBOR}}{100\% - \text{LIBOR Reserve Percentage}}$$

- (1) "Base LIBOR" means the rate per annum for United States dollar deposits quoted by Wells Fargo for the purpose of calculating the effective rate for loans that reference Daily Three Month LIBOR as the Inter-Bank Market Offered Rate in effect from time to time for three month delivery of funds in amounts approximately equal to the Average Daily LIBOR Tranche Dollars Outstanding. Client understands and agrees that Wells Fargo may base its quotation of the Inter-Bank Market Offered Rate upon such offers or other market indicators of the Inter-Bank Market as Wells Fargo in its discretion deems appropriate, including but not limited to the rate offered for U.S. dollar deposits on the London Inter-Bank Market.
-

(2) "LIBOR Reserve Percentage" means the reserve percentage prescribed by the Board of Governors of the Federal Reserve System (or any successor) for "Eurocurrency Liabilities" (as defined in Regulation D of the Federal Reserve Board, as amended), adjusted by Wells Fargo for expected changes in such reserve percentage during the applicable term of the Agreement.

(c) "**Wells Fargo LIBOR Margin**" means 45 basis points.

3. Minimum usage fee. Client shall pay to Bank a fee equal to twenty hundredths percent (0.20%) per annum (computed as detailed below), which fee shall be calculated on an annual basis (from July 1 through June 30) by Bank and shall be due and payable by Client in arrears within (10) days after the June billing statement is provided to Client (the "Minimum Usage Fee"). In accordance with section VII(D) of the Agreement, Bank will debit Client's Account for the Minimum Usage Fee.

(A) \$300,000,000.00

(B) (A) x 65% = \$195,000,000.00

(C) July 1 – June 30th average outstanding daily balance of Cash:
\$ _____

(D) (B)-(C) \$ _____ (if D is \$0 or less, stop here, no fee due)
(if D is a positive number the fee owed is shown in E below)

(E) (D) x 0.20% = fee due \$ _____

4. Ancillary Services and Charges. Client shall also pay the customary charges and fees of Wells Fargo for the ancillary services set forth on Exhibit B to the Fee Letter effective January 1, 2018. Wells Fargo's standard treasury and cash management agreements will apply to all ancillary services such as wire transfers, ACH services and the like.

EXHIBIT B

FEES FOR CONTRACT CASH SERVICES

1. Cash Processing Fees :

<u>Depository Services</u>	<u>Unit Price</u>
Cash Vault monthly base	\$ 2.00
Vault Deposit	\$ 2.50
Cash Vault Deposit Adjustment	\$ 5.00
Cash Vault Currency / Coin Deposited	\$ 0.00045
Expanded Network Deposit Adjust	\$ 7.00
Expanded Network Currency Deposited	\$ 0.00045
Cash Vault Currency Furnished	\$ 0.00012
Expanded Network Currency Furnished	\$ 0.00012
Cash Vault Orders - CEO or Touchtone	\$ 2.50
Cash Vault Orders - Call In	\$10.00
Cash Vault Orders - Special (Late/Custom)	\$100.00
Expanded Network Cash Order Standard	\$ 2.00
Expanded Network Cash Order Late	\$100.00

Other account related charges will be based upon our prevailing commercial schedule of fees in effect from time to time.

2. Reconciliation Fee :

You will pay us the fees and charges of the reconciliation in performing those services to us with regard to the ATM Cash Services. We shall pass such fees and charges through to you.

<u>Reconciliation Services</u>	<u>Unit Price</u>
Contract Cash Balance/Settlement	\$17.50

SUBSIDIARIES OF EVERI HOLDINGS INC.

Name	Jurisdiction of Incorporation or Organization	Name(s) under which doing business
Everi Payments Inc.	Delaware	
Everi Logistics, LLC	Nevada	
Global Cash Access (Canada) Inc.	Ontario, Canada	
Global Cash Access (Panama), Inc.	Panama	
Game Financial Caribbean, N.V.	Netherlands, Antilles	
Global Cash Access (Belize), LTD.	Belize	
Central Credit, LLC	Delaware	Louisiana – Central Credit, a Delaware LLC New Hampshire - Central Credit (Delaware) Nebraska – Delaware Central Credit, LLC Ohio – Central Credit Delaware, LLC (Central Credit, LLC) Vermont – Delaware Central Credit
Global Cash Access (BVI) Inc.	British Virgin Islands	
Arriva Card, Inc.	Delaware	GCA Access Card, Inc.
Global Cash Access Switzerland AG	Switzerland	
Global Cash Access (HK) Ltd.	Hong Kong	
GCA (Macau) S.A.	Macau SAR	
Global Cash Access (Belgium) S.A.	Belgium	
Global Cash Access (UK) Limited	United Kingdom	
GCA India Private Limited	India	
GCA MTL, LLC	Delaware	
Everi Games Holding Inc.	Texas	
Everi Games Inc.	Delaware	
Everi Interactive LLC	Delaware	
MGAM Canada, Inc.	British Columbia	
MegaBingo International, LLC	Delaware	
Multimedia Games de Mexico	Mexico	
Multimedia Games de Mexico 1	Mexico	
Servicios de Wild Basin	Mexico	
MGAM Peru SRL	Peru	

Consent of Independent Registered Public Accounting Firm

Everi Holdings Inc.
Las Vegas, Nevada

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (File Nos. 333-131904, 333-140878, 333-149496, 333-157512, 333-165264, 333-172358, 333-187199, 333-197860, 333-202798 and 333-218302) of Everi Holdings Inc. of our reports dated March 15, 2018, relating to the consolidated financial statements, and the effectiveness of Everi Holdings, Inc.'s internal control over financial reporting, which appear in this Form 10-K.

/s/ BDO USA, LLP

Las Vegas, Nevada
March 15, 2018

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

I, Michael D. Rumbolz, certify that:

1. I have reviewed this Annual Report on Form 10-K of Everi Holdings Inc.;
2. Based on my knowledge, this Annual Report on Form 10-K 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 Annual Report on Form 10-K;
3. Based on my knowledge, the financial statements, and other financial information included in this Annual Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Annual 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 Annual Report on Form 10-K 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 Annual Report on Form 10-K our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Annual Report on Form 10-K based on such evaluation; and
 - d) Disclosed in this Annual Report on Form 10-K 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.

Date: March 16, 2018

/s/ Michael D. Rumbolz

Michael D. Rumbolz

President and Chief Executive Officer

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

I, Randy L. Taylor, certify that:

1. I have reviewed this Annual Report on Form 10-K of Everi Holdings Inc.;
2. Based on my knowledge, this Annual Report on Form 10-K 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 Annual Report on Form 10-K;
3. Based on my knowledge, the financial statements, and other financial information included in this Annual Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Annual 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 Annual Report on Form 10-K 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 Annual Report on Form 10-K our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Annual Report on Form 10-K based on such evaluation; and
 - d) Disclosed in this Annual Report on Form 10-K 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.

Date: March 16, 2018

/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 Annual Report of Everi Holdings Inc. (the “Company”) on Form 10-K for the period ended December 31, 2017 as filed with the Securities and Exchange Commission (the “Report”), I, Michael D. Rumbolz, President and Chief Executive Officer of the Company, hereby certify as of the date hereof, solely for the 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: March 16, 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 Annual Report of Everi Holdings Inc. (the "Company") on Form 10-K for the period ended December 31, 2017 as filed with the Securities and Exchange Commission (the "Report"), I, Randy L. Taylor, Chief Financial Officer of the Company, hereby certify as of the date hereof, solely for the 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: March 16, 2018

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

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

(Mark One)

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

For the fiscal year ended December 31, 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

20-0723270

(State or other jurisdiction
of incorporation or organization)

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

7250 S. Tenaya Way, Suite 100, Las Vegas, Nevada

89113

(Address of principal executive offices)

(Zip Code)

(800) 833-7110

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

Title of each class

Name of each exchange on which registered

Common Stock, \$0.001 par value per share

New York Stock Exchange

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

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

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 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 June 29, 2018, the aggregate market value of the registrant's common stock held by non-affiliates was approximately \$500.2 million based on the closing sale price as reported on the New York Stock Exchange.

There were 70,320,028 shares of the registrant's common stock issued and outstanding as of the close of business on March 1, 2019 .

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the registrant's Definitive Proxy Statement for its 2019 Annual Meeting of Stockholders (which is expected to be filed with the Securities and Exchange Commission within 120 days after the end of the registrant's 2018 fiscal year) are incorporated by reference into Part III of this Annual Report on Form 10-K. Except as expressly incorporated by reference, the registrant's Proxy Statement shall not be deemed to be a part of this Annual Report on Form 10-K.



EVERI HOLDINGS INC.
ANNUAL REPORT ON FORM 10-K
FOR FISCAL YEAR ENDED DECEMBER 31, 2018

TABLE OF CONTENTS

[PART I](#)

Item 1.	Business.	5
Item 1A.	Risk Factors.	15
Item 1B.	Unresolved Staff Comments.	30
Item 2.	Properties.	30
Item 3.	Legal Proceedings.	30
Item 4.	Mine Safety Disclosures.	36

[PART II](#)

Item 5.	Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.	32
Item 6.	Selected Financial Data.	33
Item 7.	Management’s Discussion and Analysis of Financial Condition and Results of Operations.	34
Item 7A.	Quantitative and Qualitative Disclosures about Market Risk.	47
Item 8.	Financial Statements and Supplementary Data.	48
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.	91
Item 9A.	Controls and Procedures.	91
Item 9B.	Other Information.	92

[PART III](#)

Item 10.	Directors, Executive Officers and Corporate Governance.	94
Item 11.	Executive Compensation.	94
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.	94
Item 13.	Certain Relationships and Related Transactions, and Director Independence.	94
Item 14.	Principal Accountant Fees and Services .	94

[PART IV](#)

Item 15.	Exhibits and Financial Statement Schedules	95
Item 16.	Form 10-K Summary	99

SIGNATURES		100
----------------------------	--	-----

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

CAUTIONARY INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

Everi Holdings Inc. (“Everi Holdings,” “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”). Unless otherwise indicated, the terms the “Company,” “we,” “us,” and “our” refer to Everi Holdings together with its consolidated subsidiaries.

Our disclosure and analysis in this Annual Report on Form 10-K contain “forward-looking” statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and the Private Securities Litigation Reform Act of 1995. From time to time, we also provide forward-looking statements in other materials we release to the public, as well as oral forward-looking statements. We have tried, wherever possible, to identify such statements by using words such as “goal,” “target,” “future,” “estimate,” “expect,” “anticipate,” “intend,” “plan,” “believe,” “seek,” “project,” “may,” “should,” “will,” “likely,” “will likely result,” “will continue,” “forecast,” “observe,” “strategy,” and other words and terms of similar meaning. The forward-looking statements in this Annual Report on Form 10-K reflect the Company’s current views with respect to future events and financial performance.

Forward-looking statements include, but are not limited to, statements regarding the following matters: trends in gaming establishment and patron usage of our products; benefits realized by using our products and services; product development, including the release of new game features and additional game and system releases in the future; regulatory approvals; gaming regulatory, card association, and statutory compliance; the implementation of new or amended card association and payment network rules; consumer collection activities; future competition; future tax liabilities; future goodwill impairment charges; international expansion; resolution of litigation; dividend policy; new customer contracts and contract renewals; future results of operations (including revenue, expenses, margins, earnings, cash flow and capital expenditures); future interest rates and interest expense; future borrowings; and future equity incentive activity and compensation expense.

Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on our current beliefs, expectations, and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy, and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent risks, uncertainties and changes in circumstances that are often difficult to predict and many of which are beyond our control. Our actual results and financial condition may differ materially from those indicated in forward-looking statements. Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements include, without limitation:

- our history of net losses and our ability to generate profits in the future;
- our substantial leverage, restrictions under our indebtedness, and our ability to raise additional cash to fund operations, working capital, and capital expenditures, and to service all of our indebtedness;
- our ability to compete in the gaming industry, manage competitive pressures, navigate gaming market contractions, and continue operating in Native American gaming markets;
- our ability to protect our intellectual property rights;
- the impact of changes in U.S. federal corporate tax laws;
- our ability to maintain our current customers, replace revenue associated with terminated contracts, and address margin degradation from contract renewals;
- our ability to prevent, mitigate, or timely recover from cybersecurity breaches, attacks, and compromises;
- our ability to execute on mergers, acquisitions, 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, our product portfolio, and development and placement fee arrangements;
- expectations regarding customers’, gaming establishments’, and patrons’ preferences and demands for future gaming offerings;

- national and international economic conditions, including the overall growth of the gaming industry, if any;
- our ability to comply with the Europay, MasterCard, and Visa global standard for cards equipped with security chip technology (“EMV”);
- technological obsolescence, expenditures, and product development, and our ability to introduce new products and services, including third-party licensed content;
- anticipated sales performance;
- employee turnover;
- changes in gaming regulatory, card association, and statutory requirements, as well as regulatory and licensing difficulties;
- operational limitations;
- uncertainty of litigation outcomes;
- business prospects;
- unanticipated expenses or capital needs, interest rate fluctuations, or inaccuracies in underlying operating assumptions; and
- those other risks and uncertainties discussed in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Item 1A. Risk Factors” of this Annual Report on Form 10-K.

In light of these risks and uncertainties, there can be no assurance that the forward-looking information contained in this Annual Report on Form 10-K will in fact transpire or prove to be accurate. Readers are cautioned to consider the specific risk factors described herein and in “Item 1A. Risk Factors” of this Annual Report on Form 10-K and not to place undue reliance on the forward-looking statements contained herein, which are based only on information currently available to us and speak only as of the date hereof.

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

PART I

Item 1. Business.

Overview

Everi is a leading supplier of 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 technologies.

Everi Holdings reports its results of operations based on two operating segments: Games and FinTech. Effective April 1, 2018, we changed the name of the operating segment previously referred to as “Payments” to “Financial Technology Solutions” (“Everi FinTech” or “FinTech”). We believe this reference more accurately reflects the focus of the business segment on delivering innovative and integrated solutions to enhance the efficiency of the casino operator, support the comprehensive regulatory and tax requirements of their gaming customers, and improve players’ gaming experience by providing easy access to their funds and payment of winnings.

Everi Games provides gaming operators products and services, including: (a) gaming machines primarily comprised of Class II and Class III slot machines placed under participation or fixed fee lease arrangements or sold to casino customers, including *TournEvent*® that allows operators to switch from in-revenue gaming to out-of-revenue tournaments; (b) system software, licenses, ancillary equipment, and maintenance; and (c) business-to-consumer and business-to-business interactive activities. In addition, Everi Games develops and manages the central determinant system for the video lottery terminals (“VLTs”) installed in the State of New York and it also provides similar technology in certain tribal jurisdictions.

Everi FinTech provides gaming operators 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 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.

Everi Holdings was formed as a Delaware limited liability company on February 4, 2004 and was converted to a Delaware corporation on May 14, 2004. Our principal executive offices are located at 7250 South Tenaya Way, Suite 100, Las Vegas, Nevada 89113. Our telephone number is (800) 833-7110. Our website address is www.everi.com. The information on our website is not part of this Annual Report on Form 10-K or our other filings with the SEC.

Our Business Segments

We report our financial performance, and organize and manage our operations, across the following two business segments: (a) Games; and (b) FinTech. For additional information on our segments and the revenues generated by our products and services see “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations — Results of Operations” and “Note 18 — Segment Information” included elsewhere in this Annual Report on Form 10-K.

Our Products and Services

Everi Games

Our Games products and services include commercial devices, such as Native American Class II offerings and other bingo products, Class III offerings, video lottery terminals, accounting and central determinant systems, and other back office systems. We conduct our Games segment business based on results generated from the following major revenue streams: (a) Gaming Operations; (b) Gaming Equipment and Systems; and (c) Gaming Other.

Gaming Operations

With respect to our Gaming Operations revenue stream, we primarily offer: (a) leased gaming equipment on a participation or a fixed daily fee basis; (b) local-area progressive machines; (c) wide-area progressive machines (“WAP”); (d) *TournEvent*® machines; (e) accounting and central determinant systems; and (f) interactive gaming activities.

In connection with our leased gaming equipment, we generally retain ownership of the machines installed at customer facilities. We receive recurring revenue based on a percentage of the net win per day generated by the leased gaming equipment or a fixed daily fee. We continue to expand our game placements into new jurisdictions, increase investment in research and development, and introduce premium game hardware and theme content. From our historical focus on placement of games into the Oklahoma and Washington tribal markets, Everi Games has diversified its installed base in recent years with entry into new commercial and tribal markets. Everi Games has grown premium game installations with approximately 2,859 units installed (representing approximately 20.4% of our installed base as of December 31, 2018) since entering the category approximately six years ago.

In connection with our WAP offering, machines placed under such arrangements fall into the leased gaming equipment category and we retain ownership of such machines. We debuted our first WAP in Class II markets in 2017 and are now operating in Class III tribal markets as well. Spanning three product lines, our WAP is offered to customers on the *Player Classic* , *Core HDX*, and *Empire MPX* cabinets. The original Class II offering, *Jackpot Lockdown* ® , debuted with two themes — *Jackpot Lockdown Mega Meltdown* ™ and *Jackpot Lockdown High Voltage* ™. With the release of *Diamond Blaze* ™ along with multiple other product offerings active on the link, the original Class II offering has expanded to Everi's new premium sign package offering, *Renegade 3600* ™.

Gaming operations also include revenues generated under our arrangement to provide the New York State Gaming Commission with an accounting and central determinant system for the VLTs in operation at licensed State of New York gaming facilities. In January 2018, an amendment to the agreement between Everi Games and the New York State Gaming Commission was approved and became effective. Under this amendment, Everi Games will continue to provide and maintain the central determinant system for the New York Lottery through December 2019. As of December 31, 2018 , this system is connected to approximately 18,500 VLTs and has the ability to interface with, provide outcomes to, and manage the VLTs. Pursuant to our agreement with the New York State Gaming Commission, we receive a portion of the network-wide net win (generally, cash-in less prizes paid) per day in exchange for provision and maintenance of the central determinant system. We also provide central determinant system technology to Native American tribes in other licensed jurisdictions for which we receive a portion of the revenue generated from the VLTs connected to the system.

In connection with our interactive activities, Everi operates in the following two areas: (a) business-to-consumer (“B2C”); and (b) business-to-business (“B2B”). B2C relates to games offered directly to consumers through our social, mobile application, which can be played using virtual currency. The Company earns revenues by providing the virtual currency to the consumers, or the players, whenever the consumers purchase additional virtual currency. This offering is limited to the area of free-to-play also referred to as social casinos, and is offered through connectivity with Facebook as well as mobile platforms such as the Apple App Store for Apple devices and the Google Play Store for Android devices. B2B relates to games offered to the online business partners who then offer the games to consumers. Everi has developed its own remote gaming server (“RGS”) leveraging our extensive library of land-based content that is delivered through the RGS. This library contains casino-themed social and mobile games, and games available for real money gaming (“RMG”) offered to the online business partners that operate in play-for-fun, or social casinos, and the regulated online casinos that operate in the RMG regulated markets. We enter into revenue share agreements with online business partners offering Everi's virtual games.

Gaming Equipment and Systems

With respect to our Gaming Equipment and Systems revenue stream, we enter into direct sales contracts generally for some combination of: (a) gaming equipment and player terminals, including *TournEvent* ® machines; (b) game content; (c) license fees; (d) ancillary equipment; and (e) maintenance.

Gaming Other

With respect to our Gaming Other revenue stream, we offer our *TournEvent of Champions* ® that allows winners of local and regional tournaments throughout the year to participate in a national tournament that results in the determination of a final champion.

Our Games products include:

Classic Mechanical Reel Games . Our full range of classic mechanical reel games provides players with a traditional, high denomination slot gaming experience. These games leverage our long-standing experience in building enduring brands, such as *Black Diamond* ® and *Wild Wild Gems* ® , and feature a unique take on traditional slot games with eye-catching features. *Super Jackpot Series* ™ offers large linked progressives on the *Player Classic* ® cabinet packaged with overhead signage to display rolling progressive meters and exciting win celebrations from across the casino floor. The premium *Skyline* ™ top box is a vintage-inspired bezel for the *Player Classic* cabinet showcasing red green blue lighting and a 24-inch liquid crystal display (“LCD”) panel, with titles including *Double Jackpot Gems* ® , *Kingmaker* ® , *Blazin' Gems* ® , and licensed brands, such as *Smokin' Hot Stuff* ® and *Casper* ® .

Video Reel Games . We offer a growing range of dual-screen and portrait single screen video reel games that provide a uniquely entertaining slot gaming experience. The most recent released titles leverage *Core HDX*® and *Empire MPX*™ cabinets (E43 and E5527) that deliver eye-catching graphics and full, rich sound. A range of progressive features round out our library in games on the E43, such as *Lighting Zap Jackpots*™, *Diamond Rain*®, *Diamond Rain Jackpot Wheel*™, *Cash Money*®, and *Diamond Money*™. The E5527 cabinet includes titles, such as *Smokin' Hot Stuff Wicked Wheel*®, and the recently introduced *Shark Week* with the new Nitro™ technology enabling display features across multiple devices.

Core HDX. The *Core HDX* cabinet enhances the player gaming experience with its dual widescreen 23-inch monitors with 1080p high definition (“HD”) capability, integrated touchscreens, and premium 3-way sound system. The eye-catching cabinet commands a presence on the casino floor with game-controlled lighting and a custom premium LCD topper, *Apex N*™. Select *Core HDX* games feature Everi Bet™, the bet configuration system that gives casino operators the power to optimize the casino floor for maximum returns. The vast majority of our standard video library on our MForce® software platform is designed to be playable on the *Core HDX* .

Empire MPX (E43) . The *Empire MPX* debuted in April 2017 with the launch of the Company’s first premium participation cabinet on its WAP, and then launched its for-sale category *Empire MPX* products in December 2017. The new cabinet features a single-screen 43-inch monitor, full 1080p HD graphics capabilities, and a fully-customizable touchscreen button panel. Its efficient design allows for tighter bank configuration. *Empire MPX* licensed video content includes *Casablanca*™, *Penn & Teller*®, *Buffy the Vampire Slayer*™, *Singin' in the Rain*™, and *Willie Nelson*™.

Empire MPX (E5527). The *E5527* is also uniquely designed to occupy less space on the casino floor, allowing for easy game bank and pod configurations. The all-new premium lease cabinet features a portrait oriented 55-inch upper display and landscape oriented 27-inch lower display that are sure to dazzle players. The cabinet leverages proven technology from Everi’s *Empire MPX* to deliver an exciting new player experience with visuals never before seen on an Everi gaming device. With its leading-edge cabinet design and innovative technology features, that both players and casino operators will appreciate, *E5527* commands attention on the casino floor.

The Texan HDX™. *The Texan HDX* is an 8-foot tall cabinet with dual 42-inch HD video screens and features a two-person bench seat, integrated touch screens, and a premium three-way sound system. The cabinet is designed to showcase the Everi standard video library in an oversized format, allowing games to be prominently displayed on the casino floor.

TournEvent® . Our slot tournament system that allows gaming operators to switch from in-revenue gaming to out-of-revenue tournaments and to design and build a variety of flexible tournament formats, such as solo or team tournament play, session or round winner advancement, and cumulative or maximum scoring, including providing bonus opportunities that improve scores or automatically move a player to first place. The latest *TournEvent*® 5.0 game version includes new system enhancements that improve operator efficiencies and hardware and offers engaging tournament games that attract players. With the wireless tablet option, casino operators will be able to sign up players for tournaments remotely, allowing for a more efficient tournament registration and an overall better tournament experience for the casinos and players alike. *TournEvent*® also is available with multiple sign options, consisting of a 65-inch television, lighted accent dividers, and the ability to be featured on new bank configurations.

Everi FinTech

Our FinTech products and services include solutions that we provide directly to gaming establishments to offer their patrons cash access-related services and products including: access to cash at gaming facilities via ATM cash withdrawals, credit card cash access transactions, and POS debit card cash access transactions; check-related services; fully integrated kiosks and maintenance services; compliance, audit, and data software; casino credit data and reporting services; and other ancillary offerings. We conduct our FinTech segment business based on results generated from the following major revenue streams: (a) Cash Access; (b) Equipment; and (c) Information Services and Other.

Cash Access

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

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

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

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

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

Check-Related Services . Patrons are able to cash checks at certain gaming establishments. When a patron presents a check to the cashier, the gaming establishment can accept or deny the transaction based on its own customer information and at its own risk, obtain third-party verification information about the check writer, the bank account number, and other information relating to the check to manage its risk, or obtain a warranty on payment of the check, which entitles the gaming establishment to reimbursement of the full amount of the check if it is dishonored.

If a gaming establishment chooses to have a check warranted, it sends a request to a check warranty service provider, inquiring whether it would be willing to accept the risk of cashing the check. If the check warranty provider accepts the risk and warrants the check, the gaming establishment negotiates the patron's check by providing cash for the face amount of the check. If the check is dishonored by the patron's bank upon presentment, the gaming establishment invokes the warranty, and the check warranty service provider purchases the check from the gaming establishment for the full check amount and then pursues collection activities on its own.

For those gaming establishments that seek to manage their own risk, we provide a subscription check verification service via a database operated by our subsidiary, Central Credit, LLC ("Central Credit"), which is used by gaming establishments to make credit issuing decisions. Central Credit maintains information on the check cashing and credit history of many gaming establishment patrons. For those gaming establishments that prefer to obtain a warranty, we provide check warranty services through a third-party check warranty service provider. We pay this third-party provider to assist with the warranty decision, check processing, billing, and collection activities. On our behalf, this third-party provider charges our gaming establishment customers a fee for the check warranty services, which is typically a percentage of the face amount of the check being warranted. In such circumstances, we receive all of the check warranty revenue. We are exposed to risk for the losses associated with any warranted items that cannot be collected from patrons issuing the items. Warranty expenses are defined as any amounts paid by the third-party provider to gaming establishments to purchase dishonored checks that will not be collectible from patrons and any expenses related to the collection on these amounts. We also pay certain fees and operating expenses to our third-party provider related to the provision of these services.

Casino Cash Plus 3-in-1 ATMs are unmanned, cash-dispensing machines that enable ATM cash withdrawals, POS debit card cash access transactions, and credit card cash access transactions directly or using our 3-in-1 Rollover functionality. Most financial institutions that issue debit cards impose daily ATM withdrawal limits, and, in some instances, aggregate and count Friday, Saturday, and Sunday as a single day in calculating such limits. If a patron has reached his or her daily ATM limit, our 3-in-1 Rollover functionality automatically enables the patron to obtain funds via a POS debit card cash access transaction or a credit card cash access transaction instead.

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

Equipment

In connection with our Equipment, we offer the following:

Fully Integrated Kiosks are a complete line of products that provide multiple functions to the casino floor. This includes cash access functionality, such as our 3-in-1 Rollover, which provides casino patrons access to perform cash advance, POS debit, and ATM transactions. The kiosks also provide functionality to perform check cashing transactions, slot machine ticket redemption, bill breaking, and loyalty program access as well as integration with mobile and wallet technology. The availability of our cash access platform on these slot ticket redemption devices provides us with additional points of contact with gaming patrons at locations that are usually closer to gaming devices than traditional cash access devices that are typically located on the periphery of the gaming area within the casino floor and also provides gaming patrons with more opportunities to access their cash with less cashier involvement.

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

- *JackpotXchange* family of kiosks, *JXC 4.0*, and *JXC-L*, enable casino personnel to efficiently access funds to pay out jackpots for their guests. These kiosks are integrated with all major slot systems to offer jackpot processing and pay-out in a combination of cash or slot tickets. These kiosks offer gaming operators the ability to reduce workload at the cage and for slot personnel.
- *JackpotXpress* is a full-featured jackpot and tax form management platform that allows casino personnel to work through the complex jackpot process using a mobile tablet or kiosk. *JackpotXpress* allows gaming operators to reduce jackpot wait times, eliminate cumbersome paper documents, and perform “know your customer” checks. It is fully integrated with our Everi Compliance (defined below), *CageXchange*, and *JackpotXchange* products.
- *CageXchange* is a cash dispensing device that helps streamline casino cage operations. With *CageXchange*, cash is securely vaulted, creating increased security while also reducing cash shrinkage and helping to improve cashier accuracy. Additional efficiencies are achieved from accelerating the process of cage cashiers obtaining money from the vault. *CageXchange* is integrated with *CashClub*® to create an efficient transaction for casino guests.
- Our *Cash Recycling Solutions* allow casinos to fully automate the check in and check out process of money, saving time and expense. As gaming establishments vary in size and complexity, these *Cash Recycling Solutions* support a number of diverse resort operations such as retail, food and beverage, entertainment, and gaming operations.

Information Services and Other

In connection with our Information Services and Other solutions, we offer the following:

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

Everi Compliance is our suite of compliance software offerings for gaming operators that help gaming establishments comply with financial services and gaming regulations, which include software to assist with anti-money laundering regulations, such as filing currency transaction reports (“CTRs”), and suspicious activity reports (“SARs”). In addition, these compliance solutions assist with “know your customer” checks to ensure transactions are appropriately conducted.

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

Other solutions include database services that allow gaming establishments access to information from our proprietary patron transaction database for purposes of player acquisition, direct marketing, market share analysis, and a variety of other patron promotional uses. Our proprietary patron transaction database includes information that is captured from transactions we process. Patrons may “opt out” of having their names included in marketing mailing lists. We also offer an online payment processing solution for gaming operators in states that offer intra-state, Internet-based gaming, and lottery activities.

Manufacturing

We utilize contract manufacturers to produce the cabinets that make up our electronic gaming machines (“EGMs”), kiosk products, and other sub-assemblies. We have assembly facilities in Austin, Texas and Las Vegas, Nevada, where we assemble the EGMs and our kiosk products, which include the cabinets, computer assemblies, LCD screens, printers, bill validators and acceptors, and other wiring and harnesses. We believe that our sources of supply of component parts and raw materials for our products are generally adequate and we have few sole-sourced parts.

Research and Development

We conduct research and development activities primarily to develop gaming systems, game engines, casino data management systems, bingo outcome determination systems, video lottery outcome determination systems, gaming platforms, and gaming content, and to enhance our existing product lines. We believe our ability to deliver differentiated, appealing products and services to the marketplace is based on our research and development investments, and we expect to continue to make such investments in the future. Research and development costs consist primarily of salaries and benefits, consulting fees, and game lab testing fees. Once the technological feasibility of a project has been established, it is capitalized until it becomes available for general release.

Customers

As of December 31, 2018, we served approximately 1,450 casinos and other gaming properties in the United States, Europe, Canada, the Caribbean, Central America, and Asia. In certain limited circumstances, we provide our products and services to non-gaming establishments, such as gas stations and other retail businesses associated with gaming establishment customers. However, the revenue generated from these operations is not material to our operations and we do not actively market or target non-gaming establishment customers.

Sales and Marketing

In our Games business, we sell and market our products and services to gaming establishments primarily through the use of a direct sales force, which targets gaming establishments in the United States and in certain international markets. With respect to our gaming products, we participate in the Class II and Class III gaming machine markets, and the central determinant system market in North America, through participation, or revenue share, and fixed fee arrangements, and the sale of proprietary EGMs and systems.

In our FinTech business, we sell and market Cash Access (i.e., Cash Advance, ATM, and Check Services), Equipment (i.e., Kiosks Sales), Information Services and Other (i.e., Kiosk Services, Compliance Sales and Services, Central Credit Services, and Ancillary Services) through the use of a direct sales force, which targets gaming establishments in the United States and in certain international markets.

With respect to both our Games and FinTech businesses, our sales and marketing efforts are directed by a team of customer service executives, each of whom has business development responsibility for gaming establishments in specified geographic regions.

These customer service executives direct their efforts at various levels of gaming establishment personnel, including: senior executives, finance professionals, marketing staff, slot directors, and cashiers, and seek to educate them on the benefits of our products and services. In some cases, our customer service executives are supported by field service and customer engagement teams, who provide on-site customer service to most of our customers. In other cases, our sales executives directly maintain the customer relationships. These customer service executives and field service and customer engagement teams generally reside in the vicinity of the specific gaming establishments they support to ensure a prompt response to the needs of those gaming establishments. We also have joint sales efforts with a number of strategic partners, including independent sales organizations, which allow us to market our products and services to gaming establishments through channels other than our direct sales force.

Competition

With respect to our Games business, we compete across different gaming markets with a variety of gaming equipment suppliers. Competition is generally based upon the: (a) amount of revenue our products generate for our customers relative to the amount of revenue generated by our competitors' products; (b) prices and fees we and our competitors charge for products and services offered; and (c) appeal of our competitors' products to gaming patrons, which has a direct effect on the volume of play generated by a product and, accordingly, the revenues generated for our customers. To drive customer demand and improve product attractiveness, we continually work to develop new game themes, game engines, hardware platforms, and systems that appeal to gaming patrons, all while working to release these new products to the marketplace in a timely manner.

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

Intellectual Property

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

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

Seasonality

Our revenues and cash flows may fluctuate throughout the year driven by seasonality in player demand and activity. We generally experience higher operating results during the first half of a year and lower operating results during the second half of a year, however, such fluctuations do not have a material impact on our revenues and cash flows.

Employees

As of December 31, 2018, we had approximately 1,250 employees. We believe that our relations with our employees are good. We have never experienced a work stoppage and none of our employees are subject to a collective bargaining agreement.

Available Information

Our website address is www.everi.com. We make available free of charge on our website our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and all amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after such reports are electronically filed with, or furnished to, the SEC. In addition, our earnings conference calls are web cast live via our website. In addition to visiting our website, you may read any document we file with the SEC at www.sec.gov.

REGULATION

General

We believe that we are in substantial compliance with all material gaming and financial institution laws applicable to our business. We have a diligent internal compliance program to ensure compliance with our business activities, as well as legal requirements generally applicable to all publicly traded companies. The compliance program is directed on a day-to-day basis by our Chief Compliance Officer. Legal advice is provided by attorneys from the Company's legal department and outside experts. The compliance program is overseen by the Corporate Compliance Committee, which includes a gaming law expert as an independent member. We can give no assurance, however, that our business activities or the activities of our customers in the gaming industry will not be subject to any regulatory or legal enforcement proceedings in the future and a violation of applicable laws by us or any of our subsidiaries could have a material adverse effect on our financial condition, prospects, and results of operations. Depending on the nature of any noncompliance, our failure to comply with such laws, regulations, and ordinances may result in the suspension or revocation of any license, registration, or other approval, a partial or complete cessation of our business, seizure of our assets, as well as the imposition of civil fines and criminal penalties.

Gaming Regulation

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

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

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

Approvals, Licensing and Suitability

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

Product Approvals

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

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

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

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

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

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

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

Financial Services Regulation

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

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

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

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

State Money Transmission Laws . Many states where we complete credit card cash access and POS debit card cash access transactions or offer our online payment processing solution require us to have a money transmitter license.

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

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

Privacy Regulations . Our collection of information from patrons who use our financial products and services, such as our cash access services, are subject to the financial information privacy protection provisions of the Gramm-Leach-Bliley Act of 1999 (the “GLBA”) and its implementing federal regulations. We gather, as permitted by law, non-public, personally-identifiable financial information from patrons who use our cash access services, such as names, addresses, telephone numbers, bank and credit card account numbers, and transaction information. The GLBA requires us to safeguard and protect the privacy of such non-public personal information and also requires us to make disclosures to patrons regarding our privacy and information sharing policies and give patrons the opportunity to direct us not to disclose information about them to unaffiliated third parties in certain situations. We are also subject to state privacy regulations which, in some cases, may be even stricter than federal law. We continue to implement policies and programs as well as adapt our business practices in order to comply with federal and state privacy laws and regulations. In addition, we are also subject to foreign data protection and privacy laws including, but not limited to, the European Union General Data Protection Regulation, which became effective in May 2018 and requires companies to meet new requirements regarding data privacy and security.

ATM Operations . The Electronic Fund Transfer Act requires us to disclose certain notices regarding the fees that we charge for performing an ATM transaction as well as to incorporate such notices on the ATM screens to notify patrons of such fees prior to completing an ATM transaction. Our ATM services are also subject to applicable state banking regulations in each jurisdiction in which we operate ATMs which require, among other things, that we register with the state banking regulators as an operator of

ATMs, that we provide gaming patrons with notices of the transaction fees assessed upon use of our ATMs, that our transaction fees do not exceed designated maximums, that we offer gaming patrons a means of resolving disputes with us, and that we comply with prescribed safety and security requirements. In addition, the ATMs that we operate are subject to requirements of the Americans with Disabilities Act, which in general require that ATMs be accessible to individuals with disabilities, such as visually-impaired persons.

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

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

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

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

International Regulation

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

In addition, refer to “Item 1A. Risk Factors — Risks Related to Regulation of Our Industry” for additional industry, state, and federal regulations impacting our business.

Item 1A. Risk Factors.

The following section describes material risks and uncertainties that we believe may adversely affect our business, financial condition, results of operations, or the market price of our stock. This section should be read in conjunction with our Financial Statements and Results of Operations included elsewhere in this Annual Report on Form 10-K.

Risks Related to Our Business

We have recorded net losses in each of the two fiscal years prior to fiscal year 2018 and we may not generate profits in the future.

We had net income of \$12.4 million and net losses of \$51.9 million and \$249.5 million for the years ended December 31, 2018, 2017, and 2016, respectively. As a result of the interest payments on the indebtedness incurred in connection with Everi Holdings’ purchase of Everi Games Holding in December 2014 (the “Merger”), amortization of intangible assets associated with the Merger and other acquisitions, other related acquisition and financing costs, asset impairment charges, depreciation, and other amortization, we may not be able to generate profits in the future. Our ability to continue to generate net profits in the future will depend, in part, on our ability to:

- establish strategic business relationships with new and existing customers;
- sell our products and services into new markets and to new customers in existing markets and retain our existing customers;
- develop new games or license third-party content in our Games business and develop new products and services in our FinTech business;
- effectively manage a larger and more diversified workforce and business;
- react to changes, including technological and regulatory changes, in the markets we target or operate in;
- respond to competitive developments and challenges;
- continue to comply with the EMV global standard for cards equipped with security chip technology; and
- attract and retain experienced and talented personnel.

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

Our substantial leverage could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in our industry or the economy, expose us to interest rate risk to the extent of our variable rate debt, and prevent us from meeting our obligations with respect to our indebtedness.

As of December 31, 2018, our total indebtedness was approximately \$1.2 billion, which included the New Credit Facilities and the 2017 Unsecured Notes, each of which contain restrictive covenants. Our high degree of leverage could have significant adverse effects on our business, including:

- requiring a substantial portion of cash flow from operations to be dedicated to the payment of principal and interest on our indebtedness, therefore, reducing our ability to use our cash flow to fund our operations, capital expenditures, and future business opportunities;
- making it more difficult for us to satisfy our obligations with respect to our indebtedness and any failure to comply with the obligations of any of our debt instruments, including restrictive covenants and borrowing conditions, could result in an event of default under the New Credit Facilities and the indentures governing the 2017 Unsecured Notes;
- increasing our vulnerability to adverse economic, industry, or competitive developments;
- restricting us from making strategic acquisitions or causing us to make non-strategic divestitures;
- limiting our ability to obtain additional financing for working capital, capital expenditures, product development, debt service requirements, acquisitions, and general corporate or other purposes; and
- limiting our flexibility in planning for, or reacting to, changes in our business or market conditions and placing us at a competitive disadvantage compared to our competitors who are less highly leveraged or may have more resources than us and who therefore may be able to take advantage of opportunities that our leverage prevents us from exploiting, including pursuit and execution of potential future acquisitions.

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

Our ability to make scheduled payments on our indebtedness, including the New Credit Facilities and the 2017 Unsecured Notes, will depend upon our future operating performance and on our ability to generate cash flow in the future, which is subject to general economic, financial, business, competitive, legislative, regulatory, and other factors that are beyond our control. We cannot assure you that our business will generate sufficient cash flow from operations, or that future borrowings, including those under the New Credit Facilities, will be available to us in an amount sufficient to pay our indebtedness or to fund other liquidity needs.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we could face substantial liquidity problems and could be forced to reduce or delay investment and capital expenditures or to dispose of material assets or operations, seek additional equity capital, or restructure or refinance our indebtedness. We may not be able to affect any such alternative

measures, if necessary, on commercially reasonable terms or at all and, even if successful, such alternative actions may not allow us to meet our scheduled debt service obligations. The New Credit Facilities and the indenture governing the 2017 Unsecured Notes restrict our ability to dispose of assets and use the proceeds from any such disposition.

If we cannot make scheduled payments on our debt, we will be in default. As a result, the holders of the 2017 Unsecured Notes could declare all outstanding principal and interest to be due and payable; the lenders under the New Credit Facilities could declare all outstanding amounts under such facilities due and payable and terminate their commitments to loan money; and, in each case, could foreclose against the assets securing the borrowings under the New Credit Facilities. Such actions could force us into bankruptcy or liquidation.

If our indebtedness is accelerated, we may need to refinance all or a portion of our indebtedness before maturity. We may not be able to refinance any of our indebtedness on commercially reasonable terms or at all. There can be no assurance that we will be able to obtain sufficient funds to enable us to repay or refinance our debt obligations on commercially reasonable terms, or at all.

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

The New Credit Facilities and the indenture governing the 2017 Unsecured Notes contain a number of significant restrictions and covenants that limit our ability to:

- incur additional indebtedness;
- sell assets or consolidate or merge with or into other companies;
- pay dividends or repurchase or redeem capital stock;
- make certain investments;
- issue capital stock of our subsidiaries;
- incur liens;
- prepay, redeem, or repurchase subordinated debt; and
- enter into certain types of transactions with our affiliates.

These covenants could have the effect of limiting our flexibility in planning for or reacting to changes in our business and the markets in which we compete. In addition, the New Credit Facilities require us to comply with a financial maintenance covenant under certain circumstances. Operating results below current levels or other adverse factors, including a significant increase in interest rates, could result in our being unable to comply with the financial covenants contained in the New Credit Facilities, if applicable. If we violate this covenant and are unable to obtain a waiver from our lenders, our debt under the New Credit Facilities would be in default and could be accelerated by our lenders. Based on cross-default provisions in the agreements and instruments governing our indebtedness, a default under one agreement or instrument could result in a default under, and the acceleration of, our other indebtedness. In addition, the lenders under the New Credit Facilities could proceed against the collateral securing that indebtedness.

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

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

As of December 31, 2018, we had tax effected federal and state net operating loss (“NOL”) carry-forwards of approximately \$83.0 million and \$14.1 million, respectively, federal research and development credit carry-forwards of approximately \$8.5 million, and foreign tax credit carry-forwards of approximately \$0.5 million. The federal net operating losses can be carried forward and applied to offset taxable income for 20 years and will expire starting in 2022 (for losses incurred before 2018). An estimated federal loss incurred in 2018 of approximately \$8.2 million, tax effected, can be carried forward indefinitely to offset taxable income. The state net operating loss carry-forwards will expire between 2019 and 2039. The federal research and development credits are limited to a 20 year carry-forward period and will begin to expire in varying amounts in 2029, if not utilized. The foreign tax credits, which have a full valuation allowance, can be carried forward 10 years and will expire in 2020, if not utilized.

Based on the weight of available evidence, including both positive and negative indicators, if it is more likely than not that a portion, or all, of the deferred tax assets will not be realized, we must consider recording a valuation allowance. Greater weight is given to evidence that is objectively verifiable, most notably historical results. We are in a cumulative loss position and we have decreased our valuation allowance for deferred tax assets related to these NOL and other tax credit carry-forwards, excluding the 2018 federal NOL, by \$10.1 million during 2018. Our ability to utilize the remaining NOL and other tax credit carry-forwards to reduce taxable income in future years may be further limited, including the possibility that projected future taxable income is insufficient to realize the benefit of these NOL carry-forwards prior to their expiration. To the extent our results of operations do not improve, we may not have the ability to overcome the more likely than not accounting standard that would allow us to reverse the valuation allowance and may be subject to record an additional valuation allowance in the future.

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

The Tax Cuts and Jobs Act of 2017 ("2017 Tax Act") could adversely affect our business and financial condition.

Due to the 2017 Tax Act, net operating losses arising in taxable years beginning after December 31, 2017 are limited in use to offset 80% of taxable income without the ability to carryback such net operating losses, however, with an indefinite carry-forward of such net operating losses (instead of the former 2-year carryback and 20-year carry-forward for net operating losses arising in taxable years beginning before December 31, 2017). The amount of the net U.S. federal interest expense deduction is generally limited to (a) 30% of adjusted taxable income, calculated without regard to depreciation, amortization, depletion or interest, effective for tax years beginning after December 31, 2017 and before January 1, 2022 and (b) 30% of adjusted taxable income, calculated without regard to interest (reduced by depreciation, amortization and depletion), effective for tax years beginning after December 31, 2021. Disallowed amounts may be carried forward indefinitely, subject to ownership change limitations. U.S. corporations are also subject to current tax on global intangible low-taxed income ("GILTI") earned by certain foreign subsidiaries and a base erosion anti-avoidance tax. The 2017 Tax Act changes are complex and subject to additional guidance to be issued by the U.S. Treasury and the Internal Revenue Service. In addition, the individual states' reactions to the federal tax changes are evolving. As a result, the overall long-term impact of the 2017 Tax Act is uncertain. It is possible that the application of any new rules may have a material and adverse impact on our operating results, cash flows, and financial condition.

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

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

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

Any security breach, whether experienced by us or a third-party vendor, may be material and lead to harm to our financial condition, business reputation, and prospects of future business due to, among other factors: loss of customer confidence arising from interruptions or outages of our services, delays, failure to meet contractual obligations, and loss of data or public release of confidential data; increase regulatory scrutiny on us; compromise our trade secret and intellectual property; expose us to costly uninsured liabilities such as material fines, penalties, liquidated damages, and overall margin compression due to renegotiation of contracts on less favorable terms or loss of business; and liability for claims relating to misuse of personal information in violation of contractual obligations or data privacy laws. The occurrence of any such failure may also subject us to costly lawsuits,

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

The insurance we maintain against cybersecurity and related risks may not cover all losses that we could suffer.

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

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

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

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

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

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

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

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

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

We may not successfully enter new markets and potential new markets may not develop quickly, or at all.

If and as new and developing domestic markets develop, competition among providers of gaming-related and cash access products and services will intensify. We will face a number of hurdles in our attempts to enter these markets, including the need to expand our sales and marketing presence, compete against pre-existing relationships that our target customers may have with our competitors, the uncertainty of compliance with new or developing regulatory regimes (including regulatory regimes relating to Internet gaming) with which we are not currently familiar, and oversight by regulators that are not familiar with us or our businesses. Each of these risks could materially impair our ability to successfully expand our operations into these new and developing domestic markets.

In addition, as we attempt to sell our gaming-related and cash access products and services into international markets in which we have not previously operated, we may become exposed to political, economic, tax, legal, and regulatory risks not faced by businesses that operate only in the United States. The legal and regulatory regimes of foreign markets and their ramifications on our business may be less certain. Our international operations may be subject to a variety of risks, including different regulatory requirements and interpretations, trade barriers, difficulties in staffing and managing foreign operations, higher rates of fraud, compliance with anti-corruption and export control laws, fluctuations in currency exchange rates, difficulty in enforcing or interpreting contracts or legislation, political and economic instability, and potentially adverse tax consequences. Difficulties in obtaining approvals, licenses, or waivers from the monetary and Gaming Authorities of other jurisdictions, in addition to other potential regulatory and quasi-regulatory issues that we have not yet ascertained, may arise in international jurisdictions into which we attempt to enter. In these new markets, our operations will rely on an infrastructure of, among other things, financial services and telecommunications facilities that may not be sufficient to support our business needs. In these new markets, we may additionally provide services based upon interpretations of applicable law, which interpretation may be subject to regulatory or judicial review. These risks, among others, could materially and adversely affect our business, financial condition, and operations. In connection with our expansion into new international markets, we may forge strategic relationships with business partners to assist us. The success of our expansion into these markets therefore may depend in part upon the success of the business partners with whom we forge these strategic relationships. If we do not successfully form strategic relationships with the right business partners or if we are not able to overcome cultural or business practice differences, our ability to penetrate these new international markets could suffer.

We are subject to the risk that the domestic or international markets we attempt to enter or expand into may not develop as quickly as anticipated, or at all. The development of new gaming markets is subject to political, social, regulatory, and economic forces beyond our control. The expansion of gaming activities in new markets can be very controversial and may depend heavily on the support and sponsorship of local government, and may be based upon interpretations of newly enacted laws, the interpretation of which may be subject to regulatory or judicial review. Changes in government leadership, failure to obtain requisite voter support in referendums, failure of legislators to enact enabling legislation, and limitations on the volume of gaming activity that is permitted in particular markets may inhibit the development of new markets. Further, our estimates of the potential future opportunities in new markets are based on a variety of assumptions that may prove to be inaccurate. To the extent that we overestimate the potential of a new market, incorrectly gauge the timing of the development of a new market, or fail to anticipate the differences between a new market and our existing markets, we may fail in our strategy of growing our business by expanding into new markets. Moreover, if we are unable to meet the needs of our existing customers as they enter markets that we do not currently serve, our relationships with these customers could be harmed.

We may not realize satisfactory returns on money loaned or otherwise funded to new and existing customers to develop or expand gaming facilities.

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

facility until the development fee is repaid to us. The success of these ventures is dependent upon the timely completion of the gaming facility, the placement and performance of our player terminals, and a favorable regulatory environment. Our development and placement efforts and financing activities may result in operating difficulties, financial and regulatory risks, or required expenditures that could materially and adversely affect our liquidity. In connection with one or more of these transactions, and to obtain the necessary development and placement fee funds, we may need to extend secured and unsecured credit to potential or existing customers that may not be repaid, incur debt on terms unfavorable to us, incur difficulties in perfecting security interests in collateral on Indian lands, or that we are unable to repay, or incur other contingent liabilities. The failure to maintain controls and processes related to our collection efforts or the deterioration of regulatory or financial condition of our customers could negatively impact our business.

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

Our success depends, in part, on developing and protecting our intellectual property. We rely on a combination of patents, trademarks, copyrights, trade secrets, and contractual restrictions to protect our intellectual property. We also rely on other confidentiality and contractual agreements and arrangements with our employees, affiliates, business partners, and customers to establish and protect our intellectual property and similar proprietary rights. We cannot assure you that we will be successful in protecting these rights and, despite our efforts, our trade secrets and proprietary know-how could become known to, or independently developed by, competitors. Any litigation relating to the defense of our intellectual property, whether successful or unsuccessful, could result in substantial costs to us and potentially cause a diversion of our resources.

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

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

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

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

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

Our inability to identify business opportunities and future acquisitions, or successfully execute any of our identified business opportunities or future acquisitions could limit our future growth.

From time to time, we pursue strategic acquisitions in support of our strategic goals. In connection with any such acquisitions, we could face significant challenges in timely securing required approvals of Gaming Authorities, or managing and integrating our expanded or combined operations, including acquired assets, operations, and personnel. There can be no assurance that acquisition opportunities will be available on acceptable terms or at all or that we will be able to obtain necessary financing or regulatory approvals to complete potential acquisitions.

We may not achieve the intended benefits of our acquisitions, if any, nor may we be able to integrate those businesses successfully, and any such acquisitions may disrupt our current plans and operations.

Our ability to succeed in implementing our strategy will depend to some degree upon the ability of our management to successfully integrate commercially viable acquisitions. Acquisition transactions may disrupt our ongoing business and distract management from other responsibilities. The expected cost synergies associated with such acquisitions may not be fully realized in the anticipated amounts or within the contemplated timeframes or cost expectations, which could result in increased costs and have an adverse effect on our prospects, results of operations, cash flows, and financial condition. Our businesses may be negatively impacted if we are unable to effectively manage our expanded operations. The integration of these acquisitions will require significant time and focus from management and may divert attention from the day-to-day operations of the combined business or delay the achievement of our strategic objectives. We expect to incur incremental costs and capital expenditures related to our contemplated integration activities.

The risks we commonly encounter in acquisitions include:

- if, in addition to our current indebtedness, we incur significant debt to finance a future acquisition and our combined business does not perform as expected, we may have difficulty complying with debt covenants;
- we may be unable to make a future acquisition which is in our best interest due to our current level of indebtedness;
- if we use our stock to make a future acquisition, it will dilute existing stockholders;
- we may have difficulty assimilating the operations and personnel of any acquired company;
- the challenge and additional investment involved with integrating new products and technologies into our sales and marketing process;
- we may have difficulty effectively integrating any acquired technologies or products with our current products and technologies, particularly where such products reside on different technology platforms or overlap with our products;
- our ongoing business may be disrupted by transition and integration issues;
- the costs and complexity of integrating the internal information technology infrastructure of each acquired business with ours may be greater than expected and may require additional capital investments;
- we may not be able to retain key technical and managerial personnel from an acquired business;
- we may be unable to achieve the financial and strategic goals for any acquired and combined businesses;
- we may have difficulty in maintaining controls, procedures, and policies during the transition and integration period following a future acquisition;
- our relationships with partner companies or third-party providers of technology or products could be adversely affected;
- our relationships with employees and customers could be impaired;
- our due diligence process may fail to identify significant issues with product quality, product architecture, legal, or tax contingencies, customer obligations, and product development, among other things;
- as successor we may be subject to certain liabilities of our acquisition targets;
- we may face new intellectual property challenges; and
- we may be required to sustain significant exit or impairment charges if products acquired in business combinations are unsuccessful.

Our failure to effectively integrate any future acquisition would adversely affect the benefit of such transaction, including potential synergies or sales growth opportunities, in the time frame anticipated.

We operate our business in regions subject to natural disasters. Any interruption to our business resulting from a natural disaster will adversely affect our revenues and results of operations.

In the event of a natural disaster, the operations of gaming establishments could be negatively impacted or consumer demand for gaming could decline, or both, and as a result, our business could be interrupted, which could materially and adversely affect our revenues and results of operations. Adverse weather conditions, particularly flooding, hurricanes, tornadoes, heavy snowfall, and other extreme weather conditions often deter our customer's end users from traveling or make it difficult for them to frequent the sites where our games and FinTech equipment are installed. If any of those sites experienced prolonged adverse weather conditions, or if the sites in the State of Oklahoma, where a significant number of our games and FinTech equipment are installed, simultaneously experienced adverse weather conditions, our results of business, financial condition, and operations could be materially and adversely affected. During 2018, the impact of weather-related natural disasters resulted in business disruption at certain of our customers' facilities.

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

We derive a significant percentage of our revenue from the provision of cash access and gaming-related products and services to gaming facilities operated on Native American lands.

Native American tribes that are federally recognized are considered "domestic dependent nations" with certain sovereign rights and, in the absence of a specific grant of authority by Congress to a state or a specific compact or agreement between a tribal entity and a state that would allow the state to regulate activities taking place on Native American lands, such tribes can enact their own laws and regulate gaming operations and contracts. In this capacity, Native American tribes generally enjoy a degree of sovereign immunity, which, among other things, recognizes a tribe's inherent authority of self-determination and self-governance, immunizes the tribe from certain lawsuits outside of tribal jurisdiction, and generally authorizes a tribe's powers of taxation and spending over its federally-recognized nation. Accordingly, before we can seek to enforce contract rights with a Native American tribe, or an agency or instrumentality of a Native American tribe, we must obtain from the Native American tribe a general or limited waiver of its sovereign immunity with respect to the matter in dispute, which we are not always able to do. Without a general or limited waiver of sovereign immunity, or if such waiver is held to be ineffective, we could be precluded from judicially enforcing any rights or remedies against a Native American tribe, including the right to enter Native American lands to retrieve our property in the event of a breach of contract by the tribal party to that contract. Governing law and venue provisions in our contracts with Native American tribal customers vary widely and may not be enforceable.

Further, certain Native American tribes require us to contract or subcontract to provide all or some portion of our services with entities that are owned, controlled, or managed by tribal members or related parties. Our ability to provide our services is dependent upon our relationship with these third parties and their ability to provide services in accordance with the terms of our contractual arrangement with these third parties and, in some instances, the third parties' relationship or contractual arrangement with the applicable tribal gaming casino or tribe.

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

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

Most of our leased gaming device contracts with our customers are generally short-term, except for customers with whom we have entered into development and placement fee agreements. We do not rely upon the stated term of our gaming device contracts to retain the business of our customers. We rely instead upon providing competitive player terminals, games, and systems to give

our customers the incentive to continue doing business with us. At any point in time, a significant portion of our gaming device business is subject to nonrenewal, which may materially and adversely affect our earnings, financial condition, and cash flows. To renew or extend any of our customer contracts, generally, we may be required to accept financial and other terms that are less favorable to us than the terms of the expired contracts. In addition, we may not succeed in renewing customer contracts when they expire. If we are required to agree to other less favorable terms to retain our customers or we are not able to renew our relationships with our customers upon the expiration of our contracts, our business, financial condition, operations, or cash flows could suffer a material adverse effect.

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

As of December 31, 2018, we operated 9,370 Class II gaming units under lease or daily fixed fee arrangements to our customers. Customers who enter into compacts with state governments may desire to change from Class II gaming units to Class III gaming units, as Class III units generally perform better than Class II units. This may result in the loss of placements under lease or daily fixed fee arrangements as customers purchase or lease Class III units from other equipment suppliers to replace our existing Class II units. If we are unable to replace these lost units with our proprietary Class III units, then our business, financial condition, operations, or cash flows may suffer an adverse effect.

If we are unable to renew our contract with the New York State Gaming Commission, our revenues, financial condition, operations, or cash flows may suffer an adverse effect.

Our contract to provide an accounting and central determinant system for the VLTs in the State of New York has provided Games segment revenues of approximately \$18.5 million for the year ended December 31, 2018 and \$18.1 million for the years ended December 31, 2017 and 2016. In January 2018, an amendment to the agreement between Everi Games and the New York State Gaming Commission was approved and became effective. Under this amendment, Everi Games will continue to provide and maintain the central determinant system for the New York Lottery through December of 2019. Upon its expiration, if we are unsuccessful in renewing the contract, our business, financial condition, operations, or cash flows may suffer an adverse effect.

An unexpectedly high level of chargebacks, as the result of fraud or otherwise, including in connection with new technology standards being implemented in the United States regarding chip-based cards, could materially and adversely affect our cash access business.

In 1994, Europay, MasterCard, and Visa jointly developed EMV, designed to deter fraudulent card transactions related to identity theft, counterfeit cards, and the misuse of lost or stolen cards via enhanced card authentication, transaction authorization, and cardholder verification using chip-based smart-cards. EMV has been adopted in many regions of the world as the global standard for fraud deterrence in chip based smart-card payments. To encourage adoption in the U.S., effective October 1, 2015, the U.S. payment card industry implemented new rules which shifted the liability for fraudulent transactions onto merchants if they elect to process transactions using the magnetic stripe when presented with a EMV chip-based smart-card. This shifted the responsibility for chargebacks due to fraudulent transactions on such cards from the card issuer onto the merchant. If we are unable to maintain compliant status with the EMV regulations, our cash access business may be adversely affected.

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

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

Our cash access business depends upon the willingness of patrons to pay a convenience fee to access their own funds on the premises of a gaming establishment. In most retail environments, consumers typically do not pay an additional fee for using non-cash payment methods such as credit cards, POS debit cards, or checks. Gaming patrons could bring more cash with them to gaming establishments or access cash outside of gaming establishments without paying a fee for the convenience of not having

to leave the gaming establishment. To the extent that gaming patrons become unwilling to pay these convenience fees or lower cost cash access alternatives become available, the demand for cash access services within gaming establishments will decline and our business could suffer.

Our 3-in-1 Rollover patent expired in early 2018 and our business, financial condition, operations, or cash flows may suffer an adverse effect from our competitors' use of this technology.

We no longer have the ability to extend our existing 3-in-1 Rollover patent, which allows a patron that has reached his or her daily ATM limit to obtain funds via a POS debit card cash access transaction or a credit card cash access transaction instead. As a result of the patent expiration, our competitors will have the ability to emulate this technology; and our business, financial condition, operations, or cash flows may suffer an adverse effect.

Risks Related to Regulation of Our Industry

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

We collect and store personally identifiable information about cardholders and patrons that perform certain cash access and Central Credit transactions, including names, addresses, social security numbers, driver's license numbers, and account numbers, and we maintain a database of cardholder and patron data, including account numbers, in order to process our cash access and Central Credit transactions. We also rely on our third-party processor and certain other technology partners to process and store cardholder and patron data relating to our cash access and Central Credit transactions. As a result, we, as well as our third-party processor, certain of our other technology providers, and some of our gaming establishment customers, are required to comply with various foreign, federal, and state privacy statutes and regulations, and the PCI Data Security Standard. Compliance with these regulations and requirements, which are subject to change at any time, is often difficult and costly, and our failure, or the failure of these other third parties, to comply may result in significant fines or civil penalties, regulatory enforcement action, liability to our sponsor bank, and termination of our agreements with our gaming establishment customers, each of which could have a material adverse effect on our business, financial condition, operations, or cash flows. If our computer systems or those of our third-party processor or other technology providers suffer a security breach, we may be subject to liability, including claims for unauthorized transactions with misappropriated bank card information, impersonation, or similar fraud claims, as well as for any failure to comply with laws governing required notifications of such a breach, and these claims could result in protracted and costly litigation, penalties, or sanctions from the card associations and EFT payment networks, and damage to our reputation, which could reduce and limit our ability to provide cash access and related services to our gaming establishment customers.

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

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

Our ability to conduct both our gaming and cash access businesses, expand operations, develop and distribute new games, products and systems, and expand into new gaming markets is also subject to significant federal, state, local, Native American and foreign regulations which vary from jurisdiction to jurisdiction. In the United States and many other countries, gaming must be expressly authorized by law. Once authorized, such activities are subject to extensive and evolving governmental regulation. The gaming laws, regulations and ordinances generally concern the antecedents, acumen, financial stability and character of our owners, officers and directors, as well as those persons financially interested or involved in our companies; dictate the technical standards and regulations of our electronic player terminals, gaming systems and certain other products; set forth the process and manner by which the Gaming Authorities issue such licenses, findings of suitability and product approvals. In addition, the suspension, revocation, nonrenewal or limitation of any of our licenses or product approvals, or the inability to obtain or maintain requisite

license or product approvals could have a material adverse effect on our business operations, financial condition, and results of operations and our ability to maintain key employees. The Gaming Authorities may deny, limit, condition, suspend or revoke a gaming license or related approval for violations of applicable gaming laws and regulations and may impose substantial fines and take other actions, any one of which could have a significant adverse effect on our business, financial condition and results of operations.

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

In May 2018, the United States Supreme Court struck down the Professional and Amateur Sports Protection Act (“PASPA”) as unconstitutional, which led many states to quickly propose and, in some instances, pass legislation authorizing sports betting. Consequently, gaming regulators, many of our operator customers, and many of our competitors dedicated resources to service this new market, as did we. However, in January 2019, the Office of Legal Counsel of the Department of Justice (“OLC”) published an opinion reversing its prior 2011 opinion interpreting the Federal Wire Act. The 2019 opinion now indicates that the Wire Act is applicable to any wire communication across state lines and specifically indicating that the Unlawful Internet Gambling Enforcement Act (“UIGEA”) does not modify the Wire Act, violations of which may be subject to criminal prosecution. The specific comment regarding UIGEA implicates UIGEA’s carve out for “unlawful Internet gambling” and “intermediate routing” (i.e., the ancillary crossing of state lines of transmissions between intra-state communications points). In reliance on the 2011 Wire Act opinion, several states legalized online gaming, and the proposed legislation in many jurisdictions in response to the May 2018 PASPA decision included online sports betting. The impact of the 2019 Wire Act opinion is currently unclear, and may implicate lottery, land-based, and online gaming as well as banks and payment processors that services these market segments. The Deputy Attorney General of the United States delayed implementation of the 2019 opinion through June 14, 2019, and several states’ attorney general have, or are contemplating, action in response to the 2019 opinion, including litigation. Interpretations and resultant enforcement of the Wire Act as may relate to intermediate routing transactions could negatively impact our WAP games business as well as our FinTech cash access business and our interactive real money gaming business.

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

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

Our Central Credit gaming patron credit bureau and check verification and warranty services are subject to the FCRA, the FACTA, and similar state laws. The collection practices that are used by our third-party providers and us may be subject to the FDCPA and applicable state laws relating to debt collection. All of our cash access services and patron marketing services are subject to the privacy provisions of state and federal law, including the Gramm-Leach-Bliley Act. Our POS debit card cash access transactions and ATM withdrawal services are subject to the Electronic Fund Transfer Act. Our ATM services are subject to the applicable state banking regulations in each jurisdiction in which we operate ATMs. Our ATM services may also be subject to state and local regulations relating to the imposition of daily limits on the amounts that may be withdrawn from ATMs, the location of ATMs, our ability to surcharge cardholders who use our ATMs, and the form and type of notices that must be disclosed regarding the provision of our ATM services. The cash access services we provide are subject to record keeping and reporting obligations under the Bank Secrecy Act and the USA PATRIOT Act of 2001. We are required to file SARs with respect to transactions completed at all gaming establishments where we provide our cash access services through a gaming establishment’s cashier or financial services center. If we are found to be noncompliant in any way with these laws, we could be subject to substantial civil and criminal penalties. In jurisdictions in which we serve as a check casher, we are subject to the applicable state licensing requirements and regulations governing check cashing activities. We are also subject to various state licensing requirements and regulations governing money transmitters.

We are subject to formal or informal audits, inquiries, or reviews from time to time by the regulatory authorities that enforce these financial services rules and regulations. In the event that any regulatory authority determines that the manner in which we provide cash access, patron marketing, or gaming patron credit bureau services is not in compliance with existing rules and regulations, or the regulatory authorities adopt new rules or regulations that prohibit or restrict the manner in which we provide cash access, patron marketing, or gaming patron credit bureau services, then these regulatory authorities may force us to modify the manner in which we operate or force us to stop processing certain types of cash access transactions or providing patron marketing or gaming patron credit bureau services altogether. We may also be required to pay substantial penalties and fines if we fail to comply with applicable rules and regulations. For example, if we fail to file CTRs or SARs on a timely basis or if we are found to be

noncompliant in any way with either the Bank Secrecy Act or the USA PATRIOT Act of 2001, we could be subject to substantial civil and criminal penalties. In addition, our failure to comply with applicable rules and regulations could subject us to private litigation.

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

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

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

Card associations and EFT networks may change interchange reimbursement rates or network operating fees or assess new fees associated with the processing and settlement of our cash access transactions or otherwise change their operating rules and regulations without our consent and such changes may affect our revenues, cost of revenues (exclusive of depreciation and amortization), net income, and our business generally.

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

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

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

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

We process virtually all of our credit card cash access, POS debit, and ATM service transactions through the VISA and MasterCard card associations, both domestically and internationally, and virtually all of the revenue that we derive from our credit card cash

access, POS debit, and ATM services is dependent upon our continued sponsorship into the VISA and MasterCard associations. We cannot provide these services without sponsorship into the VISA and MasterCard associations by a member financial institution. Our failure to maintain our current sponsorship arrangements or secure alternative sponsorship arrangements into the VISA and MasterCard associations could have a material adverse effect on our business, financial condition, operations, or cash flows.

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

Our ATM services are subject to the applicable federal, state, and local banking regulations in each jurisdiction in which we operate ATMs, which regulations relate to the imposition of daily limits on the amounts that may be withdrawn from ATMs, the location of ATMs, our ability to surcharge cardholders who use our ATMs, and the form and type of notices that must be disclosed with respect to the fees we charge to patrons in connection with our ATM services. ATMs are also subject to requirements of the Americans with Disabilities Act, which in general require that ATMs be accessible to individuals with disabilities, such as visually-impaired persons. These laws and regulations may impose significant burdens on our ability to operate ATMs profitably in some locations, or at all, and our business, financial condition, operations, or cash flows could be materially adversely affected. Moreover, because these regulations are subject to change, we may be forced to modify our ATM operations in a manner inconsistent with the assumptions upon which we relied when entering into contracts to provide ATM services at gaming establishments. If federal, state, local, or foreign authorities adopt new laws or regulations, or raise enforcement levels on existing laws and regulations that make it more difficult for us to operate our ATM business, then our revenues and earnings may be negatively affected. If legislation or regulations are enacted in the future that adversely impact our ATM business, we may be forced to modify our operations in a manner inconsistent with the assumptions upon which we relied when entering into contracts to provide ATMs at gaming establishments and our business, financial condition, operations, or cash flows could suffer a material adverse effect.

Consumer privacy laws may change, requiring us to change our business practices or expend significant amounts on compliance with such laws.

Our patron marketing and database services depend on our ability to collect and use non-public personal information relating to patrons who use our products and services and the transactions they consummate using our services. We are required by federal and state privacy laws and rules to safeguard and protect the privacy of such information, to make disclosures to patrons regarding our privacy and information sharing policies and, in some cases, to provide patrons an opportunity to “opt out” of the use of their information for certain purposes. The failure or circumvention of the means by which we safeguard and protect the privacy of information we gather may result in the dissemination of non-public personal information, which may harm our reputation and may expose us to liability to the affected individuals and regulatory enforcement proceedings or fines. Regulators reviewing our policies and practices may require us to modify our practices in a material or immaterial manner or impose fines or other penalties if they believe that our policies and practices do not meet the necessary standard. To the extent that our patron marketing and database services have failed, are now failing, or in the future fail to comply with applicable law, our privacy policies or the notices that we provide to patrons, we may become subject to actions by a regulatory authority or patrons which cause us to pay monetary penalties or require us to modify the manner in which we provide patron marketing and database services. To the extent that patrons exercise their right to “opt out,” our ability to leverage existing and future databases of information would be curtailed. Consumer and data privacy laws are evolving, and due to recent high profile thefts and losses of sensitive consumer information from protected databases, such laws may be broadened in their scope and application, impose additional requirements and restrictions on gathering, encrypting and using patron information or narrow the types of information that may be collected or used for marketing or other purposes or require patrons to “opt-in” to the use of their information for specific purposes, or impose additional fines or potentially costly compliance requirements which will hamper the value of our patron marketing and database services.

Risks Related to Our Stock

Our common stock has been publicly traded since September 2005, and we expect that the price of our common stock will fluctuate substantially.

There has been a public market for our common stock since September 2005. The market price of our common stock may fluctuate significantly in response to a number of factors, some of which are beyond our control, including those described above under “—Risks Related to Our Business,” “—Risks Related to Regulation of Our Industry”, and the following:

- our failure to maintain our current customers, including because of consolidation in the gaming industry;

- increases in commissions paid to gaming establishments as a result of competition;
- increases in interchange rates, processing fees, or other fees paid by us;
- decreases in reverse interchange rates paid to us;
- actual or anticipated fluctuations in our or our competitors' revenue, operating results, or growth rate;
- our inability to adequately protect or enforce our intellectual property rights;
- any adverse results in litigation initiated by us or by others against us;
- our inability to make payments on our outstanding indebtedness as they become due or our inability to undertake actions that might otherwise benefit us based on the financial and other restrictive covenants contained in the New Credit Facilities and the indenture governing the 2017 Unsecured Notes;
- the loss, or failure, of a significant supplier or strategic partner to provide the goods or services that we require from them;
- our inability to introduce successful, new products and services in a timely manner or the introduction of new products or services by our competitors that reduce the demand for our products and services;
- our failure to successfully enter new markets or the failure of new markets to develop in the time and manner that we anticipate;
- announcements by our competitors of significant new contracts or contract renewals or of new products or services;
- changes in general economic conditions, financial markets, the gaming industry, or the payments processing industry;
- the trading volume of our common stock;
- sales of common stock or other actions by our current officers, directors, and stockholders;
- acquisitions, strategic alliances, or joint ventures involving us or our competitors;
- future sales of our common stock or other securities;
- the failure of securities analysts to cover our common stock or changes in financial estimates or recommendations by analysts;
- our failure to meet the revenue, net income, or earnings per share estimates of securities analysts or investors;
- departures of key personnel or our inability to attract or retain key personnel;
- our ability to prevent, mitigate, or timely recover from cybersecurity breaches, attacks, and compromises with respect to our infrastructure, systems, and information technology environment;
- terrorist acts, theft, vandalism, fires, floods, or other natural disasters; and
- rumors or speculation as to any of the above which we may be unable to confirm or deny due to disclosure restrictions imposed on us by law or which we otherwise deem imprudent to comment upon.

Some provisions of our amended and restated certificate of incorporation and amended and restated bylaws may delay or prevent transactions that many stockholders may favor.

Some provisions of our amended and restated certificate of incorporation and amended and restated bylaws may have the effect of delaying, discouraging, or preventing a merger or acquisition that our stockholders may consider favorable or a change in our management or our Board of Directors. These provisions:

- divide our Board of Directors into three separate classes serving staggered three-year terms, which will have the effect of requiring at least two annual stockholder meetings instead of one, to replace a majority of our directors, which could have the effect of delaying or preventing a change in our control or management;

- provide that special meetings of stockholders can only be called by our Board of Directors, Chairman of the Board, or Chief Executive Officer. In addition, the business permitted to be conducted at any special meeting of stockholders is limited to the business specified in the notice of such meeting to the stockholders;
- provide for an advance notice procedure with regard to business to be brought before a meeting of stockholders which may delay or preclude stockholders from bringing matters before a meeting of stockholders or from making nominations for directors at a meeting of stockholders, which could delay or deter takeover attempts or changes in management;
- eliminate the right of stockholders to act by written consent so that all stockholder actions must be effected at a duly called meeting;
- provide that directors may only be removed for cause with the approval of stockholders holding a majority of our outstanding voting stock;
- provide that vacancies on our Board of Directors may be filled by a majority, although less than a quorum, of directors in office and that our Board of Directors may fix the number of directors by resolution;
- allow our Board of Directors to issue shares of preferred stock with rights senior to those of the common stock and that otherwise could adversely affect the rights and powers, including voting rights and the right to approve or not to approve an acquisition or other change in control, of the holders of common stock, without any further vote or action by the stockholders; and
- do not provide for cumulative voting for our directors, which may make it more difficult for stockholders owning less than a majority of our stock to elect any directors to our Board of Directors. In addition, we are also subject to Section 203 of the Delaware General Corporation Law, which provides, subject to enumerated exceptions, that if a person acquires 15% or more of our voting stock, the person is an “interested stockholder” and may not engage in “business combinations” with us for a period of three years from the time the person acquired 15% or more of our voting stock.

These provisions may have the effect of entrenching our management team and may deprive our stockholders of the opportunity to sell shares to potential acquirers at a premium over prevailing prices. This potential inability to obtain a premium could reduce the price of our common stock.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

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

We primarily occupy the following leased real estate properties:

Location	Sq. Ft	Purpose	Segment
Austin, Texas	204,256	Games Headquarters and Operations	Games
Las Vegas, Nevada	106,873	Corporate Headquarters; FinTech Headquarters and Operations	FinTech; Games
Reno, Nevada	17,138	Game Design Studio	Games
Chicago, Illinois	17,124	Game Design Studio	Games

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

Item 3. Legal Proceedings.

We are involved in various investigations, claims, and lawsuits in the ordinary course of our business. 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 4. Mine Safety Disclosures.

Not applicable.

PART II

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

Our common stock is listed for trading on the New York Stock Exchange under the symbol “EVRI.” On March 1, 2019, there were eight holders of record of our common stock. Because many of our shares of common stock are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of beneficial stockholders represented by these record holders.

Common Stock Repurchases

We did not have a share repurchase program in effect for the years ended December 31, 2018, 2017, and 2016.

Issuer Purchases and Withholding of Equity Securities

We repurchased or withheld from restricted stock awards 17,552, 15,457, and 18,717 shares of our common stock at an aggregate purchase price of \$0.1 million for the years ended December 31, 2018, 2017, and 2016, respectively, to satisfy the minimum applicable tax withholding obligations incident to the vesting of such restricted stock awards. The following table includes the monthly repurchases or withholdings of our common stock during the fourth quarter ended December 31, 2018:

	Total Number of Shares Purchased ⁽¹⁾ (in thousands)	Average Price per Share ⁽²⁾
Tax Withholdings		
10/1/18 - 10/31/18	6.4	\$ 7.04
11/1/18 - 11/30/18	0.6	\$ 7.41
12/1/18 - 12/31/18	3.1	\$ 5.26
Total	10.1	\$ 6.52

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

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

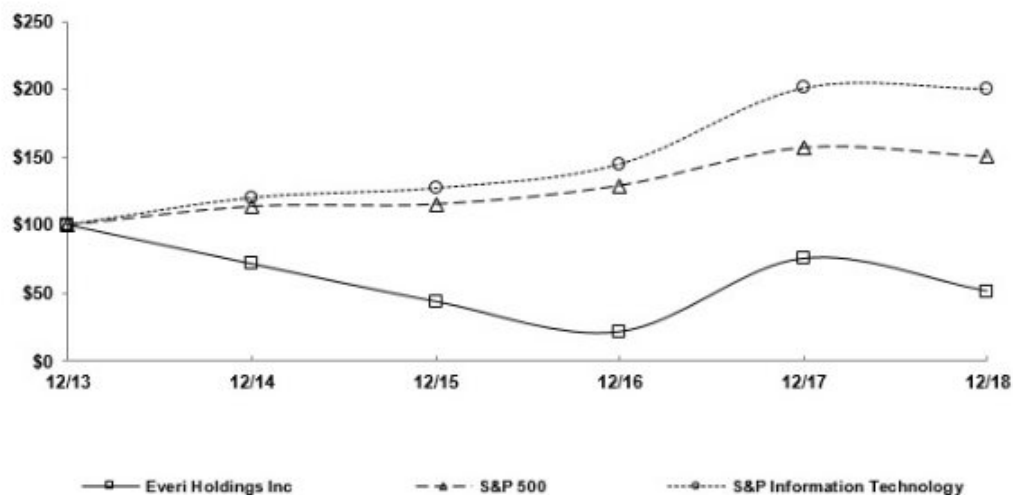
Stock Performance Graph

The line graph below compares the cumulative total stockholder return on our common stock with the cumulative total return of the Standard & Poor’s (“S&P”) 500 Index and the S&P Information Technology Index during the five-year period ended December 31, 2018.

The graph assumes that \$100 was invested on December 31, 2013 in our common stock, in the S&P 500 Index and the S&P Information Technology Index, and that all dividends were reinvested. Research Data Group, Inc. furnished this data and the cumulative total stockholder returns for our common stock, the S&P 500 Index and the S&P Information Technology Index are based on the calendar month end closing prices. The comparisons in the graph are required by the SEC and are not intended to forecast or be indicative of possible future performance of our common stock.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among Everi Holdings Inc, the S&P 500 Index,
and the S&P Information Technology Index



*\$100 invested on 12/31/13 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

Copyright© 2018 S&P, a division of The McGraw-Hill Companies Inc. All rights reserved.

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

Item 6. Selected Financial Data.

The following selected historical financial data has been derived from, and should be read in conjunction with, our Financial Statements and Results of Operations included elsewhere in this Annual Report on Form 10-K. Our selected consolidated financial data may not be indicative of our future financial condition or results of operations (in thousands, except per share amounts).

	Year Ended December 31,				
	2018 ⁽¹⁾	2017 ⁽²⁾	2016 ⁽³⁾	2015 ⁽⁴⁾⁽⁵⁾	2014 ⁽⁶⁾
Income Statement Data					
Revenues	\$ 469,515	\$ 974,948	\$ 859,456	\$ 826,999	\$ 593,053
Operating income (loss)	85,813	81,819	(118,555)	(9,730)	33,782
Net income (loss)	12,356	(51,903)	(249,479)	(104,972)	12,140
Basic earnings (loss) per share	0.18	(0.78)	(3.78)	(1.59)	0.18
Diluted earnings (loss) per share	0.17	(0.78)	(3.78)	(1.59)	0.18
Weighted average common shares outstanding					
Basic	69,464	66,816	66,050	65,854	65,780
Diluted	73,796	66,816	66,050	65,854	66,863

	At and For the Year Ended December 31,				
	2018 ⁽¹⁾	2017 ⁽²⁾	2016 ⁽³⁾	2015 ⁽⁴⁾⁽⁵⁾⁽⁶⁾	2014 ⁽⁷⁾
Balance sheet data					
Cash and cash equivalents	\$ 297,532	\$ 128,586	\$ 119,051	\$ 102,030	\$ 89,095
Working capital	17,304	(12,040)	(1,875)	2,452	12,550
Total assets	1,548,261	1,537,074	1,408,163	1,550,385	1,707,285
Total borrowings	1,163,216	1,167,843	1,121,880	1,139,899	1,188,787
Stockholders' (deficit) equity	(108,895)	(140,633)	(107,793)	137,420	231,473
Cash flow data					
Net cash provided by operating activities	\$ 294,286	\$ 95,828	\$ 131,711	\$ 124,587	\$ 24,531
Net cash used in investing activities	(123,350)	(109,979)	(88,054)	(85,549)	(1,085,847)
Net cash provided by (used in) financing activities	11	22,394	(24,922)	(24,551)	1,037,423

- (1) On January 1, 2018, we adopted ASC 606 using the modified retrospective method, which resulted in the recording of an immaterial cumulative adjustment in the amount of approximately \$4.4 million to accumulated deficit as of the adoption date. Our prior period results were not recast to reflect the new revenue recognition standard under the modified retrospective method.
- (2) During 2017, we refinanced our senior secured term loan, senior secured notes and senior unsecured notes, which resulted in approximately \$51.8 million of loss on extinguishment of debt.
- (3) During 2016, the Games reporting unit had a goodwill impairment of \$146.3 million.
- (4) 2015 amounts include a full year of financial results for Everi Games.
- (5) During 2015, the Games reporting unit had a goodwill impairment of \$75.0 million.
- (6) We reclassified \$23.7 million of debt issuance costs related to our outstanding debt from the non-current portion of other assets to contra-liabilities included in long-term debt as of December 31, 2015 in connection with our retrospective adoption of Accounting Standards Update (“ASU”) No. 2015-03 in 2016. This reclassification decreased the December 31, 2015 balance of both total assets and total borrowings.
- (7) 2014 amounts affected by the Merger for which total merger consideration of \$1.1 billion on December 19, 2014 was paid and results of operations were recorded from the date of acquisition through December 31, 2014.

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

The following discussion and analysis of financial condition and results of operations should be read in conjunction with “Item 1. Business,” “Item 6. Selected Financial Data,” and our Financial Statements included elsewhere in this Annual Report on Form 10-K and the information included in our other filings with the SEC.

This discussion includes forward-looking statements within the meaning of Section 27A of the Securities Act, Section 21E of the Exchange Act and the Private Securities Litigation Reform Act of 1995 and should be read in conjunction with the disclosure and information contained and referenced in “Cautionary Note Regarding Forward-Looking Statements” and “Item 1A. Risk Factors” included elsewhere in this Annual Report on Form 10-K.

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 technologies. 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. We are divided into two primary business segments: “Everi Games” or “Games” and “Everi FinTech” or “FinTech”.

Items Impacting Comparability of Results of Operations

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

- 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. As a result, we recorded an immaterial cumulative adjustment in the amount of approximately \$4.4 million to accumulated deficit as of the adoption date. Revenues and costs related to certain contracts are recognized at a point in time under ASC 606 as the performance obligations related to certain types of sales are satisfied; whereas, previously these revenues and costs were recognized over a period of time under ASC 605.

Further, 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 of presentation, since we do not control the cash advance and ATM services provided to a customer and, therefore, are acting as an agent whose performance obligation is to arrange for the provision of these services. In addition, we previously reported certain costs incurred in connection with our WAP platform, consisting primarily of the jackpot expenses, as cost of revenues. Under ASC 606, such costs are reflected as reductions to gaming operations revenues on a net basis of presentation. Our prior period results were not recast to reflect the new revenue recognition standard under the modified retrospective method.

- During the fourth quarter of 2017, we recorded 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 (defined herein) and approximately \$10.9 million for the write-off of related unamortized debt issuance costs and fees. An additional \$14.6 million loss on extinguishment of debt was incurred in the second quarter of 2017 for the unamortized deferred financing fees and discounts related to the extinguished term loan under the Prior Credit Facility and the redeemed Refinanced Secured Notes (both defined herein). Repricing of the New Term Loan Facility (defined herein) during the second quarter of 2018 did not result in a material loss on extinguishment of debt.
- In October of each year, we conduct our annual impairment test for our reporting units. Based on the results of our testing, there was no goodwill impairment for 2018 and 2017. We recorded goodwill impairment of approximately \$146.3 million related to our Games segment in 2016.
- The income tax benefit was \$9.7 million for the year ended December 31, 2018, as compared to an income tax benefit of \$20.2 million in the prior year period. The income tax benefit for the year ended December 31, 2018 reflected an effective income tax rate of negative 367.0% , which was less than the statutory federal rate of 21.0% primarily due to a decrease in the valuation allowance for deferred tax assets and an increase in a federal research credit. The income tax benefit for the year ended December 31, 2017 reflected an effective income tax rate of 28.0% , which was less than the statutory federal rate of 35.0%, primarily due to a decrease in the carrying value of our deferred tax liabilities as a result of the enactment of the 2017 Tax Act, offset by an increase in our valuation allowance for deferred tax assets.

As a result of the above transactions and events, the results of operations and earnings per share in the periods covered by our Financial Statements may not be directly comparable.

Trends and Developments Impacting our Business

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

- Casino gaming is dependent upon discretionary consumer spending, which is typically the first type of spending that is restrained by consumers when they are uncertain about their jobs and income. Global economic uncertainty in the marketplace may have an impact on casino gaming and ultimately the demand for new gaming equipment, which impacts both of our segments.
- The total North American installed slot base was slightly higher in 2018 when compared to 2017 and 2016. We expect flat to moderate growth in the forward replacement cycle for EGMs, which has a direct impact on the operations of our Games segment.
- The volume of sales and installations to new casino openings and new market expansions along with replacements to the existing gaming operators in North America is expected to continue to trend slightly upward in 2019. This could

positively impact the overall demand for slot machines in North America during 2019, which in turn may contribute to improved operations of our Games segment.

- We face continued competition from smaller competitors in the gaming cash access market and face additional competition from larger gaming equipment manufacturers and systems providers. This increased competition has resulted in pricing pressure for both our Games and FinTech businesses.
- Governmental oversight related to the cost of transaction processing and related fees to the consumer has increased in recent years. We expect the financial services and payments industry to respond to these legislative acts by changing other fees and costs, which may negatively impact our FinTech business in the future.
- Casino operators continue to try to broaden their appeal by focusing on investments in the addition of non-gaming amenities to their facilities, which could impact casino operator's capital allocation for games and payment solution products and impact both of our operating segments.

Impact of ASC Topic 842 on the Comparability of Our Results of Operations in Future Periods

As discussed in "Note 2 — Basis of Presentation and Summary of Significant Accounting Policies – Recent Accounting Guidance – Recent Accounting Guidance Not Yet Adopted," in *Item 8: Financial Statements and Supplementary Data*, on January 1, 2019, the Company implemented the new lease accounting standard promulgated by the FASB. The Company adopted ASC 842 using the adoption date method. While we are finalizing the adoption procedures, we expect that the standard will have a material impact on our Balance Sheets, however, we do not expect that the standard will have a material impact on our Statements of Income (Loss). The most significant impact will be the recognition of right-of-use ("ROU") assets and lease liabilities of operating leases, which are expected to be within a range of approximately 1% to 2% of total assets. We elected the practical expedients offered in the guidance, including the transition package.

Operating Segments

We report our financial performance based on two operating segments: (a) Games; and (b) FinTech. For additional information on our segments see "Item 1. Business" and "Note 18 — Segment Information" included elsewhere in this Annual Report on Form 10-K.

Results of Operations

Year ended December 31, 2018 compared to the year ended December 31, 2017

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

	Year Ended						2018 As Reported vs		
	December 31, 2018		December 31, 2017				2017 As Adjusted		
	\$	%	\$	%	\$	\$	%		
	As Reported	As Reported	As Reported	Adjustments	As Adjusted				
Revenues									
Games revenues									
Gaming operations	\$ 168,146	36%	\$ 148,654	15%	\$ (565)	\$ 148,089	36%	\$ 20,057	14 %
Gaming equipment and systems	87,038	18%	70,118	7%	—	70,118	17%	16,920	24 %
Gaming other	3,794	1%	4,005	1%	—	4,005	1%	(211)	(5)%
Games total revenues	258,978	55%	222,777	23%	(565)	222,212	54%	36,766	17 %
FinTech revenues									
Cash access services	156,806	34%	707,222	73%	(563,637)	143,585	35%	13,221	9 %
Equipment	20,977	4%	13,258	1%	—	13,258	3%	7,719	58 %
Information services and other	32,754	7%	31,691	3%	—	31,691	8%	1,063	3 %
FinTech total revenues	210,537	45%	752,171	77%	(563,637)	188,534	46%	22,003	12 %
Total revenues	469,515	100%	974,948	100%	(564,202)	410,746	100%	58,769	14 %
Costs and expenses									
Games cost of revenues ⁽¹⁾									
Gaming operations	17,603	4%	15,741	2%	(565)	15,176	4%	2,427	16 %
Gaming equipment and systems	47,121	9%	35,707	3%	—	35,707	8%	11,414	32 %
Gaming other	3,285	1%	3,247	1%	—	3,247	1%	38	1 %
Games total cost of revenues	68,009	14%	54,695	6%	(565)	54,130	13%	13,879	26 %
FinTech cost of revenues ⁽¹⁾									
Cash access services	9,717	2%	572,880	59%	(563,637)	9,243	2%	474	5 %
Equipment	12,601	3%	7,717	1%	—	7,717	2%	4,884	63 %
Information services and other	4,110	1%	3,253	—%	—	3,253	1%	857	26 %
FinTech total cost of revenues	26,428	6%	583,850	60%	(563,637)	20,213	5%	6,215	31 %
Operating expenses	142,298	30%	118,935	12%	—	118,935	29%	23,363	20 %
Research and development	20,497	4%	18,862	2%	—	18,862	5%	1,635	9 %
Depreciation	61,225	14%	47,282	5%	—	47,282	11%	13,943	29 %
Amortization	65,245	14%	69,505	7%	—	69,505	17%	(4,260)	(6)%
Total costs and expenses	383,702	82%	893,129	92%	(564,202)	328,927	80%	54,775	17 %
Operating income	85,813	18%	81,819	8%	—	81,819	20%	3,994	5 %

* Rounding may cause variances.

(1) Exclusive of depreciation and amortization.

	Year Ended						2018 As Reported vs		
	December 31, 2018		December 31, 2017				2017 As Adjusted		
	\$	%	\$	%	\$	\$	%	%	
	As Reported		As Reported	Adjustments	As Adjusted				
Other expenses									
Interest expense, net of interest income	83,001	18 %	102,136	11 %	—	102,136	24 %	(19,135)	(19)%
Loss on extinguishment of debt	166	— %	51,750	5 %	—	51,750	13 %	(51,584)	(100)%
Total other expenses	83,167	18 %	153,886	16 %	—	153,886	37 %	(70,719)	(46)%
Income (loss) before income tax	2,646	1 %	(72,067)	(7)%	—	(72,067)	(18)%	74,713	(104)%
Income tax (benefit) provision	(9,710)	(2)%	(20,164)	(2)%	—	(20,164)	(5)%	10,454	(52)%
Net income (loss)	\$ 12,356	3 %	\$ (51,903)	(5)%	—	\$ (51,903)	(13)%	\$ 64,259	124 %

* Rounding may cause variances.

(1) Exclusive of depreciation and amortization.

Total Revenues

Total revenues increased by \$58.8 million , or 14% , to \$469.5 million for the year ended December 31, 2018 , as compared to the prior year period as adjusted for the net versus gross retrospective impact of ASC 606. This was primarily due to higher Games and FinTech revenues.

Games revenues increased by \$36.8 million , or 17% , to \$259.0 million for the year ended December 31, 2018 , as compared to the prior year period 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 the average daily win per unit on a higher installed base of leased machines.

FinTech revenues increased by \$22.0 million , or 12% , to \$210.5 million for the year ended December 31, 2018 , as compared to the prior year period as adjusted for the net versus gross retrospective impact of ASC 606. This was primarily due to higher transaction volumes from cash access services and increased equipment sales.

Costs and Expenses

Games cost of revenues increased by \$13.9 million , or 26% , to \$68.0 million for the year ended December 31, 2018 , as compared to the prior year period 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 and an increase in costs related to our leased machines as a result of the increase in revenue.

FinTech cost of revenues increased by \$6.2 million , or 31% , to \$26.4 million for the year ended December 31, 2018 , as compared to the prior year period as adjusted for the net versus gross retrospective impact of ASC 606. This was primarily due to the costs associated with the additional equipment sales.

Operating expenses increased by \$ 23.4 million , or 20% , to \$142.3 million for the year ended December 31, 2018 , as compared to the same period in the prior year. This was primarily due to higher payroll and related expenses, consulting fees, advertising, promotion and trade show costs and software license fees for both our Games and FinTech segments. Our Games segment also incurred an increase in costs related to inventory disposals and leased assets impairment charges.

Research and development increased by \$1.6 million , or 9% , to \$20.5 million for the year ended December 31, 2018 , as compared to the same period in the prior year. This was primarily due to higher payroll and related expenses for our Games segment.

Depreciation increased by \$13.9 million , or 29% , to \$61.2 million for the year ended December 31, 2018 , as compared to the prior year period. This was primarily driven by the increase in the installed base of leased gaming machines and adjustments to the remaining useful lives of certain of the gaming fixed assets related to our Games segment.

Amortization decreased by \$4.3 million , or 6% , to \$65.2 million for the year ended December 31, 2018 , as compared to the prior year period. This was primarily due to assets being fully amortized related to both our Games and FinTech segments.

Primarily as a result of the factors described above, operating income increased by \$4.0 million , or 5% , to \$85.8 million for the year ended December 31, 2018 , as compared to the prior year as adjusted for the net versus gross retrospective impact of ASC 606. The operating income margin decreased from 20% to 18% for the year ended December 31, 2018 , as adjusted for the net versus gross retrospective impact of ASC 606.

Interest expense, net of interest income, decreased by \$19.1 million , or 19% , to \$83.0 million for the year ended December 31, 2018 , as compared to the prior year period. This was primarily due to lower interest expense as a result of our debt refinancing transactions in 2017 and an additional repricing of our New Term Loan Facilities in 2018, partially offset by an increase in our cash usage fees in connection with our commercial cash arrangements and the impact of the London Interbank Offered Rate (“LIBOR”) increases during the past year.

Loss on extinguishment of debt was \$0.2 million for the year ended December 31, 2018 in connection with the repricing transaction completed in May 2018 as compared to \$51.8 million for the year ended December 31, 2017 , which consisted of \$26.3 million make-whole premium related to the satisfaction and redemption of the 2014 Unsecured Notes, approximately \$10.9 million for the write-off of related unamortized debt issuance costs and fees in the fourth quarter of 2017 and approximately \$14.6 million for the unamortized deferred financing fees and discounts related to our extinguished term loan under the Prior Credit Facility and the redeemed Refinanced Secured Notes in the second quarter of 2017.

Income tax benefit was \$9.7 million for the year ended December 31, 2018 , as compared to an income tax benefit of \$20.2 million in the prior year period. The income tax benefit for the year ended December 31, 2018 reflected an effective income tax rate of negative 367.0% , which was less than the statutory federal rate of 21.0%, primarily due to a decrease in our valuation allowance for deferred tax assets and a research credit. The decrease in our valuation allowance is primarily due to the net operating loss during the year and the interest deduction limitation (deferred tax assets) which can be offset against our indefinite lived deferred tax liabilities. The tax benefit for the year ended December 31, 2017 reflected an effective income tax rate of 28.0% , which was less than the statutory federal rate of 35.0%, primarily due to a decrease in the carrying value of our deferred tax liabilities as a result of the enactment of the 2017 Tax Act, offset by an increase in the valuation allowance for deferred tax assets.

Primarily as a result of the foregoing, our net loss decreased by \$64.3 million , or 124% , to a net income of \$12.4 million for the year ended December 31, 2018 , as compared to the prior year period.

Year ended December 31, 2017 compared to year ended December 31, 2016 :

The following table presents our Results of Operations for the year ended December 31, 2017 compared to the year ended December 31, 2016 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)*:

	Year Ended										2017 As Adjusted vs	
	December 31, 2017					December 31, 2016					2016 As Adjusted	
	\$	%	\$	\$	%	\$	%	\$	\$	%	\$	%
	As Reported	Adjustments	As Adjusted	As Reported	Adjustments	As Adjusted	As Reported	Adjustments	As Adjusted	As Reported	Adjustments	As Adjusted
Revenues												
Games revenues												
Gaming operations	\$ 148,654	15%	\$ (565)	\$ 148,089	36%	\$ 152,514	18 %	—	\$ 152,514	40 %	\$ (4,425)	(3)%
Gaming equipment and systems	70,118	7%	—	70,118	17%	56,277	6 %	—	56,277	15 %	13,841	25 %
Gaming other	4,005	1%	—	4,005	1%	4,462	1 %	—	4,462	1 %	(457)	(10)%
Games total revenues	222,777	23%	(565)	222,212	54%	213,253	25 %	—	213,253	56 %	8,959	4 %
FinTech revenues												
Cash access services	707,222	73%	(563,637)	143,585	35%	601,874	70 %	(476,380)	125,494	32 %	18,091	14 %
Equipment	13,258	1%	—	13,258	3%	14,995	2 %	—	14,995	4 %	(1,737)	(12)%
Information services and other	31,691	3%	—	31,691	8%	29,334	3 %	—	29,334	8 %	2,357	8 %
FinTech total revenues	752,171	77%	(563,637)	188,534	46%	646,203	75 %	(476,380)	169,823	44 %	18,711	11 %
Total revenues	974,948	100%	(564,202)	410,746	100%	859,456	100 %	(476,380)	383,076	100 %	27,670	7 %
Costs and expenses												
Games cost of revenues ⁽¹⁾												
Gaming operations	15,741	2%	(565)	15,176	4%	15,265	2 %	—	15,265	4 %	(89)	(1)%
Gaming equipment and systems	35,707	4%	—	35,707	8%	31,602	4 %	—	31,602	8 %	4,105	13 %
Gaming other	3,247	—%	—	3,247	1%	3,441	—%	—	3,441	1 %	(194)	(6)%
Games total cost of revenues	54,695	6%	(565)	54,130	13%	50,308	6 %	—	50,308	13 %	3,822	8 %
FinTech cost of revenues ⁽¹⁾												
Cash access services	572,880	59%	(563,637)	9,243	2%	485,061	57 %	(476,380)	8,681	2 %	562	6 %
Equipment	7,717	1%	—	7,717	2%	9,889	1 %	—	9,889	3 %	(2,172)	(22)%
Information services and other	3,253	—%	—	3,253	1%	3,756	—%	—	3,756	1 %	(503)	(13)%
FinTech total cost of revenues	583,850	60%	(563,637)	20,213	5%	498,706	58 %	(476,380)	22,326	6 %	(2,113)	(9)%
Operating expenses	118,935	12%	—	118,935	28%	118,709	14 %	—	118,709	31 %	226	—%
Research and development	18,862	2%	—	18,862	5%	19,356	2 %	—	19,356	5 %	(494)	(3)%
Goodwill impairment	—	—%	—	—	—%	146,299	17 %	—	146,299	38 %	(146,299)	(100)%
Depreciation	47,282	5%	—	47,282	12%	49,995	6 %	—	49,995	13 %	(2,713)	(5)%
Amortization	69,505	7%	—	69,505	17%	94,638	11 %	—	94,638	25 %	(25,133)	(27)%
Total costs and expenses	893,129	92%	(564,202)	328,927	80%	978,011	114 %	(476,380)	501,631	131 %	(172,704)	(34)%
Operating income	81,819	8%	—	81,819	20%	(118,555)	(14)%	—	(118,555)	(31)%	200,374	(169)%

* Rounding may cause variances.

(1) Exclusive of depreciation and amortization.

	Year Ended									2017 As Adjusted vs		
	December 31, 2017					December 31, 2016					2016 As Adjusted	
	\$	%	\$	\$	%	\$	%	\$	\$	%	\$	%
	As Reported	Adjustments	As Adjusted		As Reported	Adjustments	As Adjusted					
Other expenses												
Interest expense, net of interest income	102,136	10 %	—	102,136	25 %	99,228	12 %	—	99,228	26 %	2,908	3 %
Loss on extinguishment of debt	51,750	6 %	—	51,750	12 %	—	— %	—	—	— %	51,750	— %
Total other expenses	153,886	16 %	—	153,886	37 %	99,228	12 %	—	99,228	26 %	54,658	55 %
Income (loss) before income tax	(72,067)	(7)%	—	(72,067)	(18)%	(217,783)	(25)%	—	(217,783)	(57)%	145,716	(67)%
Income tax (benefit) provision	(20,164)	(2)%	—	(20,164)	(5)%	31,696	4 %	—	31,696	8 %	(51,860)	(164)%
Net income (loss)	\$(51,903)	(5)%	—	\$(51,903)	(13)%	\$(249,479)	(29)%	—	\$(249,479)	(65)%	\$(197,576)	(79)%

* Rounding may cause variances.

(1) Exclusive of depreciation and amortization.

Total Revenues

Total revenues increased by \$27.7 million , or 7% , to \$410.7 million for the year ended December 31, 2017 , as compared to the prior year period as adjusted for the net versus gross retrospective impact of ASC 606. This was due to increased FinTech and Games revenues.

Games revenues increased by \$9.0 million , or 4% , to \$222.2 million for the year ended December 31, 2017 , as compared to the prior year period as adjusted for the net versus gross retrospective impact of ASC 606. This was primarily due to an increase in units sold, partially offset by lower daily win per unit on leased games.

FinTech revenues increased by \$18.7 million , or 11% , to \$188.5 million for the year ended December 31, 2017 , as compared to the prior year period as adjusted for the net versus gross retrospective impact of ASC 606. This was primarily due to higher dollar and transaction volume and fees earned from cash access services, new customer openings, the expansion of our ATM services in Canada, as well as overall growth in the segment.

Costs and Expenses

Games cost of revenues increased by \$3.8 million , or 8% , to \$54.1 million for the year ended December 31, 2017 , as compared to the prior year period as adjusted for the net versus gross retrospective impact of ASC 606. This was primarily due to higher variable costs associated with increased unit sales.

FinTech cost of revenues decreased by \$2.1 million , or 9% , to \$20.2 million for the year ended December 31, 2017 , as compared to the prior year period as adjusted for the net versus gross retrospective impact of ASC 606. This was primarily due to higher costs associated with higher equipment sales in 2016 as compared to 2017.

Operating expenses remained relatively consistent to the prior year. This was primarily due to an increase in payroll and benefit-related expenses offset by the decrease in expenses related to the 2016 Bee Cave Games, Inc. (“Bee Cave”) loan impairment of approximately \$4.3 million that did not impact our 2017 results for our Games segment; and an increase in payroll and benefits-related expenses and professional services expenses offset by the decrease in expenses related to the 2016 separation costs for our former CEO that did not impact our 2017 results for our FinTech segment.

There was no goodwill impairment for the year ended December 31, 2017 , as compared to \$146.3 million in the prior year period as a result of our October 1, 2016 annual goodwill assessment attributable to our Games reporting unit.

Research and development costs remained relatively consistent with prior year.

Depreciation decreased by \$2.7 million , or 5% , to \$47.3 million for the year ended December 31, 2017 , as compared to the prior year period. This was primarily due to a decrease in depreciation from certain assets being fully depreciated in both our Games and FinTech segments.

Amortization decreased by \$25.1 million , or 27% , to \$69.5 million for the year ended December 31, 2017 , as compared to the prior year period. This was primarily due to certain acquired intangible assets being fully amortized in the fourth quarter of 2016 for both our Games and FinTech segments.

Primarily as a result of the factors described above, operating income increased by \$200.4 million , or 169% , to an operating income of \$81.8 million for the year ended December 31, 2017 , as compared to the prior year as adjusted for the net versus gross retrospective impact of ASC 606. The operating income margin as adjusted for the net versus gross retrospective impact of ASC 606 increased from negative 31% to a positive 20% for the year ended December 31, 2017 .

Interest expense, net of interest income, increased by \$2.9 million , or 3% , to \$102.1 million for the year ended December 31, 2017 , as compared to the prior year period. This was primarily attributable to higher interest recognized as a result of our debt restructuring activities in the fourth quarter of 2017 as well as higher cash usage fees, partially offset by lower interest expense as a result of our debt refinancing in May 2017.

Loss on extinguishment of debt for the year ended December 31, 2017 was \$51.8 million , which consisted of a \$26.3 million make-whole premium related to the satisfaction and redemption of the 2014 Unsecured Notes, approximately \$10.9 million for the write-off of related unamortized debt issuance costs and fees in the fourth quarter of 2017 and approximately \$14.6 million for the unamortized deferred financing fees and discounts related to our extinguished term loan under the Prior Credit Facility and the redeemed Refinanced Secured Notes in the second quarter of 2017. There was no loss on extinguishment of debt in the prior year period.

Income tax benefit was \$20.2 million for the year ended December 31, 2017 , as compared to an income tax provision of \$31.7 million in the prior year period. The income tax benefit for the year ended December 31, 2017 reflected an effective income tax rate of 28.0% , which was less than the statutory federal rate of 35.0% primarily due to a decrease in the carrying value of our deferred tax liabilities as a result of the enactment of the 2017 Tax Act, offset by an increase in the valuation allowance for deferred tax assets. The income tax provision for the year ended December 31, 2016 reflected a negative effective income tax rate of 14.6% , which was less than the statutory federal rate of 35.0%, primarily due to an increase in our valuation allowance for deferred tax assets and the impairment of goodwill for which no tax benefit was provided for book purposes.

Primarily as a result of the foregoing, net loss decreased by \$197.6 million , or 79% , to \$51.9 million for the year ended December 31, 2017 , as compared to the prior year period.

Critical Accounting Policies

The preparation of our financial statements in conformity with U.S. generally accepted accounting principles (“GAAP”) requires us to make estimates and assumptions that affect our reported amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities in our Financial Statements. The SEC has defined critical accounting policies as 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. Based on this definition, we have identified our critical accounting policies as those addressed below. We also have other key accounting policies that involve the use of estimates, judgments, and assumptions. Refer to “Note 2 — Basis of Presentation and Summary of Significant Accounting Policies” within our Financial Statements included elsewhere in this Annual Report on Form 10-K for a summary of these policies. We believe that our estimates and assumptions are reasonable, based upon information presently available; however, actual results may differ from these estimates under different assumptions or conditions.

Goodwill. We had approximately \$640.5 million of goodwill on our Balance Sheets at December 31, 2018 resulting from acquisitions of other businesses. We test for impairment annually on a reporting unit basis, at the beginning of our fourth fiscal quarter, or more often under certain circumstances. Our reporting units are identified as operating segments or one level below and we evaluate our reporting units at least annually.

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

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

Property, Equipment, Leased Assets, and Other Intangible Assets . We have approximately \$116.3 million in net property, equipment, and leased assets and approximately \$287.4 million in net unamortized other intangible assets on our Balance Sheets at December 31, 2018 . Such assets are stated at cost, less accumulated depreciation or amortization, computed primarily using the straight-line method over the estimated useful lives of such assets. We apply judgment in the determination of the useful lives, which are generally based on the nature of the assets and the underlying contractual obligations for certain assets.

Property, equipment, leased assets, and other intangible assets are reviewed for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. Such events or circumstances include, but are not limited to, a significant decrease in the fair value of the underlying business or market price of the asset, a significant adverse change in legal factors or business climate that could affect the value of an asset, or a current period operating or cash flow loss combined with a history of operating or cash flow losses. Impairment is indicated when undiscounted future cash flows do not exceed the carrying value of the asset. Any impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Determination of the amount and timing of future cash flows requires significant estimates and assumptions. If actual results differ from such estimates and assumptions, this may have a material impact on our conclusions.

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

Our income tax returns are subject to examination by various tax authorities and while we believe that the positions taken in our tax returns are in accordance with the applicable laws, they may be challenged by the tax authorities, which may occur several years after such tax returns have been filed. We account for uncertainty in income tax positions by evaluating whether it is more likely than not that the position will be sustained upon examination by taxing authorities based on the technical merits of the issue. The amount recognized in our Financial Statements is the largest benefit that we believe has greater than a 50% likelihood of being realized upon settlement. Actual income taxes paid may vary from estimates depending upon changes in income tax laws, actual results of operations, and the final audit of tax returns by taxing authorities.

We recognize deferred tax assets, which generally represent tax benefits related to tax deductions or credits available in future tax returns, and apply a valuation allowance to reduce our deferred tax assets to the amounts that are more likely than not to be realized. The assessment of the valuation allowance involves significant estimates regarding future taxable income and when it is recognized, the amount and timing of taxable differences, the reversal of temporary differences and the implementation of tax-planning strategies. A valuation allowance is established based on the weight of available evidence, including both positive and negative indicators, if it is more likely than not that a portion, or all, of the deferred tax assets will not be realized. In addition, we rely on deferred tax liabilities in our assessment of the realizability of deferred tax assets if the temporary differences are anticipated to reverse in the same period and jurisdiction and the deferred tax liabilities are of the same character as the temporary differences giving rise to the deferred tax assets.

Revenue Recognition. We recognize revenue upon transferring control of goods or services to our customers in an amount that reflects the consideration we expect to receive in exchange for those goods or services. We enter into contracts with customers that include various performance obligations consisting of goods, services, or combinations of goods and services. Timing of the transfer of control varies based on the nature of the contract.

The guidance in ASC 606 requires that we disclose significant judgments and estimates used in determination of our revenue recognition policy disclosed in “Note 2 — Basis of Presentation and Summary of Significant Accounting Policies – Recent Accounting Guidance – Recent Accounting Guidance Not Yet Adopted,” including those related to determination of performance obligations, the timing of satisfaction of such performance obligations, and the stand-alone selling price of each identified performance obligation. The critical judgments that we are required to make in our assessment of contracts with customers and which may have a material impact on the amount or timing of revenue recognized include:

- Determination of stand-alone selling price (“SSP”) - We are required to make a significant 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 utilize a residual approach only 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 discernible.
- Contract combinations with multiple promised goods or services - Our contracts may include various performance obligations for promises to transfer multiple goods and services to a customer, especially since our Games and FinTech businesses may enter into multiple agreements with the same customer that meet the criteria to be combined for accounting purposes under ASC 606. For such arrangements, 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.

Recent Accounting Guidance

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

Liquidity and Capital Resources

Overview

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

	At December 31,	
	2018	2017
Balance sheet data		
Total assets	\$ 1,548,261	\$ 1,537,074
Total borrowings	1,163,216	1,167,843
Total stockholders’ deficit	(108,895)	(140,633)
Cash available		
Cash and cash equivalents	\$ 297,532	\$ 128,586
Settlement receivables	82,359	227,403
Settlement liabilities	(334,198)	(317,744)
Net cash position ⁽¹⁾	45,693	38,245
Undrawn revolving credit facility	35,000	35,000
Net cash available ⁽¹⁾	\$ 80,693	\$ 73,245

- (1) Non-GAAP measure. In order to enhance investor understanding of our cash balance, we are providing in this Annual Report on Form 10-K net cash position and net cash available, which are not measures of our financial performance or position 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 New Revolving Credit Facility (defined herein). We present net cash position because our cash position, as measured by cash and cash equivalents, depends upon changes in settlement receivables and the timing of payments related to settlement liabilities. As such, our cash and cash equivalents can change substantially based upon the timing of our receipt of payments for settlement receivables and payments we make to customers for our settlement liabilities. We present net cash available as management monitors this amount in connection with its forecasting of cash flows and future cash requirements, both on short term and long term basis.

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 December 31, 2018 included cash in non-U.S. jurisdictions of approximately \$21.8 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 repatriate foreign funds to the United States, except for potential withholding tax.

We expect that cash provided by operating activities will be sufficient for our operating and debt servicing needs during the foreseeable future. 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 gaming establishments related to our cash access services, which involve the movement of funds between various parties involved in these types of transactions. We receive reimbursement from the patron's credit or debit card issuing financial institution for the amount owed to the gaming establishment plus the fee charged to the patron. These activities result in amounts due to us at the end of each business day that we generally recover over the next few business days, which are classified as settlement receivables on our Balance Sheets. As of December 31, 2018, we had \$82.4 million in settlement receivables. In addition, cash settlement services result in amounts due to gaming establishments for the cash disbursed to patrons through the issuance of a negotiable instrument or through electronic settlement for the face amount provided to patrons that we generally remit over the next few business days, which are classified as settlement liabilities on our Balance Sheets. As of December 31, 2018, we had \$334.2 million in settlement liabilities. As the timing of cash received from cash settlement services may differ, the total amount of cash held by us will fluctuate throughout the year.

Our cash and cash equivalents were \$297.5 million and \$128.6 million as of December 31, 2018 and December 31, 2017, respectively. Our net cash position after considering the impact of settlement receivables and settlement liabilities was \$45.7 million and \$38.2 million as of December 31, 2018 and December 31, 2017, respectively. Our net cash available after considering the net cash position and undrawn amounts available under our New Revolving Credit Facility was approximately \$80.7 million and \$73.2 million as of December 31, 2018 and December 31, 2017, respectively.

Cash Flows

The following table summarizes our cash flows for the years ended December 31, 2018, 2017 and 2016 (in thousands):

	Year Ended December 31,			Increase/(Decrease)	
	2018	2017	2016	2018 vs 2017	2017 vs 2016
Cash flow activities					
Net cash provided by operating activities	\$ 294,286	\$ 96,259	\$ 131,899	\$ 198,027	\$ (35,640)
Net cash used in investing activities	(123,350)	(109,780)	(88,148)	(13,570)	(21,632)
Net cash provided by (used in) financing activities	11	22,394	(24,922)	(22,383)	47,316
Effect of exchange rates on cash	(1,370)	1,292	(1,714)	(2,662)	3,006
Cash and cash equivalents					
Net increase for the period	169,577	10,165	17,115	159,412	(6,950)
Balance, beginning of the period	129,604	119,439	102,324	10,165	17,115
Balance, end of the period	\$ 299,181	\$ 129,604	\$ 119,439	\$ 169,577	\$ 10,165

Cash flows provided by operating activities were \$294.3 million, \$96.3 million, and \$131.9 million for the years ended December 31, 2018, 2017, and 2016, respectively. Cash flows provided by operating activities increased by \$198.0 million for the year ended December 31, 2018, as compared to the prior year period, primarily attributable to the changes in working capital associated with cash settlement services from our FinTech segment, and the reduction in cash paid for interest. Cash flows provided by operating activities decreased by \$35.6 million for the year ended December 31, 2017, as compared to the prior year period. This was primarily attributable to the changes in working capital associated with settlement receivables and settlement liabilities from our FinTech segment.

Cash flows used in investing activities were \$123.4 million, \$109.8 million, and \$88.1 million for the years ended December 31, 2018, 2017, and 2016, respectively. Cash flows used in investing activities increased by \$13.6 million for the year ended December

31, 2018, as compared to the prior year period, primarily attributable to an increase in capital expenditures, and higher placement fee arrangements in our Games segment. Cash flows used in investing activities increased by \$21.6 million for the year ended December 31, 2017, as compared to the prior year period. This was primarily attributable to an increase in capital expenditures, higher placement fee arrangements in our Games segment, and decreased sales of fixed assets.

Cash flows provided by financing activities were \$11,000 and \$22.4 million for the year ended December 31, 2018 and 2017, respectively, compared to \$24.9 million of cash flows used in financing activities for the year ended December 31, 2016. Cash flows provided by financing activities decreased by \$22.4 million in the year ended December 31, 2018, as compared to the prior year period, primarily attributable to less debt restructuring activities completed in 2018. Cash flows provided by financing activities increased by \$47.3 million in the year ended December 31, 2017, as compared to the prior period. This was primarily attributable to our debt restructuring activities completed in 2017 and an increase in proceeds from the exercise of stock options.

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

Long-Term Debt

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

Contractual Obligations

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

	At December 31,						
	Total	2019	2020	2021	2022	2023	Thereafter
Contractual obligations							
Debt obligations ⁽¹⁾	\$ 1,182,700	\$ 8,200	\$ 8,200	\$ 8,200	\$ 8,200	\$ 8,200	\$ 1,141,700
Estimated interest obligations ⁽²⁾	435,709	73,566	73,186	72,769	72,189	71,730	72,269
Operating lease obligations ⁽³⁾	19,721	5,570	5,680	4,598	2,799	1,074	—
Purchase obligations ⁽⁴⁾	66,463	56,233	7,887	1,835	508	—	—
Total contractual obligations	\$ 1,704,593	\$ 143,569	\$ 94,953	\$ 87,402	\$ 83,696	\$ 81,004	\$ 1,213,969

(1) We are required to make principal payments of 0.25% per quarter of the initial aggregate principal, with the final principal repayment installment on the maturity date and may also be required to make an excess cash flow payment that is based on full year end earnings and our consolidated secured leverage ratio in effect at that time. The above table does not reflect any future payments related to excess cash flow payments.

(2) Estimated interest payments were computed using the interest rate in effect at December 31, 2018 multiplied by the principal balance outstanding after scheduled principal amortization payments. For our debt obligations, the weighted average rate assumed was approximately 6.16% until 2024, when the weighted average rate would increase to approximately 7.50% until the remaining debt is fully satisfied in 2025.

(3) Our operating lease obligations primarily consist of real estate arrangements we enter into with third parties. See Note 13 for additional information regarding our operating leases.

(4) Our purchase obligations primarily consist of open purchase orders and placement fee agreements related to our Games business as well as minimum transaction processing services from various third-party processors used by our FinTech business.

Other Liquidity Needs and Resources

We need cash to support our foreign operations. As a result of the 2017 Tax Act, enacted December 22, 2017, we will not be subject to additional taxation if we repatriate foreign funds to the United States, except for potential withholding tax. Depending on the

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

Off-Balance Sheet Arrangements

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 \$7.0 million, \$4.9 million, and \$3.1 million for the years ended December 31, 2018, 2017, and 2016, respectively. We are exposed to interest rate risk to the extent that the applicable federal funds rate increases.

Under these agreements, the currency supplied by third party vendors remain their sole property until the funds are dispensed. As these funds are not our assets, supplied cash is not reflected on our Balance Sheets. The outstanding balances of ATM cash utilized by us from the third party vendors were \$224.7 million and \$289.8 million as of December 31, 2018 and 2017, respectively.

The primary commercial arrangement, the Contract Cash Solutions Agreement, as amended, with Wells Fargo Bank, 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, 2021 and will auto renew for additional one-year periods unless either party provides a 90-day written notice of its intent not to renew.

We are responsible for any losses of cash in the ATMs under this agreement and we self-insure for this risk. We incurred no material losses related to this self-insurance for the years ended December 31, 2018 and 2017.

Effects of Inflation

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

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

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

In the normal course of business, we have commercial arrangements with third party vendors to provide cash for certain of our ATMs. Under the terms of these agreements, we pay a monthly cash usage fee based upon the target federal funds rate. We are, therefore, exposed to interest rate risk to the extent that the applicable federal funds rate increases. The outstanding balance of ATM cash utilized by us from third party vendors was \$224.7 million as of December 31, 2018; therefore, each 1% increase in the applicable federal funds rate would have approximately a \$2.2 million impact on income before tax over a 12-month period.

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 using on a base rate or LIBOR. We have historically elected to pay interest based on LIBOR, and we expect to continue to do so for various maturities. The weighted average interest rate the New Credit Facilities was approximately 5.17% for the year ended December 31, 2018. Based upon the outstanding balance on the New Credit Facilities of \$807.7 million as of December 31, 2018, each 1% increase in the applicable Eurodollar Rate would have an \$8.1 million impact on interest expense over a 12-month period. The interest rate for the Unsecured Notes is fixed; therefore, an increase in LIBOR rates does not impact the related interest expense. At present, we do not hedge the risk related to the changes in the interest rate; however, we continue to evaluate such interest rate exposure.

Item 8. Financial Statements and Supplementary Data.

Index to Consolidated Financial Statements

<u>Report of BDO USA, LLP, Independent Registered Public Accounting Firm</u>	<u>49</u>
<u>Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) for the three years ended December 31, 2018</u>	<u>50</u>
<u>Consolidated Balance Sheets as of December 31, 2018 and 2017</u>	<u>52</u>
<u>Consolidated Statements of Cash Flows for the three years ended December 31, 2018</u>	<u>53</u>
<u>Consolidated Statements of Stockholders' (Deficit) Equity for the three years ended December 31, 2018</u>	<u>54</u>
<u>Notes to Consolidated Financial Statements</u>	<u>55</u>

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Everi Holdings Inc. (the “Company”) and subsidiaries as of December 31, 2018 and 2017, the related consolidated statements of income (loss) and comprehensive income (loss), stockholders’ deficit, and cash flows for each of the three years in the period ended December 31, 2018, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and subsidiaries at December 31, 2018 and 2017, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) and our report dated March 12, 2019 expressed an unqualified opinion thereon.

Adoption of ASU No. 2014-09

As discussed in Note 3 to the consolidated financial statements, the Company has changed its method of accounting for revenue from contracts with customers in 2018 due to the adoption of Accounting Standards Update (ASU) No. 2014-09, “Revenue from Contracts with Customers (Topic 606),” and the related amendments.

Basis for Opinion

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

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

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

/s/ BDO USA, LLP

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

Las Vegas, Nevada
March 12, 2019

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

	Year Ended December 31,		
	2018	2017	2016
Revenues			
Games revenues			
Gaming operations	\$ 168,146	\$ 148,654	\$ 152,514
Gaming equipment and systems	87,038	70,118	56,277
Gaming other	3,794	4,005	4,462
Games total revenues	258,978	222,777	213,253
FinTech revenues			
Cash access services	156,806	707,222	601,874
Equipment	20,977	13,258	14,995
Information services and other	32,754	31,691	29,334
FinTech total revenues	210,537	752,171	646,203
Total revenues	469,515	974,948	859,456
Costs and expenses			
Games cost of revenues ⁽¹⁾			
Gaming operations	17,603	15,741	15,265
Gaming equipment and systems	47,121	35,707	31,602
Gaming other	3,285	3,247	3,441
Games total cost of revenues	68,009	54,695	50,308
FinTech cost of revenues ⁽¹⁾			
Cash access services	9,717	572,880	485,061
Equipment	12,601	7,717	9,889
Information services and other	4,110	3,253	3,756
FinTech total cost of revenues	26,428	583,850	498,706
Operating expenses	142,298	118,935	118,709
Research and development	20,497	18,862	19,356
Goodwill impairment	—	—	146,299
Depreciation	61,225	47,282	49,995
Amortization	65,245	69,505	94,638
Total costs and expenses	383,702	893,129	978,011
Operating income (expense)	85,813	81,819	(118,555)

	Year Ended December 31,		
	2018	2017	2016
Other expenses			
Interest expense, net of interest income	83,001	102,136	99,228
Loss on extinguishment of debt	166	51,750	—
Total other expenses	83,167	153,886	99,228
Income (loss) before income tax	2,646	(72,067)	(217,783)
Income tax (benefit) provision	(9,710)	(20,164)	31,696
Net income (loss)	12,356	(51,903)	(249,479)
Foreign currency translation	(1,745)	1,856	(2,427)
Comprehensive income (loss)	<u>\$ 10,611</u>	<u>\$ (50,047)</u>	<u>\$ (251,906)</u>
Earnings (loss) per share			
Basic	<u>\$ 0.18</u>	<u>\$ (0.78)</u>	<u>\$ (3.78)</u>
Diluted	<u>\$ 0.17</u>	<u>\$ (0.78)</u>	<u>\$ (3.78)</u>
Weighted average common shares outstanding			
Basic	69,464	66,816	66,050
Diluted	73,796	66,816	66,050

(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 consolidated financial statements included in Part II, Item 8 of this Form 10-K for more information.

See notes to consolidated financial statements.

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

	At December 31,	
	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	\$ 297,532	\$ 128,586
Settlement receivables	82,359	227,403
Trade and other receivables, net of allowances for doubtful accounts of \$6,425 and \$4,706 at December 31, 2018 and December 31, 2017, respectively	64,387	47,782
Inventory	24,403	23,967
Prepaid expenses and other assets	20,259	20,670
Total current assets	488,940	448,408
Non-current assets		
Property, equipment and leased assets, net	116,288	113,519
Goodwill	640,537	640,589
Other intangible assets, net	287,397	324,311
Other receivables	8,847	2,638
Other assets	6,252	7,609
Total non-current assets	1,059,321	1,088,666
Total assets	\$ 1,548,261	\$ 1,537,074
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities		
Settlement liabilities	\$ 334,198	\$ 317,744
Accounts payable and accrued expenses	129,238	134,504
Current portion of long-term debt	8,200	8,200
Total current liabilities	471,636	460,448
Non-current liabilities		
Deferred tax liability	27,867	38,207
Long-term debt, less current portion	1,155,016	1,159,643
Other accrued expenses and liabilities	2,637	19,409
Total non-current liabilities	1,185,520	1,217,259
Total liabilities	1,657,156	1,677,707
Commitments and contingencies (Note 13)		
Stockholders' deficit		
Common stock, \$0.001 par value, 500,000 shares authorized and 95,100 and 93,120 shares issued at December 31, 2018 and December 31, 2017, respectively	95	93
Convertible preferred stock, \$0.001 par value, 50,000 shares authorized and no shares outstanding at December 31, 2018 and December 31, 2017, respectively	—	—
Additional paid-in capital	298,929	282,070
Accumulated deficit	(229,457)	(246,202)
Accumulated other comprehensive loss	(1,998)	(253)
Treasury stock, at cost, 24,900 and 24,883 shares at December 31, 2018 and December 31, 2017, respectively	(176,464)	(176,341)
Total stockholders' deficit	(108,895)	(140,633)
Total liabilities and stockholders' deficit	\$ 1,548,261	\$ 1,537,074

See notes to consolidated financial statements.

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

	Year Ended December 31,		
	2018	2017	2016
Cash flows from operating activities			
Net income (loss)	\$ 12,356	\$ (51,903)	\$ (249,479)
Adjustments to reconcile net income (loss) to cash provided by operating activities:			
Depreciation	61,225	47,282	49,995
Amortization	65,245	69,505	94,638
Amortization of financing costs and discounts	4,877	8,706	6,695
Loss on sale or disposal of assets	869	2,513	2,563
Accretion of contract rights	8,421	7,819	8,692
Provision for bad debts	11,459	9,737	9,908
Deferred income taxes	(10,343)	(20,015)	29,940
Write-down of assets	2,575	—	4,289
Reserve for obsolescence	1,919	397	3,581
Goodwill impairment	—	—	146,299
Loss on extinguishment of debt	166	51,750	—
Stock-based compensation	7,251	6,411	6,735
Changes in operating assets and liabilities:			
Settlement receivables	143,705	(98,390)	(83,998)
Trade and other receivables	(29,320)	(884)	(8,207)
Inventory	(3,848)	(5,753)	5,600
Prepaid and other assets	1,672	(1,105)	4,668
Settlement liabilities	17,159	78,465	99,245
Accounts payable and accrued expenses	(1,102)	(8,276)	735
Net cash provided by operating activities	294,286	96,259	131,899
Cash flows from investing activities			
Capital expenditures	(103,031)	(96,490)	(80,741)
Acquisitions, net of cash acquired	—	—	(694)
Proceeds from sale of fixed assets	237	10	4,599
Placement fee agreements	(20,556)	(13,300)	(11,312)
Net cash used in investing activities	(123,350)	(109,780)	(88,148)
Cash flows from financing activities			
Proceeds from new credit facility	—	820,000	—
Proceeds from unsecured notes	—	375,000	—
Repayments of prior credit facility	—	(465,600)	(24,400)
Repayments of secured notes	—	(335,000)	—
Repayments of unsecured notes	—	(350,000)	—
Repayments of new credit facility	(8,200)	(4,100)	—
Debt issuance costs and discounts	(1,276)	(28,702)	(480)
Proceeds from exercise of stock options	9,610	10,906	—
Purchase of treasury stock	(123)	(110)	(42)
Net cash provided by (used in) financing activities	11	22,394	(24,922)
Effect of exchange rates on cash	(1,370)	1,292	(1,714)
Cash, cash equivalents and restricted cash			
Net increase for the period	169,577	10,165	17,115
Balance, beginning of the period	129,604	119,439	102,324
Balance, end of the period	\$ 299,181	\$ 129,604	\$ 119,439

See notes to consolidated financial statements.

	Year Ended December 31,		
	2018	2017	2016
Supplemental cash disclosures			

Cash paid for interest	\$	81,609	\$	89,008	\$	93,420
Cash paid for income tax		406		1,009		1,703
Cash refunded for income tax		4		829		171
Supplemental non-cash disclosures						
Accrued and unpaid capital expenditures	\$	3,657	\$	1,386	\$	2,104
Accrued and unpaid placement fees added during the year		—		39,074		—
Accrued and unpaid contingent liability for acquisitions		(550)		—		(3,169)
Transfer of leased gaming equipment to inventory		10,028		7,820		9,042

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

	Common Stock— Series A		Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Equity (Deficit)
	Number of Shares	Amount					
Balance, January 1, 2016	90,877	\$ 91	\$ 258,020	\$ 55,180	\$ 318	\$ (176,189)	\$ 137,420
Net loss	—	—	—	(249,479)	—	—	(249,479)
Foreign currency translation	—	—	—	—	(2,427)	—	(2,427)
Stock-based compensation expense	—	—	6,735	—	—	—	6,735
Restricted share vesting withholdings	—	—	—	—	—	(42)	(42)
Restricted shares	75	—	—	—	—	—	—
Balance, December 31, 2016	90,952	\$ 91	\$ 264,755	\$ (194,299)	\$ (2,109)	\$ (176,231)	\$ (107,793)
Net loss	—	—	—	(51,903)	—	—	(51,903)
Foreign currency translation	—	—	—	—	1,856	—	1,856
Stock-based compensation expense	—	—	6,411	—	—	—	6,411
Exercise of options	2,037	2	10,904	—	—	—	10,906
Restricted share vesting withholdings	—	—	—	—	—	(110)	(110)
Restricted shares	131	—	—	—	—	—	—
Balance, December 31, 2017	93,120	\$ 93	\$ 282,070	\$ (246,202)	\$ (253)	\$ (176,341)	\$ (140,633)
Net income	—	—	—	12,356	—	—	12,356
Cumulative adjustment related to adoption of ASC 606	—	—	—	4,389	—	—	4,389
Foreign currency translation	—	—	—	—	(1,745)	—	(1,745)
Stock-based compensation expense	—	—	7,251	—	—	—	7,251
Exercise of options	1,980	2	9,608	—	—	—	9,610
Restricted share vesting withholdings	—	—	—	—	—	(123)	(123)
Balance, December 31, 2018	95,100	\$ 95	\$ 298,929	\$ (229,457)	\$ (1,998)	\$ (176,464)	\$ (108,895)

See notes to consolidated financial statements.

EVERI HOLDINGS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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”). Unless otherwise indicated, the terms the “Company,” “we,” “us,” and “our” refer to Everi Holdings together with its consolidated subsidiaries.

Everi is a leading supplier of 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 technologies.

Everi Holdings reports its results of operations based on two operating segments: Games and FinTech. Effective April 1, 2018, we changed the name of the operating segment previously referred to as “Payments” to “Financial Technology Solutions” (“Everi FinTech” or “FinTech”). We believe this reference more accurately reflects the focus of the business segment on delivering innovative and integrated solutions to enhance the efficiency of the casino operator, support the comprehensive regulatory and tax requirements of their gaming customers, and improve players’ gaming experience by providing easy access to their funds and payment of winnings.

Everi Games provides gaming operators products and services, including: (a) gaming machines primarily comprised of Class II and Class III slot machines placed under participation or fixed fee lease arrangements or sold to casino customers, including *TournEvent*® that allows operators to switch from in-revenue gaming to out-of-revenue tournaments; (b) system software, licenses, ancillary equipment, and maintenance; and (c) business-to-consumer and business-to-business interactive activities. In addition, Everi Games develops and manages the central determinant system for the video lottery terminals (“VLTs”) installed in the State of New York and it also provides similar technology in certain tribal jurisdictions.

Everi FinTech provides gaming operators 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 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

Principles of Consolidation

All intercompany transactions and balances have been eliminated in consolidation.

Business Combinations

We apply the provisions of the Financial Accounting Standards Board (the “FASB”) Accounting Standards Codification (“ASC”) 805, “Business Combinations,” in the accounting for acquisitions. It requires us to recognize separately from goodwill the assets acquired and the liabilities assumed, at their acquisition date fair values. Goodwill as of the acquisition date is measured as the excess of consideration transferred over the net of the acquisition date fair values of the assets acquired and the liabilities assumed. Significant estimates and assumptions are required to value assets acquired and liabilities assumed at the acquisition date as well as contingent consideration, where applicable. These estimates are preliminary and typically include the calculation of an appropriate discount rate and projection of the cash flows associated with each acquired asset over its estimated useful life. As a result, during the measurement period, which may be up to one year from the acquisition date, the Company may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. In addition, deferred tax assets, deferred tax liabilities, uncertain tax positions, and tax related valuation allowances assumed in connection with a business combination are initially estimated as of the acquisition date. We reevaluate these items quarterly based upon facts and circumstances that existed as of the acquisition date and any adjustments to its preliminary estimates are recorded to goodwill, in the period of

identification, if identified within the measurement period. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to the Statements of Income (Loss).

Cash and Cash Equivalents

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

ATM Funding Agreements

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

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

Allowance for Doubtful Accounts

We maintain an allowance for doubtful accounts related to our trade and other receivables and notes receivable that have been deemed to have a high risk of uncollectibility or for which uncertainty exists as to whether the account balance has become uncollectible. Management reviews its accounts and notes receivable on a quarterly basis to determine if any receivables will potentially be uncollectible. Management analyzes historical collection trends and changes in our customer payment patterns, concentration, and creditworthiness when evaluating the adequacy of our allowance for doubtful accounts. Based on the information available, management believes the allowance for doubtful accounts is adequate; however, actual write-offs may exceed the recorded allowance.

Settlement Receivables and Settlement Liabilities

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

Warranty Receivables

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

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

Inventory

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

Restricted Cash

Our restricted cash primarily consists of: (i) 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, which is included in prepaid expenses and other assets, was approximately \$1.5 million, \$0.9 million, and \$0.3 million as of December 31, 2018, 2017, and 2016, respectively. The non-current portion of restricted cash, which is included in other assets, was approximately \$0.1 million as of December 31, 2018, 2017, and 2016.

Property, Equipment and Leased Assets

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

Placement Fee and Development Agreements

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

Goodwill

Goodwill represents the excess of the purchase price over the identifiable tangible and intangible assets acquired plus liabilities assumed arising from business combinations. We test for impairment annually on a reporting unit basis, at the beginning of our fourth fiscal quarter, 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 both an income approach that discounts future cash flows based on the estimated future results of our reporting units and a market approach that compares market multiples of comparable companies to determine whether or not any impairment exists. If the fair value of a reporting unit is less than its carrying amount, we will use the “Step 1” assessment to determine the impairment, in accordance with ASC 350, Intangibles - Goodwill and Other.

Our reporting units are identified as operating segments or one level below. Reporting units must: (a) engage in business activities from which they earn revenues and incur expenses; (b) have operating results that are regularly reviewed by our segment management to ascertain the resources to be allocated to the segment and assess its performance; and (c) have discrete financial

information available. As of December 31, 2018, our reporting units included: Games, Cash Access Services, Kiosk Sales and Service, Central Credit Services, and Compliance Sales and Services.

Other Intangible Assets

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

Debt Issuance Costs

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

Original Issue Discounts

Original issue discounts incurred in connection with long-term borrowings are capitalized and amortized to interest expense based upon the related debt agreements using the straight-line method, which approximates the effective interest method. These amounts are recorded as contra-liabilities and included in long-term debt on our Balance Sheets.

Revenue Recognition

Overview

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. We enter into contracts with customers that include various performance obligations consisting of goods, services, or combinations of goods and services. Timing of the transfer of control varies based on the nature of the contract. We recognize revenue net of any sales and other taxes collected from customers, which are subsequently remitted to governmental authorities and are not included in revenues or operating expenses. We measure revenue based on the consideration specified in a contract with a customer and adjusted, as necessary.

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

Significant Judgments

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 utilize a residual approach only 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 discernible.

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 various performance obligations for promises to transfer multiple goods and services to a customer, especially since our Games and FinTech businesses may enter into multiple agreements with the same customer that meet the criteria to be combined for accounting purposes under ASC 606. When this occurs, a 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 sale transactions 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.

Contract Balances

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

The following table summarizes our contract assets and contract liabilities arising from contracts with customers:

	For the Year Ended December 31, 2018	
Contract assets ⁽¹⁾		
Balance at January 1	\$	8,433
Balance at December 31		11,310
Increase (decrease)		2,877
Contract liabilities ⁽²⁾		
Balance at January 1		12,397
Balance at December 31		15,470
Increase (decrease)	\$	3,073

(1) Current portion of contract assets is included within Trade and other receivables, net and non-current portion is included within Other receivables in our Balance Sheets.

(2) Current portion of contract liabilities is included within Accounts payable and accrued expenses and non-current portion is included within Other accrued expenses and liabilities in our Balance Sheets.

We recognized approximately \$11.4 million in revenue that was included in the beginning contract liability balance during 2018.

Games Revenues

Our Games products and services include commercial products, such as Native American Class II products and other bingo products, Class III products, video lottery terminals, accounting and central determinant systems, and other back office systems. We conduct our Games segment business based on results generated from the following major revenue streams: (i) Gaming Operations; (ii) Gaming Equipment and Systems; and (iii) Gaming Other.

Gaming Operations

Games revenues are primarily generated by our gaming operations under placement, participation, and development arrangements, in which we provide our customers with player terminals, including *TournEvent*® that allows operators to switch from in-revenue gaming to out-of-revenue tournaments, player terminal-content licenses, local-area progressive machines, 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 machines installed at customer facilities. We receive recurring revenue based on a percentage of the net win per day generated by the leased gaming equipment or a fixed daily fee. 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 lease revenues accounted for under ASC 840 are generally short-term in nature with payment terms ranging from 30 to 90 days. We recognized \$136.6 million, \$126.1 million, and \$134.0 million in lease revenues for the years ended December 31, 2018, 2017, and 2016, respectively.

Gaming operations revenues include amounts generated by Wide Area Progressive (“WAP”) systems, which are recognized under ASC 606. WAP consists of linked slot machines located in multiple casino properties that are connected to a central system. WAP-based gaming machines have a progressive jackpot 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), a percentage of net win, or a combination of both for services related to the design, assembly, installation, operation, maintenance, administration, and marketing of the WAP systems. The gaming operations revenues with respect to WAP machines comprise a separate performance obligation and are recognized over time based on the amount expected to be received with any variability being resolved in the reporting period. These arrangements are generally short-term in nature with a majority of invoices payable within 30 to 45 days. Such revenues are presented in the Statements of Income (Loss) net of the jackpot expense, which is comprised of incremental amounts funded by a portion of the coin-in from players. At the 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 operations revenues also include amounts received in connection with our relationship with the New York State Gaming Commission to provide an accounting and central determinant system for the VLTs in operation at licensed State of New York gaming facilities. Pursuant to our agreement with the New York State Gaming Commission, we receive a portion of the network-wide net win (generally, cash-in less prizes paid) per day in exchange for provision and maintenance of the central determinant system and records it in accordance with ASC 606. We also provide central determinant system technology to Native American tribes in other licensed jurisdictions for which we receive a portion of the revenue generated from the VLTs connected to the system. These arrangements are generally short-term in nature with payments due monthly.

Gaming operations revenues also include amounts generated by our Interactive offering comprised of business-to-consumer (“B2C”) and business-to-business (“B2B”) activities. B2C relates to games offered directly to consumers to play with virtual currency which can be purchased through our social, mobile application. Control transfers and we recognize revenues in accordance with ASC 606 from player purchases of virtual currency as it is consumed for game play, which is based on a historical data analysis. B2B relates to games offered to the online business partners, or social casinos, who then offer the games to consumers. Our B2B arrangements primarily provide access to our game content and revenue is recognized in accordance with ASC 606 as the control transfers upon the online business partners’ daily access to such content based on either a flat fee or revenue share arrangements with the social casinos.

Gaming Equipment and Systems

Gaming equipment and systems revenues are accounted for under ASC 606 and are derived from the sale of some combination of: (a) gaming equipment and player terminals, including *TournEvent*® that allows operators to switch from in-revenue gaming to out-of-revenue tournaments; (b) game content; (c) license fees; (d) ancillary equipment; and (e) maintenance. Such arrangements are predominately short-term in nature with payment terms ranging from 30 to 180 days with certain agreements providing for extended payment terms, ranging from 12 to 24 months. Our contracts with customers do not contain any financing components that have been determined to be significant to the contract. Performance obligations for gaming equipment and systems arrangements include gaming equipment, player terminals, content, system software, license fees, ancillary equipment, maintenance, or various combinations thereof. Gaming equipment and systems are recognized at a point in time when control of the promised goods and services transfers to the customer generally upon shipment or delivery pursuant to the terms of the contract. The performance obligations are generally satisfied at the same time or within a short period of time.

Gaming Other

Gaming other revenues consist of amounts generated by our *TournEvent of Champions*® national tournament that allows winners of local and regional tournaments throughout the year to participate in a national tournament that results in the determination of a final champion. Such revenues are accounted for under ASC 606. As the customer simultaneously receives and consumes the benefits of our performance as it occurs, revenues are recognized as earned over a period of time using an output method depicting the transfer of control to the customer. These arrangements are generally short-term in nature with payment terms ranging from 30 to 90 days.

FinTech Revenues

Cash Access Services

Cash access services revenues are accounted for under ASC 606 and are generally comprised of the following distinct performance obligations: cash advance, ATM, and check services. We do not control the cash advance and ATM services provided to a customer and, therefore, we are acting as an agent whose performance obligation is to arrange for the provision of these services. Our cash access services involve the movement of funds between the various parties associated with cash access transactions and give rise to settlement receivables and settlement liabilities, both of which are settled in days following the transaction.

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

ATM revenues are primarily comprised of transaction fees in the form of cardholder surcharges assessed to gaming patrons in connection with ATM cash withdrawals at the time the transactions are authorized and 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, since the customer simultaneously receives and consumes the benefits as the performance obligations occur, we recognize revenues as earned over a period of time using an output method depicting the transfer of control to the customer based on variable consideration, such as volume of transactions processed with variability generally resolved in the reporting period.

Equipment

Equipment revenues are derived from the sale of equipment and are accounted for under ASC 606. Revenues are recognized at a point in time when control of the promised goods and services transfers to the customer generally upon shipment or delivery pursuant to the terms of the contract. These sales contracts are generally short-term in nature with payment terms ranging from 30 to 90 days .

Information Services and Other

Information services and other revenues are accounted for under ASC 606 and 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, which are generally short-term in nature with payment terms ranging from 30 to 90 days , secured by the related equipment; (iii) credit worthiness-related software subscription services that are based upon either a flat monthly unlimited usage fee or a variable fee structure driven by the volume of patron credit histories generated; and (iv) ancillary marketing, database, and Internet-based gaming related activities.

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

Cost of Revenues (Exclusive of Depreciation and Amortization)

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

Advertising, Marketing, and Promotional Costs

We expense advertising, marketing, and promotional costs as incurred. Total advertising, marketing, and promotional costs, included in operating expenses in the Statements of Income (Loss), were \$3.4 million , \$1.1 million , and \$1.2 million for the years ended December 31, 2018 , 2017 , and 2016 , respectively.

Research and Development Costs

We conduct research and development activities primarily to develop gaming systems, game engines, casino data management systems, casino central monitoring systems, video lottery outcome determination systems, gaming platforms and gaming content, and to enhance our existing product lines. We believe our ability to deliver differentiated, appealing products and services to the marketplace is based on our research and development investments, and we expect to continue to make such investments in the future. Research and development costs consist primarily of salaries and benefits, consulting fees, and game lab testing fees. Once the technological feasibility of a project has been established, it is capitalized until it becomes available for general release.

Research and development costs were \$20.5 million , \$18.9 million , and \$19.4 million for the years ended December 31, 2018 , 2017 , and 2016 , respectively.

Income Taxes

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

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

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

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

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

Employee Benefits Plan

The Company provides a 401(k) Plan that allows employees to defer up to the lesser of the Internal Revenue Code prescribed maximum amount or 100% of their income on a pre-tax basis through contributions to the plan. As a benefit to employees, the Company matches a percentage of these employee contributions (as defined in the plan document). Expenses related to the matching portion of the contributions to the 401(k) Plan were \$2.2 million, \$2.3 million, and \$1.9 million for the years ended December 31, 2018, 2017, and 2016, respectively.

Fair Values of Financial Instruments

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

The carrying amount of cash and cash equivalents, settlement receivables, short-term trade and other receivables, settlement liabilities, accounts payable and accrued expenses approximate fair value due to the short-term maturities of these instruments. The fair value of the long-term trade and loans receivable is estimated by discounting expected future cash flows using current

interest rates at which similar loans would be made to borrowers with similar credit ratings and remaining maturities. As of December 31, 2018 and December 31, 2017, the fair value of notes receivable, net, approximated the carrying value due to contractual terms of trade and loans receivable generally being under 24 months. The fair value of our borrowings is estimated based on various inputs to determine a market price, such as: market demand and supply, size of tranche, maturity, and similar instruments trading in more active markets. The estimated fair value and outstanding balances of our borrowings are as follows (in thousands):

	Level of Hierarchy	Fair Value	Outstanding Balance
December 31, 2018			
Term loan	2	\$ 784,479	\$ 807,700
Senior unsecured notes	1	\$ 354,863	\$ 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 December 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 December 31, 2018 and December 31, 2017.

Foreign Currency Translation

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

Use of Estimates

We have made estimates and judgments affecting the amounts reported in these financial statements and the accompanying notes in conformity with accounting principles generally accepted in the United States. The actual results may differ from these estimates.

Earnings Applicable to Common Stock

Basic earnings per share is calculated by dividing net income by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflect the effect of potential common stock resulting from assumed stock option exercises and vesting of restricted stock unless it is anti-dilutive. To the extent we report a net loss from continuing operations in a particular period, no potential dilution from the application of the treasury stock method would be applicable in accordance with ASC 260, Earnings per Share.

Share-Based Compensation

Share-based compensation is considered an equity award and results in a cost that is measured at fair value on the grant date of an award.

Our time-based stock options were measured at fair value on the grant date using the Black Scholes model. Our restricted stock awards and restricted stock units, including the restricted stock units bound by certain performance-based metrics issued in 2018, were measured at fair value based on the stock price on the grant date. The compensation expense is recognized on a straight-line basis over the vesting period of the awards.

Our market-based options granted in 2017 and 2016 under our 2014 Equity Incentive Plan (the "2014 Plan") and 2012 Equity Incentive Plan (as amended, the "2012 Plan") vest at a rate of 25% per year on each of the first four anniversaries of the grant date, provided that as of the vesting date for each vesting tranche, the closing price of the Company's shares on the New York Stock Exchange is at least a specified price hurdle, defined as a 25% and 50% premium for 2017 and 2016, respectively, 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.

The market-based options were measured at fair value on the grant date using a lattice-based valuation model based on the median time horizon from the date of grant for these options to the vesting date for those paths that achieved the target threshold(s). The compensation expense is recognized on a straight-line basis over the median vesting periods calculated under such valuation model.

Forfeitures are estimated at the grant date for our time-based, market-based and performance-based awards, with such estimates updated periodically; and with actual forfeitures recognized currently to the extent they differ from the estimates.

Unless otherwise provided by the administrator of our equity incentive plans, stock options granted under our plans generally expire ten years from the date of grant. The exercise price of stock options is generally the closing market price of our common stock on the date of the stock option grant.

Acquisition-Related Costs

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

Reclassification of Prior Year Balances

Reclassifications were made to the prior-period Financial Statements to conform to the current period presentation, 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 quarter ended March 31, 2018. In accordance with this guidance, some of the income tax effects recorded in 2017 were provisional and insignificant adjustments were made during 2018. As of December 22, 2018, we completed our analysis and our updated assessment is that the 2017 Tax Act has no further impact on our previously reported income tax provisions or our deferred tax assets or liabilities; therefore, these amounts are no longer considered provisional in nature.

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 2014-9 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 2014-9. 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 ASC 606. In December 2016, the FASB issued ASU 2016-20, which clarified additional topics in ASC 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 quarter ended March 31, 2018. The adoption of 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 is to be applied using a prospective approach as of the beginning of the first period of adoption. We adopted this guidance in the quarter ended March 31, 2018. The adoption of 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 quarter ended March 31, 2018 using a retrospective approach to each period presented. The adoption of 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 quarter ended March 31, 2018. The adoption of 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 is to 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 quarter ended March 31, 2018. The adoption of this ASU did not have a material impact on our Financial Statements.

In January 2016, the FASB issued ASU No. 2016-01, which, among other things, requires equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. We adopted this guidance in the quarter ended March 31, 2018. The adoption of this ASU did not have a material impact on our Financial Statements.

Recent Accounting Guidance Not Yet Adopted

In August 2018, the FASB issued ASU No. 2018-15, which aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal use software license). The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted, including adoption in any interim period. We are currently evaluating the impact of adopting this guidance on our Financial Statements; however, we do not expect the impact to be material.

In June 2018, the FASB issued ASU No. 2018-07, which expands the scope of Topic 718, Compensation-Stock Compensation (which currently only includes share-based payments to employees) to include share-based payments issued to nonemployees for goods or services. Consequently, the accounting for share-based payments to nonemployees and employees will be substantially aligned. 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.

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. We do not expect the adoption of this ASU to have a material impact on our Financial Statements.

In June 2016, the FASB issued ASU No. 2016-13, which provides updated guidance on how an entity should measure credit losses on financial instruments. The new guidance replaces the current incurred loss measurement methodology with a lifetime expected loss measurement methodology, and 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. In November 2018, the FASB issued ASU No. 2018-19 to mitigate transition complexity by requiring entities other than public business entities to implement ASU No. 2016-13 for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. This aligns the implementation date for their annual financial statements with the implementation date for their interim financial statements. The guidance also clarified that receivables arising from operating leases are not within the scope of the credit losses standard, but rather, should be accounted for in accordance with the leases standard. We are currently evaluating the impact of adopting this guidance on our Financial Statements; however, we do not expect the impact to be material.

In February 2016, the FASB issued ASU No. 2016-02, to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing transactions. The guidance 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. We made an accounting policy election whereby leases that are 12 months or less that do not include an option to purchase the underlying assets will be accounted for similarly to our current operating leases; therefore, these arrangements will not be recorded on the balance sheet. For lessees, leases will be classified as either financing or operating with classification affecting the pattern of expense recognition in the income statement. For lessors, leases will be classified as operating, sales-type or direct financing with classification affecting the pattern of revenue and profit recognition in the income statement. In July 2018, the FASB issued ASU No. 2018-10 - Codification Improvements to Topic 842, Leases and ASU No. 2018-11 - Leases (Topic 842): Targeted Improvements. ASU No. 2018-10 affects narrow aspects of the guidance previously issued and ASU No. 2018-11 provides a practical expedient for lessors on separating components of a contract and also includes an additional optional transition relief methodology for adopting the new standard. In December 2018, the FASB issued ASU No. 2018-20 - Leases (Topic 842): Narrow-Scope Improvements for Lessors, which addresses the following issues facing lessors when applying the standard: sales taxes and other similar taxes collected from lessees, certain lessor costs paid directly by lessees, and recognition of variable payments for contracts with lease and non-lease components. The guidance requires an entity to adopt the new standard, as amended, under a modified retrospective application. With the optional transition relief methodology available, entities have an opportunity to adopt the new lease standard prospectively at the beginning of the period of adoption through a cumulative-effect adjustment, with certain practical expedients available.

On January 1, 2019, the Company adopted the new leasing standard promulgated by the FASB using the adoption date method. While we are finalizing the adoption procedures, we expect that the standard will have a material impact on our Balance Sheets, however, we do not expect that the standard will have a material impact on our Statements of Income (Loss). Upon adoption, we will record a ROU asset and lease liability, representing our obligation to make lease payments for operating leases, measured on a discounted basis. We expect the ROU assets and lease liabilities of operating leases recorded to be within the range of approximately 1% - 2% of total assets. We elected the practical expedients offered in the aforementioned guidance, including the transition practical expedient that states that the Company need not reassess: (a) whether expired or existing contracts contain leases; (b) the lease classification of expired or existing leases; or (c) initial direct costs for any existing leases. Other expedients adopted include practical expedient that allows a Company, as an accounting policy election by class of underlying assets, choose not to separate non-lease components from lease components; and a short-term lease recognition exemption to not record short-term leases with an initial term of 12 months or less on the balance sheet.

As we are finalizing the adoption procedures, we expect the following impact to our financial statements as summarized within the table below:

Lessor Perspective	Expected Impact Upon Adoption
Games and FinTech Segments	The adoption of ASC 842 will not have a material impact on the Company from the lessor perspective as our lessor accounting for leases will be consistent with current practices.
Lessee Perspective	Expected Impact Upon Adoption
Games and FinTech Segments	We will recognize operating lease ROU assets and liabilities primarily associated with real estate leases on our Balance Sheets for lease contracts with terms that are longer than 12 months with no material impact to the Statements of Income (Loss). The operating lease ROU assets and liabilities are expected to be recognized at the commencement date based on the present value of lease payments over the lease terms.

We do not anticipate that any other recently issued accounting guidance will have a significant effect on our consolidated financial statements.

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 required us to evaluate whether any cumulative adjustment was required to be recorded to retained earnings (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. Revenues and costs related to certain contracts are recognized at a point in time under ASC 606 as the performance obligations related to certain types of sales are satisfied; whereas, previously these revenues and costs were recognized over a period of time under ASC 605. 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 the periods presented in our Financial Statements.

Balance Sheets and Statements of Cash Flows

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

Games revenues

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

FinTech 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 costs of revenues. As the result of our evaluation of the factors contained in ASC 605, we previously determined that the indicators requiring the gross reporting outweighed those for net reporting primarily due to the risk of loss. Under ASC 606, such costs are reflected as reductions to revenues on a net basis of presentation, since we determined that we do not control certain cash access services provided to a customer and, therefore, we are acting as an agent whose performance obligation is to arrange for the provision of these types of services. In addition, commission expenses payable to the gaming operators are determined to be consideration paid to customers under ASC 606.

The following table presents the impact of the application of ASC 606 utilizing the modified retrospective transition method to certain line items on our Statements of Income (Loss) for the year ended December 31, 2018 (in thousands):

	Year Ended December 31, 2018		
	As Reported	Adjustments	Without Adoption of ASC 606
Revenues			
Games revenues			
Gaming operations	\$ 168,146	\$ 2,364	\$ 170,510
Games total revenues	258,978	2,364	261,342
FinTech revenues			
Cash access services	156,806	629,641	786,447
Equipment	20,977	(1,622)	19,355
FinTech total revenues	210,537	628,019	838,556
Total revenues	469,515	630,383	1,099,898
Costs and expenses			
Games cost of revenues ⁽¹⁾			
Gaming operations	17,603	2,364	19,967
Games total cost of revenues	68,009	2,364	70,373
FinTech cost of revenues ⁽¹⁾			
Cash access services	9,717	629,092	638,809
Equipment	12,601	(825)	11,776
FinTech total cost of revenues	26,428	628,267	654,695
Total costs and expenses	383,702	630,631	1,014,333
Operating income	85,813	(248)	85,565
Income before income tax	2,646	(248)	2,398
Income tax benefit	(9,710)	—	(9,710)
Net income	12,356	(248)	12,108
Comprehensive income	10,611	(248)	10,363

(1) Exclusive of depreciation and amortization.

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 years ended December 31, 2018, 2017, and 2016.

In August 2015, we acquired certain assets of Resort Advantage, LLC (“Resort Advantage”), a supplier of comprehensive and integrated solutions for complete Financial Crimes Enforcement Network (“FinCEN”) and Internal Revenue Service regulatory compliance to the gaming industry, for an aggregate purchase price of approximately \$13.3 million, of which we estimated that approximately \$4.7 million (the “earn out liability”) would be paid under the provisions of the agreement over a period of 40 months (the “payout period”) based upon an evaluation over a period of 36 months (the “earn out period”) following the closing of the transaction. Upon expiration of the earn out period in August 2018, we analyzed the remaining earn out liability of approximately \$0.8 million and determined that approximately \$0.6 million would not be realized; therefore, we reversed that amount into income. We continued to record approximately \$0.2 million in remaining earn out liability to potentially be paid under the provisions of the agreement during the first quarter of 2019. The Resort Advantage acquisition did not have a material impact on our results of operations or financial condition.

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 \$7.0 million, \$4.9 million, and \$3.1 million for the years ended December 31, 2018, 2017, and 2016, respectively. We are exposed to interest rate risk to the extent that the applicable rates increase.

Under these agreements, the currency supplied by third party vendors remain their sole property until the funds are dispensed. As these funds are not our assets, supplied cash is not reflected in our Balance Sheets. The outstanding balances of ATM cash utilized by us from the third parties were approximately \$224.7 million and \$289.8 million as of December 31, 2018 and 2017, respectively.

Our primary commercial arrangement, the Contract Cash Solutions Agreement, as amended, with Wells Fargo provides us with cash in the maximum amount of \$300 million with the ability to increase the amount by \$75 million over a 5 -day period for holidays, such as the period around New Year’s Day. The term of the agreement expires on June 30, 2021 and will auto renew for additional one -year periods unless either party provides a 90 -day written notice of its intent not to renew.

We are responsible for any losses of cash in the ATMs under this agreement and we self-insure for this risk. We incurred no material losses related to this self-insurance for the years ended December 31, 2018, 2017, and 2016.

Site-Funded ATMs

We operate ATMs at certain customer gaming establishments where the gaming establishment provides the cash required for the ATM operational needs. We are required to reimburse the customer for the amount of cash dispensed from these site-funded ATMs. The site-funded ATM liability is included within settlement liabilities in the accompanying Balance Sheets and was \$249.6 million and \$210.8 million as of December 31, 2018 and 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 \$4.8 million and \$6.9 million of our cash for these ATMs at December 31, 2018 and 2017, respectively, which represents an outstanding balance under such agreements at the end of the period. Such amounts are reported within settlement receivables line of our Balance Sheets.

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 \$6.1 million and \$8.4 million at December 31, 2018 and 2017, respectively, and is included in prepaid expenses and other assets in our Balance Sheets.

6. TRADE AND OTHER RECEIVABLES

Trade 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 tax receivables and other miscellaneous receivables.

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

	At December 31,	
	2018	2017
Trade and other receivables, net		
Games trade and loans receivables	\$ 53,011	\$ 38,070
FinTech trade and loans receivables	18,890	10,780
Other receivables	1,333	1,570
Total trade and other receivables, net	\$ 73,234	\$ 50,420
Non-current portion of receivables		
Games trade and loans receivables	(2,922)	(1,267)
FinTech trade and loans receivables ⁽¹⁾	(5,925)	(1,371)
Total non-current portion of receivables	\$ (8,847)	\$ (2,638)
Total trade and other receivables, current portion	\$ 64,387	\$ 47,782

(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 amount of the expected losses on our receivables. The allowance for doubtful accounts for trade receivables was approximately \$6.4 million and \$4.7 million as of December 31, 2018 and 2017, respectively, and included approximately \$3.2 million and \$2.7 million of check warranty reserves, respectively. The provision for doubtful customer accounts receivable is generally included within operating expenses in the Statements of Income (Loss).

A summary activity of the reserve for check warranty losses is as follows (in thousands):

	Amount
Balance, December 31, 2015	\$ 2,973
Warranty expense provision	8,694
Charge-offs against reserve	(8,972)
Balance, December 31, 2016	2,695
Warranty expense provision	9,418
Charge-offs against reserve	(9,404)
Balance, December 31, 2017	2,709
Warranty expense provision	9,819
Charge-offs against reserve	(9,366)
Balance, December 31, 2018	\$ 3,162

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.

There was no material impairment of our inventory for the years ended December 31, 2018 and 2017 .

We recorded an immaterial impairment charge of approximately \$1.8 million in our Games segment for the year ended December 31, 2018 to reduce the carrying value of certain component parts to their fair values. The adjustment was included in operating expenses in our Statements of Income (Loss).

Inventory consisted of the following (in thousands):

	At December 31,	
	2018	2017
Inventory		
Component parts, net of reserves of \$1,468 and \$1,327 at December 31, 2018 and December 31, 2017, respectively	\$ 23,197	\$ 18,782
Work-in-progress	280	985
Finished goods	926	4,200
Total inventory	\$ 24,403	\$ 23,967

8. PREPAID AND OTHER ASSETS

Prepaid and other assets include the balance of prepaid expenses, deposits, debt issuance costs on our New 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 our Balance Sheets.

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

	At December 31,	
	2018	2017
Prepaid expenses and other assets		
Deposits	\$ 8,241	\$ 9,003
Prepaid expenses	8,351	6,426
Other	3,667	5,241
Total prepaid expenses and other assets	\$ 20,259	\$ 20,670

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

	At December 31,	
	2018	2017
Other assets		
Prepaid expenses and deposits	\$ 5,289	\$ 4,103
Debt issuance costs of revolving credit facility	654	849
Other	309	2,657
Total other assets	\$ 6,252	\$ 7,609

9. PROPERTY, EQUIPMENT AND LEASED ASSETS

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

	Useful Life (Years)	At December 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	\$ 183,309	\$ 105,038	\$ 78,271	\$ 162,319	\$ 80,895	\$ 81,424
Rental pool - undeployed	2-4	23,825	14,680	9,145	17,366	9,374	7,992
FinTech equipment	3-5	27,285	21,000	6,285	25,907	18,654	7,253
Leasehold and building improvements	Lease Term	11,857	6,938	4,919	10,981	5,211	5,770
Machinery, office and other equipment	2-5	46,322	28,654	17,668	35,167	24,087	11,080
Total		\$ 292,598	\$ 176,310	\$ 116,288	\$ 251,740	\$ 138,221	\$ 113,519

Depreciation expense related to property, equipment and leased assets totaled approximately \$61.2 million, \$47.3 million, and \$50.0 million for the years ended December 31, 2018, 2017, and 2016, respectively.

There was no material impairment of our property, equipment and leased assets for the years ended December 31, 2018 and 2017.

We recorded an immaterial impairment charge of approximately \$0.8 million in our Games segment for the year ended December 31, 2018 to reduce the carrying value of certain leased assets to their fair values. The adjustment was included in operating expenses in our Statements of Income (Loss).

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.

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 both an income approach that discounts future cash flows based on the estimated future results of our reporting units and a market approach that compares market multiples of comparable companies to determine whether or not any impairment exists.

Goodwill Testing

In performing our annual goodwill impairment tests, we utilize the approach prescribed under ASC 350. The "Step 1" required a comparison of the carrying amount of each reporting unit to its estimated fair value. To estimate the fair value of our reporting units for "Step 1", we used a combination of an income valuation approach and a market valuation approach. The income approach is based on a discounted cash flow ("DCF") analysis. This method involves estimating the after-tax cash flows attributable to a reporting unit and then discounting the after-tax cash flows to a present value, using a risk-adjusted discount rate. Assumptions used in the DCF require the exercise of significant judgment, including, but not limited to: appropriate discount rates and terminal values, growth rates and the amount and timing of expected future cash flows. The projected cash flows are based on our most recent annual budget and projected years beyond. Our budgets and projected cash flows are based on estimated future growth rates. We believe our assumptions are consistent with the plans and estimates used to manage the underlying businesses. The discount rates, which are intended to reflect the risks inherent in future cash flow projections, used in the DCF are based on estimates of the WACC of market participants relative to each respective reporting unit. The market approach considers comparable market data based on multiples of revenue or earnings before interest, taxes, depreciation and amortization ("EBITDA"). If the fair value of a reporting unit is less than its carrying amount, an impairment charge equal to the amount by which the carrying amount of goodwill for the reporting unit exceeds the fair value of that goodwill is recorded in accordance with ASC 350.

We had approximately \$640.5 million and \$640.6 million of goodwill on our Balance Sheets as of December 31, 2018 and 2017 , respectively, resulting from acquisitions of other businesses.

In connection with our annual goodwill impairment testing process for 2018 and 2017, we determined that no impairment adjustments were necessary. The fair value exceeded the carrying amount for each of the Games, Cash Access Services, Kiosk Sales and Services, Central Credit Services and Compliance Sales and Services reporting units for 2018 and 2017.

In connection with our annual goodwill impairment testing process 2016 , we determined that impairment adjustments were necessary. The fair value exceeded the carrying amount for each of the Cash Access Services, Kiosk Sales and Services, Central Credit Services and Compliance Sales and Services reporting units, while Games reporting unit had a goodwill impairment of \$146.3 million for 2016 . The impairment recorded in 2016 was primarily based upon limited growth and capital expenditure constraints in the gaming industry, consolidation and increased competition in the gaming manufacturing space, stock market volatility, global and domestic economic uncertainty, and lower than forecasted operating profits and cash flows. Based on these indicators, we revised our estimates and assumptions for the Games reporting unit.

Management performs its annual forecasting process, which, among other factors, includes reviewing recent historical results, company-specific variables and industry trends. This process is generally completed in the fourth quarter and considered in conjunction with the annual goodwill impairment evaluation.

The annual evaluation of goodwill requires the use of estimates about future operating results of each reporting unit to determine its estimated fair value. Changes in forecasted operations can materially affect these estimates, which could materially affect our results of operations. The estimates of fair value require significant judgment and are based on assumptions we determined to be reasonable; however, that are unpredictable and inherently uncertain, including, estimates of future growth rates, operating margins, and assumptions about the overall economic climate as well as the competitive environment for our reporting units. There can be no assurance that our estimates and assumptions made for purposes of our goodwill testing as of the time of testing will prove to be accurate predictions of the future. If our assumptions regarding business plans, competitive environments or anticipated growth rates are not correct, we may be required to record goodwill impairment charges in future periods, whether in connection with our next annual impairment testing, or earlier, if an indicator of an impairment is present prior to our next annual evaluation.

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

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

	Games	Cash Access Services	Kiosk Sales and Services	Central Credit Services	Compliance Sales and Services	Total
Goodwill						
Balance, December 31, 2016	\$ 449,041	\$ 157,055	\$ 5,745	\$ 17,127	\$ 11,578	\$ 640,546
Foreign translation adjustment	—	43	—	—	—	43
Balance, December 31, 2017	\$ 449,041	\$ 157,098	\$ 5,745	\$ 17,127	\$ 11,578	\$ 640,589
Foreign translation adjustment	—	(52)	—	—	—	(52)
Balance, December 31, 2018	\$ 449,041	\$ 157,046	\$ 5,745	\$ 17,127	\$ 11,578	\$ 640,537

Other Intangible Assets

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

	Weighted Average Remaining Life (Years)	At December 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	\$ 57,440	\$ 12,178	\$ 45,262	\$ 57,231	\$ 3,910	\$ 53,321
Customer contracts	6	51,175	46,162	5,013	51,175	43,638	7,537
Customer relationships	8	231,100	84,619	146,481	231,100	63,653	167,447
Developed technology and software	2	277,243	190,886	86,357	249,064	158,919	90,145
Patents, trademarks and other	4	29,168	24,884	4,284	29,046	23,185	5,861
Total		\$ 646,126	\$ 358,729	\$ 287,397	\$ 617,616	\$ 293,305	\$ 324,311

Amortization expense related to other intangible assets totaled approximately \$65.2 million, \$69.5 million, and \$94.6 million for the years ended December 31, 2018, 2017, and 2016, respectively. We capitalized \$33.3 million, \$29.4 million, and \$24.2 million of internal software development costs for the years ended December 31, 2018, 2017, and 2016, respectively.

On a quarterly basis, we evaluate our other intangible assets for potential impairment as part of our quarterly review process. There was no material impairment identified for any of our other intangible assets for the years ended December 31, 2018, 2017, and 2016.

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

Anticipated amortization expense	Amount
2019	\$ 64,380
2020	52,168
2021	41,440
2022	33,473
2023	20,241
Thereafter	50,316
Total ⁽¹⁾	\$ 262,018

(1) For the year ended December 31, 2018, the Company had \$25.4 million in other intangible assets which had not yet been placed into service.

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. 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 from 12 to 83 months, and we receive a fixed percentage or flat fee of those machines’ hold per day. Certain of the agreements contain EGM performance standards that could allow the respective facility to reduce a portion of our guaranteed floor space.

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

In July 2017, we entered into a placement fee agreement with a customer for certain of its locations for approximately \$49.1 million, net of \$10.1 million of unamortized fees related to superseded contracts. We paid approximately \$22.7 million and \$13.3 million in placement fees to this customer for the years ended December 31, 2018 and 2017, respectively. The payments made in 2018 included approximately \$2.1 million of imputed interest.

11. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

	At December 31,	
	2018	2017
Accounts payable and accrued expenses		
Trade accounts payable	\$ 70,796	\$ 59,435
Placement fees ⁽¹⁾	16,746	22,328
Payroll and related expenses	15,055	14,178
Deferred and unearned revenues	12,887	10,450
Other	6,303	11,303
Cash access processing and related expenses	4,160	8,932
Accrued taxes	1,917	2,112
Accrued interest	1,374	5,766
Total accounts payable and accrued expenses	\$ 129,238	\$ 134,504

(1) The total outstanding balance of the placement fee liability was approximately \$16.7 million and \$39.1 million as of December 31, 2018 and 2017, respectively. The placement fee liability was considered current portion due to the remaining obligation being due within twelve months of December 31, 2018. The remaining non-current placement fees of approximately \$16.8 million as of December 31, 2017 were included in other accrued expenses and liabilities in our Balance Sheets.

12. LONG-TERM DEBT

The following table summarizes our indebtedness (in thousands):

	At December 31,	
	2018	2017
Long-term debt		
Senior secured term loan	\$ 807,700	\$ 815,900
Senior unsecured notes	375,000	375,000
Total debt	1,182,700	1,190,900
Debt issuance costs and discount	(19,484)	(23,057)
Total debt after debt issuance costs and discount	1,163,216	1,167,843
Current portion of long-term debt	(8,200)	(8,200)
Long-term debt, less current portion	<u>\$ 1,155,016</u>	<u>\$ 1,159,643</u>

Refinancings

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; however, it 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.

On May 17, 2018, we entered into a Second Amendment (the “Second Amendment”) to the New Credit Agreement, which reduced the interest rate on the \$813.9 million outstanding balance of the senior secured term loan under the Credit Agreement by 50 basis points to LIBOR + 3.00% from LIBOR + 3.50% with the LIBOR floor unchanged at 1.00%. The senior secured term loan under the Credit Agreement will be subject to a prepayment premium of 1.00% of the principal amount repaid for any voluntary prepayment or mandatory prepayment with proceeds of debt that has a lower effective yield than the repriced term loan or any amendment to the repriced term loan that reduces the interest rate thereon, in each case, to the extent occurring within six months of the effective date of the Second Amendment. The maturity date for the Credit Agreement remains May 9, 2024, and no changes were made to the financial covenants or other debt repayment terms. We incurred approximately \$1.3 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 through the effectiveness of the Second Amendment were: (i) 3.50% in respect of Eurodollar Rate loans and (ii) 2.50% in respect of base rate loans. The applicable margins for the New Term Loan Facility from and after the effectiveness of the Second Amendment are: (i) 3.00% in respect of Eurodollar Rate loans and (ii) 2.00% 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, however, 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 December 31, 2018, our consolidated secured leverage ratio was 3.28 to 1.00, with a maximum allowable ratio of 4.75 to 1.00. Our maximum consolidated secured leverage will be reduced to 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 December 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 year ended December 31, 2018 , the New Term Loan Facility had an applicable weighted average interest rate of 5.17% .

At December 31, 2018 , we had approximately \$807.7 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 December 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 plus accrued and unpaid interest. As a result of the redemption, the Company 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 , which were included in the total \$14.6 million non-cash charge.

Senior Unsecured Notes

In December 2014, we issued \$350.0 million in aggregate principal amount of 10.0% 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 refinancing of our 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, 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 December 31, 2018 .

Principal Repayments

The maturities of our borrowings at December 31, 2018 are as follows (in thousands):

	Amount
Maturities of borrowings	
2019	\$ 8,200
2020	8,200
2021	8,200
2022	8,200
2023	8,200
Thereafter	1,141,700
Total	\$ 1,182,700

13. COMMITMENTS AND CONTINGENCIES

Placement Fee Arrangements

In July 2017, we extended the term of our then-existing placement fee agreement to 6 years and 11 months with our largest customer in Oklahoma. Under the terms of the agreement, we will pay approximately \$5.6 million per quarter in placement fees, inclusive of imputed interest, beginning in January 2018 and ending in July 2019. We paid approximately \$22.7 million and \$13.3 million in placement fees to this customer for the years ended December 31, 2018 and 2017, respectively. The payments made in 2018 included approximately \$2.1 million of imputed interest.

Lease Obligations

We lease office facilities and operating equipment under cancelable and non-cancelable agreements. Total rent expense was approximately \$7.8 million, \$6.8 million, and \$6.8 million for the years ended December 31, 2018, 2017, and 2016, respectively.

We have a long-term lease agreement related to office space for our corporate headquarters located in Las Vegas, Nevada that expires in April 2023.

In September 2014, the long-term lease agreement for office space in Austin, Texas was extended through June 2021.

We also have leased facilities in Chicago, Illinois and Reno, Nevada, which support the design, production and expansion of our gaming content. The long-term lease agreement for our Chicago facilities commenced in November 2015 and expires in June 2023. The long-term lease agreement for our Reno facilities commenced in February 2016 and expires in May 2021.

As of December 31, 2018, the minimum aggregate rental commitment under all non-cancelable operating leases were as follows (in thousands):

	Amount
Minimum aggregate rental commitments	
2019	\$ 5,570
2020	5,680
2021	4,598
2022	2,799
2023	1,074
Thereafter	—
Total	\$ 19,721

Litigation Claims and Assessments

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.

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 December 31, 2018 and 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 December 31, 2018 and 2017, we had 95,099,532 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 repurchased or withheld from restricted stock awards 17,552 and 15,457 shares of common stock at an aggregate purchase price of \$0.1 million for the years ended December 31, 2018 and 2017 to satisfy the minimum applicable tax withholding obligations related to the vesting of such restricted stock awards.

15. WEIGHTED AVERAGE SHARES OF COMMON STOCK

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

	At December 31,		
	2018	2017	2016
Weighted average shares			
Weighted average number of common shares outstanding - basic	69,464	66,816	66,050
Potential dilution from equity awards ⁽¹⁾	4,332	—	—
Weighted average number of common shares outstanding - diluted ⁽¹⁾	<u>73,796</u>	<u>66,816</u>	<u>66,050</u>

(1) The potential dilution excludes the weighted average effect of equity awards to purchase approximately 7.5 million shares of common stock for the year ended December 31, 2018, as the application of the treasury stock method, as required, makes them anti-dilutive. The Company was in a net loss position for the years ended December 31, 2017 and 2016; therefore, no potential dilution from the application of the treasury stock method was applicable. Equity awards to purchase approximately 16.0 million and 15.7 million shares of common stock for the years ended December 31, 2017 and 2016, respectively, were excluded from the computation of diluted net loss per share, as their effect would have been anti-dilutive.

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

Generally, we grant the following award types: (a) time-based options; (b) market-based options; (c) time-based restricted stock; and (d) restricted stock units (“RSUs”) with either time- or performance-based criteria.

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	20	—	1,877
Exercised options or vested shares	(1,980)	(66)	—
Cancelled or forfeited	(1,497)	—	(80)
Outstanding, December 31, 2018	15,674	8	1,797

There were approximately 3.6 million awards of our common stock available for future equity grants, both under the Amended and Restated 2014 Plan and the 2012 Plan as of December 31, 2018.

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 and the options expire after a ten -year period. We estimate forfeiture amounts based on historical patterns.

Our market-based options granted in 2017 and 2016 under our 2014 Plan and 2012 Plan vest at a rate of 25% per year on each of the first four anniversaries of the grant date, provided that as of the vesting date for each vesting tranche, the closing price of the Company’s shares on the New York Stock Exchange is at least a specified price hurdle, defined as a 25% and 50% premium for 2017 and 2016, respectively, 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 market-based option awards granted during the year ended December 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:

	Year Ended December 31,		
	2018	2017	2016
Risk-free interest rate	3%	2%	1%
Expected life of options (in years)	6	6	5
Expected volatility	53%	54%	51%
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:

	Year Ended December 31,	
	2017	2016
Risk-free interest rate	3%	2%
Measurement period (in years)	10	10
Expected volatility	70%	68%
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	20	7.88		
Exercised	(1,980)	4.84		
Canceled or forfeited	(1,497)	5.51		
Outstanding, December 31, 2018	<u>15,674</u>	\$ 5.39	6.0	\$ 17,733
Vested and expected to vest, December 31, 2018	<u>14,947</u>	\$ 5.44	5.9	\$ 16,559
Exercisable, December 31, 2018	<u>9,728</u>	\$ 6.15	5.3	\$ 7,284

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

Range of Exercise Prices	Options Outstanding			Options Exercisable		
	Number Outstanding	Weighted Average Remaining Contract	Weighted Average Exercise	Number Exercisable	Weighted Average Exercise	
	(in thousands)	Life (Years)	Prices	(in thousands)	Price	
\$ 1.46 - \$ 2.40	2,630	7.3	\$ 1.54	1,110	\$ 1.55	
2.70 - 2.78	565	7.1	2.77	515	2.77	
3.29 - 3.29	3,326	8.2	3.29	741	3.29	
3.41 - 7.05	2,611	4.1	5.81	2,545	5.79	
7.09 - 7.61	929	5.5	7.34	810	7.32	
7.74 - 9.74	5,613	4.9	8.19	4,007	8.36	
	<u>15,674</u>			<u>9,728</u>		

There were 20,000, 4.3 million, and 4.4 million options granted for the years ended December 31, 2018, 2017, and 2016, respectively. The weighted average grant date fair value per share of the options granted was \$4.15, \$1.98, and \$0.83 for the years ended December 31, 2018, 2017, and 2016, respectively. The total intrinsic value of options exercised was \$6.5 million and \$5.3 million for the years ended December 31, 2018 and 2017. There were no options exercised in 2016.

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

There was approximately \$7.9 million and \$11.7 million in unrecognized compensation expense related to options expected to vest as of December 31, 2017 and 2016, respectively. This cost was expected to be recognized on a straight-line basis over a weighted average period of 3.5 years and 2.1 years for the years ended December 31, 2017 and 2016, respectively. We recorded approximately \$6.0 million and \$6.3 million in non-cash compensation expense related to options granted that were expected to vest as of December 31, 2017 and 2016, respectively. We received approximately \$10.9 million in cash proceeds from the exercise of options during 2017 and there was no exercise of options during 2016, as no exercises occurred during the period.

Restricted Stock Awards

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

	Shares Outstanding (in thousands)	Weighted Average Grant Date Fair Value (per Share)
Outstanding, December 31, 2017	74	\$ 7.00
Granted	—	—
Vested	(66)	7.04
Forfeited	—	—
Outstanding, December 31, 2018	<u>8</u>	<u>\$ 6.66</u>

There were no shares of restricted stock granted for the year ended December 31, 2018 . The total fair value of restricted stock vested was approximately \$0.5 million for the year ended December 31, 2018 . There was \$31,952 in unrecognized compensation expense related to shares of restricted stock expected to vest as of December 31, 2018 , which was expected to be recognized on a straight-line basis over a weighted average period of 0.3 years . There were 65,501 shares of restricted stock that vested during 2018 , and we recorded approximately \$0.4 million in non-cash compensation expense related to the restricted stock granted that was expected to vest during 2018 .

There were 50,000 shares of restricted stock granted for the year ended December 31, 2017 and no shares of restricted stock granted for the year ended December 31, 2016 . The total fair value of restricted stock vested was approximately \$0.4 million and approximately \$0.2 million for the years ended December 31, 2017 and 2016 , respectively. There was approximately \$0.5 million and approximately \$1.0 million in unrecognized compensation expense related to shares of time-based restricted awards expected to vest as of December 31, 2017 and 2016 , respectively, and is expected to be recognized on a straight-line basis over a weighted average period of 1.1 years and 1.7 years, respectively. There were 56,578 shares and 74,919 shares of restricted stock that vested during 2017 and 2016 , respectively, and we recorded approximately \$0.4 million and approximately \$0.5 million in non-cash compensation expense related to the restricted stock granted that was expected to vest during 2017 and 2016 , respectively.

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)	Weighted Average Life Remaining (Years)	Aggregate Intrinsic Value (in thousands)
Outstanding, December 31, 2017	—	\$ —		
Granted	1,877	7.49		
Exercised	—	—		
Canceled or forfeited	(80)	7.46		
Outstanding, December 31, 2018	<u>1,797</u>	<u>\$ 7.49</u>	<u>2.0</u>	<u>\$ 9,254</u>
Vested and expected to vest, December 31, 2018	<u>1,219</u>	<u>\$ 7.49</u>	<u>1.8</u>	<u>\$ 6,278</u>

The time-based RSUs granted during 2018 vest at a rate of 25% per year on each of the first four anniversaries of the grant dates.

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

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

There were approximately 1.9 million shares of RSU awards granted for the year ended December 31, 2018 and no RSUs granted for the years ended December 31, 2017 and 2016 . There were zero RSUs that vested during the years ended December 31, 2018 , 2017 and 2016 .

There was approximately \$6.7 million in unrecognized compensation expense related to RSU awards expected to vest as of December 31, 2018 . This cost is expected to be recognized on a straight-line basis over a weighted average period of 3.0 years . We recorded approximately \$1.8 million in non-cash compensation expense related to RSU awards for the year ended December 31, 2018 .

17. INCOME TAXES

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

	Year Ended December 31,		
	2018	2017	2016
Consolidated income (loss) before tax			
Domestic	\$ 1,227	\$ (73,445)	\$ (225,538)
Foreign	1,419	1,378	7,755
Total	\$ 2,646	\$ (72,067)	\$ (217,783)

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

	Year Ended December 31,		
	2018	2017	2016
Income tax (benefit) provision			
Domestic	\$ (10,166)	\$ (20,507)	\$ 30,400
Foreign	456	343	1,296
Total income tax (benefit) provision	\$ (9,710)	\$ (20,164)	\$ 31,696
Income tax (benefit) provision			
Current	\$ 633	\$ 461	\$ 1,756
Deferred	(10,343)	(20,625)	29,940
Total income tax (benefit) provision	\$ (9,710)	\$ (20,164)	\$ 31,696

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

	Year Ended December 31,		
	2018	2017	2016
Income tax reconciliation			
Federal statutory rate	21.0 %	35.0 %	35.0 %
Foreign provision	6.8 %	0.3 %	0.5 %
State/province income tax	12.4 %	2.4 %	0.8 %
Non-deductible compensation cost	(7.7)%	(2.0)%	(0.5)%
Adjustment to carrying value ⁽¹⁾	6.2 %	31.2 %	0.2 %
Research credit	(76.3)%	1.9 %	0.2 %
Valuation allowance	(344.9)%	(39.6)%	(27.4)%
Goodwill impairment	— %	— %	(23.5)%
Global intangible low-taxed income	9.1 %	— %	— %
Non-deductible expenses - other	7.2 %	(0.5)%	(0.1)%
Other	(0.8)%	(0.7)%	0.2 %
Effective tax rate	(367.0)%	28.0 %	(14.6)%

(1) The adjustment to carrying value in 2017 is due primarily to the federal tax rate change in the Tax Cuts and Jobs Act of 2017 (“2017 Tax Act”).

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

	Year Ended December 31,		
	2018	2017	2016
Deferred income tax assets related to:			
Net operating losses	\$ 97,190	\$ 87,250	\$ 98,664
Stock compensation expense	7,264	6,601	11,559
Accounts receivable allowances	1,582	1,117	1,745
Accrued and prepaid expenses	3,639	3,953	6,276
Long-term debt	—	—	493
Other	1,319	479	1,399
Tax credits	9,244	6,822	6,394
Interest Limitation	2,738	—	—
Valuation allowance	(53,156)	(63,303)	(61,012)
Total deferred income tax assets	\$ 69,820	\$ 42,919	\$ 65,518
Deferred income tax liabilities related to:			
Property, equipment and leased assets	\$ 3,855	\$ 3,129	\$ 13,216
Intangibles	89,865	73,597	106,307
Long-term debt	3,614	3,292	—
Other	353	1,108	3,606
Total deferred income tax liabilities	\$ 97,687	\$ 81,126	\$ 123,129
Deferred income taxes, net	\$ (27,867)	\$ (38,207)	\$ (57,611)

The 2017 Tax Act was enacted on December 22, 2017. The 2017 Tax Act made significant changes to the federal tax law, including a reduction in the federal income tax rate from 35% to 21% effective January 1, 2018, stricter limits on deduction of interest, an 80% taxable income limitation on the use of post-2017 net operating loss (“NOL”), and a one-time transition tax on previously deferred earnings of certain foreign subsidiaries. As a result of our initial analysis of the 2017 Tax Act and existing implementation guidance, we remeasured our deferred tax assets and liabilities, which resulted in a \$22.5 million reduction in our income tax expense in 2017. We computed our transition tax liability of \$1.3 million due to the 2017 Tax Act, net of associated foreign tax credits, which was completely offset by additional foreign tax credits carried forward. Any remaining foreign tax credits not utilized by the transition tax were fully offset by a valuation allowance.

On December 22, 2017, the SEC staff issued Staff Accounting Bulletin 118 (“SAB 118”), which provided guidance on accounting for the tax effects of the 2017 Tax Act. In accordance with the SAB 118 guidance, some of the income tax effects recorded in 2017 and through December 22, 2018 were provisional, including the one-time transition tax, the effect on our valuation allowance including the stricter limits on interest deductions, the GILTI provisions of the 2017 Tax Act, and the remeasurement of our deferred tax assets and liabilities. During 2018, we recognized insignificant adjustments to the provisional amounts recorded at December 31, 2017 and included these adjustments as a component of income tax expense from continuing operations.

Unrepatriated earnings were approximately \$19.7 million as of December 31, 2018. Almost all of these earnings are considered permanently reinvested, as it is management’s intention to reinvest foreign earnings in foreign operations. We project sufficient cash flow, or borrowings available under our New Credit Facilities in the U.S.; therefore, we do not need to repatriate our foreign earnings to finance U.S. operations at this time. Due to the 2017 Tax Act, there is no U.S. federal tax on cash repatriation from foreign subsidiaries, however, it could be subject to foreign withholding tax and U.S. state income taxes.

The 2017 Tax Act subjects a U.S. corporation to current tax on the GILTI earned by certain foreign subsidiaries and a base erosion anti-avoidance tax (“BEAT”). Our foreign subsidiaries’ earnings for the year-ended December 31, 2018 have been subject to U.S. federal income tax via the newly enacted GILTI provision. We have elected to recognize the taxes on GILTI and BEAT as a period expense in the period the taxes are incurred.

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

We evaluated negative evidence noting that we reported cumulative net losses for the three-year periods ended as of December 31, 2016, 2017, and 2018. Pursuant to accounting guidance, a cumulative loss in recent years is a significant piece of negative evidence that must be considered and is difficult to overcome without sufficient objectively verifiable, positive evidence. As such, certain aspects of our historical results were included in our forecasted taxable income. Although our forecast of future taxable income was a positive indicator, since this form of evidence was not objectively verifiable, its weight was not sufficient to overcome the negative evidence. However, based on our current year activity and the changes in the 2017 Tax Act, we decreased our valuation allowance for deferred tax assets by \$10.1 million during 2018. The decrease in our valuation allowance is primarily due to the net operating loss during the year and the interest deduction limitation (deferred tax assets) which can be offset against our indefinite lived deferred tax liabilities. The ultimate realization of deferred tax assets depends on having sufficient taxable income in the future years when the tax deductions associated with the deferred tax assets become deductible. The establishment of a valuation allowance does not impact cash, nor does it preclude us from using our tax credits, loss carry-forwards and other deferred tax assets in the future.

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

	Year Ended December 31,		
	2018	2017	2016
Balance at beginning of period	\$ 63,303	\$ 61,012	\$ 1,442
Charged to provision for income taxes	(9,125)	(2,263)	59,570
Other ⁽¹⁾	(1,022)	4,554	—
Balance at end of period	<u>\$ 53,156</u>	<u>\$ 63,303</u>	<u>\$ 61,012</u>

(1) For 2017, the amount was recorded as a result of our adoption of ASU No. 2016-09 effective January 1, 2017. For 2018, the amount was recorded as a result of our adoption of ASC 606 effective January 1, 2018.

We had \$395.2 million, or \$83.0 million, tax effected, of accumulated federal net operating losses as of December 31, 2018. The net operating losses can be carried forward and applied to offset taxable income for 20 years and will expire starting in 2022 (for losses incurred before 2018). Losses incurred in 2018 of approximately \$38.9 million, or \$8.2 million, tax effected, can be carried forward indefinitely to offset taxable income. We had \$8.5 million, tax effected, of federal research and development credit carry-forwards and \$0.5 million, tax effected, of foreign tax credit carry-forwards as of December 31, 2018. The research and development credits are limited to a 20 years carry-forward period and will expire starting in 2029. The foreign tax credits can be carried forward 10 years and will expire in 2020, if not utilized. Our \$0.3 million balance of alternative minimum tax credits at December 31, 2018 will be refunded over the next four years in accordance with the 2017 Tax Act. We also have a receivable for \$0.6 million related to alternative minimum tax credits for which a refund was requested on our December 31, 2017 federal tax return. As of December 31, 2018, \$46.6 million of our valuation allowance relates to federal net operating loss carry-forwards and credits that we estimate are not more likely than not to be realized.

We had tax effected state net operating loss carry-forwards of approximately \$14.1 million as of December 31, 2018. The state net operating loss carry-forwards will expire between 2019 and 2039. The determination and utilization of these state net operating loss carry-forwards are dependent upon apportionment percentages and other respective state laws, which can change from year to year. As of December 31, 2018, \$6.5 million of our valuation allowance relates to certain state net operating loss carry-forwards that we estimate are not more likely than not to be realized. The remaining valuation allowance of \$0.1 million relates to foreign net operating losses.

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

	Year Ended December 31,		
	2018	2017	2016
Unrecognized tax benefit			
Unrecognized tax benefit at the beginning of the period	\$ 937	\$ 834	\$ 729
Gross increases - tax positions in prior period	125	103	105
Unrecognized tax benefit at the end of the period	\$ 1,062	\$ 937	\$ 834

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 December 31, 2018, the Company recorded \$1.1 million of unrecognized tax benefits, all of which would impact our effective tax rate, if recognized. We do not anticipate that our unrecognized tax benefits will materially change within the next 12 months. The Company has not accrued any penalties and interest for its unrecognized tax benefits. Other than the unrecognized tax benefit recorded, we believe that our income tax filing positions and deductions will be sustained upon audit, and we do not anticipate any other adjustments that will result in a material change to our financial position. We may, from time to time, be assessed interest or penalties by tax jurisdictions, although any such assessments historically have been minimal and immaterial to our financial results. Our policy for recording interest and penalties associated with audits and unrecognized tax benefits is to record such items as a component of income tax in our Statements of Income (Loss).

We are subject to taxation in the U.S. and various states and foreign jurisdictions. We have a number of federal and state income tax years still open for examination as a result of our net operating loss carry-forwards. Accordingly, we are subject to examination for both U.S. federal and some of the state tax returns for the years 2004 to present. For the remaining state, local and foreign jurisdictions, with some exceptions, we are no longer subject to examination by tax authorities for years before 2015.

18. SEGMENT INFORMATION

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

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

- 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; interactive solutions; and ancillary products and services.
- The FinTech segment provides solutions directly to gaming establishments to offer their patrons cash access-related services and products, including: access to cash 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. 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" for more information.

The following tables present segment information (in thousands):

	For the Year Ended December 31,		
	2018	2017	2016
Games			
Revenue			
Gaming operations	\$ 168,146	\$ 148,654	\$ 152,514
Gaming equipment and systems	87,038	70,118	56,277
Gaming other	3,794	4,005	4,462
Total revenues	\$ 258,978	\$ 222,777	\$ 213,253
Costs and expenses			
Cost of revenues ⁽¹⁾			
Gaming operations	17,603	15,741	15,265
Gaming equipment and systems	47,121	35,707	31,602
Gaming other	3,285	3,247	3,441
Total cost of revenues	68,009	54,695	50,308
Operating expenses	57,244	42,780	42,561
Research and development	20,497	18,862	19,356
Goodwill impairment	—	—	146,299
Depreciation	55,058	40,428	41,582
Amortization	55,099	57,060	79,390
Total costs and expenses	255,907	213,825	379,496
Operating income (loss)	\$ 3,071	\$ 8,952	\$ (166,243)

(1) Exclusive of depreciation and amortization.

	For the Year Ended December 31,		
	2018	2017	2016
FinTech			
Revenues			
Cash access services	\$ 156,806	\$ 707,222	\$ 601,874
Equipment	20,977	13,258	14,995
Information services and other	32,754	31,691	29,334
Total revenues	\$ 210,537	\$ 752,171	\$ 646,203
Costs and expenses			
Cost of revenues ⁽¹⁾			
Cash access services	9,717	572,880	485,061
Equipment	12,601	7,717	9,889
Information services and other	4,110	3,253	3,756
Cost of revenues	26,428	583,850	498,706
Operating expenses	85,054	76,155	76,148
Depreciation	6,167	6,854	8,413
Amortization	10,146	12,445	15,248
Total costs and expenses	127,795	679,304	598,515
Operating income	\$ 82,742	\$ 72,867	\$ 47,688

(1) Exclusive of depreciation and amortization.

	For the Year Ended December 31,		
	2018	2017	2016
Total Games and FinTech			
Total revenues	\$ 469,515	\$ 974,948	\$ 859,456
Costs and expenses			
Cost of revenues ⁽¹⁾	94,437	638,545	549,014
Operating expenses	142,298	118,935	118,709
Research and development	20,497	18,862	19,356
Goodwill impairment	—	—	146,299
Depreciation	61,225	47,282	49,995
Amortization	65,245	69,505	94,638
Total costs and expenses	383,702	893,129	978,011
Operating income (loss)	\$ 85,813	\$ 81,819	\$ (118,555)

(1) Exclusive of depreciation and amortization.

	At December 31,	
	2018	2017
Total assets		
Games	\$ 912,849	\$ 925,186
FinTech	635,412	611,888
Total assets	\$ 1,548,261	\$ 1,537,074

Major customers. For the years ended December 31, 2018, 2017, and 2016, no single customer accounted for more than 10% of our revenues. Our five largest customers accounted for approximately 22%, 31%, and 31% of our total revenue in 2018, 2017, and 2016, respectively.

19. SELECTED QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The unaudited selected quarterly results of operations are as follows (in thousands, except for per share amounts)*. Since we adopted ASC 606 utilizing the modified retrospective method, the prior year comparative amounts shown in the table below have not been restated.

	Quarter				Year
	First	Second	Third	Fourth	
2018					
Revenues	\$ 111,001	\$ 118,682	\$ 120,330	\$ 119,502	\$ 469,515
Operating income	24,491	22,597	21,510	17,215	85,813
Net income	4,609	1,475	2,069	4,203	12,356
Basic earnings per share	\$ 0.07	\$ 0.02	\$ 0.03	\$ 0.06	\$ 0.18
Diluted earnings per share	\$ 0.06	\$ 0.02	\$ 0.03	\$ 0.06	\$ 0.17
Weighted average common shares outstanding					
Basic	68,686	69,203	69,750	70,196	69,464
Diluted	73,285	73,440	74,594	74,024	73,796
2017					
Revenues	\$ 237,537	\$ 242,230	\$ 247,322	\$ 247,859	\$ 974,948
Operating income (loss)	22,603	21,292	19,795	18,129	81,819
Net loss	(3,508)	(19,057)	(4,289)	(25,049)	(51,903)
Basic loss per share	\$ (0.05)	\$ (0.29)	\$ (0.06)	\$ (0.37)	\$ (0.78)
Diluted loss per share	\$ (0.05)	\$ (0.29)	\$ (0.06)	\$ (0.37)	\$ (0.78)
Weighted average common shares outstanding					
Basic	66,090	66,350	66,897	67,755	66,816
Diluted	66,090	66,350	66,897	67,755	66,816

* Rounding may cause variances.

20. SUBSEQUENT EVENTS

On March 8, 2019, we entered into an agreement to acquire certain assets from a privately held company that develops and distributes hardware and software applications to gaming operators to enhance gaming patron loyalty. This acquisition includes existing contracts with gaming operators, technology and intellectual property that allow us to provide gaming operators a self-service enrollment and loyalty card printing kiosk, a mobile application to offer a gaming operator's patrons additional flexibility in accessing casino promotions, and a marketing platform that manages and delivers a gaming operator's marketing programs through these patron interfaces. This acquisition will expand our financial technology solutions offerings within our FinTech segment. Under the terms of the asset purchase agreement, we paid the seller \$20 million at the closing of the transaction and will pay an additional \$10 million one year following after closing and another \$10 million two years following after the date of closing. In addition, we expect that an additional \$10 million in contingent consideration will be earned by the seller based upon the achievement of certain revenue targets over the first two years post-closing. We expect the total purchase price for this acquisition, inclusive of the contingent consideration, to be approximately \$50 million. We have not completed the purchase price accounting analysis, however, we do not expect that the acquisition will have a material impact on our results of operations or financial condition.

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

None.

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

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

Management's Report of Internal Control over Financial Reporting

The Company's management, including its Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Management assessed the effectiveness of internal control over financial reporting as of December 31, 2018, utilizing the criteria described in the "Internal Control - Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management's assessment included evaluation of elements such as the design and operating effectiveness of key financial reporting controls, process documentation, accounting policies, and our overall control environment. Based on this assessment, management has concluded that our internal control over financial reporting was effective at a reasonable assurance level as of December 31, 2018.

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

Changes in Internal Control over Financial Reporting

There was no change to our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the fourth quarter ended December 31, 2018 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on Internal Control over Financial Reporting

We have audited Everi Holdings Inc. and subsidiaries' (the "Company's") internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on the COSO criteria .

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Company and subsidiaries as of December 31, 2018 and 2017, the related consolidated statements of income (loss) and comprehensive income (loss), stockholders' deficit, and cash flows for each of the three years in the period ended December 31, 2018, and the related notes and our report dated March 12, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

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

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

Definition and Limitations of Internal Control over Financial Reporting

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

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

/s/ BDO USA, LLP
Las Vegas, Nevada
March 12, 2019

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information regarding our directors, executive officers, and certain corporate governance related matters contained under the headings “Election of Directors,” “Executive Officers,” “Section 16(a) Beneficial Ownership Reporting Compliance,” and “Board and Corporate Governance Matters” in the Company’s definitive proxy statement to be filed with the SEC in connection with our 2019 annual meeting of stockholders (the “2019 Proxy Statement”) is incorporated herein by reference.

Item 11. Executive Compensation.

The information regarding director compensation and executive officer compensation contained under the headings “Board and Corporate Governance Matters – 2018 Director Compensation” and “Executive Compensation,” respectively, in the 2019 Proxy Statement is incorporated herein by reference.

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

The information regarding share ownership contained under the heading “Security Ownership of Certain Beneficial Owners and Management” in the 2019 Proxy Statement is incorporated herein by reference.

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

The information regarding director independence and related party transactions under the headings “Board and Corporate Governance Matters – Director Independence” and “Transactions with Related Persons,” respectively, in the 2019 Proxy Statement is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services.

The information regarding audit fees, audit-related fees, tax fees, all other fees, and the Audit Committee’s policies and procedures on pre-approval of audit and permissible non-audit services of independent auditors contained under the heading “Ratification of the Appointment of Independent Registered Public Accounting Firm” in the 2019 Proxy Statement is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

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

1. Financial Statements

<u>Report of BDO USA, LLP, Independent Registered Public Accounting Firm</u>	49
<u>Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) for the three years ended December 31, 2018</u>	50
<u>Consolidated Balance Sheets as of December 31, 2018 and 2017</u>	52
<u>Consolidated Statements of Cash Flows for the three years ended December 31, 2018</u>	53
<u>Consolidated Statements of Stockholders' (Deficit) Equity for the three years ended December 31, 2018</u>	54
<u>Notes to Consolidated Financial Statements</u>	55

2. Financial Statement Schedules

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

3. See Item 15(b)

(b) Exhibits:

Exhibit Number	Exhibit Description
3.1	<u>Amended and Restated Certificate of Incorporation of Holdings (incorporated by reference to Exhibit 3.1 of Amendment No.1 Holdings' Registration Statement on Form S-1 (Registration No. 333-123514) filed with the SEC on May 26, 2005).</u>
3.2	<u>Certificate of Amendment of Amended and Restated Certificate of Incorporation of Holdings (incorporated by reference to Exhibit 3.1 of Holdings' Current Report on Form 8-K filed with the SEC on April 30, 2009).</u>
3.3	<u>Certificate of Amendment of Amended and Restated Certificate of Incorporation of Holdings (incorporated by reference to Exhibit 3.1 of Holdings' Current Report on Form 8-K filed with the SEC on August 14, 2015).</u>
3.4	<u>Second Amended and Restated Bylaws of Holdings (effective as of August 24, 2015) (incorporated by reference to Exhibit 3.2 of Holdings' Current Report on Form 8-K filed with the SEC on August 14, 2015).</u>
4.1	<u>Indenture (and Form of 7.50% Senior Note due 2025 attached as Exhibit A thereto), dated as of December 5, 2017, by and among Everi Payments, Everi Holdings, certain of its wholly owned subsidiaries, as guarantors, and Deutsche Bank Trust Company Americas, as trustee (incorporated by reference to Exhibit 4.1 of Holdings' Current Report on Form 8-K filed with the SEC on December 5, 2017).</u>
10.1	<u>Credit Agreement, dated as of May 9, 2017, among Everi Payments, Holdings, the lenders party thereto and Jefferies Finance LLC, as administrative agent, collateral agent, swing line lender, letter of credit issuer, sole lead arranger and sole book manager (incorporated by reference to Exhibit 10.1 of Holdings' Current Report on Form 8-K filed with the SEC on May 9, 2017).</u>
10.2	<u>Security Agreement, dated as of May 9, 2017, among Everi Payments, Holdings, as a guarantor, the subsidiary guarantors party thereto, and Jefferies Finance LLC, as collateral agent, related to the Credit Agreement (incorporated by reference to Exhibit 10.2 of Holdings' Current Report on Form 8-K filed with the SEC on May 9, 2017).</u>
10.3	<u>Guaranty, dated May 9, 2017, by Everi Holdings, as a guarantor, and the subsidiary guarantors party thereto, in favor of the lenders party from time to time to the Credit Agreement and Jefferies Finance LLC, as administrative agent (incorporated by reference to Exhibit 10.3 of Holdings' Current Report on Form 8-K filed with the SEC on May 9, 2017).</u>

**Exhibit
Number****Exhibit Description**

10.4	<u>First Amendment to Credit Agreement, dated November 13, 2017, among Everi Payments, Holdings, the subsidiary guarantors party thereto, the lenders party thereto and Jefferies Finance LLC, as administrative agent (incorporated by reference to Exhibit 10.1 of Holdings' Current Report on Form 8-K filed with the SEC on November 13, 2017).</u>
10.5	<u>Agreement for Processing Services, dated as of August 20, 2013, by and between Columbus Data Services, LLC and Everi Payments (incorporated by reference to Exhibit 10.10 of Holdings' Annual Report on Form 10-K filed with the SEC on March 15, 2016).</u>
10.6	<u>Sponsorship Agreement, dated February 11, 2011, between Everi Payments and American State Bank (incorporated by reference to Exhibit 10.54 of Holdings' Annual Report on Form 10-K filed with the SEC on March 14, 2011).</u>
†10.7	<u>Holdings 2005 Stock Incentive Plan (incorporated by reference to Exhibit 10.25 of the Annual Report on Form 10-K of Everi Payments filed with the SEC on March 10, 2005).</u>
†10.8	<u>Form of Stock Option Award for Performance Price Vesting under the 2005 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to Holdings' Quarterly Report on Form 10-Q filed with the SEC on August 5, 2014).</u>
†10.9	<u>Form of Stock Option Award for Cliff Vesting under the 2005 Stock Incentive Plan (incorporated by reference to Exhibit 10.2 to Holdings' Quarterly Report on Form 10-Q filed with the SEC on August 5, 2014).</u>
†10.10	<u>Form of Stock Option Award for Non-Employee Directors under the 2005 Stock Incentive Plan (incorporated by reference to Exhibit 10.3 to Holdings' Quarterly Report on Form 10-Q filed with the SEC on August 5, 2014).</u>
†10.11	<u>Form of Stock Option Award for Executives under the 2005 Stock Incentive Plan (incorporated by reference to Exhibit 10.4 to Holdings' Quarterly Report on Form 10-Q filed with the SEC on August 5, 2014).</u>
†10.12	<u>Form of Stock Option Award for Employees under the 2005 Stock Incentive Plan (incorporated by reference to Exhibit 10.5 to Holdings' Quarterly Report on Form 10-Q filed with the SEC on August 5, 2014).</u>
†10.13	<u>Holdings Amended and Restated 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to Holdings' Current Report on Form 8-K filed with the SEC on May 26, 2017).</u>
†10.14	<u>Form of Stock Option Agreement under the Amended and Restated 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.7 to Holdings' Current Report on Form 8-K filed with the SEC on May 10, 2016).</u>
†10.15	<u>Form of Stock Option Award (Performance-Based) (Double-Trigger Acceleration) for Non-Employee Directors under the Amended and Restated 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.2 to Holdings' Current Report on Form 8-K filed with the SEC on May 10, 2016).</u>
†10.16	<u>Form of Stock Option Award (Performance-Based) (Double-Trigger Acceleration) for Executives under the Amended and Restated 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.3 to Holdings' Current Report on Form 8-K filed with the SEC on May 10, 2016).</u>
†10.17	<u>Form of Stock Option Award (Time-Based) (Double-Trigger Acceleration) for Non-Employee Directors under the Amended and Restated 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.4 to Holdings' Current Report on Form 8-K filed with the SEC on May 10, 2016).</u>
†10.18	<u>Form of Stock Option Award (Time-Based) (Double-Trigger Acceleration) for Executives under the Amended and Restated 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.5 to Holdings' Current Report on Form 8-K filed with the SEC on May 10, 2016).</u>
†10.19	<u>Form of Stock Option Award (Time-Based) (Double-Trigger Acceleration) for Employees under the Amended and Restated 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.6 to Holdings' Current Report on Form 8-K filed with the SEC on May 10, 2016).</u>
†10.20	<u>Holdings 2012 Equity Incentive Plan (incorporated by reference to Exhibit 99.1 to Holdings' Current Report on Form S-8 filed with the SEC on March 16, 2015).</u>
†10.21	<u>Amendment to the Holdings 2012 Equity Incentive Plan (incorporated by reference to Exhibit 99.2 to Holdings' Current Report on Form S-8 filed with the SEC on March 16, 2015).</u>

†10.22

[Form of Stock Option Agreement under the 2012 Equity Incentive Plan \(incorporated by reference to Exhibit 10.13 to Holdings' Current Report on Form 8-K filed with the SEC on May 10, 2016\).](#)

**Exhibit
Number****Exhibit Description**

†10.23	<u>Form of Stock Option Award (Performance-Based) (Double-Trigger Acceleration) for Non-Employee Directors under the 2012 Equity Incentive Plan (incorporated by reference to Exhibit 10.8 to Holdings' Current Report on Form 8-K filed with the SEC on May 10, 2016).</u>
†10.24	<u>Form of Stock Option Award (Performance-Based) (Double-Trigger Acceleration) for Executives under the 2012 Equity Incentive Plan (incorporated by reference to Exhibit 10.9 to Holdings' Current Report on Form 8-K filed with the SEC on May 10, 2016).</u>
†10.25	<u>Form of Stock Option Award (Time-Based) (Double-Trigger Acceleration) for Non-Employee Directors under the 2012 Equity Incentive Plan (incorporated by reference to Exhibit 10.10 to Holdings' Current Report on Form 8-K filed with the SEC on May 10, 2016).</u>
†10.26	<u>Form of Stock Option Award (Time-Based) (Double-Trigger Acceleration) for Executives under the 2012 Equity Incentive Plan (incorporated by reference to Exhibit 10.11 to Holdings' Current Report on Form 8-K filed with the SEC on May 10, 2016).</u>
†10.27	<u>Form of Stock Option Award (Time-Based) (Double-Trigger Acceleration) for Employees under the 2012 Equity Incentive Plan (incorporated by reference to Exhibit 10.12 to Holdings' Current Report on Form 8-K filed with the SEC on May 10, 2016).</u>
†10.28	<u>Form of Indemnification Agreement between Holdings and each of its executive officers and directors (incorporated by reference to Exhibit 10.27 to Holdings' Registration Statement on Form S-1 (Registration No. 333-123514) filed with the SEC on March 22, 2005).</u>
†10.29	<u>Employment Agreement with Randy L. Taylor (effective as of August 5, 2014) (incorporated by reference to Exhibit 10.1 of Holdings' Current Report on Form 8-K filed with the SEC on August 5, 2014).</u>
†10.30	<u>Employment Agreement with Juliet A. Lim (effective as of August 5, 2014) (incorporated by reference to Exhibit 10.34 of Holdings' Annual Report on Form 10-K filed with the SEC on March 16, 2015).</u>
†10.31	<u>First Amendment to Employment Agreement with Juliet A. Lim (effective as of January 3, 2017) (incorporated by reference to Exhibit 10.45 of Holdings' Annual Report on Form 10-K filed with the SEC on March 14, 2017).</u>
†10.32	<u>Employment Agreement with David Lucchese (effective as of August 5, 2014) (incorporated by reference to Exhibit 10.2 of Holdings' Current Report on Form 8-K filed with the SEC on August 5, 2014).</u>
†10.33	<u>First Amendment to Employment Agreement with David Lucchese (effective as of January 3, 2017) (incorporated by reference to Exhibit 10.47 of Holdings' Annual Report on Form 10-K filed with the SEC on March 14, 2017).</u>
†10.34	<u>Employment Agreement with Edward A. Peters (effective January 15, 2015) (incorporated by reference to Exhibit 10.1 of Holdings' Current Report on Form 8-K filed with the SEC on January 22, 2015).</u>
†10.35	<u>Amended and Restated Employment Agreement with Michael Rumbolz (effective May 5, 2017) (incorporated by reference to Exhibit 10.4 of Holdings' Current Report on Form 8-K filed with the SEC on May 9, 2017).</u>
†10.36	<u>Notice of Grant of Stock Option with Michael Rumbolz, dated February 13, 2016 (incorporated by reference to Exhibit 10.1 of Holdings' Current Report on Form 8-K filed with the SEC on February 16, 2016).</u>
†10.37	<u>Form of Notice of Stock Option Award and Stock Option Award Agreement for Michael Rumbolz (effective August 30, 2010) (incorporated by reference to Exhibit 10.3 of Holdings' Current Report on Form 8-K filed with the SEC on September 2, 2010).</u>
10.38	<u>Transition and Resignation Agreement and General Release of All Claims with Juliet A. Lim dated October 25, 2017 (incorporated by reference to Exhibit 10.1 of Holdings' Quarterly Report on Form 10-Q filed with the SEC on November 7, 2017).</u>
10.39	<u>Second Amendment to Credit Agreement, dated May 17, 2018, among Everi Payments, Holdings, the subsidiary guarantors party thereto, the lenders party thereto and Jefferies Finance LLC, as administrative agent (incorporated by reference to Exhibit 10.1 of Holdings' Current Report on Form 8-K filed with the SEC on May 17, 2018).</u>
†*10.40	<u>First Amendment to Amended and Restated Employment Agreement with Michael Rumbolz (effective February 1, 2019).</u>
†*10.41	<u>Notice of Grant of Restricted Stock Units (Time-Based) under the 2014 Equity Incentive Plan for Michael Rumbolz (effective February 1, 2019).</u>

Exhibit Number	Exhibit Description
†10.42	Employment Agreement with Dean A. Ehrlich (effective January 1, 2017) (incorporated by reference to Exhibit 10.1 of Holdings' Quarterly Report on Form 10-Q filed with the SEC on May 9, 2018).
†10.43	Form of Deferred Restricted Stock Units Agreement for Non-Employee Directors under the 2012 Equity Incentive Plan (incorporated by reference to Exhibit 10.2 to Holdings' Quarterly Report on Form 10-Q filed with the SEC on August 7, 2018).
†10.44	Form of Notice of Grant of Deferred Restricted Stock Units for the Non-Employee Directors under the 2012 Equity Incentive Plan (incorporated by reference to Exhibit 10.3 to Holdings' Quarterly Report on Form 10-Q filed with the SEC on August 7, 2018).
†10.45	Form of Deferred Restricted Stock Units Agreement for Non-Employee Directors under the 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.4 to Holdings' Quarterly Report on Form 10-Q filed with the SEC on August 7, 2018).
†10.46	Form of Notice of Grant of Deferred Restricted Stock Units Agreement for Non-Employee Directors under the 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.5 to Holdings' Quarterly Report on Form 10-Q filed with the SEC on August 7, 2018).
†10.47	Form of Restricted Stock Units Agreement under the 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.6 to Holdings' Quarterly Report on Form 10-Q filed with the SEC on August 7, 2018).
†10.48	Form of Notice of Grant of Restricted Stock Units (Performance-Based) for Executives under the 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.7 to Holdings' Quarterly Report on Form 10-Q filed with the SEC on August 7, 2018).
†10.49	Form of Notice of Grant of Restricted Stock Units (Time-Based) under the 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.8 to Holdings' Quarterly Report on Form 10-Q filed with the SEC on August 7, 2018).
†10.50	Form of Notice of Grant of Restricted Stock Units (Time-Based) for Executives under the 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.9 to Holdings' Quarterly Report on Form 10-Q filed with the SEC on August 7, 2018).
*21.1	Subsidiaries of Holdings.
*23.1	Consent of BDO USA, LLP.
*24.1	Power of Attorney (included on signature page).
*31.1	Certification of Chief Executive Officer of Holdings in accordance with Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*31.2	Certification of Chief Financial Officer of Holdings in accordance with Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
**32.1	Certification of the Chief Executive Officer and Chief Financial Officer of Holdings 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.

-
- * Filed herewith.
 - ** Furnished herewith.
 - † Management contracts or compensatory plans or arrangements.
 - + Confidential treatment has been granted for certain portions of this exhibit pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended. The confidential information has been omitted and filed separately with the SEC.

Item 16. Form 10-K Summary.

None.

SIGNATURES

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

Dated: March 12, 2019

EVERI HOLDINGS INC.

By: /s/ TODD A. VALLI

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

POWER OF ATTORNEY

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

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

Signature	Title	Date
<u>/s/ MICHAEL D. RUMBOLZ</u> Michael D. Rumbolz	President and Chief Executive Officer (Principal Executive Officer) and Director	March 12, 2019
<u>/s/ RANDY L. TAYLOR</u> Randy L. Taylor	Chief Financial Officer (Principal Financial Officer)	March 12, 2019
<u>/s/ TODD A. VALLI</u> Todd A. Valli	Chief Accounting Officer (Principal Accounting Officer)	March 12, 2019
<u>/s/ E. MILES KILBURN</u> E. Miles Kilburn	Chairman of the Board and Director	March 12, 2019
<u>/s/ GEOFFREY P. JUDGE</u> Geoffrey P. Judge	Director	March 12, 2019
<u>/s/ RONALD V. CONGEMI</u> Ronald V. Congemi	Director	March 12, 2019
<u>/s/ EILEEN F. RANEY</u> Eileen F. Raney	Director	March 12, 2019
<u>/s/ LINSTER W. FOX</u> Linster W. Fox	Director	March 12, 2019
<u>/s/ MAUREEN T. MULLARKEY</u> Maureen T. Mullarkey	Director	March 12, 2019

FIRST AMENDMENT TO AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This First Amendment (the “**Amendment**”) to the Amended and Restated Employment Agreement dated May 5, 2017 (the “**Agreement**”) by and between Everi Payments Inc., a Delaware corporation (the “**Company**”) and wholly owned subsidiary of Everi Holdings Inc., a Delaware corporation (“**Everi Holdings**”), and Michael Rumbolz (the “**Executive**”) is made as of February 1, 2019 (the “**Effective Date**”).

RECITALS

- A. The Company and Executive desire to assurance of the association and services of Executive in order to retain Executive’s experience, skills, abilities, background and knowledge, and are willing to engage Executive’s continued services on the terms and conditions set forth in this Agreement.
- B. The Company has entered into the Agreement with Executive to serve as President and Chief Executive Officer of the Company through the Employment Period, which is currently due to expire on May 4, 2019.
- C. The Company desires to amend Agreement to reflect the extension of the Employment Period through January 31, 2021 on the terms and conditions set forth in this Amendment and Executive is willing to continue employment on the terms and conditions set forth in this Amendment.
- D. The Company and Executive (together, the “**Parties**”) wish to enter into the Amendment.

AMENDMENT

NOW, THEREFORE, based on the foregoing recitals and in consideration of the commitments set forth below, the Parties agree as follows:

1. **Definitions and Interpretation**. Except as otherwise provided herein, capitalized terms used in this Amendment shall have the definitions set forth in the Agreement amended hereby.
2. **Terms of the Agreement**. Except as expressly modified hereby, all terms, conditions and provisions of the Agreement shall continue in full force and effect.
3. **Conflicting Terms**. In the event of any inconsistency or conflict between the Agreement and this Amendment, or the applicable form of agreement of any Equity Awards, including the Restricted Stock Agreement, and this Amendment, the terms and conditions of this Amendment shall govern and control.
4. **Entire Agreement**. This Amendment and the Agreement constitute the entire and exclusive agreement between the Parties with respect to the subject matter hereof. All previous discussions and agreements with respect to the subject matter are superseded by the Agreement and this Amendment. This Amendment may be executed in one or more counterparts, each of which shall be an original and all of which taken together shall constitute one and the same instrument.
5. **Consideration**. In consideration of (i) the Board’s grant to Executive, as of the Effective Date, a restricted stock award of 50,000 shares of Everi Holding’s common stock pursuant the Notice of Grant of Restricted Stock in substantially the form attached hereto as Exhibit A (the “**Grant**”) and the Plan, and (ii) the terms set forth in Sections 6.c. and 6.d below ((i) and (ii), collectively, the “**Consideration**”), Executive agrees to the terms and conditions of this Amendment, including specifically without limitation, the amendments set forth in Sections 6.a. and 6.b. below.

6. Amendments .

a. Section 1: The phrase “, an “officer” for purpose of the Company’s compliance with Section 16 of the Securities Exchange Act of 1934, and a “Section 16 Officer” for purposes of the Company’s Incentive Compensation Clawback Policy, as may be amended from time to time” is inserted in its entirety at the end of the last sentence of Section 1, such that the amended sentence reads as follows:

“ Executive shall be deemed an “Executive Officer” for purposes of indemnification by the Company pursuant to Article XI of the Company’s bylaws , *an “officer” for purpose of the Company’s compliance with Section 16 of the Securities Exchange Act of 1934 (the “Exchange Act”), and a “Section 16 Officer” for purposes of the Company’s Incentive Compensation Clawback Policy, as may be amended from time to time .*

b. Section 3: Section 3 is deleted in its entirety and replaced by the following:

“ This Agreement shall be effective for a term commencing on the Effective Date and, subject to termination under Section 4, expiring on **January 31, 2021** (the “Employment Period”). Notwithstanding the previous sentence, this Agreement, the Employment Period and the employment of the Executive hereunder shall be automatically extended for successive one-year periods upon the terms and conditions set forth herein, with the next such automatic extension occurring on **February 1, 2022** , and on each **February 1** thereafter, unless the Company or Executive gives the other party written notice (in accordance with Section 16) within the 180 day-period prior to **January 31, 2021** (or the relevant December 31 thereafter, as applicable) of such party’s intention that the Employment Period shall expire at the close of business on the last day of the then current Employment Period, whereupon, unless earlier terminated in accordance with the provisions of this Agreement, the Employment Period shall expire and this Agreement shall cease to have any further force or effect in respect of any period thereafter. Executive’s last day of employment shall be the “Termination Date” under this Agreement. For purposes of this Agreement, any reference to the “term” of this Agreement or Executive’s employment with the Company shall include the original term and any extension thereof. In the event that the Company gives Executive written notice of the Company’s intention that the Employment Period shall expire at the close of business on the last day of the then current Employment Period, the parties agree that all of the Company’s duties and obligations under this Agreement shall cease as of the Termination Date and the Company shall pay Executive only the following: all base salary earned through the Termination Date and all amounts and benefits earned or incurred pursuant to Section 2.3 through the Termination Date. Notwithstanding the foregoing, nothing in this provision shall obligate the Company to extend the Employment Period or enter into a new agreement with Executive.”

c. Section 4.4: The phrase “(y) the month in which he attains age 65,” is hereby deleted in its entirety and replaced by the phrase “(y) the month of expiration of the Term,”, such that the revised sentence reads as follows:

“ In addition, the Company will provide Executive, through the earliest of (x) the month in which he dies, **(y) the month of expiration of the Term**, and (z) the first month following the Termination Date in which Executive is able to work in a senior executive capacity (with or without reasonable accommodation), and no less frequently than monthly, periodic disability payments at an annual rate equal to 60% of Executive’s base salary as of the Termination Date, in each case offset by the amount of periodic disability benefits provided (other than benefits attributable to his own contributions) under any disability insurance plan or program of the Company or their affiliates.”

d. Section 8: The phrase “two (2) years” is hereby deleted in its entirety and replaced by the phrase “one (1) year,” such that the revised sentence reads as follows:

“ For a period of **one (1) year** 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.”

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/ E. Miles Kilburn
E. Miles Kilburn
Chairman of the Board of Directors

/s/ Michael D. Rumbolz
Michael D. Rumbolz

EXHIBIT A
EVERI HOLDINGS INC.
NOTICE OF GRANT OF RESTRICTED STOCK UNITS
(Time-Based)

Everi Holdings Inc. (the "**Company**") has granted to the Participant an award (the "**Award**") of certain units pursuant to the Everi Holdings Inc. 2014 Equity Incentive Plan (the "**Plan**"), each of which represents the right to receive on the applicable Settlement Date one (1) share of Stock, as follows:

Participant:	Michael Rumbolz	Award Number:	XXXXX
Date of Grant:	February 1, 2019		
Total Number of Units:	50,000, subject to adjustment as provided by the Restricted Stock Units Agreement.		
Vesting Start Date:	February 1, 2019		
Vested Units:	Subject to the acceleration of vesting as provided below under "Termination of Service" and "Change in Control," except as provided in the Restricted Stock Units Agreement and provided that the Participant's Service has not terminated prior to the applicable date, the number of Vested Units (disregarding any resulting fractional Unit) as of any date is determined by multiplying the Total Number of Units by the " Vested Ratio " determined as of such date, as follows: <p style="text-align:center"><u>Vested Ratio</u></p> Prior to the one (1)-month anniversary of the Vesting Start Date 0 Each one (1)-month anniversary of the Vesting Start Date 1/24		
Settlement Date:	Shares shall be settled and delivered (provided that such delivery is otherwise in accordance with federal and state securities laws) with respect to Vested Units as soon as practicable following the date on which a Unit becomes a Vested Unit.		
Termination of Service – Death or Disability:	Upon the death or Disability of the Participant, vesting shall fully accelerate and the Vested Ratio shall be 1/1 (100%).		
Termination of Service – Other than Death or Disability:	If the Participant's Service is terminated for any reason other than death or Disability, all Units that are not Vested Units shall be immediately forfeited.		
Change in Control:	Upon the occurrence of a Change in Control prior to the twenty-fourth one-month anniversary of the Vesting Start Date, if (i) the Award is not assumed, continued, or substituted by the Acquiror as described in Section 13.1(b) of the Plan, or (ii) the Award is assumed, continued, or substituted by the Acquiror as described in Section 13.1(b) of the Plan and the Participant's Service terminates as a result of Involuntary Termination (as defined in Section 13.1(a) of the Plan) within twenty four (24) months thereafter, then vesting shall fully accelerate and the Vested Ratio shall be 1/1 (100%).		
Superseding Agreement:	None.		

Interference with Business:

Participant acknowledges that because of Participant's position in the Company, Participant will have access to the Company's and its affiliates' new and additional Proprietary Information (as defined below), including confidential information and trade secrets. Subject to clause 1(a) and 1(d) of the Participant's Employee Proprietary Information and Inventions Agreement ("**EPPIA**"), Participant agrees that during Participant's Service and for a period of 12 months after termination of Participant's Service, Participant shall not directly or indirectly, either for Participant or for any other individual, corporation, partnership, joint venture or other entity, participate in any business (including, without limitation, any division, group, or franchise of a larger organization) anywhere in the world that engages in or that proposes to engage in any business in which the Company or any affiliate of the Company is engaged or proposes to engage in during the term of Participant's Service. Subject to clause 1(a) and 1(d) of the EPPIA, Participant also agrees during Participant's Service and for a period of 12 months after termination of Participant's Service, Participant shall not directly or indirectly, either for Participant or for any other individual, corporation, partnership, joint venture or other entity, (i) divert or attempt to divert from the Company or any affiliate of the Company any business of any kind, including without limitation the solicitation of or interference with any of its customers, clients, business partners or suppliers, or (ii) solicit, induce, recruit or encourage any person employed by the Company or any affiliate of the Company to terminate his or her employment. For purposes of the foregoing, the term "participate in" shall include, without limitation, having any direct or indirect interest in any corporation, partnership, joint venture or other entity, whether as a sole proprietor, owner, stockholder, partner, joint venturer, creditor or otherwise, or rendering any direct or indirect service or assistance to any individual, corporation, partnership, joint venture and other business entity (whether as a director, officer, manager, supervisor, employee, agent, consultant or otherwise).

"**Proprietary Information**" means all information and any idea in whatever form, tangible or intangible, whether disclosed to or learned or developed by Participant, 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 Participant's possession or part of Participant's general knowledge prior to Participant's employment by the Company; or (iii) the information is disclosed to Participant 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. Participant further understands 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 the Participant 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.

Participant acknowledges that Participant's fulfillment of the obligations contained in the section, including, but not limited to, Participant's obligation not to interfere with the Company's business as provided above, is necessary to protect the Proprietary Information and, consequently, to preserve the value and goodwill of the Company. Participant further acknowledges the time, geographic and scope limitations of Participant's obligations as described above are reasonable, especially in light of the Company's desire to protect its Proprietary Information, and that Participant will not be precluded from gainful employment if Participant is obligated not to compete with the Company during the specified period and within the specified geography.

The covenants contained herein shall be construed as a series of separate covenants, one for each state, province, country and other political subdivision. Except for geographic coverage, each such separate covenant shall be deemed identical in terms of the covenant contained herein. In the event that the scope, territory or period of time of any separate covenant is determined to be unenforceable by a court of competent jurisdiction, the court, if allowed under applicable law, shall reduce the scope, territory or period of time of that separate covenant to a level that the court deems enforceable and the remaining separate covenants, as well as all other terms and covenants in this Grant Notice, shall be valid and be enforceable to the fullest extent permitted by law. In the event that any separate covenant is found to be unenforceable in its entirety, the court, if allowed under applicable law, shall eliminate such covenant from this Grant Notice in that case and the remaining separate covenants, as well as all other terms and covenants in this Grant Notice, shall be valid and be enforceable to the fullest extent permitted by law. The covenants set forth herein are intended to be enforced to the maximum degree permitted by law.

[SIGNATURE PAGE TO FOLLOW]

By their signatures below or by electronic acceptance or authentication in a form authorized by the Company, the Company and the Participant agree that the Award is governed by this Grant Notice and by the provisions of the Restricted Stock Units Agreement and the Plan, both of which are made a part of this document. The Participant acknowledges that copies of the Plan, the Restricted Stock Units Agreement and the prospectus for the Plan are available on the Company's internal web site and may be viewed and printed by the Participant for attachment to the Participant's copy of this Grant Notice. The Participant represents that the Participant has read and is familiar with the provisions of the Restricted Stock Units Agreement and the Plan, and hereby accepts the Award subject to all of their terms and conditions.

EVERI HOLDINGS INC.

PARTICIPANT

By:

E. Miles Kilburn
Chairman of the Board

Signature

Date

Address: 7250 S. Tenaya Way, Suite 100
Las Vegas, NV 89113

Address

ATTACHMENTS: 2014 Equity Incentive Plan, as amended to the Date of Grant; Restricted Stock Units Agreement; and Plan Prospectus.

EVERI HOLDINGS INC.
NOTICE OF GRANT OF RESTRICTED STOCK UNITS
(Time-Based)

Everi Holdings Inc. (the “*Company*”) has granted to the Participant an award (the “*Award*”) of certain units pursuant to the Everi Holdings Inc. 2014 Equity Incentive Plan (the “*Plan*”), each of which represents the right to receive on the applicable Settlement Date one (1) share of Stock, as follows:

Participant:	Michael Rumbolz	Award Number:	
Date of Grant:	February 1, 2019		
Total Number of Units:	50,000, subject to adjustment as provided by the Restricted Stock Units Agreement.		
Vesting Start Date:	February 1, 2019		
Vested Units:	Subject to the acceleration of vesting as provided below under “Termination of Service” and “Change in Control,” except as provided in the Restricted Stock Units Agreement and provided that the Participant’s Service has not terminated prior to the applicable date, the number of Vested Units (disregarding any resulting fractional Unit) as of any date is determined by multiplying the Total Number of Units by the “ <i>Vested Ratio</i> ” determined as of such date, as follows:		
	<u>Vested Ratio</u>		
	Prior to the one (1)-month anniversary of the Vesting Start Date 0		
	Each one (1)-month anniversary of the Vesting Start Date 1/24		
Settlement Date:	Shares shall be settled and delivered (provided that such delivery is otherwise in accordance with federal and state securities laws) with respect to Vested Units as soon as practicable following the date on which a Unit becomes a Vested Unit.		
Termination of Service – Death or Disability:	Upon the death or Disability of the Participant, vesting shall fully accelerate and the Vested Ratio shall be 1/1 (100%).		
Termination of Service – Other than Death or Disability	If the Participant’s Service is terminated for any reason other than death or Disability, all Units that are not Vested Units shall be immediately forfeited.		
Change in Control:	Upon the occurrence of a Change in Control prior to the twenty-fourth one-month anniversary of the Vesting Start Date, if (i) the Award is not assumed, continued, or substituted by the Acquiror as described in Section 13.1(b) of the Plan; or (ii) the Award is assumed, continued, or substituted by the Acquiror as described in Section 13.1(b) of the Plan and the Participant’s Service terminates as a result of Involuntary Termination (as defined in Section 13.1(a) of the Plan) within twenty four (24) months thereafter, then vesting shall fully accelerate and the Vested Ratio shall be 1/1 (100%).		
Superseding Agreement:	None.		

Interference with Business:

Participant acknowledges that because of Participant's position in the Company, Participant will have access to the Company's and its affiliates' new and additional Proprietary Information (as defined below), including confidential information and trade secrets. Subject to clause 1(a) and 1(d) of the Participant's Employee Proprietary Information and Inventions Agreement ("EPIIA"), Participant agrees that during Participant's Service and for a period of 12 months after termination of Participant's Service, Participant shall not directly or indirectly, either for Participant or for any other individual, corporation, partnership, joint venture or other entity, participate in any business (including, without limitation, any division, group, or franchise of a larger organization) anywhere in the world that engages in or that proposes to engage in any business in which the Company or any affiliate of the Company is engaged or proposes to engage in during the term of Participant's Service. Subject to clause 1(a) and 1(d) of the EPIIA, Participant also agrees during Participant's Service and for a period of 12 months after termination of Participant's Service, Participant shall not directly or indirectly, either for Participant or for any other individual, corporation, partnership, joint venture or other entity, (i) divert or attempt to divert from the Company or any affiliate of the Company any business of any kind, including without limitation the solicitation of or interference with any of its customers, clients, business partners or suppliers, or (ii) solicit, induce, recruit or encourage any person employed by the Company or any affiliate of the Company to terminate his or her employment. For purposes of the foregoing, the term "participate in" shall include, without limitation, having any direct or indirect interest in any corporation, partnership, joint venture or other entity, whether as a sole proprietor, owner, stockholder, partner, joint venturer, creditor or otherwise, or rendering any direct or indirect service or assistance to any individual, corporation, partnership, joint venture and other business entity (whether as a director, officer, manager, supervisor, employee, agent, consultant or otherwise).

"**Proprietary Information**" means all information and any idea in whatever form, tangible or intangible, whether disclosed to or learned or developed by Participant, 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 Participant's possession or part of Participant's general knowledge prior to Participant's employment by the Company; or (iii) the information is disclosed to Participant 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. Participant further understands 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 the Participant 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.

Participant acknowledges that Participant's fulfillment of the obligations contained in the section, including, but not limited to, Participant's obligation not to interfere with the Company's business as provided above, is necessary to protect the Proprietary Information and, consequently, to preserve the value and goodwill of the Company. Participant further acknowledges the time, geographic and scope limitations of Participant's obligations as described above are reasonable, especially in light of the Company's desire to protect its Proprietary Information, and that Participant will not be precluded from gainful employment if Participant is obligated not to compete with the Company during the specified period and within the specified geography.

The covenants contained herein shall be construed as a series of separate covenants, one for each state, province, country and other political subdivision. Except for geographic coverage, each such separate covenant shall be deemed identical in terms of the covenant contained herein. In the event that the scope, territory or period of time of any separate covenant is determined to be unenforceable by a court of competent jurisdiction, the court, if allowed under applicable law, shall reduce the scope, territory or period of time of that separate covenant to a level that the court deems enforceable and the remaining separate covenants, as well as all other terms and covenants in this Grant Notice, shall be valid and be enforceable to the fullest extent permitted by law. In the event that any separate covenant is found to be unenforceable in its entirety, the court, if allowed under applicable law, shall eliminate such covenant from this Grant Notice in that case and the remaining separate covenants, as well as all other terms and covenants in this Grant Notice, shall be valid and be enforceable to the fullest extent permitted by law. The covenants set forth herein are intended to be enforced to the maximum degree permitted by law.

[SIGNATURE PAGE TO FOLLOW]

By their signatures below or by electronic acceptance or authentication in a form authorized by the Company, the Company and the Participant agree that the Award is governed by this Grant Notice and by the provisions of the Restricted Stock Units Agreement and the Plan, both of which are made a part of this document. The Participant acknowledges that copies of the Plan, the Restricted Stock Units Agreement and the prospectus for the Plan are available on the Company's internal web site and may be viewed and printed by the Participant for attachment to the Participant's copy of this Grant Notice. The Participant represents that the Participant has read and is familiar with the provisions of the Restricted Stock Units Agreement and the Plan, and hereby accepts the Award subject to all of their terms and conditions.

EVERI HOLDINGS INC.

PARTICIPANT

By: /s/ E. Miles Kilburn

E. Miles Kilburn
Chairman of the Board

/s/ Michael D. Rumbolz

Signature

Address: 7250 S. Tenaya Way, Suite 100
Las Vegas, NV 89113

Date

Address

ATTACHMENTS: 2014 Equity Incentive Plan, as amended to the Date of Grant; Restricted Stock Units Agreement; and Plan Prospectus.

SUBSIDIARIES OF EVERI HOLDINGS INC.

Name	Jurisdiction of Incorporation or Organization
Everi Payments Inc.	Delaware
Everi Logistics LLC	Nevada
Everi Payments (Canada) Inc.	Ontario, Canada
Global Cash Access (Panama), Inc.	Panama
Game Financial Caribbean N.V.	Netherlands, Antilles
Global Cash Access (Belize) Ltd	Belize
Central Credit, LLC	Delaware
Global Cash Access (BVI), Inc.	British Virgin Islands
Arriva Card, Inc.	Delaware
Global Cash Access Switzerland AG	Switzerland
Global Cash Access (HK) Limited	Hong Kong
GCA (Macau) S.A.	Macau SAR
Global Cash Access (Belgium) SA	Belgium
Global Cash Access (UK) Limited	United Kingdom
Everi India Private Limited	India
GCA MTL, LLC	Delaware
Everi Games Holding Inc.	Texas
Everi Games Inc.	Delaware
Everi Games (Canada) Inc.	British Columbia
Everi Interactive LLC	Delaware
MegaBingo International, LLC	Delaware
Multimedia Games de Mexico S. de R.L. de C.V.	Mexico
Multimedia Games de Mexico 1 S. de R.L. C.V.	Mexico
Servicios de Wild Basin S. de R.L. de C.V.	Mexico
MGAM Peru S.R.L.	Peru

Consent of Independent Registered Public Accounting Firm

Everi Holdings Inc.
Las Vegas, Nevada

We hereby consent to the incorporation by reference in the Registration Statements on Forms S-8 (File Nos. 333-131904, 333-140878, 333-149496, 333-157512, 333-165264, 333-172358, 333-187199, 333-197860, 333-202798, and 333-218302) of Everi Holdings Inc. of our reports dated March 12, 2019, relating to the consolidated financial statements, and the effectiveness of Everi Holdings Inc.'s internal control over financial reporting, which appear in this Form 10-K.

/s/ BDO USA, LLP

Las Vegas, Nevada
March 12, 2019

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

I, Michael D. Rumbolz, certify that:

1. I have reviewed this Annual Report on Form 10-K of Everi Holdings Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this Annual Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of a report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 12, 2019

/s/ Michael D. Rumbolz

Michael D. Rumbolz

President and Chief Executive Officer

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

I, Randy L. Taylor, certify that:

1. I have reviewed this Annual Report on Form 10-K of Everi Holdings Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this Annual Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of a report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 12, 2019

/s/ Randy L. Taylor

Randy L. Taylor

Chief Financial Officer

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

In connection with the Annual Report of Everi Holdings Inc. (the "Company") on Form 10-K for the period ended December 31, 2018 filed with the Securities and Exchange Commission (the "Report"), Michael D. Rumbolz, President and Chief Executive Officer of the Company, and Randy L. Taylor, Chief Financial Officer of the Company, each hereby certifies as of the date hereof, solely for the purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of his knowledge:

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

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

Dated: March 12, 2019

By: /s/ Michael D. Rumbolz

Michael D. Rumbolz
President and Chief Executive Officer

Dated: March 12, 2019

/s/ Randy L. Taylor

Randy L. Taylor
Chief Financial Officer

APPENDIX E-4: RFP PART 3 - SCOPE OF WORK

3.0 INTRODUCTION

This section describes the functional, technical and operational specifications for the central system. Bidders must respond by describing how their proposed system meets each specification. Proposals must contain a cross-reference to each item in this section. If any capabilities are not currently available, state when they will be, or propose an alternate solution that will still meet the Commission's objectives.

The Commission will not accept any Proposal, which conceptually differs from the definition of the "video lottery central system" in Section 3.1 of this RFP.

Note: All system components shall be included in the base price. No additional costs are to be charged to the Commission for any subsections, below, unless otherwise noted.

3.1 SYSTEM OVERVIEW

This section defines the Commission's objectives for the central system and provides a brief overview of the scope of the central system.

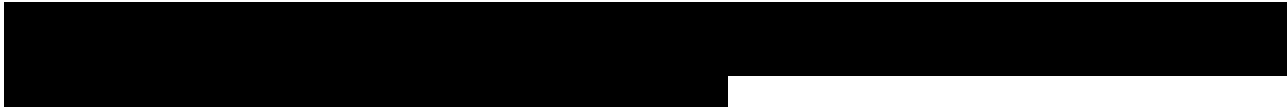
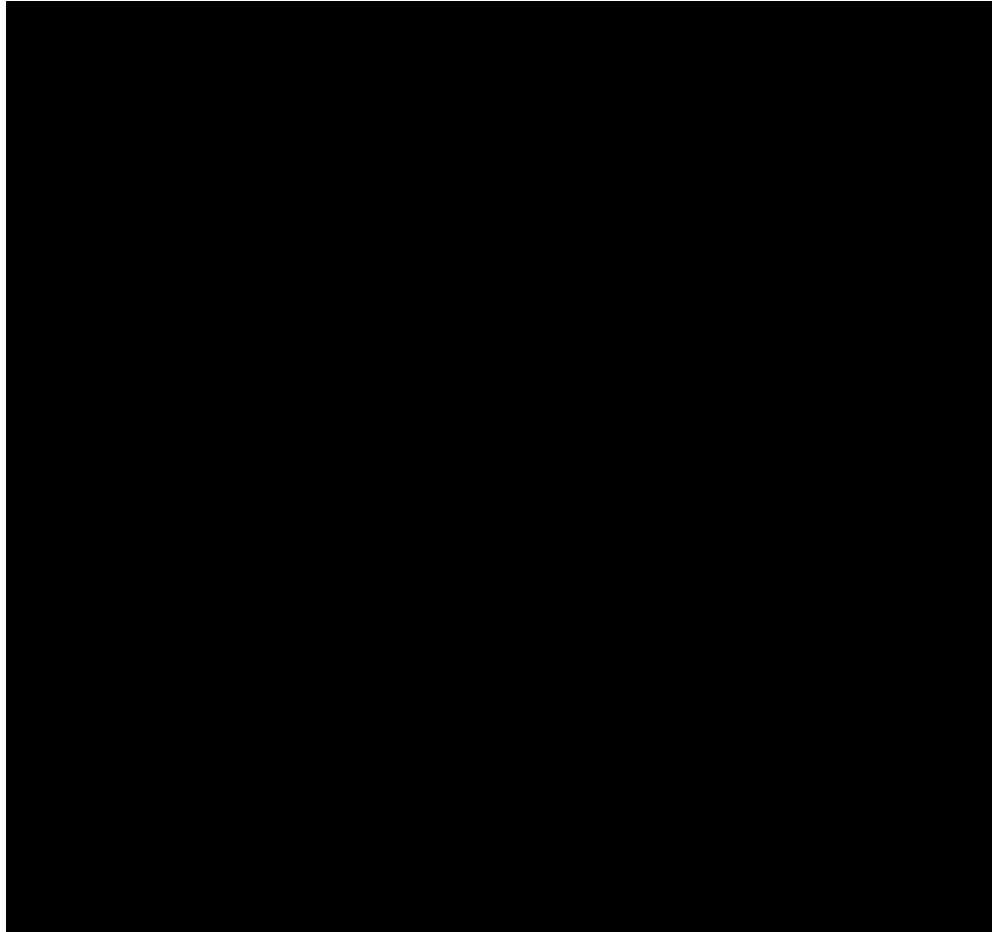
Everi Games Inc. Response:

NOTE: Everi Games Inc. has compiled the responses to this section in the same format as the RFP **Part 3** and numbered each section accordingly.

The Everi Games Inc. technical solution detailed in the following sections meets or exceeds the New York Gaming Commission's requirements. Everi Games Inc. provides:

- Demonstrated experience deploying and operating video lottery systems and central systems
- A proven highly redundant network with software and hardware design that maximizes system uptime and revenue
- A flexible platform using open standard interfaces and reporting tools that support the broadest range of commercially available video lottery terminals
- A central systems software architecture that enables game-style options, such as progressive pools and bonus rounds with high player appeal that generate more revenue

Illustrated below, is the general network configuration of the system along with several redundancy and fail-over features.



The platform components have evolved into a robust, high-performance, and cost-effective system platform in a wide variety of industries and applications. The key features of the Everi Games Inc. system include:

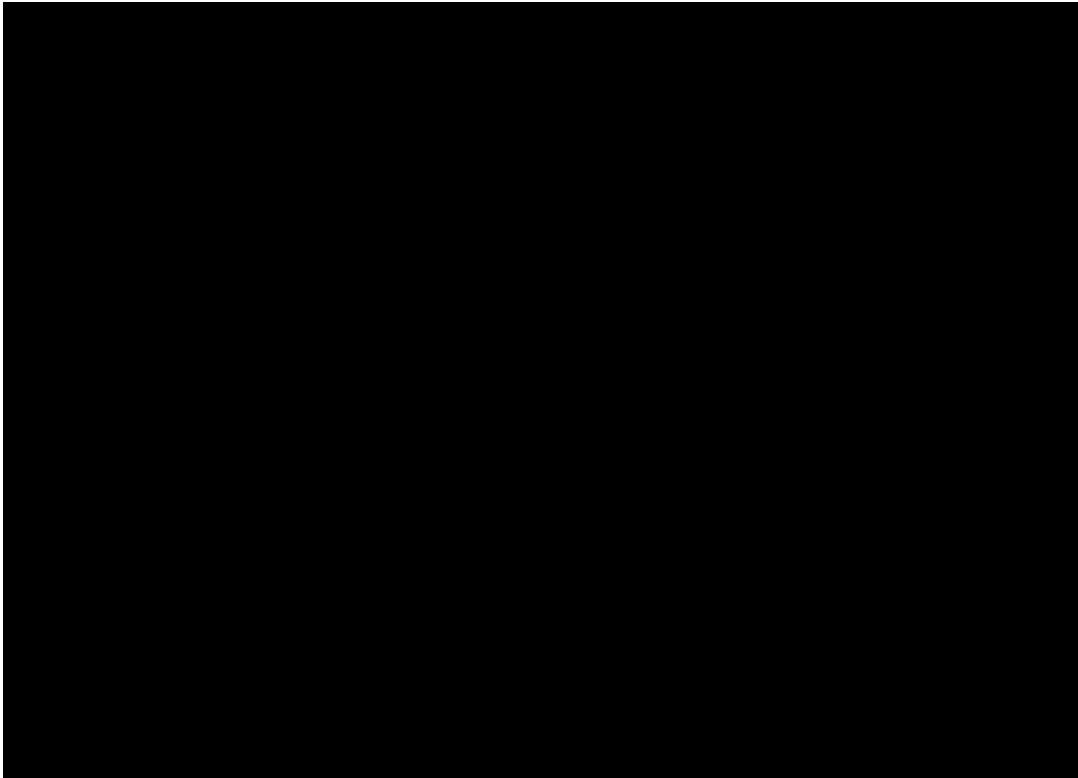
- Scalability that makes it easy to expand the system capacity.
- Redundancy with hot fail-over throughout the system to avoid down time.
- Simple, standardized and straightforward interfaces with the VLTs so that the system can work with any VLT and ETG manufacturer.

In addition to the original VLT providers in Bally, SDG, Spielo, and IGT, newcomers such as Shuffle Master, have added both VLT's and ETG's to the floor. We have successfully integrated ETG's provided by IGT, InterBlock, Alfastreet, Shuffle Master, and Star Games further demonstrating our system's adaptability.

Security is a paramount concern and interfacing with VLTs from multiple manufacturers is required, therefore communications protocols must serve several functions in this system:

- VLT communications must be simple and easy to implement for any number of VLT manufacturers
- All communications must be secure and impervious to tampering. The communications protocols employed are illustrated in the figure below.
- Ethernet – The industry is rapidly moving away from legacy, RS232 based communication protocols. Using an Ethernet based protocol allows the Everi system to maximize the potential number of VLT manufacturers.
- Commonly used protocols for all support level communications in the Everi Games Inc. Video Lottery System (VLS) for which there are ample documentation and industry support.

- Security at every level. All communications outside the Primary Data Center (PDC) and Backup Data Center (BDC) are encrypted.



The Commission and facility operators manage, monitor, and operate the system through the Everi Games Inc. Management Terminal that runs on designated PCs connected to the system. The Management Terminal serves as a container for Everi Games Inc. Management Screens, which are designed to provide form and functions for operating specific facets of the system.

Everi Games Inc. Network Operations Centers

Everi Games Inc. manages Network Operations Centers responsible for gaming operations located in Schenectady, New York and Austin, Texas. Our dedicated staff in New York provides sophisticated and proactive remote monitoring of all VLT facilities for the current Central System. While in Texas, our staff currently provides WAN, LAN, and player-station monitoring and management services to over 100 linked gaming facilities. These locations use an architecture similar to the solution requested by the New York State Gaming Commission: linking site controllers to central systems for the purposes of supporting game play in a complex regulated environment.

Highly Redundant Design Maximizes System Uptime and Revenue Potential

The Everi Games Inc. hardware and software platforms are focused on robust design and reliability.

The hardware system is also designed for the demands of e-commerce and provides built-in redundancy and fault tolerance with no single point of failure. Our system is based on a standardized, enterprise grade hardware from Original Equipment Manufacture's (OEMs). These components are widely deployed across numerous different organizations of all sizes and across many different industries. Support for these systems is readily

available from different sources including our in-house expertise, the OEMs, and third-party support providers. Everi Games Inc. deploys the solutions following relevant best practices to provide a comprehensive system with as much availability as required.

To ensure maximum up time and revenue potential, Everi Games Inc. augments the primary and secondary data center redundancy with:

- Redundant, load-balancing site controllers and routers at the Video Lottery Terminal (VLT) Facilities
- Diverse WAN connectivity to the VLT Facilities using different Internet Service Provider's (ISPs) for Primary and Backup connections for redundancy
- Redundant core switches and multiple cabling paths to the edge switches within VLT Facilities

Flexible, Open Standards Platform Enables Scalability and Ease of VLT Interface and Reporting

The solution that Everi Games Inc. proposes for the Commission takes advantage of the existing standardized commercially available e-commerce infrastructure to provide the most cost-effective, highly reliable Video Lottery Central System (VLCS) available. Through the use of these standardized protocols, databases, and hardware designed for e-commerce, the Everi Games Inc. VLCS has hot fail-over, load-balancing, and scalability characteristics built in.

In the Everi Games Inc.'s VLCS, video lottery terminals (VLTs) communicate with Site Controllers via a request-and-response message exchange pattern (exactly the same way a web browser communicates with a web server) using XML over HTTP - both extremely simple protocols to implement by all VLT manufacturers on all platforms. These standardized protocols are very well documented in books, periodicals, and on the web and provide a vendor-neutral interface for the VLT suppliers.

Electronic Table Games (ETG) will communicate with Site Controllers via the standard SAS 6.02 protocol, which also provides an industry standard, vendor-neutral interface for ETG providers.



Software Architecture Enables Innovative Game Options with High Player Appeal

Everi Games Inc. has familiarized itself with the Video Lottery definition provided by the New York State Gaming Commission, and has designed this proposal to comply with that definition. In the existing New York State Video Lottery Gaming Operation, Everi Games Inc. has proven that it can seamlessly support the New York Gaming Commission's needs for modifying existing hardware and software to the next level of games and concepts.

Having popular games is the key to the success of the Video Lottery Central System. Everi Games Inc. has demonstrated success in supporting an abundance of game titles; evidenced by supporting over 700 game titles in the existing Video Lottery System operations. These themes include multi-line games with bonus rounds that provide player variety and control. These types of games are games that players consistently return to and that will generate the highest revenue for the Lottery and its beneficiaries.

The Everi Games Inc. Central System has proven that it was not only designed to support the Commission's initial requirements but has reliably expanded to support +16,000 VLTs and +2000 ETGs since the inception the VLT program in 2004. Additionally, the relatively recent opening of Resorts World NYC and Jake's 58, two large revenue streams for the program, were seamless in their execution and launch. The reliable

platforms, flexible, open standards architecture, and experience of Everi Games Inc. is outlined in more detail throughout our proposal.

A. Primary Objectives

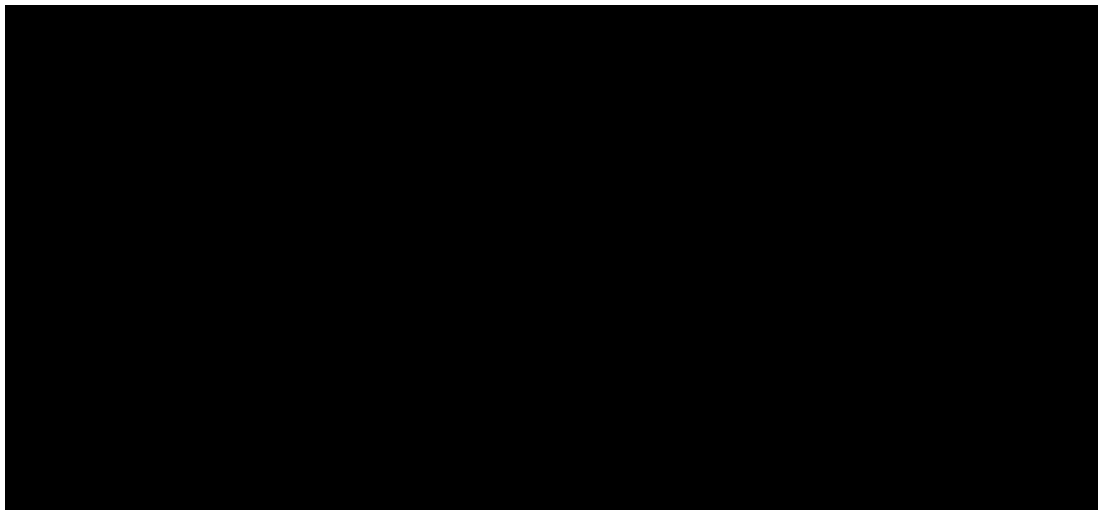
The primary objectives for the central system include the following:

- Determine game outcomes from finite pool;
- Monitor and control all auditing and transaction activities occurring at the gaming devices, as well as SAS-based devices;
- Provide management terminals and validation terminals to accurately record and account for all game play and monetary transaction activity including cash and coupon voucher production and validation;
- Provide accurate real-time tracking of facility sales and prize data and invoice amounts on a real-time basis;
- Support timely identification, tracking and resolution of problems; and
- Ensure central system has the ability to download game software.

Everi Games Inc. Response:

The proposed Everi Games Inc. Video Lottery Central System meets or exceeds all the primary objectives of the New York Gaming Commission including:

Determine game outcomes from a finite pool.



[REDACTED]

[REDACTED]

[REDACTED]

Provide Management Terminals and Validation Terminals to accurately record and account for all game play and monetary transaction activity including cash and coupon voucher production and validation.

NOTE: See *Appendix E-10 Working with the Central System Management Terminal* and *Appendix E-11 Working with The Central System Validation Terminal*, which describes these terminals in more detail.

The Everi Games Inc. Central System records all transactions in a robust, redundant commercial database and has many built-in reports for accounting for those transactions.

Our Management Terminal provides an easy to use interface for viewing a voucher and all related transactions. It is possible to search by voucher, session, or device, with plans in progress to add the option to search by a Player Tracking card number.

The Validation Terminal is the main interface for voucher redemption. Cashiers can efficiently validate a voucher for cash out, keeping lines at the cage short and patrons happy. The Everi Games Inc. Central System supports a feature rich promotional coupon system that allows for efficient creation and management of complex promotions.

Provide accurate real-time tracking of facility sales and prize data and invoice amounts on a real-time basis.

NOTE: See *Appendix E-12 Central System Reports Definition*, which describes each available report in more detail.

[REDACTED]

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

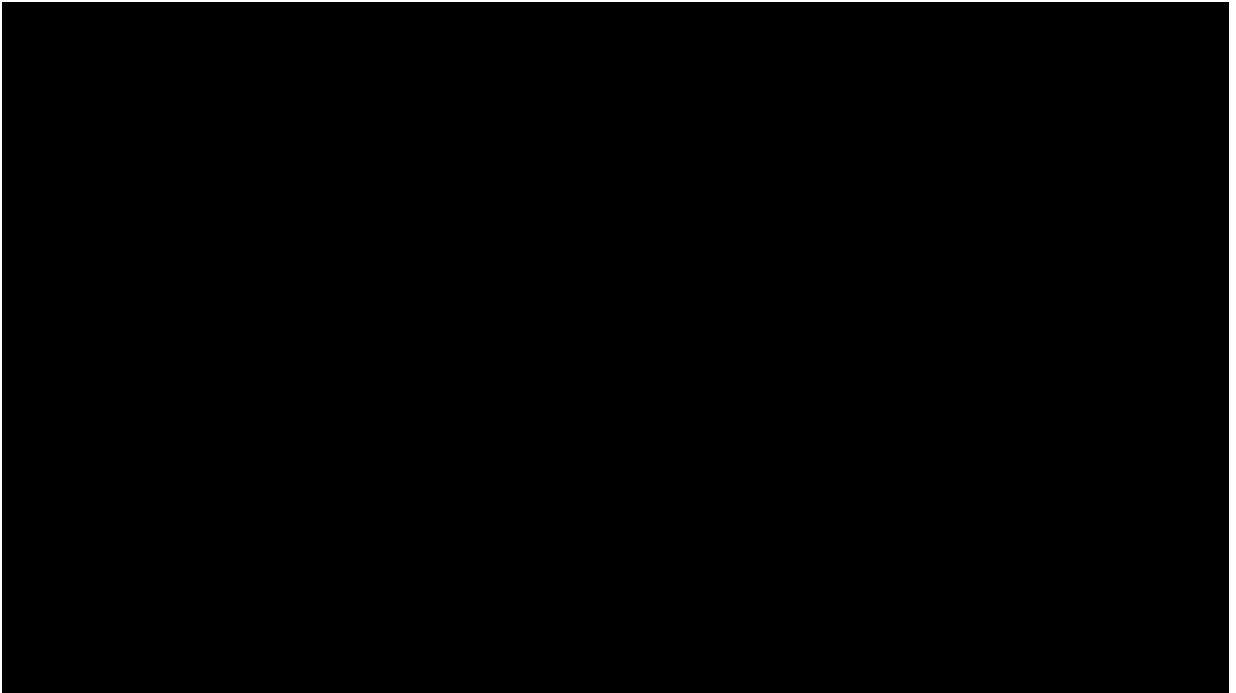
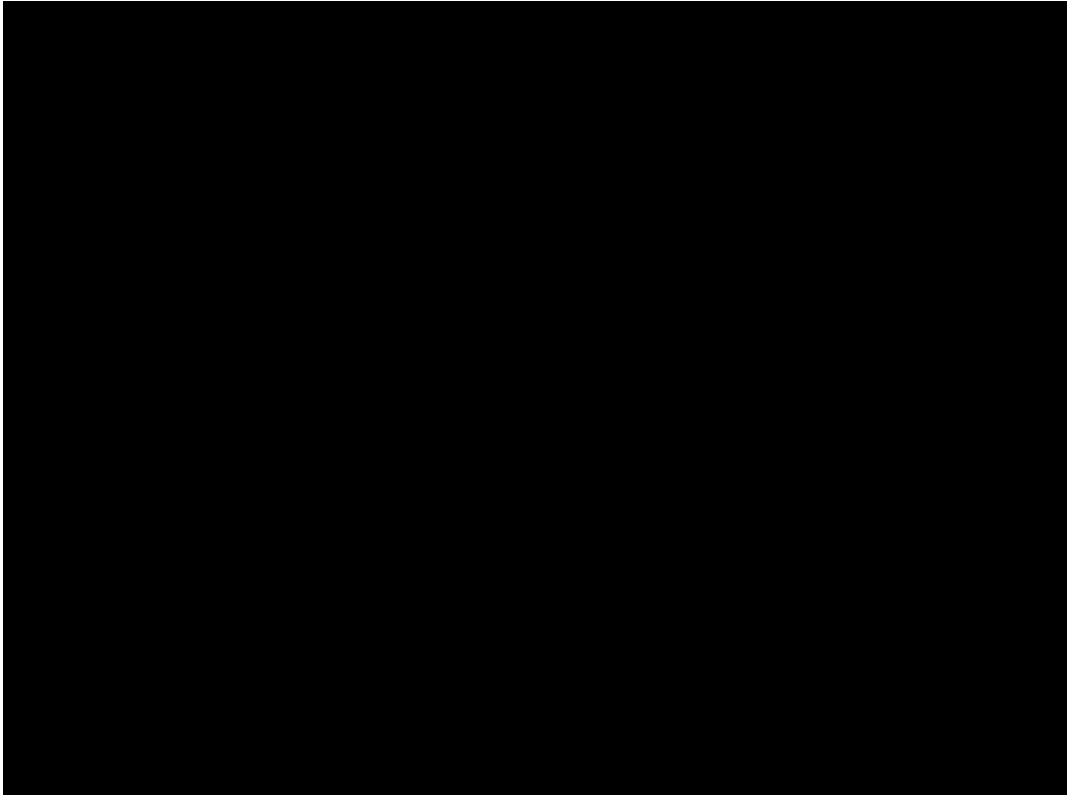
█ [REDACTED]
█ [REDACTED]
█ [REDACTED]

[REDACTED]

█ [REDACTED]
█ [REDACTED]

[REDACTED]

• [REDACTED]





B. Definition of Video Lottery Central System

The central system is defined as consisting of the following components:

- Fault-tolerant or duplexed central determinant, finite pool system with supporting peripheral equipment (including, but not limited to, media storage, printers, controllers, management and data entry terminals) located at the Vendor's primary datacenter;
- Central system with supporting peripheral equipment located at the Vendor's backup data center;
- Video Gaming Facility terminal controllers (site controllers) located in each facility's establishment;
- Application and system software required to operate the equipment and central system;
- Front-end communications processors (FEPs) and network connections for the central systems, as required; and
- Terminals at each location to validate vouchers.

It is the intention of this procurement to select a Vendor to supply and operate the central system. Although they are an integral part of the overall video lottery gaming system, the gaming devices are **not** part of this procurement. Gaming devices are provided by game manufacturers and are not included in this RFP. However, the Contractor must provide connectivity to the gaming devices as defined elsewhere in this RFP.

Everi Games Inc. Response:

The proposed Everi Games solution is fully compliant with the New York Gaming Commission's video lottery system definition. It is identical to what is currently provided for the state of New York and was used to derive the Video Lottery System installed and operational at 28 gaming locations in the State of Washington. Everi Games Inc. is committed to supply and operate the Video Lottery Systems to the Commission as defined in this RFP.

The Everi Games Video Lottery Central System includes, but is not limited to:

- A fault-tolerant Central System with all the required supporting equipment located at our Primary Data Center located in the same building as the New York Gaming Commission's headquarters in Schenectady, New York.
- The Backup Data Center, with systems that are identical in configuration to the Primary Data Center, is located in a backup facility in Albany, New York, more than 10 miles from the Primary Data Center. Over the years the Lottery Building has experienced various significant power issues. Through our practiced simulation of such situations, regardless of the time or day, we have been able to successfully transition over to our Backup NOC to avoid potential disruptions to game play. In cases where a prolonged communication or electrical problem has been encountered at the Primary NOC, continuous operations have been maintained through the Backup NOC for extended periods of time until the situation has been deemed stable without any interruptions to the Video Lottery Central System operational requirements or impact to New York State Revenues.

- Scalable Site Controllers with sufficient bandwidth, processing power, memory, and mass storage to handle the load at each gaming facility, as well as the ability to add more capacity as the system grows. (For example, Resorts World NYC began operations with 2500 Electronic Gaming Machines in November 2011. As of May 2019, they have more than doubled in size with more than 5800 Electronic Gaming Machines connected to the Everi Games Inc. Central System.)
- Application and system software that will run all the equipment and Central System as well as manage the data flow through the system. This software will provide all of the capabilities required in this RFP.
- Redundant communications equipment and network connections for all the systems, sites, and terminals required providing an environment where there is no single point of failure within the system.
- Validation Terminals provide validation of cash vouchers at each facility as required in the RFP. These terminals also offers features such as Purchases Vouchers, which can be enabled and disabled, as requested.
- Secure and user configurable Management Terminals to interface with the Central System to run reports, assign games, assign cash drawers, and manage Winner Exclusion records. One feature to highlight is the highly controlled screens to allow facilities to submit requests to Gaming Commission to resolve cashier mistakes when related to entering Social Security Numbers, which are encrypted in the Central System. From there, the Gaming Commission can review and approve changes, which triggers the system to create an audit trail and process controlled updates as appropriate. This ensures that data sent to the IRS at the end of the year is accurate and controlled within the security of our closed network; saving the facility and Gaming Commission Finance team a great deal of administrative overhead when trying to correct cashier mistakes.

C. Electronic Table Games (ETG)

Successful Bidder is responsible for ensuring that the central system is capable of interfacing with ETGs. Currently, the Commission owns 2219 Smart Interface Boards (SMIBs) that interface with ETGs. Bidders may propose use of these or may propose other technology for such interface.

The Commission shall retain ownership of current inventory of SMIBs. Additional or replacement units shall be the responsibility of the Successful Bidder.

Everi Games Inc. Response:

Electronic Table Games (ETG)

The Everi Games Inc. Central System contains a robust and scalable solution for Electronic Table Games. Our system encompasses stable and reliable software combined with experienced and knowledgeable staff to create an unparalleled gaming experience with exceptional accounting and auditing capabilities.

Our detailed reporting suite is built to handle the intricacies of ETGs. There are multiple reports and processes specifically designed around Electronic Table Games.

Our Central System supports a wide range of different ETG vendors. It is built on a well-documented industry standard protocol, GSA SAS 6.0.2. This enables integration and support for virtually any ETG vendor. Current vendors include:

- Alfastreet
- IGT MP Series

- Interblock
- Shuffle Master

The Everi Games Inc. Central System has a proven track record of efficient and reliable integration with Electronic Table Games while adhering to jurisdictional requirements and guidelines. As illustrated in the table below, the Everi Games Inc. Central System already supports over 2100 ETGs across New York State alone and can easily scale to support more as needed.

Facility Location	Current Number of ETGs
Aqueduct	1456
Saratoga	64
Suffolk	99
Yonkers	530
Total	2149

Upon award, Everi will continue to provide Smart Interface Boards (SMIBs) to the Commission in line with Section 2.6 of the of the New York State Gaming Commission Request for Proposals for New York Lottery Video Lottery Central System (C19001). All SMIBs currently in use or in the Commission’s inventory and all ETGs currently in operation will be able to remain in operation seamlessly without the need to change or replace existing hardware.

3.2 VENDOR RESPONSIBILITIES

This section describes several areas in which the Contractor must provide support and services during the term of the Contract. These items pertain to the overall operation and support of the video lottery gaming system and are not specific to any component.

1. The Contractor's primary site must be co-located within the Commission headquarters (currently located at One Broadway Center, Schenectady, NY 12305) if it can be accommodated within available space, or within a reasonable commuting distance, as determined by the Commission. Arrangements may be made with the successful Bidder to sublease space within the Commission's secured area, or the Commission may require that the Successful Bidder make separate leasing arrangements. The Contractor's backup site at a location acceptable to the Commission must be 10 miles or more from the primary site.

The primary site must be staffed to operate 24 hours per day, 7 days per week, 365 days per year (24/7/365). Vendors are required to identify specific addresses of locations chosen for the primary and backup sites. The name(s) and telephone number(s) of the landlord(s) must be included.

Everi Games Inc. Response:

The Primary Data Center is staffed 24 hours per day, 7 days a week, and 365 days a year. Should Everi Games Inc. be retained as the Central System provider:

Primary Data Center we will continue to sublet at:

One Broadway Center, Schenectady, NY 12305 - 3rd Floor Space from the New York State Gaming Commission

Everi Games Inc. has also renewed the lease at the Backup Data Center with the option to extend if retained as the Central System Provider.

The Everi Games Inc. Backup Data Center will be located at:

11 North Pearl Street, Suite 1211 Albany, NY 12207

The landlord for this facility is:

Albany Pearl Street Heights Associates, LLC

New York, New York, 10065

This facility location is approximately 15 miles from the Primary Data Center, which meets the greater than 10 mile requirement specified in the RFP.

The existing facility has the following features and security measures:

- Generator array
 - Core fiber facilities (that our telecom partner, Qwest, has in this building serving the Albany area), which helps ensure loop reliability
 - Substantial power supply - 8000 amp, 480 power
 - Dedicated AC units
 - Secure physical build-out - floor-to-ceiling concrete block
 - ADT Alarms and remote physical monitoring
 - NetBotz Video monitoring and recording of the facility. Pictures are taken when motion is detected (i.e. opening of door) which in turn sends the picture in the form of an email alert to our Network Operations Center
 - Required Key FOB Access in addition to Key Access and ADT Alarm
2. Successful Bidder shall transition connectivity of the gaming floors of the eight (8) existing VLG facilities to their central system with minimal downtime to preserve existing business continuity. This transition may be accomplished by simultaneous operation with the present central system to ensure no more than ten percent of the existing gaming floor will be inoperable at any time during the transition. The Successful Bidder must be able to complete the full transition of the eight existing VLG facilities within 90 days of commencement. Post-award, the Commission may agree to modifications to this transition plan based on specific limitations identified on individual gaming floors or limitations on the availability of compatible gaming machines.

Everi Games Inc. Response:

Everi Games Inc. would continue to provide a reliable and stable system for the eight (8) existing VLG Facilities in New York. Everi Games Inc. would also continue our practice of being proactive in upgrading our software and hardware platforms to ensure game play is not adversely impacted, should we have the privilege of being retained as the Central System for this market by the New York Gaming Commission.

The key advantage Everi Games Inc. has in meeting the proposed transition plan is evident by the fact that:

- All current VLTs and ETGs already operate with the Central System
- All infrastructure, cabling and monitoring are already in place and operational

- All controls and processes to support the Gaming Commissions auditability and operational requirements are established

These facts make the decision to continue award Everi Games Inc. one that will ensure the ongoing revenue and operational continuity are in no way disrupted, eliminating risk and maximizing the revenue capabilities to maintain the current revenue stream for the state of New York.

3. Vendor shall supply management terminals and printers, as needed, for Commission use in addition to the ones to be installed at the facilities. Most of the management terminals shall be installed at the Commission's headquarters, and some may be required in regional offices. The Commission will be responsible for communication line and equipment costs to support these terminals.

For clarification purposes, validation terminals are devices capable of communicating with the central system for purposes of validating cash and coupon vouchers (dollar and/or cents) representing the difference between the amount of currency deposited into a gaming device and the amount wagered.

A validation terminal reads the barcode on the voucher or, accepts key entry of a digital representation of the bar code, communicates that information to the central system and receives a response authorizing a payment or other appropriate messages (e.g., not a winner, file a claim, etc.).

Validation terminals also receive limited information from the central system upon request (i.e., number of validations requested by device, total amount paid out, total number of invalid requests, etc.).

Management terminals at the facility are used by security/surveillance to observe and print out events such as unauthorized door openings. Administrators at the facility will use a management terminal to obtain and print out daily settlement information or other information available for that facility.

Management terminals are used to obtain real-time information residing on the central system applicable to all facilities.

Everi Games Inc. Response:

Management Terminals and Validation Terminals

Everi Games Inc. currently has an inventory of Management Terminals (MTs) and Validation Terminals (VTs) at each facility and at the Commission’s headquarters. The current inventory will be maintained and added to as needed:

Facility Location	Number of VTs	Number of MTs
Aqueduct	26	36
Batavia	4	10
Finger Lakes	5	12
Hamburg	6	14
Saratoga	7	16
Suffolk	5	18
Vernon	5	11

Facility Location	Number of VTs	Number of MTs
Yonkers	16	29
Commission	-	19
Network Operations Center	-	29
Total	74	194

Current inventory of Management Terminals and Validation Terminals

The Everi Games Inc. Central System is a highly scalable solution allowing the Commission to add additional validation and management terminals with only the incremental cost to the Central System Provider in the form of additional hardware and communications equipment required.

Everi Games Inc. also maintains an inventory of printers across all facilities. The printer models consist of various HP LaserJet models: P4015N, 4200N, 4250N, 1300, 1320N, P2035 M402N, and M501DN. Our current printer inventory is described in the table below.

Facility Location	Deployed Printers	Spare Printers
Aqueduct	P4015N: 6	P4015N: 2
Batavia	1320N: 3	M402N: 1
	4250N: 1	4250N: 1
	4200N: 1	
Finger Lakes	4200N: 2	1320N: 1
		4200N: 2
Hamburg	1320N: 1	1320N: 1
	4200N: 2	4200N: 2
Saratoga	1300: 1	1300: 2
	4200N: 2	4200N: 3
Suffolk	1320N: 5	1320N: 3
	4200N: 1	4200N: 3
Vernon	1320N: 1	1320N: 1
	4250N: 2	
Yonkers	M501DN: 1	P2035: 4
	M402N: 1	1320N: 1
	1320N: 4	4200N: 1
	4200N: 3	
Total	37	28

Everi Games Inc. Printer Inventory Statewide

As older printers are phased out they will be replaced with HP LaserJet M402Ns, M501Ns or the newest model approved for deployment.

Our Management Terminals serve as the main access point for managing operations at the facility. It is a feature-rich application that ensures the facility is running smoothly.

NOTE: See *Appendix E-10 Working with the Central System Management Terminal*, which describes how to use the Management Terminal in more detail.

Some of the main features include:

- Security Event Monitoring – Subscribe to different types of events from the floor such as employee logins, door openings/closings, and voucher print failures. This also supports managing the status and resolution of the event. All security events from the gaming floor can also be sent to a third-party Slot Dispatch System in real time.
- Financial Reporting – Access to a comprehensive reporting suite. All the data required for accounting and auditing of the system presented in a simple straight forward manner. Daily, weekly, and monthly reports are generated automatically while maintaining the ability to run ad-hoc.
- Voucher Management – Dive into the details for a specific voucher, gaming device, or session. Traverse the individual transactions and comb through the chain of all related vouchers for an in-depth look of exactly what transpired on the floor. Mark vouchers as suspect or abandoned to require supervisor review at the time of redemption. This real-time granular data is invaluable in a myriad of situations.
- Cash Drawer Administration – Cash drawers track all the accounting for the Validation Terminals. Create, fund, assign and close cash drawers to ensure that all the Validation Terminal transactions balance for all cashiers.
- User Permission Administration – Control permissions at a granular level. Define different groups and restrict access to the appropriate portions of the system.
- Software Version Control – Load and manage software for devices on the floor to download and run.
- VLT/ETG Management – Display real-time information about the status of the floor. Investigate events and messages on specific devices. Monitor that all gaming machines are online and functioning correctly.

A Management Terminal at the facility can only access data from that facility, while the Commission's Management Terminals have the capability to retrieve real-time information from the entire system.

Our Validation Terminals are the main cash out devices for the cage at the facility. Any voucher can be scanned using a barcode scanner, type in via touchscreen, or if desired typed in via keyboard manually for redemption. The Validation Terminal communicates back with the central system to determine the appropriate payout and record all transactions. Supervisor approval on certain transactions is required based on the regulations defined by the Commission and the facility. Upon request, the central system can provide information on number of validations requested by device, total amount paid out, total number of invalid requests, and almost any other information as it pertains to redemptions.

NOTE: See *Appendix E-11 Working with The Central System Validation Terminal*, which describes how to use the Validation Terminal in more detail.

The Validation Terminals also support:

- IRS tax reporting and withholding – Rules are automatically enforced and W-2G forms are printed as appropriate.
- Setoff withholding – In accordance with the legislature, child support, public assistance, and NYS tax liability can be withheld from certain vouchers.
- Patron alerts – A message can be set in the Management Terminal to be delivered when a patron redeems a limited voucher.
- Winner exclusion – People identified as being banned from the facility, or from the entire state are automatically identified and limited voucher redemption is denied.
- Purchase Voucher – Perform cash, credit/debit, or check transaction to obtain a voucher. This reduces cash in hand on the gaming floor and is convenient for patrons.
- Mixed Vouchers – Promotional vouchers containing both a cash balance and a coupon balance have the cash portion redeemed while printing a new promotional voucher representing the coupon balance if it is still valid.

The Validation Terminals consist of the following hardware:

Validation Terminal Equipment	Quantity	Function
Tekvisions POS Workstation	1	Terminal
LS2208 Barcode Scanner	1	Read voucher bar codes
Magtek Card Reader	1	Read employee card swipes
Epson Receipt Printer	1	Print receipts for transactions
Voucher Printer	1	Print coupon vouchers during mixed redemption

Everi Games Inc. Validation Terminal Hardware

Everi Games Inc. is committed to keeping all hardware and software in line with industry standards and integrating newer technology when appropriate. We continue to invest in the support of operations of the Central System with projects nearing completion to support new versions of the Tekvision POS Workstation, mounted card readers, and an extended selection of voucher printers.

The Everi Determinate System also supports voucher redemption at self-service kiosks. These self-service kiosks allow for cashing out vouchers that meet certain criteria as defined by the Commission and the facility. The protocol is straight forward and easy to implement. In addition to Everi’s in house kiosks third-party vendors have also integrated with the system to provide kiosks:

- Everi Games Inc.
- Ditronics
- CountR
- ACI
- NRT

4. Services Within Scope Defined at Start-Up

The Contractor's services shall include:

- A. Fixes to all software and hardware errors and design defects; and improved versions of the hardware and software to sustain performance or correct performance problems, to otherwise meet or continue to meet Contract defined requirements, or legislative changes. The current legislation (NY Tax L §1617-A) can be found at: <http://public.leginfo.state.ny.us/lawssrch.cgi?NVLWO>.

Everi Games Inc. Response:

Everi Games Inc. is committed to delivering leading industry gaming solutions. To help achieve this goal, Everi leverages Agile Development Methodologies, to formalize interaction and collaboration with The Commission to obtain requirements, establish checkpoints, and customer acceptance. Everi Games Inc. provides on site development resources based in Schenectady, New York and augments those efforts with teams based at its Games Division Technology Headquarters, located in Austin, Texas. Everi Games Inc.

deployment strategy ensures that any software or hardware defect is addressed, and requires customer acceptance sign off before any solution is released to end users. In addition, Everi Games Inc. provides any additional service or support to address performance concerns or make changes to the system due to required administrative or legislative changes.

B. Maintaining third-party hardware and software elements of the system with "supported releases" from suppliers. This includes, but is not limited to, software for network operations, for PCs, network management systems, database and reporting software, and hardware diagnostics. At the time the Contractor is notified by a supplier that a release is scheduled to have support dropped, it is the Contractor's obligation to acquire and install an appropriate Commission- approved upgrade.

Everi Games Inc. Response:

Everi Games Inc. utilizes Commercial off the Shelf (COTS) products to populate and maintain a Configuration Management Database (CMDB), which allows us to actively monitor and maintain Lifecycle Management of third-party hardware and software elements. This gives us the ability to proactively, or upon notification by suppliers, identify impacted components, develop a remediation plan, obtain approval from the Commission for any upgrades and then provide reports on remediation status.

C. Contractor must be equipped to support increased volumes of transactions.

Everi Games Inc. Response:

Everi Games Inc. utilizes industry leading Commercial Off The Shelf (COTS) products and industry standard methodologies to simulate transaction volume and build infrastructure that exceeds capacity plans for the term of the contract. In addition, Everi Games Inc. follows Capacity Management best practices defined under the Information Technology Infrastructure Library (ITIL) to ensure ongoing assessment, reporting and planning for any capacity changes that could be required to support technology or service demand changes.

D. The latest central system software versions shall be made available at start-up. The Commission will determine whether features and capabilities of new releases merit installation.

Everi Games Inc. Response:

As part of Everi Games Inc. customer acceptance process, we will provide the Commission with a software version report for the Central System. Only upon the Commission's approval will software be made available for production release. Once customer acceptance is obtained, the release follows a formal Change Management approval process before it is released to production systems. In addition, a checksum report is provided to the Commission to ensure the software approved for release matches what has been released to production systems.

5. Approval of Changes

The Contractor's configuration management system and practices shall preclude unauthorized changes to the central system. Any engineering changes or variations from the Proposal submitted by the Successful Bidder must be approved in writing by the Commission prior to installation or implementation.

The Commission reserves the right of approval to the software operating system releases provided for the central system, and to all other third-party products employed by the Contractor in the delivery

of the central system. Where the Contractor has acquired third-party software for inclusion in the configuration, the Contractor shall minimize local modifications to the supplier-provided software, shall obtain the Commission's written approval for such local modifications, and shall document any such modification thoroughly.

Everi Games Inc. Response:

Everi Games Inc. understands the needs to maintain a strict control over changes to the Central System and in collaboration with the Commission has instituted a Change Management Policy that governs all aspects of the approval process by which Central System changes are made.

Purpose of Change Management Policy

The purpose of Change Management Policy is to ensure that standardized methods and procedures are used for efficient and prompt handling of all proposed changes in order to minimize the impact upon service and availability and reduce the potential for incidents or problems. Additionally, the Change Management Policy provides a system of record, accountability and control over the operational environments.

Change Management Policies will apply to the following Configuration Items:

- Server and Network Hardware configuration and related items, including new installation baseline and installation procedures.
- Server/Back Office Software, including O/S, DB, Services, Backups, Utility, and Systems Management Applications
- Reports, including Management Terminal “real-time” reports, automated “scheduled” reports, and automated exports or data dumps.
- Network hardware and software configuration, including circuits/PVC routing, core routers, edge routers, and main distribution switches.
- Security Policy (Network and User Admin)

Change Management Responsibilities

- Raising and recording Changes and Change Requests
- Assessing the impact, benefit, and risk of proposed Changes, and escalating review of proposed Changes as needed
- Validating software versions prior to implementation
- Managing and coordinating Change Implementation
- Monitoring and reporting on the implementation
- Updating Configuration Documentation
- Depositing code changes into Iron Mountain escrow account
- Reviewing, Approving, and Closing Change Requests
- For emergency changes, ensuring submission to GLI happens retroactively

Change Categories

- **Routine Data Modification:** This type of change is limited to modification of specified data in the gaming databases, related to recurring tasks that are considered to be a part of routine operations.
- **Notification-level Change:** This designation applies to minor configuration changes or procedures.
- **Standard Change:** This designation applies to all planned changes that do not fit into the designations above, namely routine data modifications or notification-level changes.

- **Emergency Change:** Emergency Changes are similar to Standard Changes in scope and content, except that they occur in response to emergency conditions, when it is not feasible to document written approval in advance of deployment

Change Management Procedures

Notification-level Changes

Notification-level Changes may be initiated by any Change Manager independently, and do not require approval by other Change Managers prior to implementation. Change Notification emails must be sent to Commission by an Everi Games Inc. team member listed in the “Document Sign Off” section at the beginning of this document.

Before a Notification-level change is implemented, the Commission must be notified in advance of the change by:

- Sending an email to the Gaming Commission which includes the details of the change, and awaiting acknowledgement of the email (should be sent at least 2 hours in advance of the intended implementation time), or;
- Calling the Gaming Commission Operations to discuss the intended change, and then sending an email notification indicating that the Commission was verbally notified (e.g., “As discussed with [Commission staff member], Everi Games Inc. has ...)

Standard Changes

Standard Changes will be reviewed and approved by the Change Manager from each Everi Games Inc. Operations and Technology team -- 1) Field Service, 2) Network Operations (NOC), 3) Software Development, 4) Database Development, and 5) Production Infrastructure (SEs) -- prior to being submitted via a Change Request to the Commission. Typically Change Managers will approve changes personally, but in the event that a Change Manager is unavailable to approve a proposed change request, an alternate change approver may be designated from the Change Manager’s team, or the relevant Policy Director may also serve as an alternate change approver. Alternate change approvers are limited to Everi Games Inc. team members who have signed/acknowledged the Everi Games Inc. New York Change Management Policy.

Change Request drafts and supporting documentation (release notes) are submitted internally to New York Change Managers via email for discussion/approval by close of business Wednesday in the week prior to the proposed deployment date. For most Standard changes, approval by each New York Operations and Technology team will be sent via email; where the scope of a proposed change necessitates intensive discussion/coordination, a dedicated meeting may be scheduled instead. The Commission must receive a CM-approved change request no less than 24 hours (1 business day) before the scheduled deployment time. Change Managers (and their delegates) are responsible for meeting internal and external submission deadlines for all changes they propose, and for ensuring that internal and external approvals have been gathered prior to deployment.

Emergency Changes

Emergency Changes are used whenever immediate Commission attention is required for the approval, or if urgency precludes waiting until the next maintenance window for deployment.

Additionally, when the urgency of a needed change precludes gathering approval from all New York Change Managers and/or submitting a Change Request to Commission, an individual Change Manager has the authority to initiate an Emergency Change following verbal approval from Commission and from at least one of the following Everi Games Inc. personnel:

- SVP Engineering, Technology
- Senior Director Operations
- Systems Architecture Manager

Emergency Changes must be fully documented retroactively, in the manner of a Standard Change.

Additional Software Approval Procedures

Everi Games Inc. included procedures for software review and approval by the Gaming Commission, which are described in more detail in Section 3.16.

6. Software Documentation

Before commencing operations, a complete listing (which may be in electronic form at the Commission's discretion) of the source programs, operation manuals, service manuals, and written procedures, with program object code media of all programs (software), must be delivered to the Commission. This listing must include all programs executed on the equipment pertaining to this RFP and the contracted central system. As changes are implemented, documentation (including listing changes, reason for change, personnel instituting change, authorization for change, and date of change) shall be supplied by Contractor to the Commission. Periodically, the Commission may request a program listing and other material for the purpose of verifying the original operating system and those changes instituted at the time of the request. Contractor shall be required to fulfill such requests within 24 hours.

The Commission may allow for the placement of source programs with an escrow agent, provided that the Commission has sole determination as to when the programs are released.

Everi Games Inc. Response:

Software Documentation

There is an extensive library of documentation detailing all aspects of the Everi Games Inc. Central System. This includes but is not limited to:

- Operation manuals for all functionality in the Management Terminal and Validation Terminal or external tools
- Communication protocol definition documents:
 - VLT Service
 - SAS Host (Electronic Table Game Service)
 - Validation Terminal Service
 - Kiosk Service
 - Data Gateway Interface (Player Tracking, Slot Dispatch, Anti-money Laundering)
 - Progressive Signs
 - Directory Service (Load balancing)
- Manual procedures
- Recurring checklists and maintenance
- Install instructions
- Report definitions
- Business requirements documents

Changes to the Everi Games Inc. Central System follow the documentation and notification regulations set forth in the Change Management Policy that has been established between Everi Games Inc. and the Commission. Accompanying changes to the system, Everi Games Inc. provides release notes for fine-grained details about the change and quick reference guides for changes that impact how users interact with the system. Everi Games Inc. is also always available to answer any questions and provide in-depth training when needed.

The software running and their associated files, are monitored to ensure there are no unauthorized changes by third-party software through use of GFI LANguard System Integrity Monitor. This continuously monitors for changes to the underlying file system and notifies Everi's Network Operations Center as well as the Commission. All changes detected must be associated with a change request that has been approved by the Commission. Everi is happy to comply with any requests for verification that the system is appropriately installed and configured.

All source code for Everi's Central System is uploaded to an escrow account with Iron Mountain. Everi's software development lifecycle workflow incorporates a step for uploading all source code and related objects with installation instructions to Iron Mountain so that the escrow account is maintained and up to date.

7. Site Controller Communications Protocol

Contractor shall be responsible for developing the communications protocol used to communicate with the gaming devices.

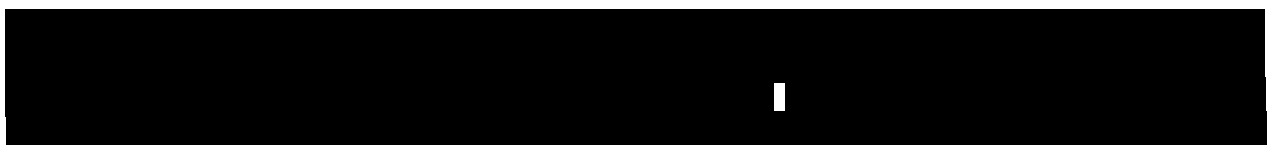
Contractor will be required to provide the same materials in both hard copy and machine-readable formats to each game vendor that provides gaming devices to the Commission. This information must be provided to potential game vendors when requested by the Commission. As changes are made to the hardware, interface, protocol, barcode print specification, or encryption process, Contractor will promptly distribute new materials as described above to the Commission and each game vendor. This information and support will be provided at no additional cost to either the Commission or the game vendors.

Everi Games Inc. Response:

Site Controller Communications Protocol

There are different protocols for Video Lottery Terminal (VLT) communication and Electronic Table Game (ETG) communication. Everi will provide all documentation materials on the protocols to the Commission and to any existing or potential game vendor(s) upon request. Everi understands that any delays in game vendors releasing their product could equate to potential lost revenue. Everi stands by its commitment to provide on-going support to game vendors in order to support new title releases, the staff at Everi is willing and well prepared to support and assist vendors to integrate with the Everi Central System as demonstrated by our current VLT Central System Operations in New York.

VLT Service Communications Protocol



[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]

ETG Communications Protocol

For communication between the Site Controller and the ETGs, Everi Games Inc. proposes to continue to use the GSA SAS 6.02 protocol. It is also a well-known protocol that many ETG vendors already support. A Smart Interface Board (SMIB) is mounted and connected to the ETG. The SMIB communicates to the ETG over a serial port connection and relays all information from the ETG to the Everi Games Inc. SAS Host over a standard Ethernet connection.

[REDACTED]

[REDACTED]

The ETG maintains various monotonically increasing meter values as play or other events occur. For example, there are meters for total coin in/out. As credits are wagered on the gaming machine the total coin in will increase and as prizes are awarded the total coin out will increase.

[REDACTED]

[REDACTED] his design conforms to industry standard implementations and provides very robust and versatile system for interacting with the ETGs.

The protocol consists of two primary message types: long polls, and general polls. Long polls are generally used to request specific information such as meter values from the ETG, or update configurations on the ETG.

[REDACTED]

8. No Gaming Device Restrictions

The choice of the central system must not influence the selection of gaming devices now or in the future. The gaming device hardware interface, communications protocol, barcode format, and encryption algorithm used in the central system cannot restrict the Commission to specific game vendors by way of complexity, unreasonable Non-Disclosure Agreements, or cost of implementation of a gaming device.

Everi Games Inc. Response:

Everi Games Inc. has designed its interfaces to maximize the VLT and ETG manufacturer options for the New York Gaming Commission. Our approach is to make it as simple as possible for manufacturers to implement our protocols by using industry standard, well-documented protocols. Protocols supported by Everi Games Inc. will not restrict the Commission to a single VLT or ETG manufacturer. In fact, Everi Games Inc. has selected protocols that maximize the manufacturer choices for the Commission.

[REDACTED]

[REDACTED] In addition to being formatted and built using industry standard technologies that are easy to implement, our VLT protocol has been in use in the industry for 15+ years. It is an established and mature protocol that has supported a multitude of VLTs performing high volume transactions concurrently across multiple VLT vendors. Current VLT vendors include, but are not limited to:

- Bally
- SDG

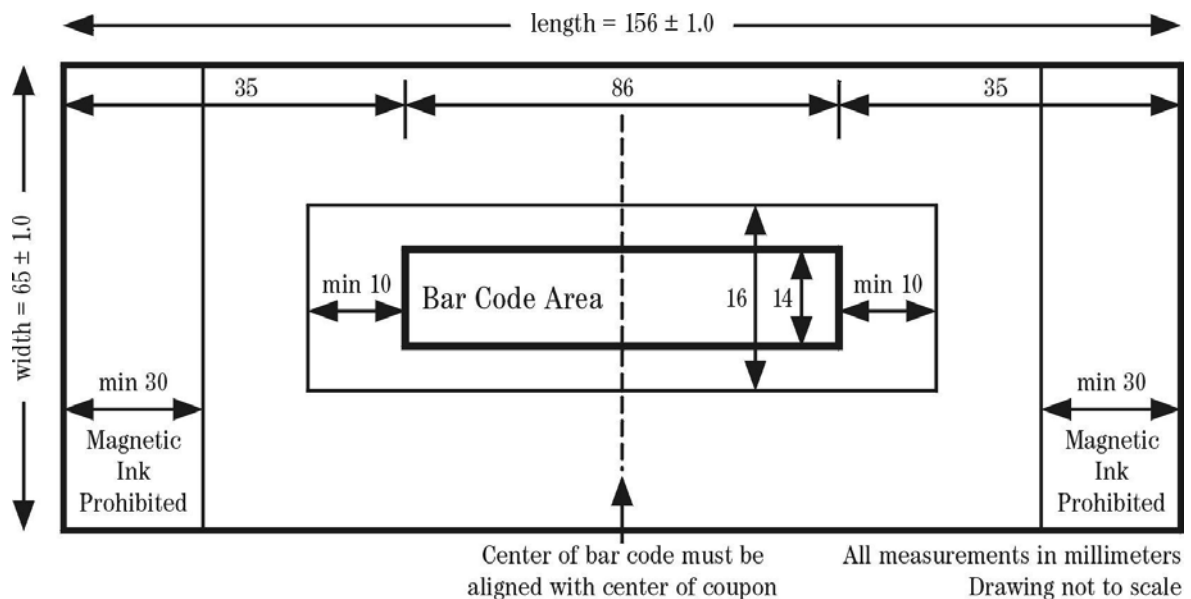
- Spielo
- IGT
- Shuffle Master

The ETG protocol is an implementation of the GSA SAS 6.02. This is another well documented and established protocol that is familiar to most in the gaming industry. Any ETG that is compatible with the GSA SAS 6.02 should be able to directly connect to the Everi Central System with little to no modification. Current ETG vendors include, but are not limited to:

- Alfastreet
- IGT MP series
- Interblock
- Shuffle Master

To operate with the Everi Games Inc. Central System the gaming devices only require industry standard components and hardware. The voucher printers and bill acceptors only need to be able to print and interpret Interleaved 2 of 5 barcodes, with a length of 18 characters.

Voucher Layout Information:



INSERT THIS SIDE UP
 XXXXXXXXXXXX YYYY Z

Miracle Isle Gaming Resort

Route 31 East, Vernon, NY 13476

CASH VOUCHER



1234-5678-9012-3456-78

\$535.50

FIVE HUNDRED THIRTY-FIVE DOLLARS AND FIFTY CENTS

INSERT THIS SIDE UP
 7432-7654-2858-3024-63
 1234 578 9
 Cash Value redeemable up to one year from
 OCT 26 2003
 11:20PM

9. Game Vendor Support

Contractor shall assist game vendors with the implementation of the communications hardware requirements, the communication protocol, encryption algorithm, etc., necessary to successfully communicate with the site controller and the central system.

Contractor shall provide access to a test system or similar device that allows game vendors to connect and test their gaming device site-controller interface and protocol implementation. The test system and any associated devices must faithfully simulate the actual communications environment in which the gaming devices will function.

Requests for assistance, information, and documentation shall be handled promptly by Contractor and at no additional charge to the Commission or game vendors. The Commission reserves the right to resolve disputes between the video lottery central gaming system Contractor and the game vendors.

Decisions by the Commission regarding disputes are binding on all parties.

Everi Games Inc. Response:

Everi Games Inc. and the current game vendors have a very good partnership in this jurisdiction. We collaborate over email, conference calls, and even in the Schenectady New York lab where necessary. The Interface Control Document (ICD) is very comprehensive, and we understand that questions may arise. We are diligent to respond to Game Vendor questions because Everi Games understands that any delays to release of their games could impact all parties involved.

Everi Games Inc. has demonstrated prompt responses to the Commission's request for information to resolve disputes. Additionally, we have served as a facilitator for technical conversations between the Commission and Game Vendors where disputes were not a result of a problem with the Central System. Most issues flow through Everi's support desk first and we are always diligent and proactive to ensure the issue is not on the Central System side while engaging Game Vendors to make them aware of what occurred.

Everi Games Inc. will provide a separate interop testing environment that approved game vendors can use for development testing of games and 3rd party software. This environment is logically separated and secured from the Everi Games Inc. Central System development and test environment.



10. Software Modification Procedures

During the term of the Contract, the Commission and Contractor shall agree in writing to a schedule for developing, testing, and implementing or installing a modification or enhancement to support an existing game or an addition of a new game, unless otherwise approved by the Commission.

The following system and application software modification procedures must be adhered to:

- Once the system has been accepted in writing by the Commission, the Contractor will be prohibited from modifying the software or databases of the system without the prior express written approval of the Commission.
- Following the implementation of the system, modifications and enhancements to the system may be deemed necessary by the Commission.
- Implementation and all software changes must be tested via a certified independent test lab approved by the Commission, with test results provided to the Commission. All tested changes must be approved by the Commission and the Commission reserves the right to

perform acceptance tests on any modifications to the system.

Everi Games Inc. Response:

Commission Approval & Software Access

No modifications to the system software, application software or databases of the system shall be made by Everi Games Inc. without the prior written approval of the Commission Director or other authorized designee. Everi Games Inc. recognizes the need to provide strict control and restrictions in regards to the movement of software between the test and production source and object code libraries. Software migration, access to source code, and the ability to modify source code will all be subject to stringent security precautions as detailed below.

Everi Games Inc. understands and is aware that, following the implementation of the VLS, the Commission may request modifications and/or enhancements to the system. All system enhancements and modifications will be tested thoroughly as per the acceptance test process detailed in Section 3.16.

Testing results for all modifications and enhancements shall be provided to the Commission for review. Everi Games Inc. will assist the Commission with acceptance testing by providing staff resources, documentation and test plans.

Upon Commission approval, changes to the production software will be made as per the procedures detailed in Section 3.2.5. Following any update to the production environment system software that results in a modification of the source code, the copy of the source code held in escrow will also be updated as detailed in Section 3.2.12.

Software Migration

No software will be introduced to the production system without first being subjected to both the Everi Games Inc. software release process and the Commission's software release process.

The Everi Games Inc. software release process consists of running through a checklist to ensure that all tests have been performed, that the software version is correct, all changes have been documented, and all required approvals have been obtained. Everi Games Inc. and the Commission will execute an acceptance process before installing any software on the production system. Only authenticated users with the appropriate permissions can install software on the system.

All software installation activities are monitored and recorded within the New York Database Integrity Check report, as well as patch management software, which provide daily reports and detailed explanations of any database and software modifications, to ensure that changes can be tracked and audited at the user level implementing the change. This software migration process also links back all reported modifications to the approval process.

Source Control

In addition, Everi Games Inc. has implemented software source code auditing and tracking that allows for tracking deployed production system software components back to development source code. This allows Everi Games Inc. and the Commission to identify, for any production software component, the developers responsible for any changes.

Independent Test Lab

As a standard component of software testing, Everi Games Inc. provides relevant source code to an independent test lab, Gaming Laboratories International, LLC (GLI), based out of Lakewood, NJ. GLI has been approved by the Commission to act as a compliance testing service to provide assessments and certifications related to gaming machines, software, systems and peripheral equipment. GLI regularly tests, inspects and/or certifies products for conformity with their standards in addition to individual requirements of more than 475 jurisdictions around world.

Additionally, to support the approval of VLT and ETG vendor games, Everi Games Inc. provides an additional system to BMM Test Labs at its Global Headquarters in Las Vegas, Nevada.

11. Enhancements

Changes and enhancements to the equipment and software which exceed RFP- specified current requirements, such as additional terminal peripherals, game enhancements, game options, promotions, new games, new terminal types, new reports or changes to existing reports and new user interface features, will be handled as follows:

1. Software changes are included in the base price, even if additional developments are required to create or adapt software for the Commission's needs; and,
2. Substantive service additions or changes will have their pricing negotiated with and agreed to by the Commission before implementation.

Everi Games Inc. Response:

Agreed, changes and enhancements to the equipment and software which exceed RFP- specified current requirements, such as additional terminal peripherals, game enhancements, game options, promotions, new games, new terminal types, new reports or changes to existing reports and new user interface features, will be handled as follows:

- Software changes are included in the base price, even if additional development is required to create or adapt software for the Commission's needs; and,
- Substantive service additions or changes will have their pricing negotiated with and agreed to by the Commission before implementation.

12. Software Source Code Escrow Account

All software source code pertaining to the video lottery gaming central system must be held in escrow at a mutually agreeable location and with mutually agreeable access rights. This requirement applies to source code for both the central system and the site controller.

Everi Games Inc. Response:

Currently, all source code for our Central System is uploaded to an escrow account with Iron Mountain. Our software development lifecycle workflow incorporates a step for uploading all source code and related objects with installation instructions to Iron Mountain so that the escrow account is maintained and up to date. This includes the Central System, Site Controller, and any related software necessary for gaming operations. If retained, Everi Games Inc. will continue to maintain the escrow account with Iron Mountain extending the current arrangements.

13. Commission Staff Training

In order to ensure a smooth startup and ongoing operation, it is expected that the Commission and facility staff will be thoroughly trained on all aspects of the new system by Contractor.

Everi Games Inc. Response:

Everi Games Inc. recognizes the need to provide comprehensive training to the Commission and facility staff and is prepared to provide a uniform, yet flexible training program for the Administrators, Analysts, Programmers, Testing Specialists, Accounting, Auditing, and Security groups. The training course and training manuals are tailored for each group as detailed below, and will be customized for any other group of personnel necessary.

- Administrators, Analysts, and Programmers will be trained on the specific commands, inquiries, and menu structure of all application, administration, operating system, and reporting functions. Database concepts and the structure of the databases will be described.
- Testing Specialists will be trained on the functionality, commands, reports, menu structures, and use of the Site Controller, the Central System, and any other relevant system, such as the Archive and Data Backup servers and peripherals. In lieu of simulators, the Everi Games Inc. team will use a fully functioning QA system in a lab environment for training.
- Accounting and auditing staff will be trained on the specific commands, inquiries, reports, menu structures, and functions of meter maintenance, invoicing, and the bank account sweep process.
- Security staff will be trained on the specific commands, inquiries, menu structures, and reports for event logs and warnings, cash voucher production, cash voucher validations, and all other security functions. They will learn game play functionality, cash voucher production, and how to utilize the system to resolve cash voucher problems.

Prior to system startup and if deemed necessary by the Commission, all Commission staff will take part in the following multi-stage training process:

- Training Manuals – Everi Games Inc. will provide individuals in each group with a training manual customized for their function. The manual will be written in a simple and easy-to-understand format with step-by-step instructions for using the software. The manual will contain screenshots of the software, illustrating the functionality of the system.
- Training Courses – Everi Games Inc. personnel will conduct role-based customized classroom sessions for the Commission staff that provides in-depth training on their use of the system. Each course engages in hands-on training to ensure they have a complete understanding of the system.
- All training materials will be made available to accommodate the hiring of new personnel over the course of the contract period.

This includes the following:

- Training Manuals – As described above.
- Video Training Courses – Everi Games Inc. will film the individual training courses described above and create a video training course that can be used to educate individual Commission staff as they are hired. The video training courses include the full course as initially taught by the instructor as well as demonstrations of all necessary software functionality and use.

In addition to Commission staff training, Everi Games Inc. recognizes the need to train Video Lottery Terminal facility personnel. Everi Games Inc. will provide the same multi-stage training process (training manuals, on-

site and video training courses), if deemed necessary by the Commission to the Video Lottery Terminal facility personnel as described above.

14. On-Site Resource

In addition to the personnel required to monitor the central system (24-hours per day, 7 days per week, 365 days per year), the Commission will require sufficient on-site and remote technical support at all locations as determined by the Commission for the duration of the Contract.

Everi Games Inc. Response:

Everi Games Inc. currently has the proper staffing levels at each facility to meet onsite support and remote technical support requirements based on the current operating hours at all New York VLT facilities. Should needs increase due to changes in operating hours for example, Everi Games Inc. will work with the New York Gaming Commission to adjust staffing as needed. Everi Games Inc. Games strives to provide the best customer support possible and we understand quality personnel availability is essential to continued success.

3.3 COMMUNICATIONS NETWORK

Contractor is required to provide the data communications network and operate it. The costs associated with this operation should be included in Contractor's base price.

Contractor is responsible for all data lines, equipment and installation, including all one- time and recurring costs.

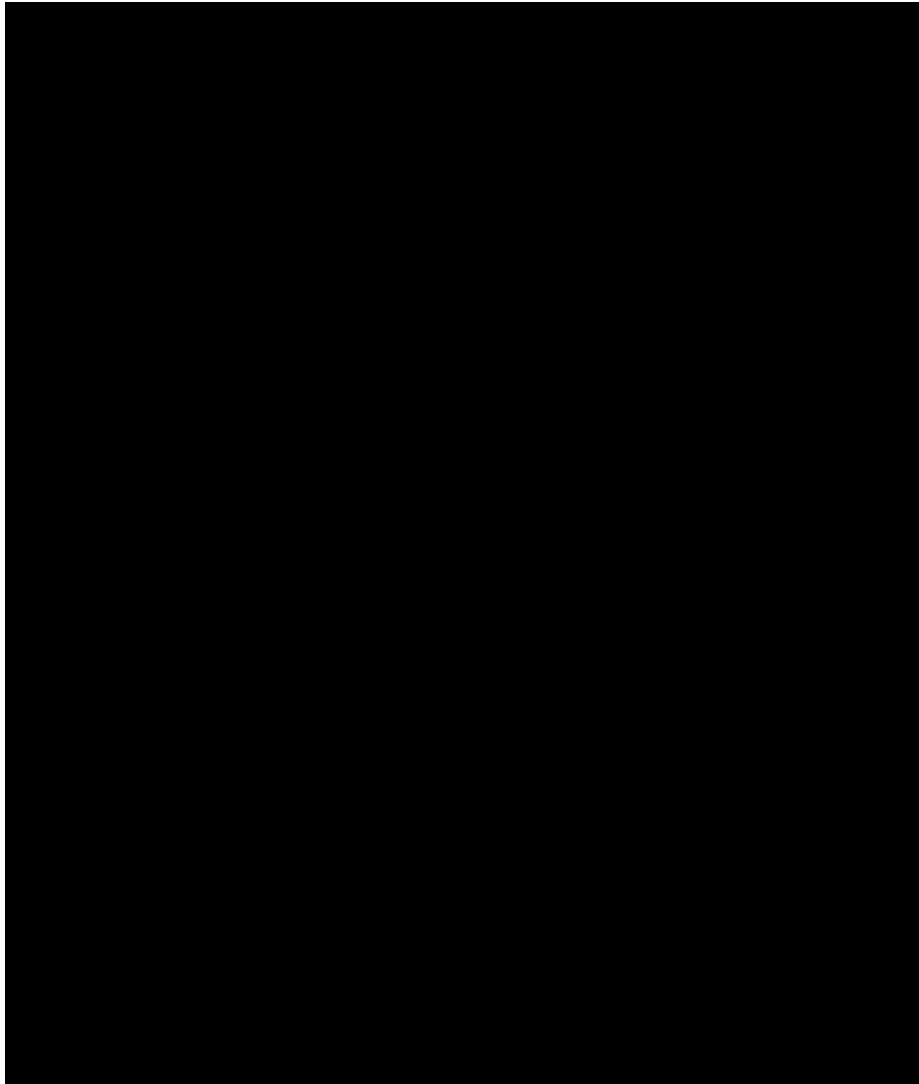
The data communications network goes from the primary data center to the site controllers at each facility, and from the primary to the backup data center. Communications between the central system and the site controllers must be encrypted.

Everi Games Inc. Response:

[REDACTED]

[REDACTED]

[REDACTED]



3.4 CENTRAL SYSTEM SPECIFICATIONS

This section describes the features and capabilities that the central system must support. Hardware configurations will exist at both the primary and backup data centers. All hardware installed at both data center locations must have sufficient technical capacities to support the operational requirements of the central system.

The backup data center is intended to be a mirrored backup facility whereby processing can be transferred immediately to this facility upon failure of the primary data center.

A. PRIMARY DATA CENTER

The uptime of the central system must meet or exceed **99.99%** during the established hours of system operation, which is **24/7/365**, with no loss of data, system integrity, or performance due to system issues (e.g., hardware failure, power loss, malware, etc.). The central system must have the ability to support a Recovery Point Objective (RPO) of zero, meaning there will be no data loss due to a system failure, and no tolerance for system downtime.

Everi Games Inc. Response:

[Redacted]

[Redacted]

- [Redacted]

[Redacted]

- [Redacted]

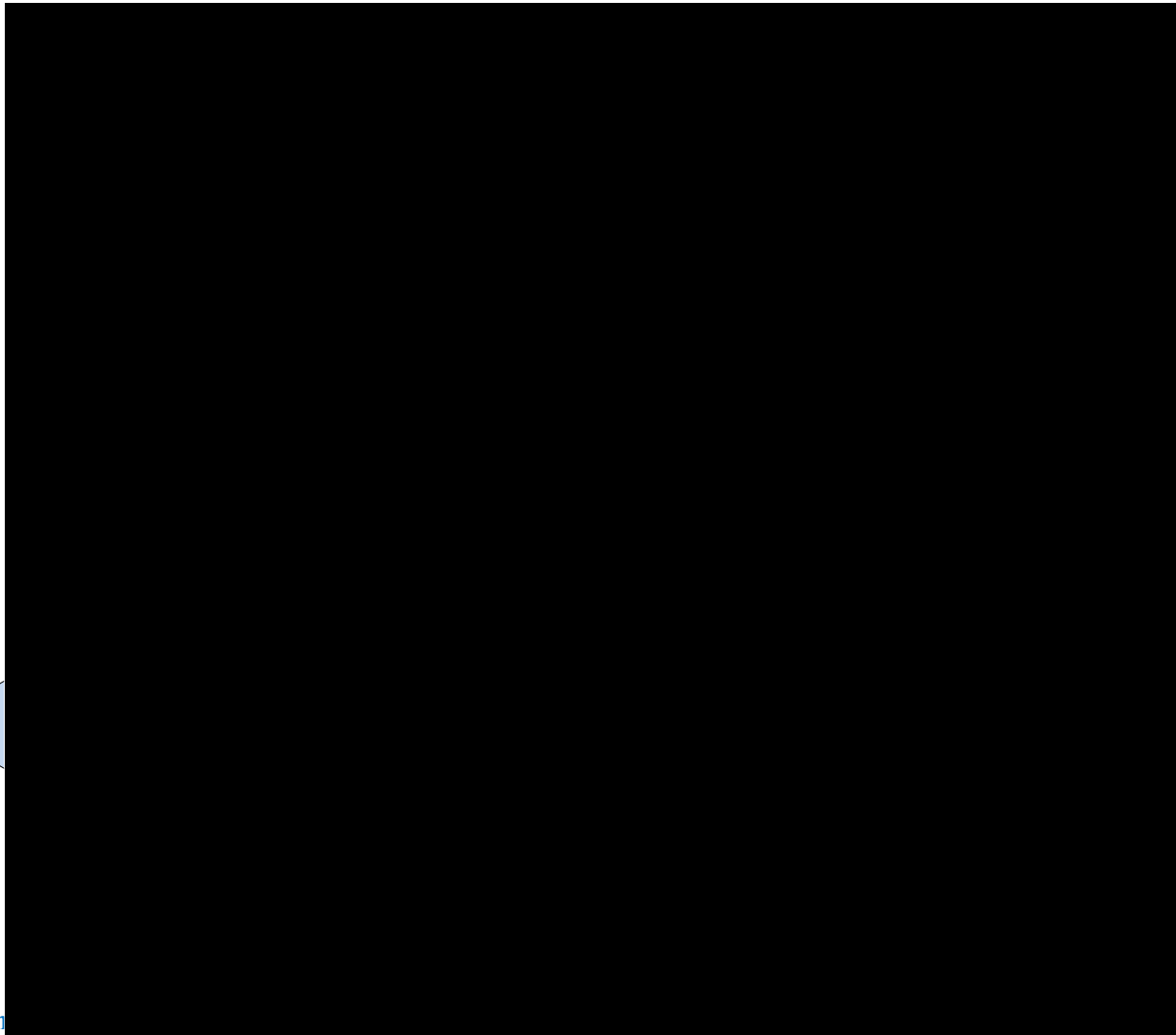
- [Redacted]

- [Redacted]

- [Redacted]

- [Redacted]

[Redacted]



Prim



[Redacted]

[Redacted]

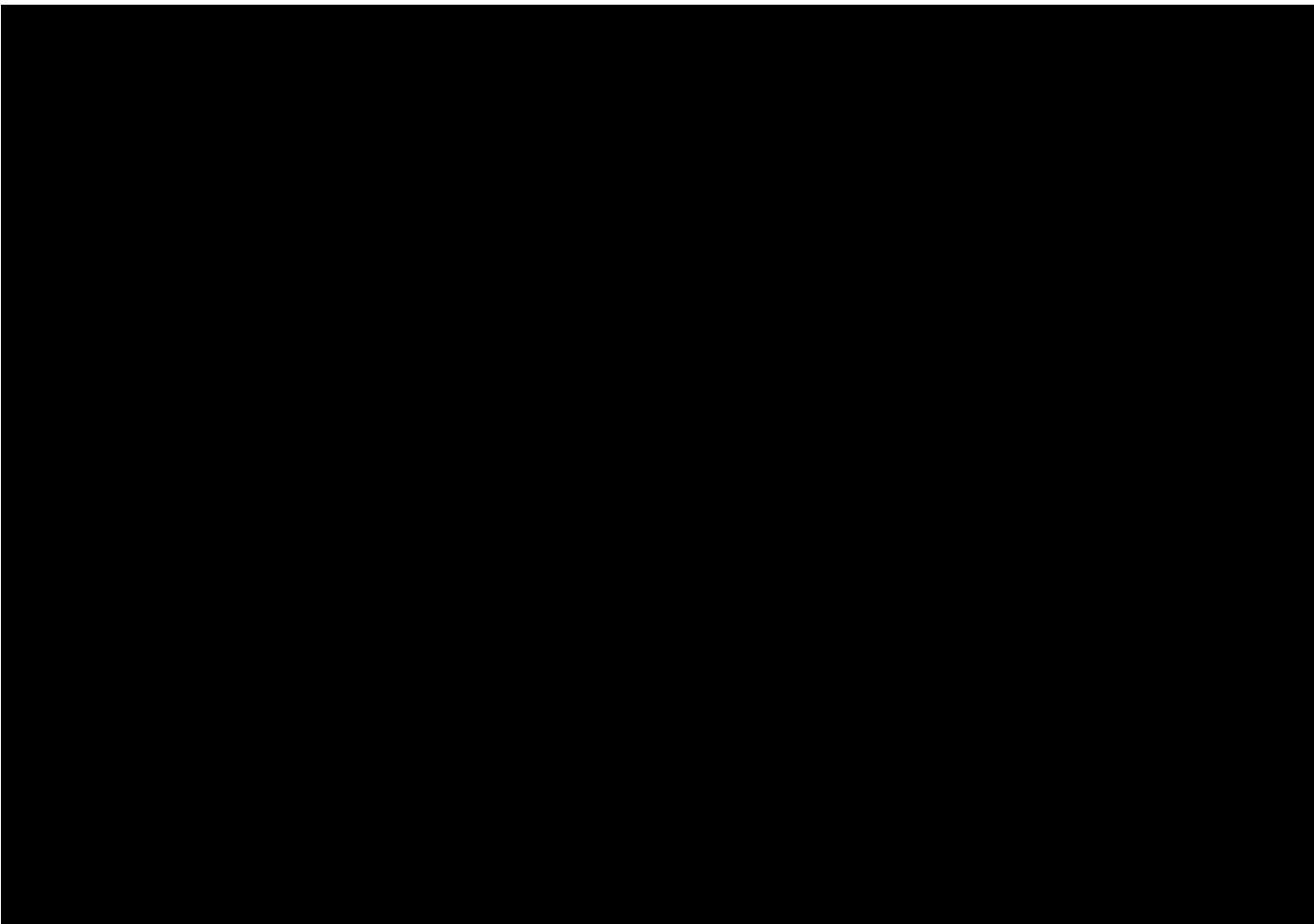
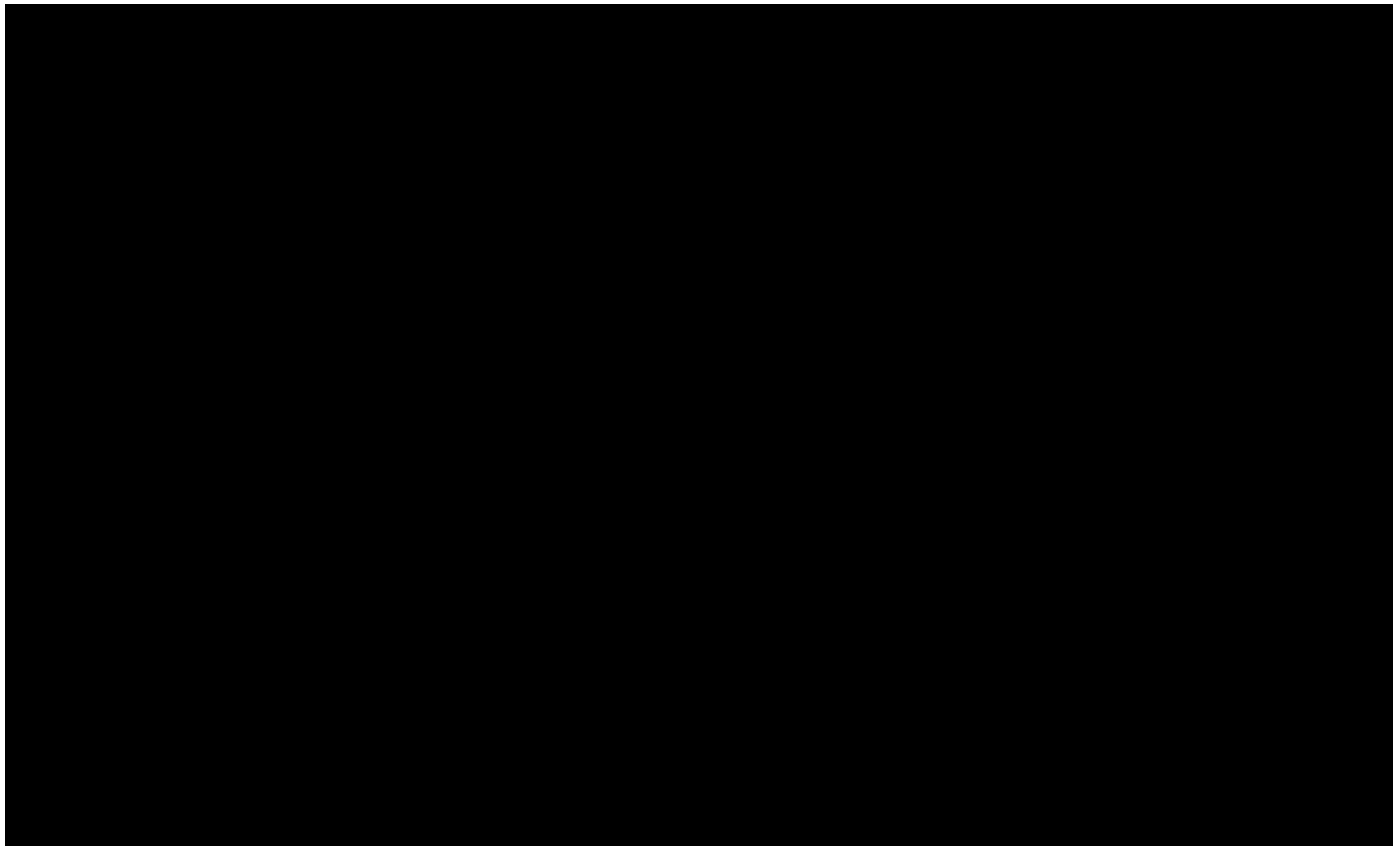
[Redacted]

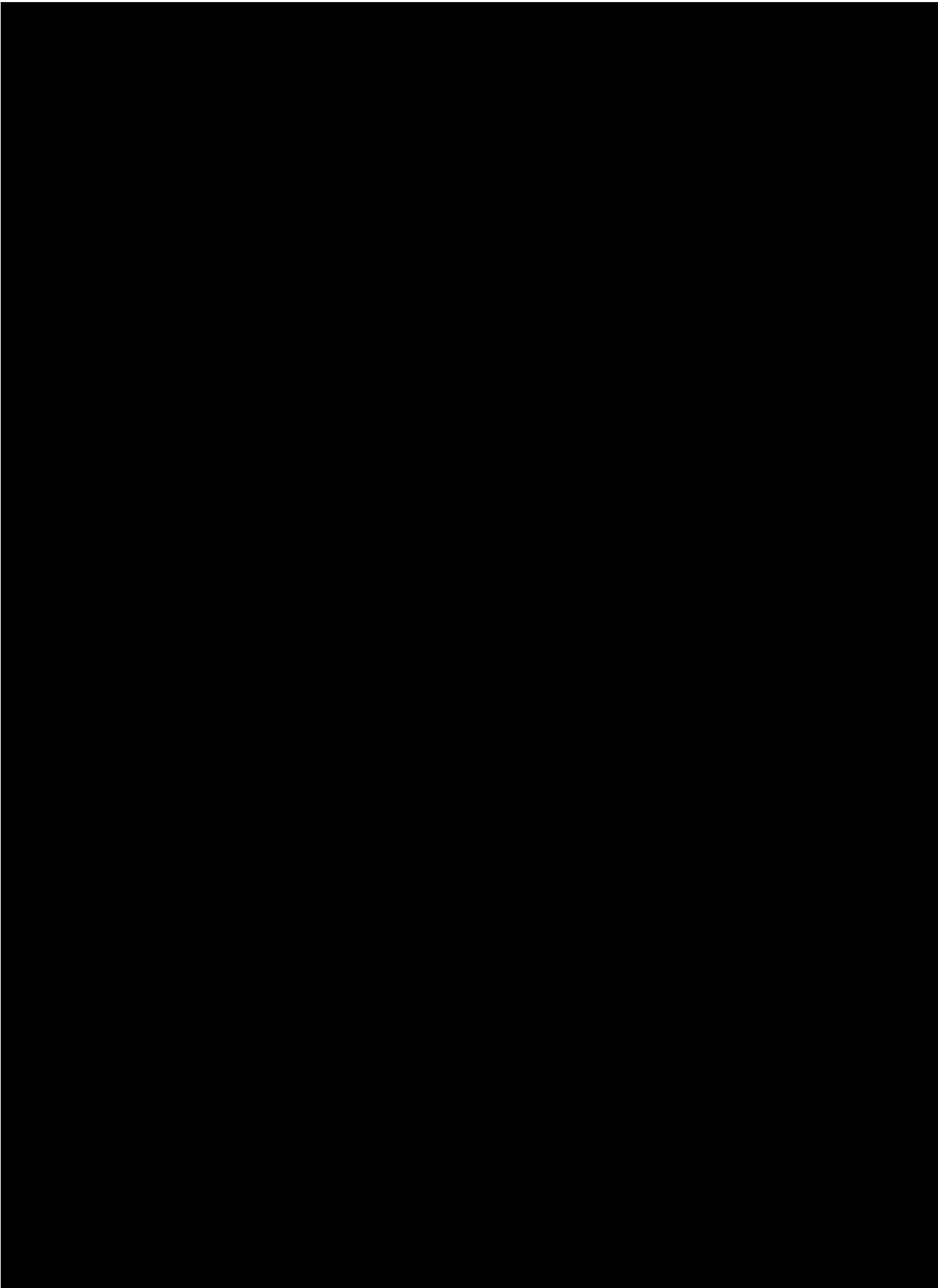
[Redacted]

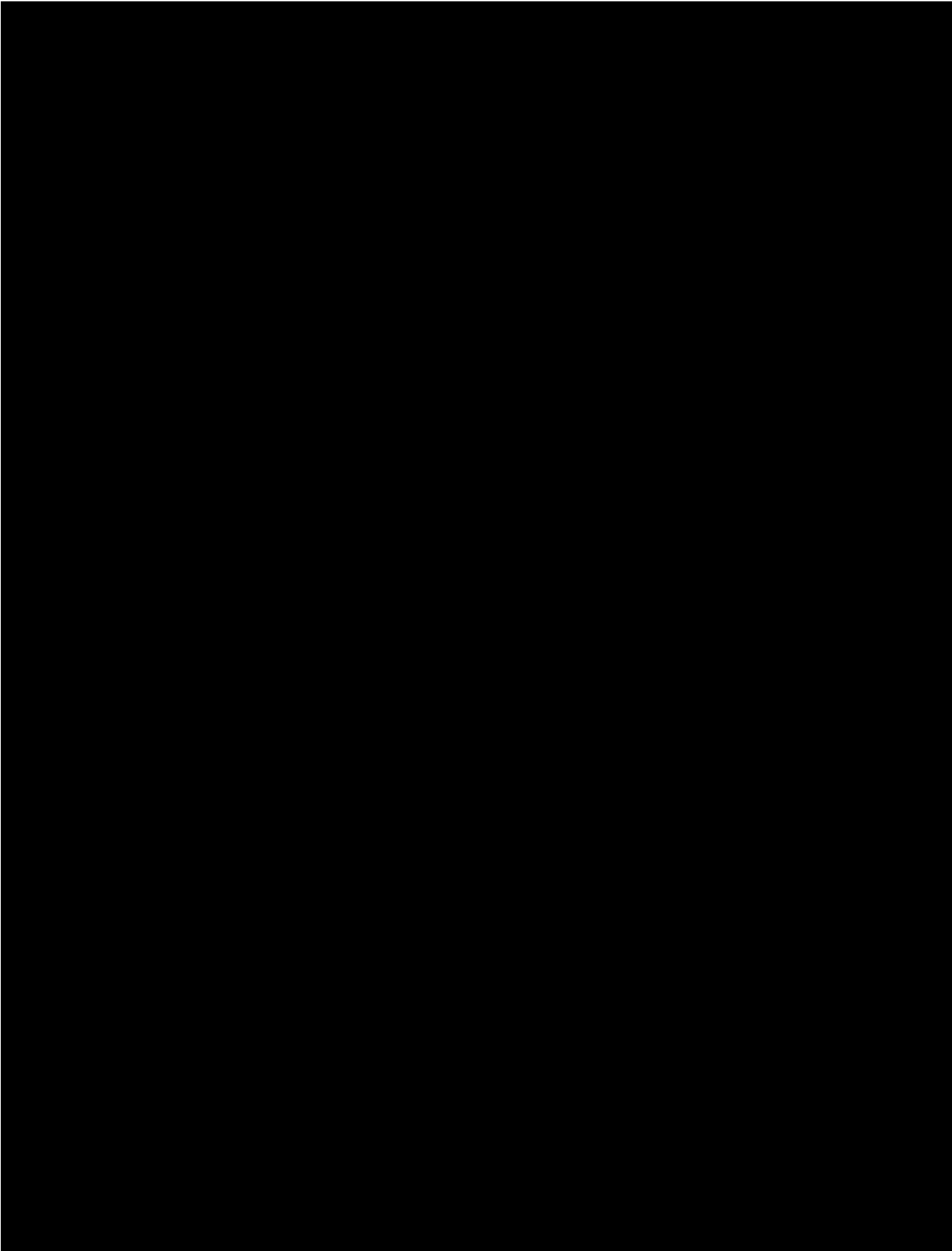
[Redacted]

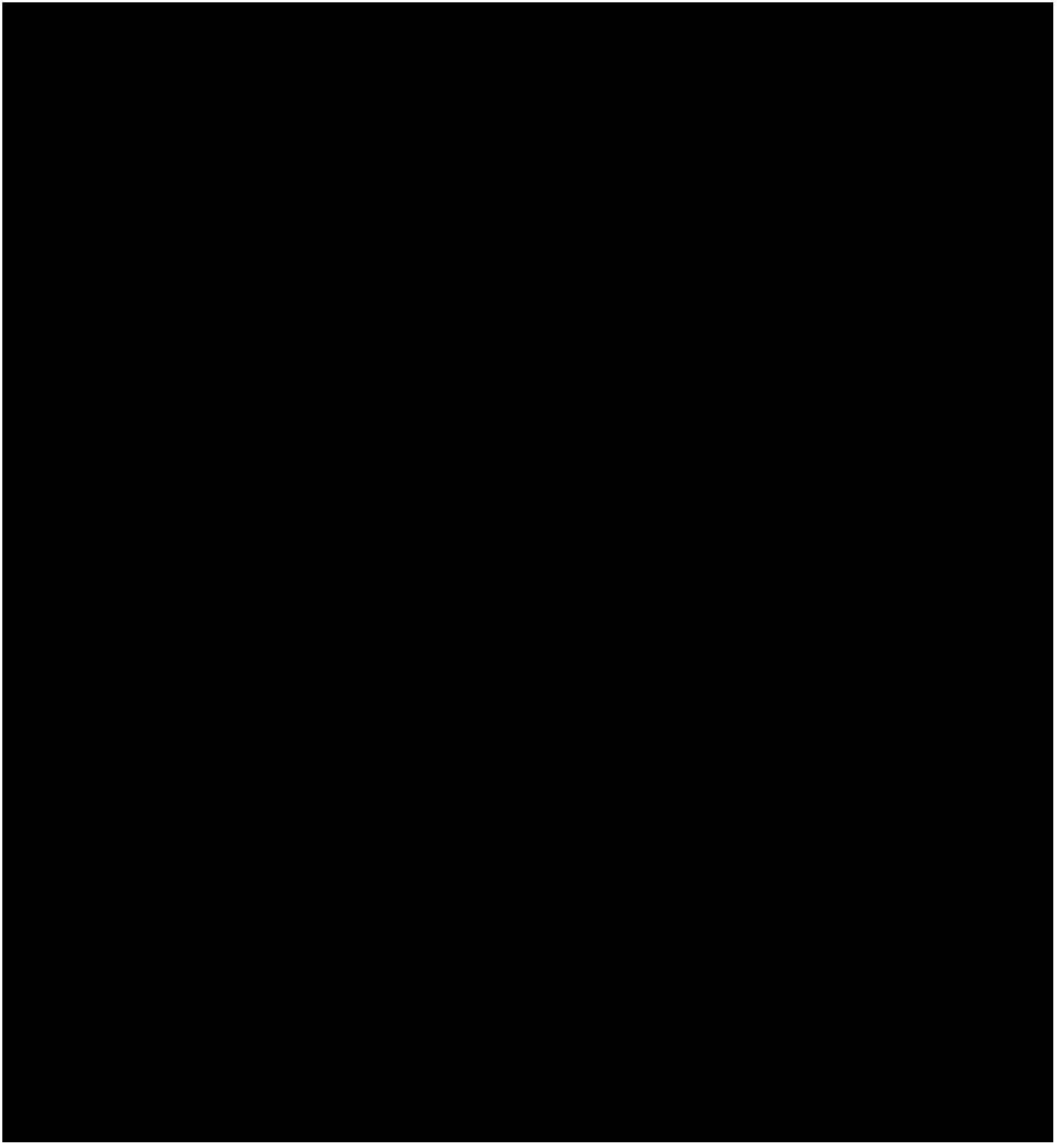
[Redacted]

[Redacted]









[Redacted]

[Redacted]

[Redacted]

[REDACTED]

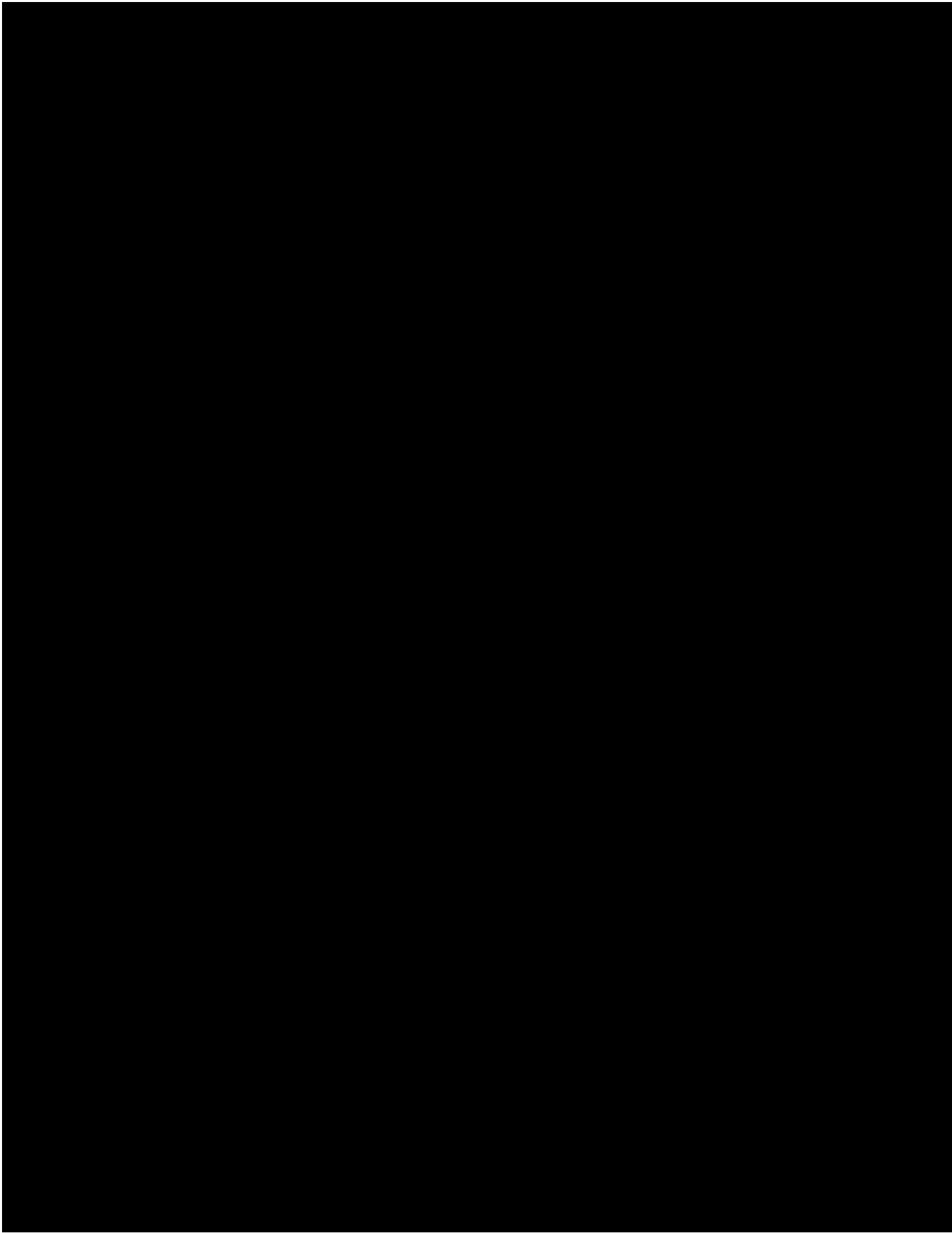
[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]



[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

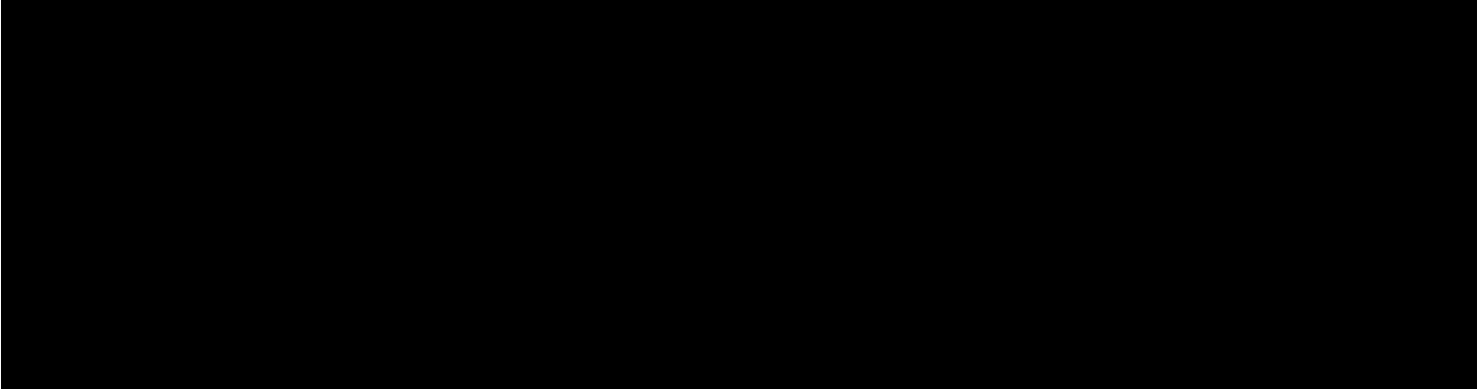
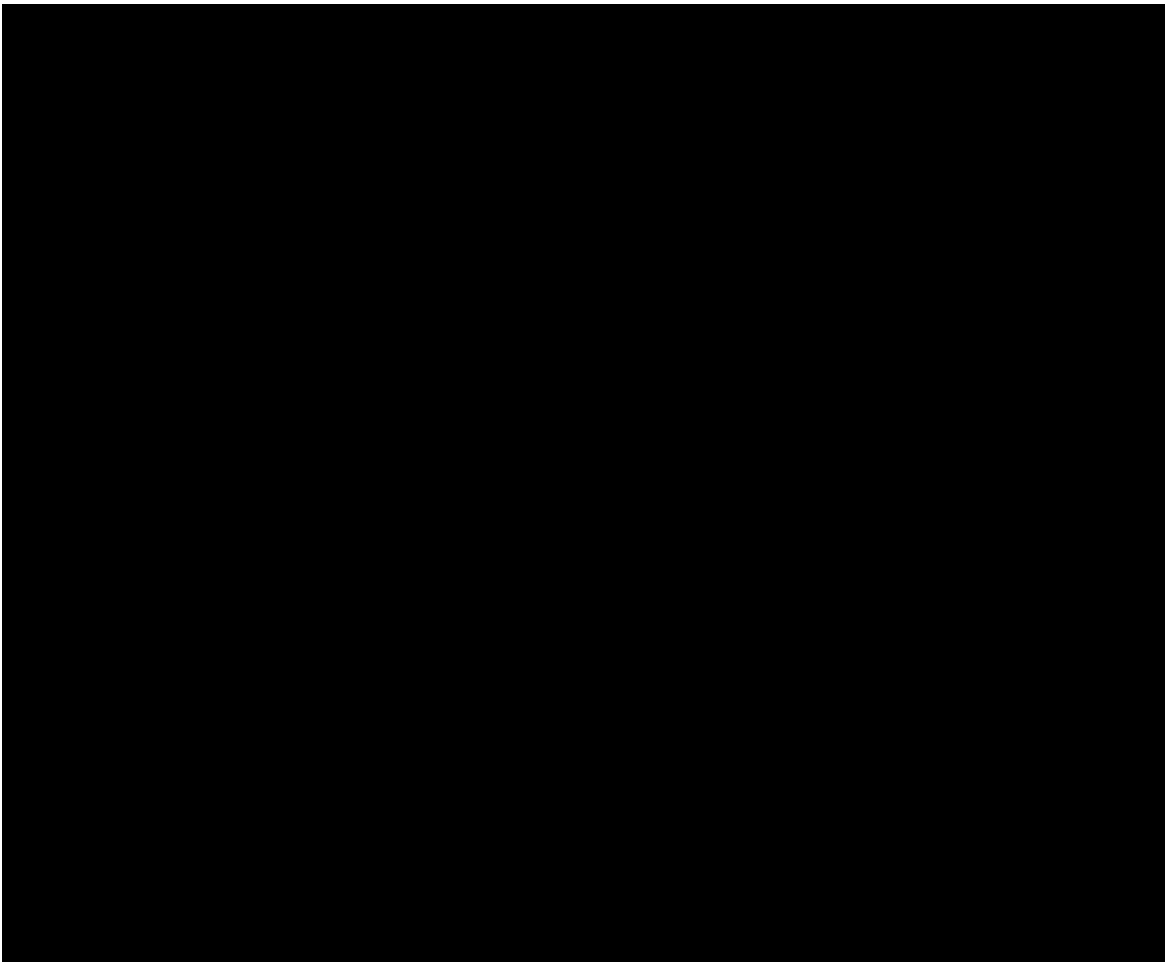
[REDACTED]

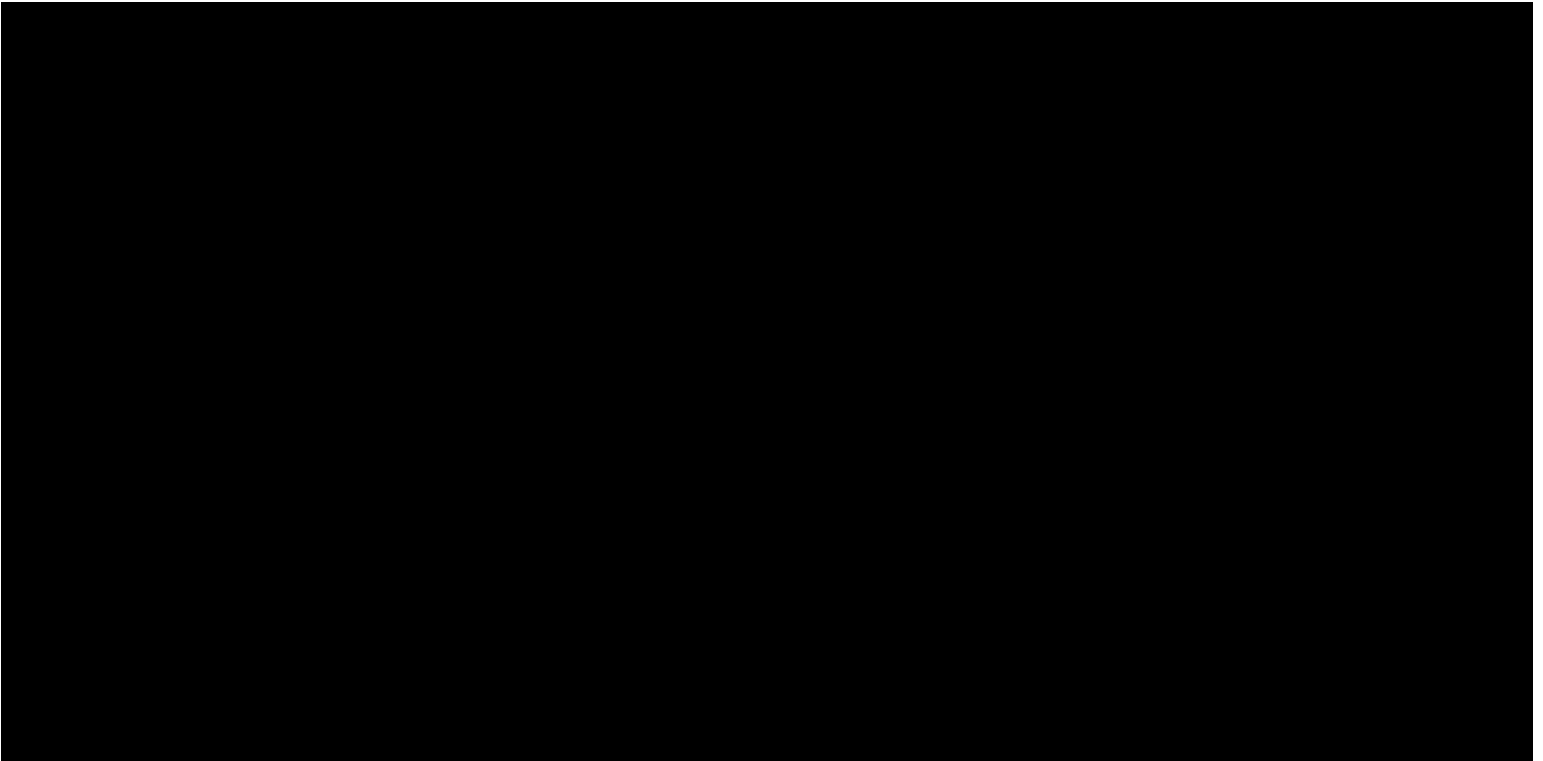
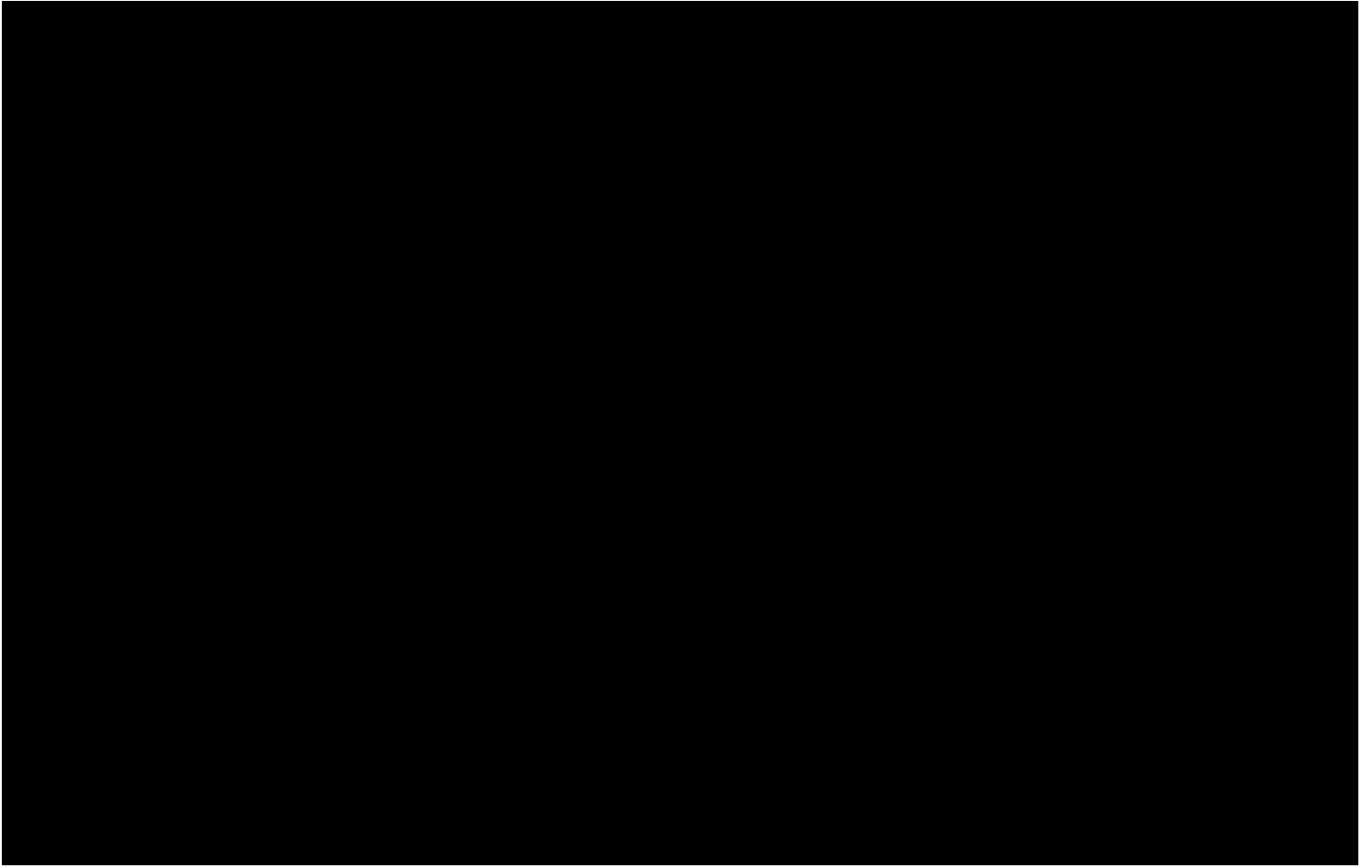
[REDACTED]

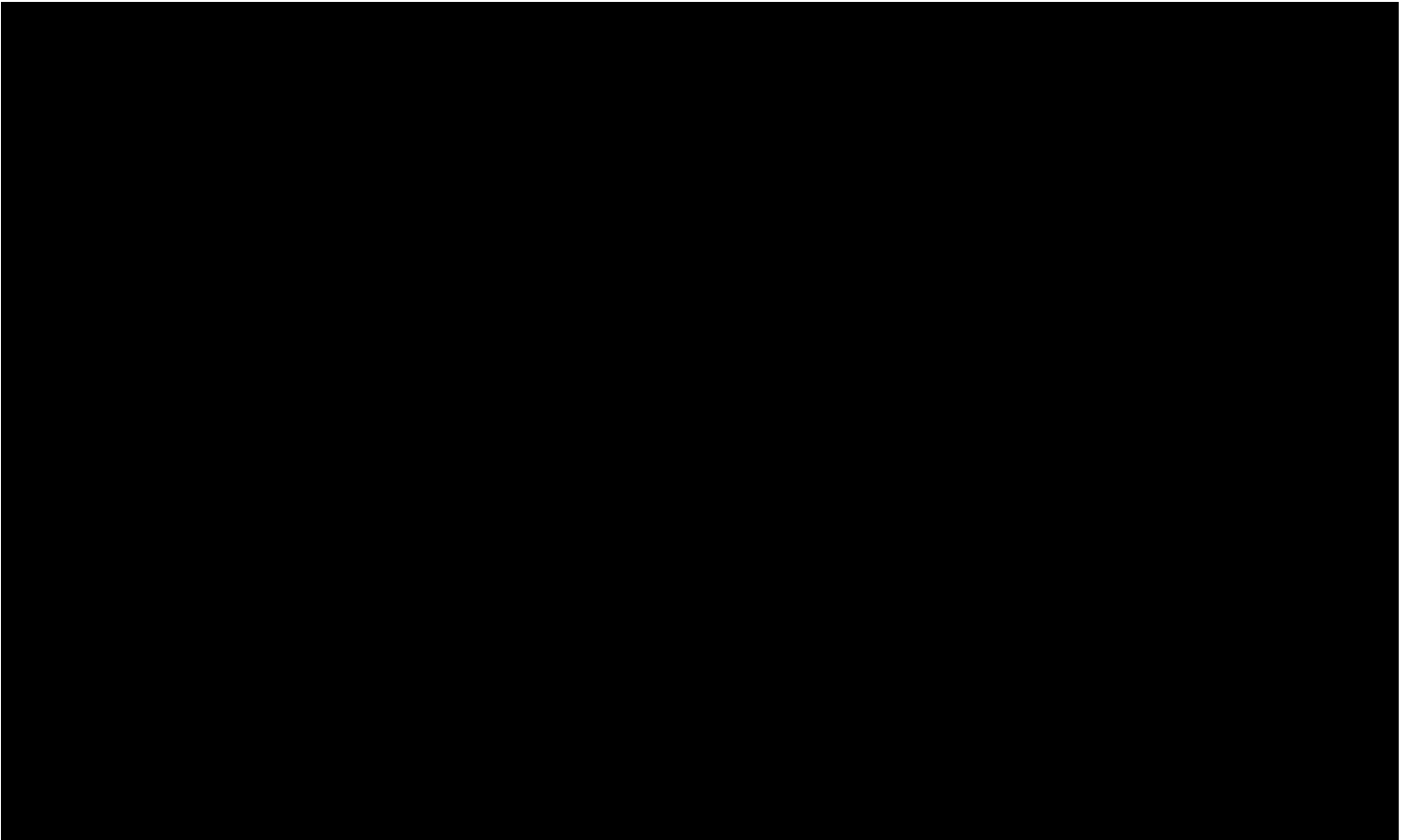
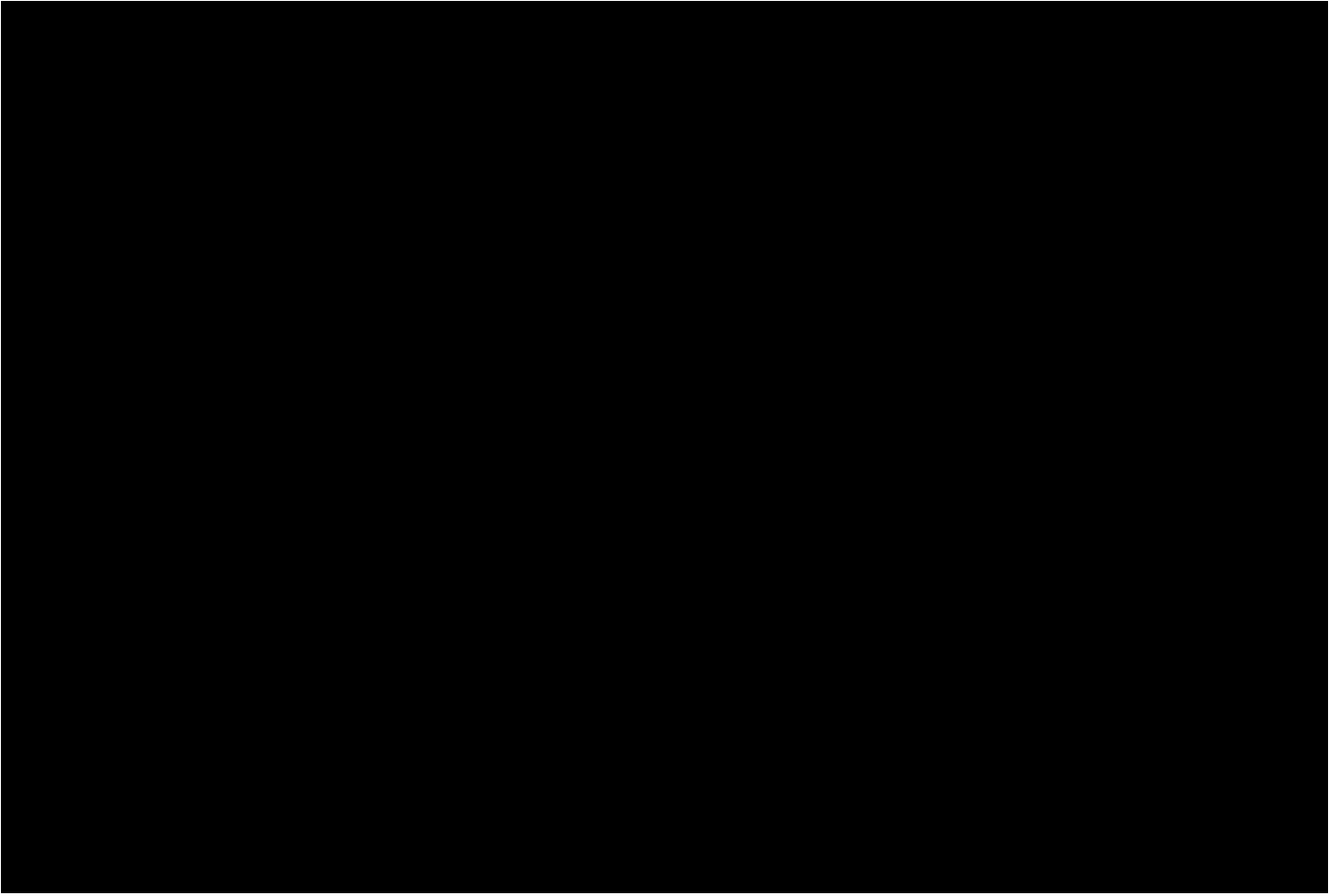
[REDACTED]

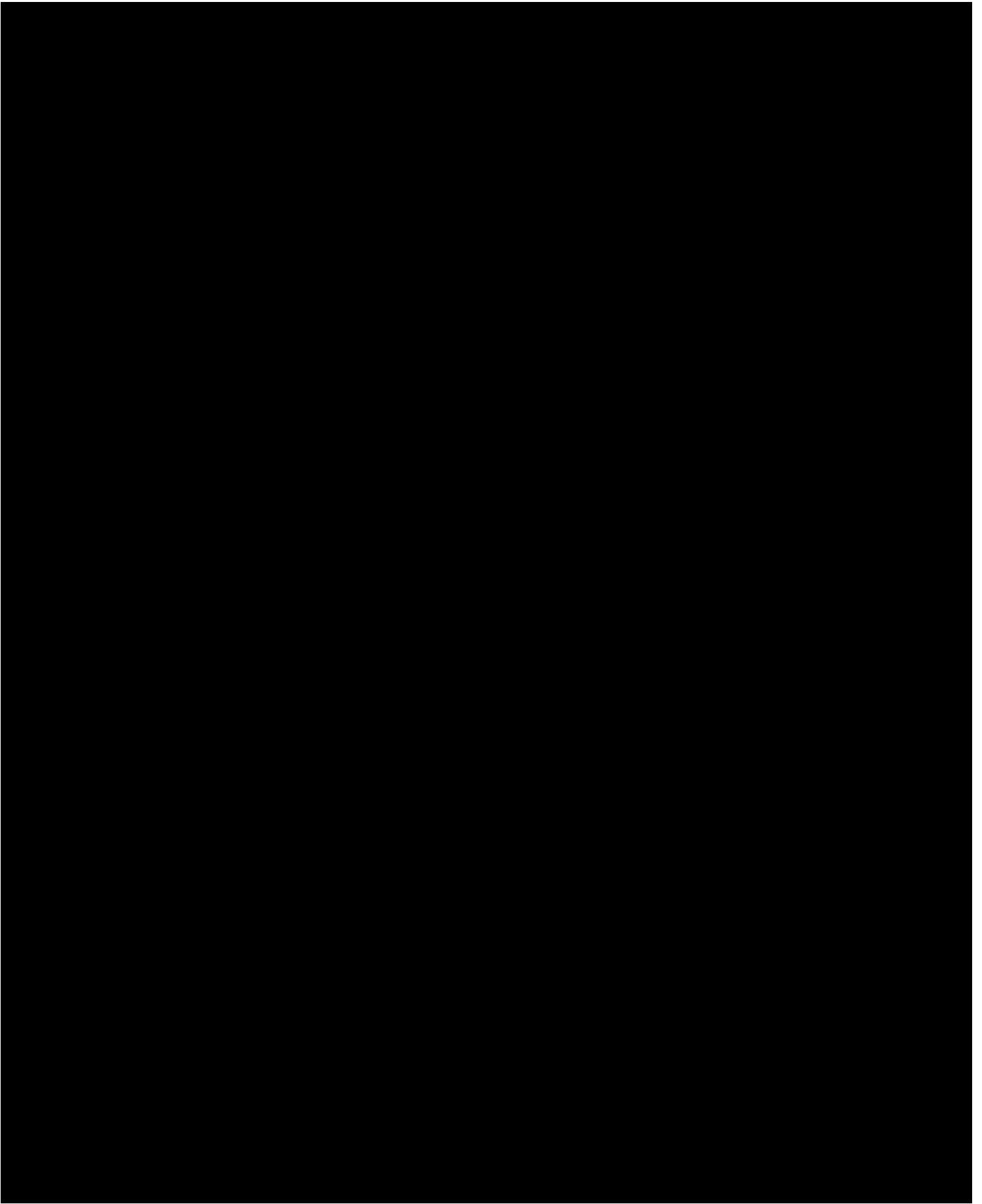
[REDACTED]

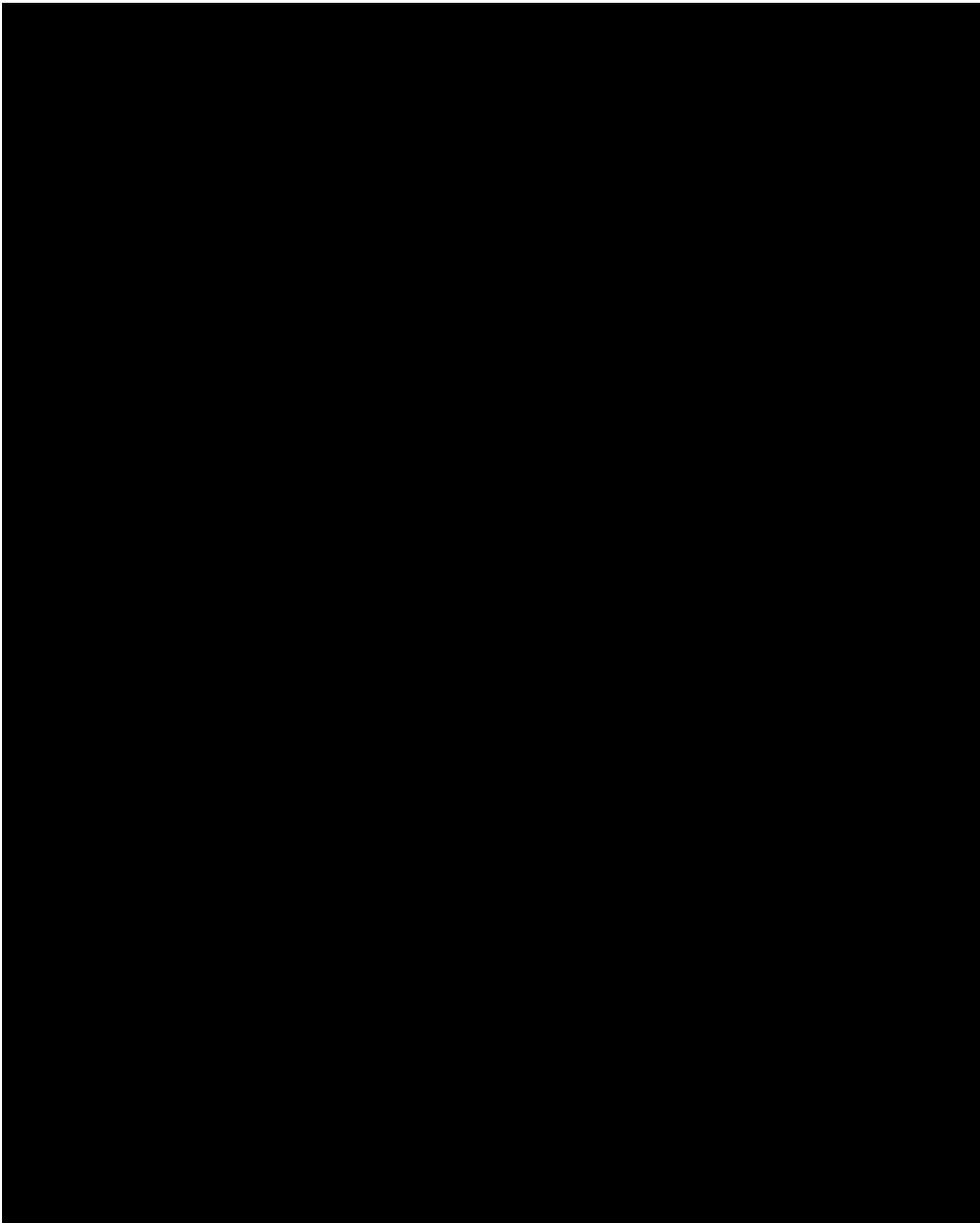
[REDACTED]

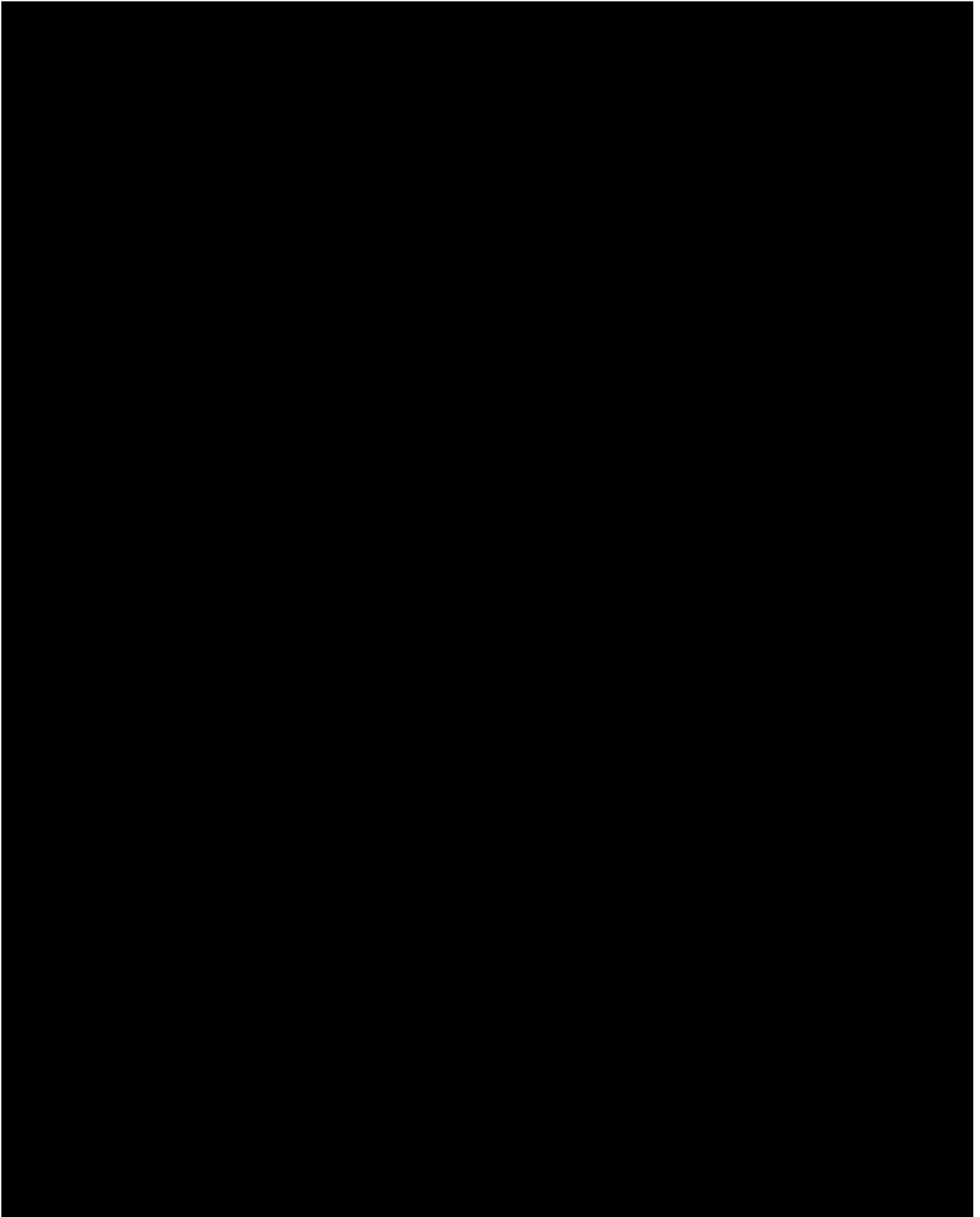


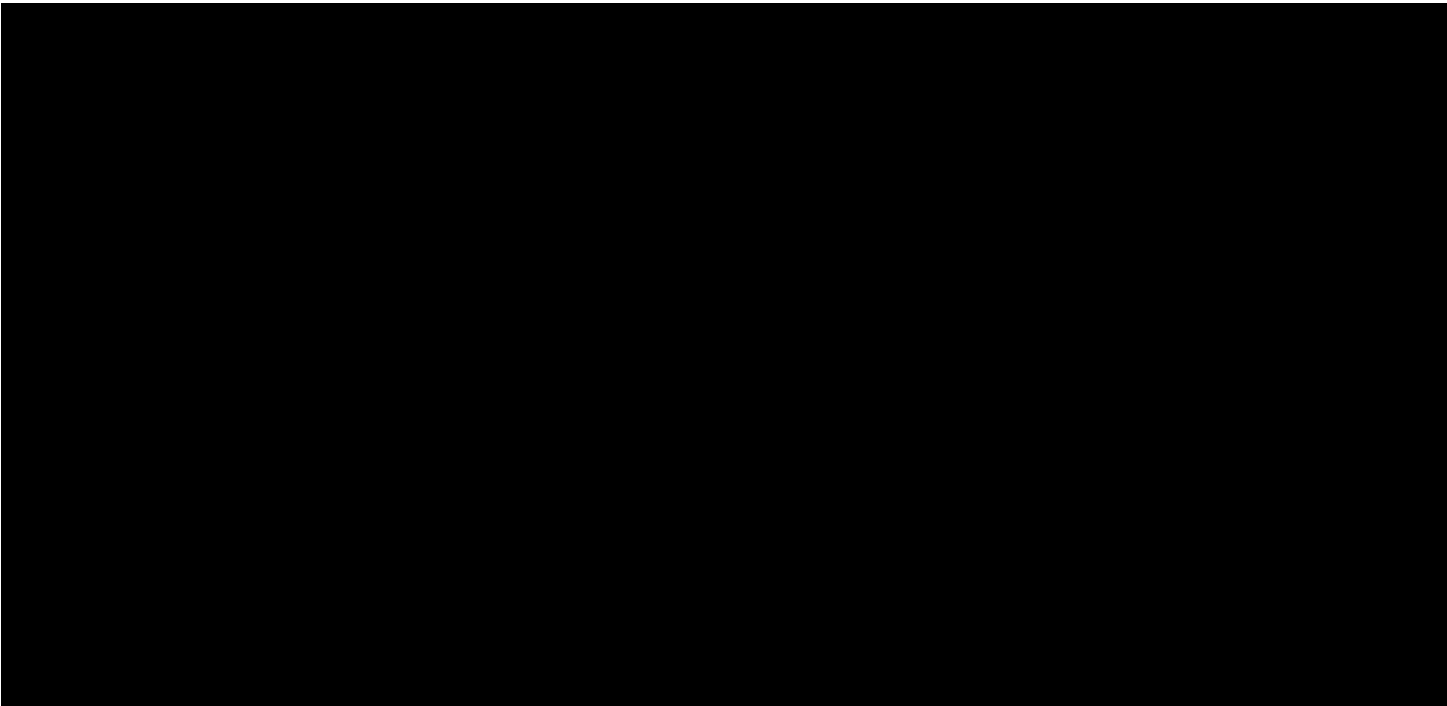
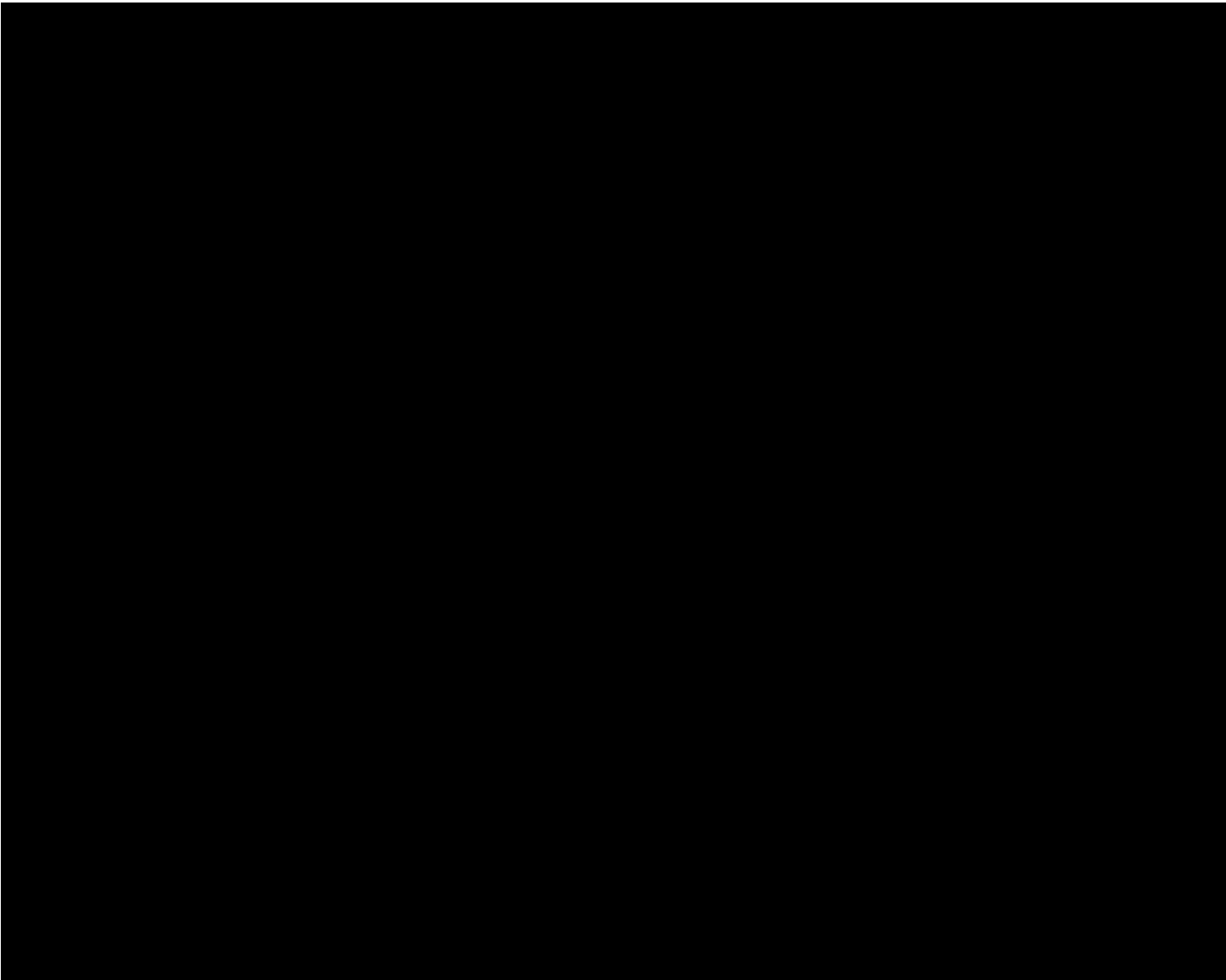


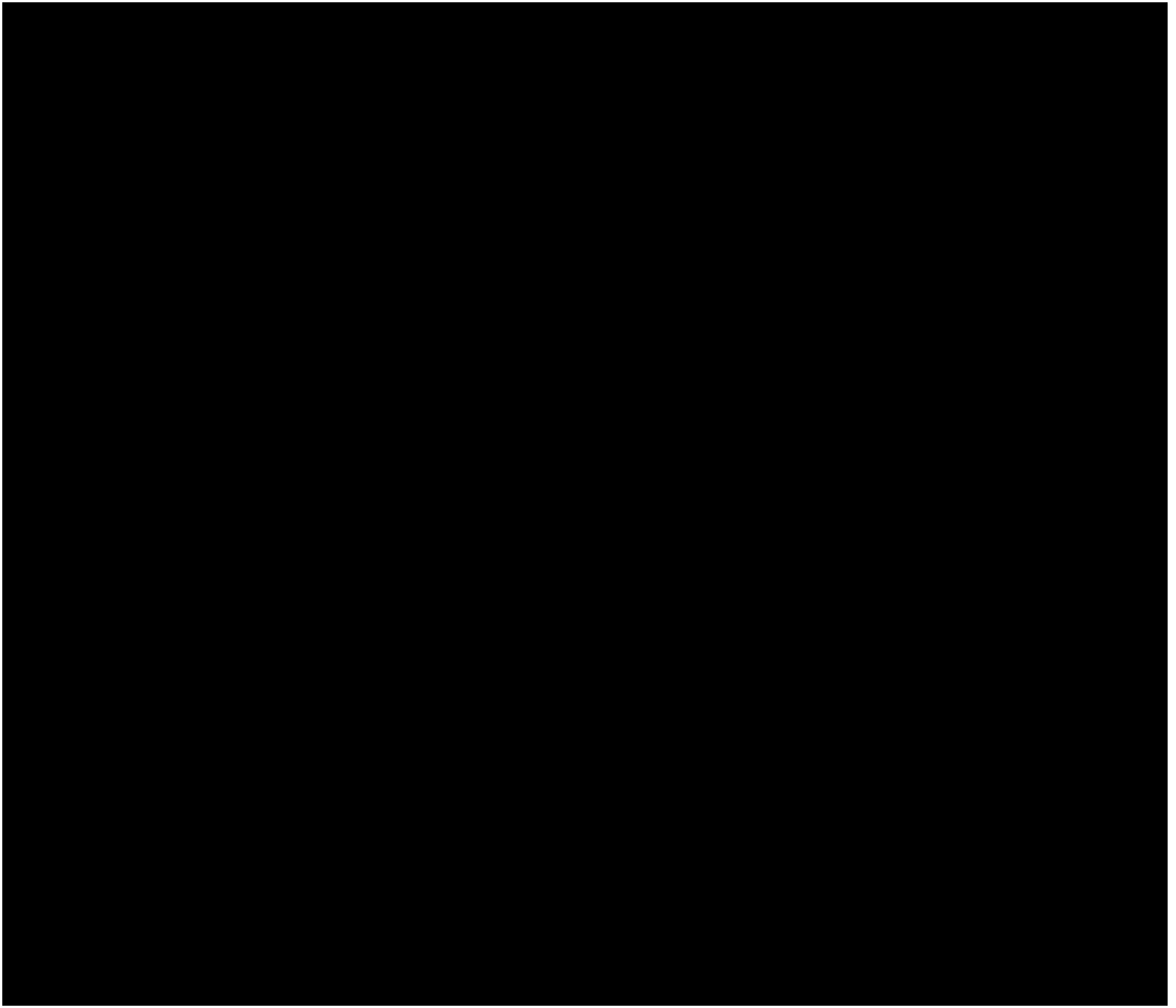


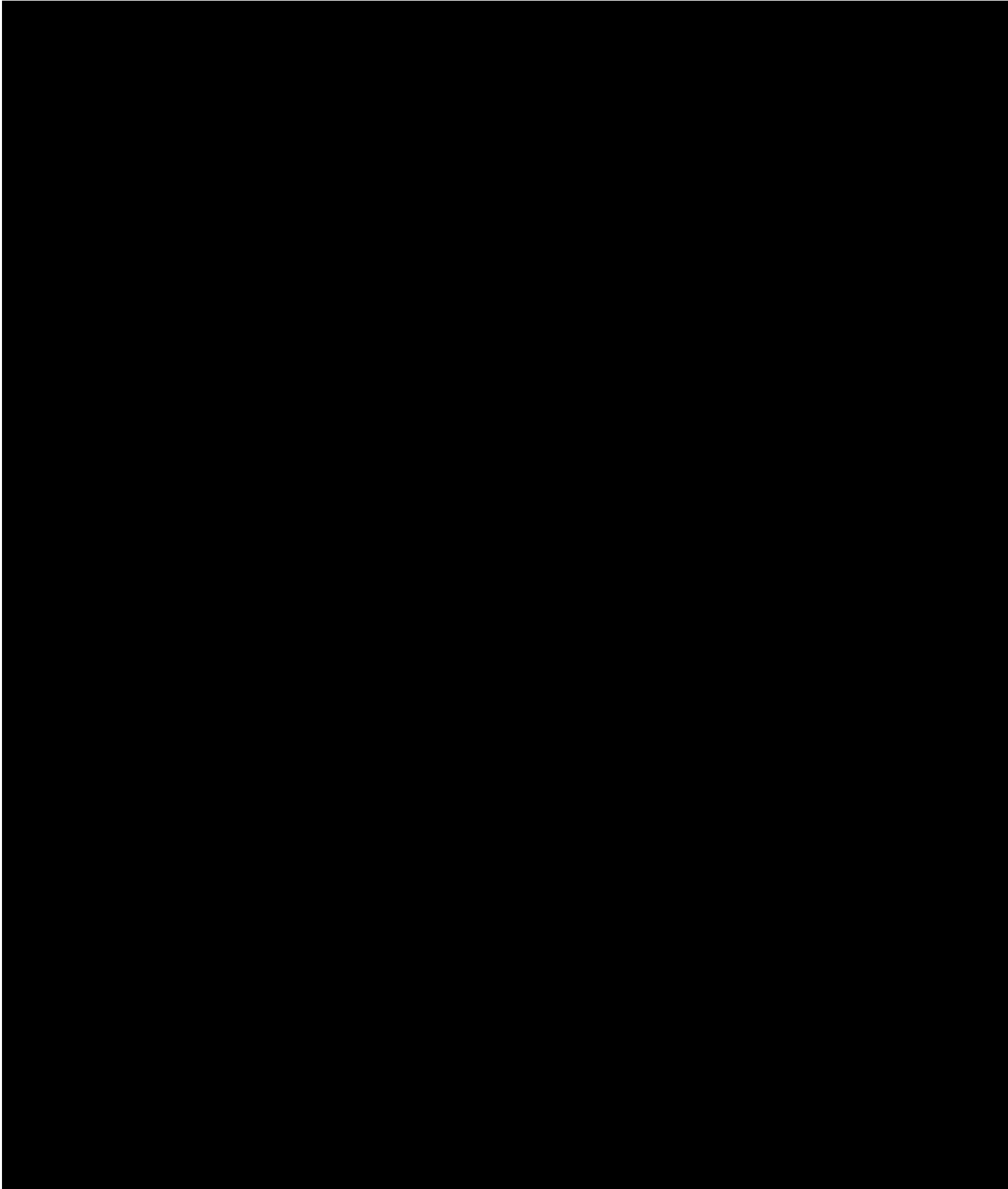


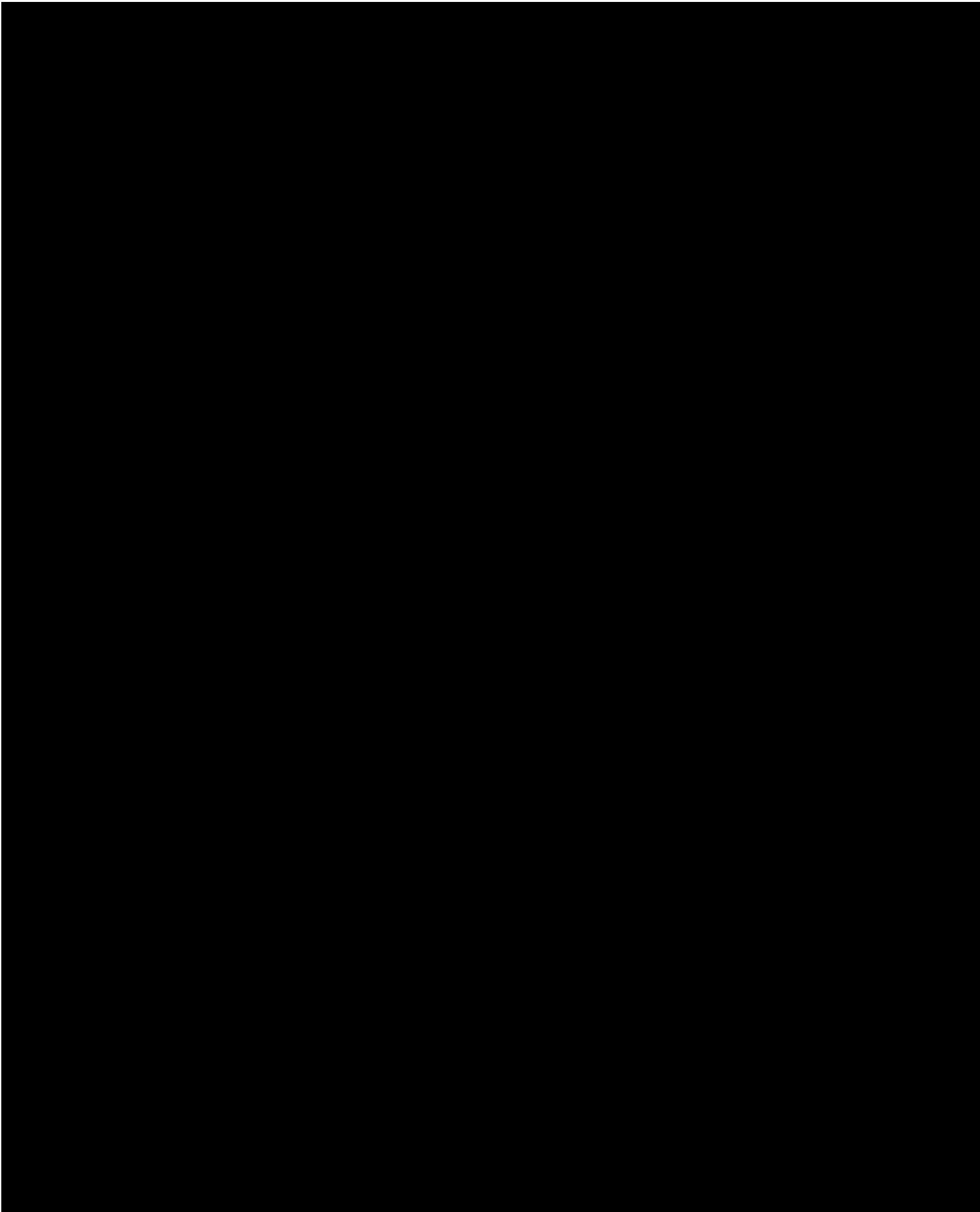












[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

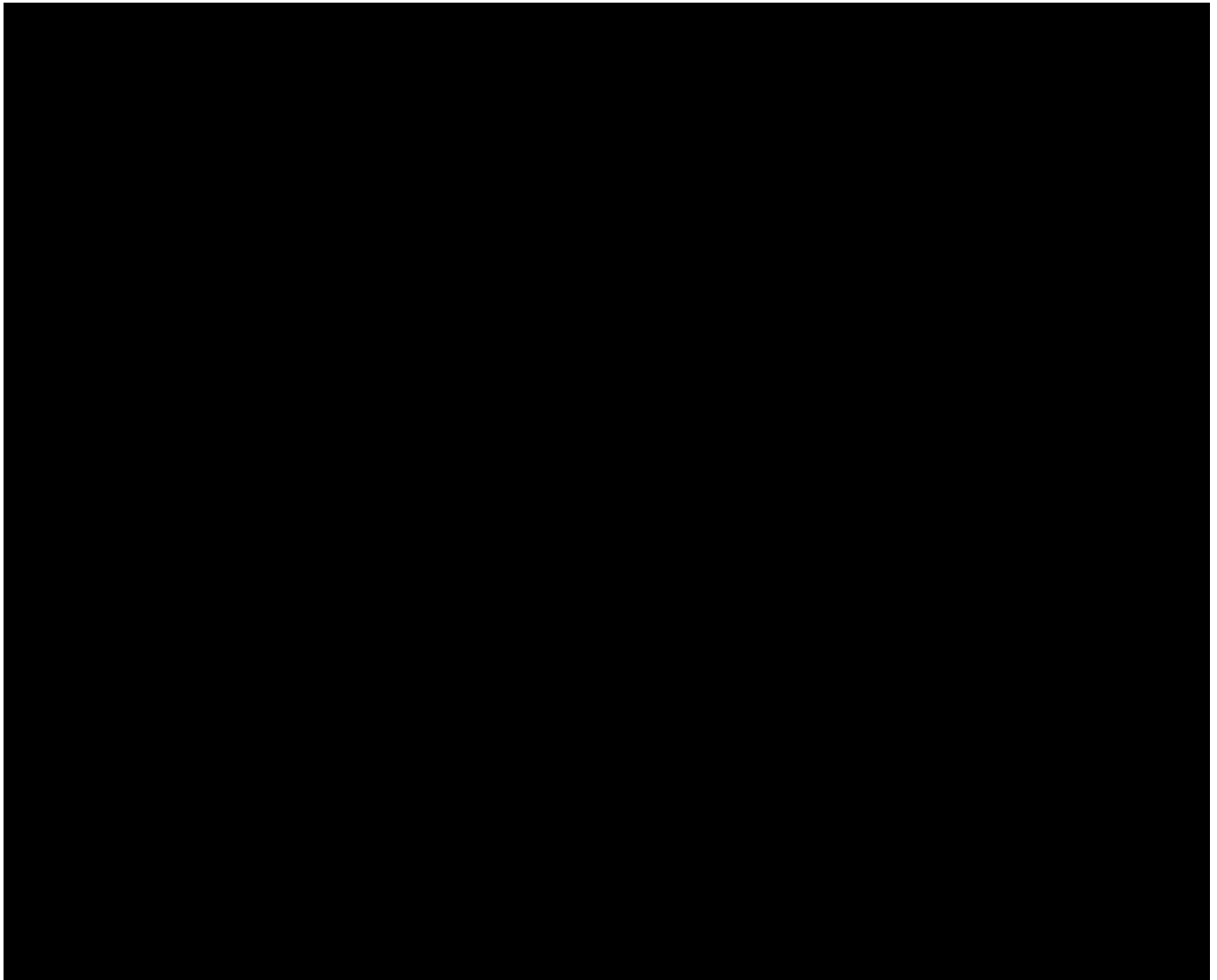
C. TEST SYSTEM

Contractor must provide capacity to simulate all functionality of the central system with the capability to individually select and execute the various functions. This process will be used to test and debug site controller and gaming device software and operations. The simulation must support more than one site controller, each with multiple gaming devices attached.

Everi Games Inc. Response:

Everi Games will provide a separate development and test environments to support development and testing defect fixes and/or new features developed for Everi Games Inc. applications. The test environment imitates the hardware platforms and operating systems in the production environment as closely as possible, except as required for configuration testing. Everi Games Inc. maintains strict separation of control, in that the Development staff maintains responsibility for development of changes and the Quality Assurance (QA) staff

maintains responsibility for testing and approving those changes. Changes are moved to the production environment only after development, QA, third party test lab (GLI) and evaluation by the Commission is completed.



NOTE: See Section 3.16 SUPPORT FOR TESTING CENTRAL SYSTEM SOFTWARE for more information.

D. AVAILABILITY

Video lottery games may be played 20 hours per day continuously with various start times at each facility but must be capable of being played 24 hours per day. Currently, play may begin no earlier than 8:00 a.m. and must conclude no later than 6:00 a.m. the following gaming day. The central system must fully support game play between these times. After gaming device play is shut down each day, the central system must be available for at least one hour to allow for validation of prize vouchers and generation of reports.

The central system must be capable of supporting expanded wagering hours, should this be authorized by New York statute in the future.

The central system must be active 24 hours per day to record special events, including, but not limited to, cash door openings, opening of door to logic area, power down of a gaming device or series of gaming devices.

Everi Games Inc. Response:

Central System Availability

Everi Games Inc. has designed a highly-fault tolerant and redundant system using enterprise level hardware and software. Critical components are designed to be hot swappable without system interruption and is designed to prevent performance degradation or loss of system functionality due to single software or hardware failure. All systems are configured with the resources necessary to run well below their maximum capacity, even during extended, high-volume periods.

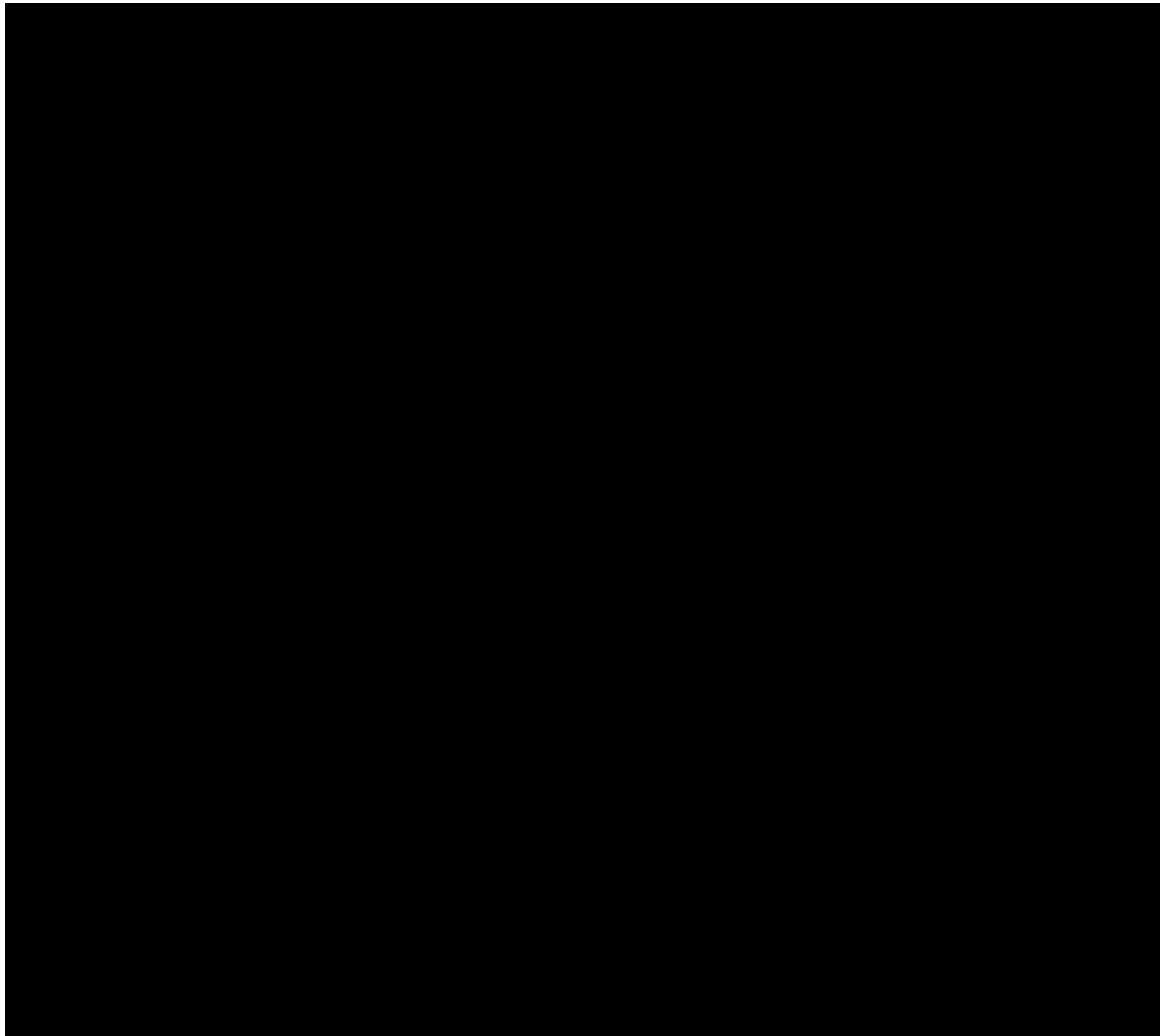
Although the New York Gaming Commission is currently approved to operate Video Lottery Games for up to 20 hours per day continuously, the Central System and Site Controllers will be available 24 hours per-day even during times of maintenance.

During those 4-hours of non-gaming activity, system updates and maintenance are performed with no disruption to normal gaming operations.

24x7 Gaming

Support for 24-hour gaming operations can be achieved with a set of hardware and software updates to the current version of the Central System.



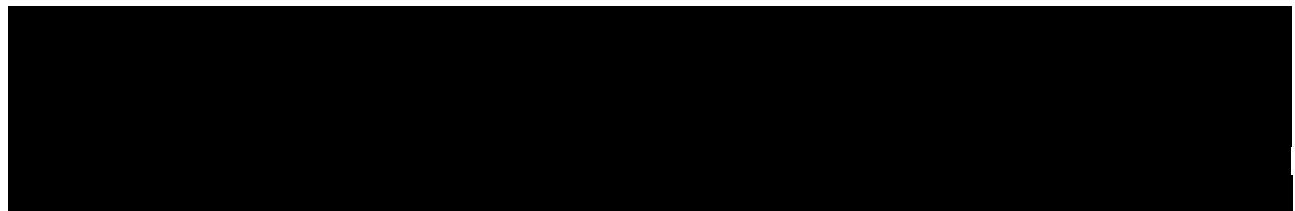


E. CAPACITY AND GROWTH CAPABILITY

The central system configuration should be sized to support a minimum of 22,000 gaming devices starting January 1, 2020.

The growth path of the proposed hardware platform must be scalable to support future processing requirements, including, but not limited to, gaming device downloadable software and other growths in technology.

Everi Games Inc. Response:



[REDACTED]

During the evaluation, we will identify if any additional hardware such as network switches, storage, and site controllers (Gaming Servers) are needed. Working with our hardware supplier, we will place an order for the equipment, which could take up to six weeks to arrive. Everi Games Inc. will work with the facilities and game vendors to deploy this new equipment once approval from the Commission is given.

At Outcome Manufacturing Level (Central), with the allocation of gaming device placements in mind, we will need to perform an assessment of required hard drive space to manufacture and store the additional outcomes resulting from these expansions. We have no reason for concern, but we need to exercise due diligence to ensure we are implementing the most optimal solution.

F. DATA RETENTION AND ARCHIVING

1. Large quantities of data will quickly accumulate on the central system, with possible negative impact on regular processing and backup performance. Due to various reporting requirements, some data must be retained in a multi-media storage area for over one (1) year. In order to balance the need for historical data with the need to minimize processing time, the Commission utilizes a three-tiered approach to data storage. The first tier includes current data no more than four months old. After four (4) months, data is archived to another multi-media storage area. Data is retained on the second tier for up to 15 months after which it is archived to a third storage tier for the remainder of the retention period, as defined in Appendix A. For purposes of reporting, the report writer must select and combine data from either or both the first and second data storage tiers.
2. The archiving process must accommodate changes that may be made over time to the structure of the files and database. Therefore, all associated file record layouts and database schemata must be copied as well so that when recovered, the archived data can be properly read and will not conflict with or affect the integrity of current data.

Everi Games Inc. Response:

The Commission is correct in assuming that large quantities of data will quickly accumulate on the system. Everi Games Inc. is well aware of this due to our experience in Washington State, New York State among other places where the capture and retention of data concerning play activity and machine events is mandatory. Based on the Commission data storage requirements (four months on the Tier 1, fifteen months on Tier 2, and then archiving to tape), Everi Games Inc. has established a robust solution beyond the requirements listed in the RFP.

Tiered Data Storage Solution

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]



G. SECURITY CONTROLS

The central system must have security controls in place that prevent unauthorized access and use.

Everi Games Inc. Response:

Security Controls

Everi Games Inc. has enacted process controls to ensure that gaming system integrity is protected in the following key areas:

- Application Change Management: New applications and changes to existing applications are authorized, implemented, tested, approved, and documented.
- System Software Change Management: Implementation and changes to existing system software are authorized, tested, approved and documented.
- Network Security: Controls restrict user access, limit ingress/egress communications, and prevent unauthorized devices from connecting to the network.
- Physical and Environmental Controls: Physical access to computer and network equipment, storage media, and program documentation is limited to properly authorized individuals.
- Logical Access: Logical access to data and programs is limited to authorized individuals.
- Job Scheduling: Processing tasks are appropriately authorized and scheduled.
- Communication and Network Security: The communication network is monitored; identified problems are reported to the telecommunications/network providers and monitored until resolved.
- Output Documents: Reports and exports are complete, accurate and distributed to authorized persons according to a preconfigured schedule.
- VLT Data: Game outcome and transaction data is completely and accurately transmitted to Video Lottery Terminals.
- Backup and Disaster Recovery: Appropriate backup and recovery procedures are in place so that data, transactions, and applications necessary for financial reporting can be recovered.

Everi Games Inc. engages an independent audit company to perform an annual SOC1 Audit and Report to ensure Everi Games Inc. meets defined security controls. The Commission receives a copy of the report for their records.

NOTE: See **Appendix E-17 Change Management Policy** for more details.

3.5 GENERAL SYSTEM SOFTWARE SPECIFICATIONS

The following specifications represent broad-based features and capabilities. While these features are not specific to video lottery operation, they are capabilities that the Commission seeks in the central system.

- A. Master, transaction and 60 days of historical data will be maintained on the central system using a commercially available relational database management system.

Everi agrees that “Master, transaction and 60 days of historical data will be maintained on the central system using a commercially available relational database management system.”

- B. The central system must have a commercially available report writer capable of accessing any application information in the system. It should support extracting and sorting on any data element in any data file, have at least basic mathematical capability (e.g., summing, cross-footing, addition, multiplication, division, subtraction), and be available for accessing production data concurrently with the normal production operation of the system. Reports, whether displayed on the screen or printed, should reflect the real-time state of video lottery data. The report writer and ad hoc reporting capability should support the use of Structured Query Language (SQL) constructs.
- C. The central system should be configured in such a manner that use of the report writer will have no effect on the processing capacity of the production gaming system.
- D. There must be controlled access at the system level to the use of the report writer and ad hoc inquiry capability. Use must be restricted to selected users with individualized access. The processing priority given to ad hoc inquiries should also be adjustable.
- E. The central system will likely require the use of several code tables and reference files for validating data entry and controlling certain processes. These tables and reference lists will need to be printed periodically. Therefore, the central system should have the capability to selectively print every reference file and code table in the system.
- F. The central system must maintain the integrity, completeness, accuracy and reasonableness of the data. The central system must provide balancing controls so that Commission personnel are able to verify and ensure the integrity of system processing. All data records must include elements that show the date of the last update. The system should produce log reports showing all master and table file maintenance that is performed (e.g., before and after values) and include the date and time of the change, the terminal location of the person making the change and the person's identification.
- G. The central system must continuously log all transactions received from the site controllers to allow for system recovery in the event of a failure that destroys data. The transaction log must be able to be reprocessed and applied to the database as if the transactions were occurring real-time. This transaction log must also be available for use by the Commission in an Internal Control System (ICS) to independently verify the results of all video lottery gaming activity.

Everi Games Inc. Response:



[Redacted]

[Redacted]

Section 3.5.A Database Management System

[Redacted]

[Redacted]

- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]

[Redacted]

[Redacted]

Section 3.5.B Report Writing Capabilities

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

3.6 SYSTEM MONITORING AND DATA MAINTENANCE

- A. The central system must provide the capability to monitor all system activity and transaction processing performance. This monitoring capability should include showing the number of currently active and inactive gaming devices in the field and the number of currently active and inactive site controllers in the field. The amount of daily sales by game identifier or series, by type of gaming device, and by facility must be available through the end of the previous gaming day.

Everi Games Inc. Response:

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

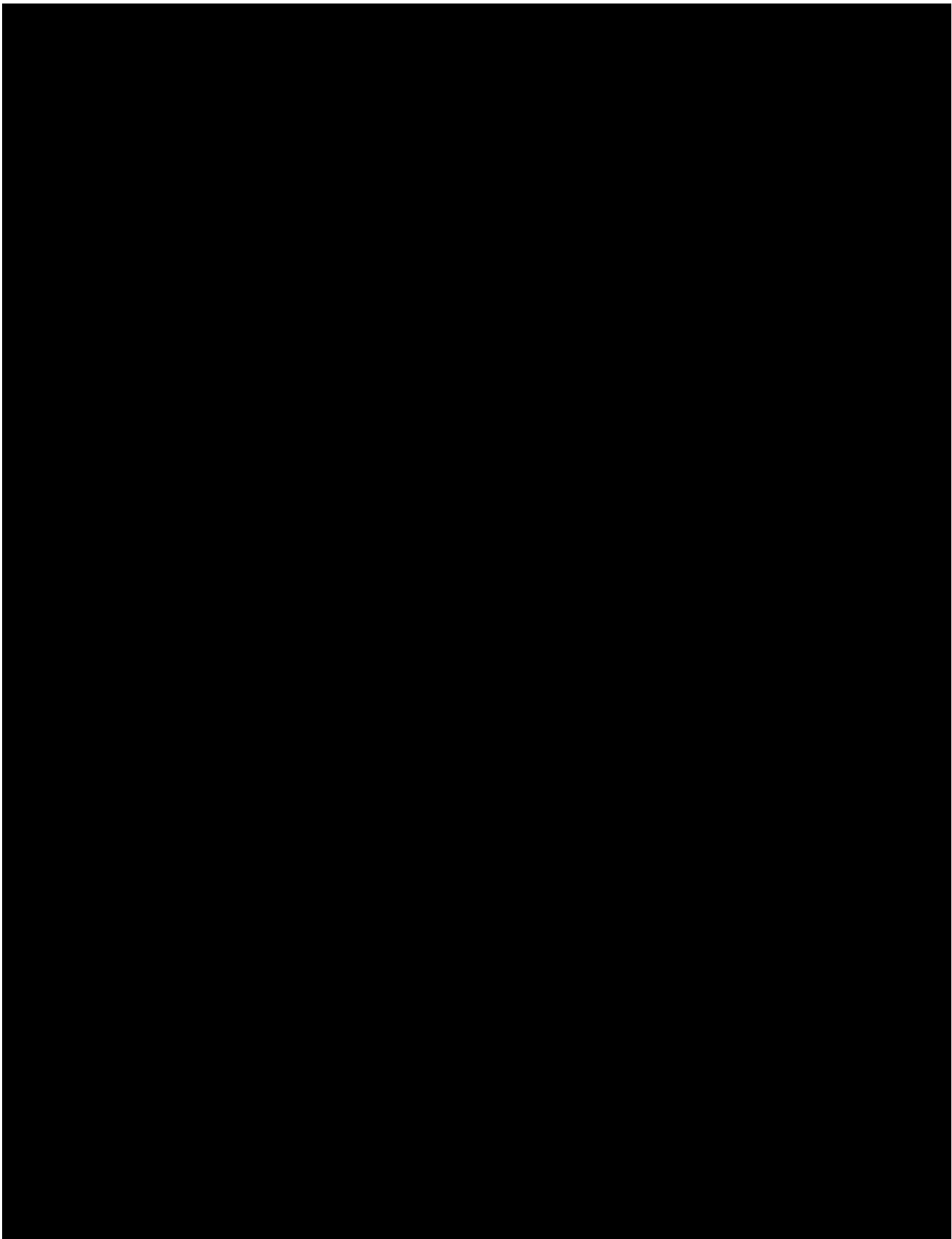
[REDACTED]

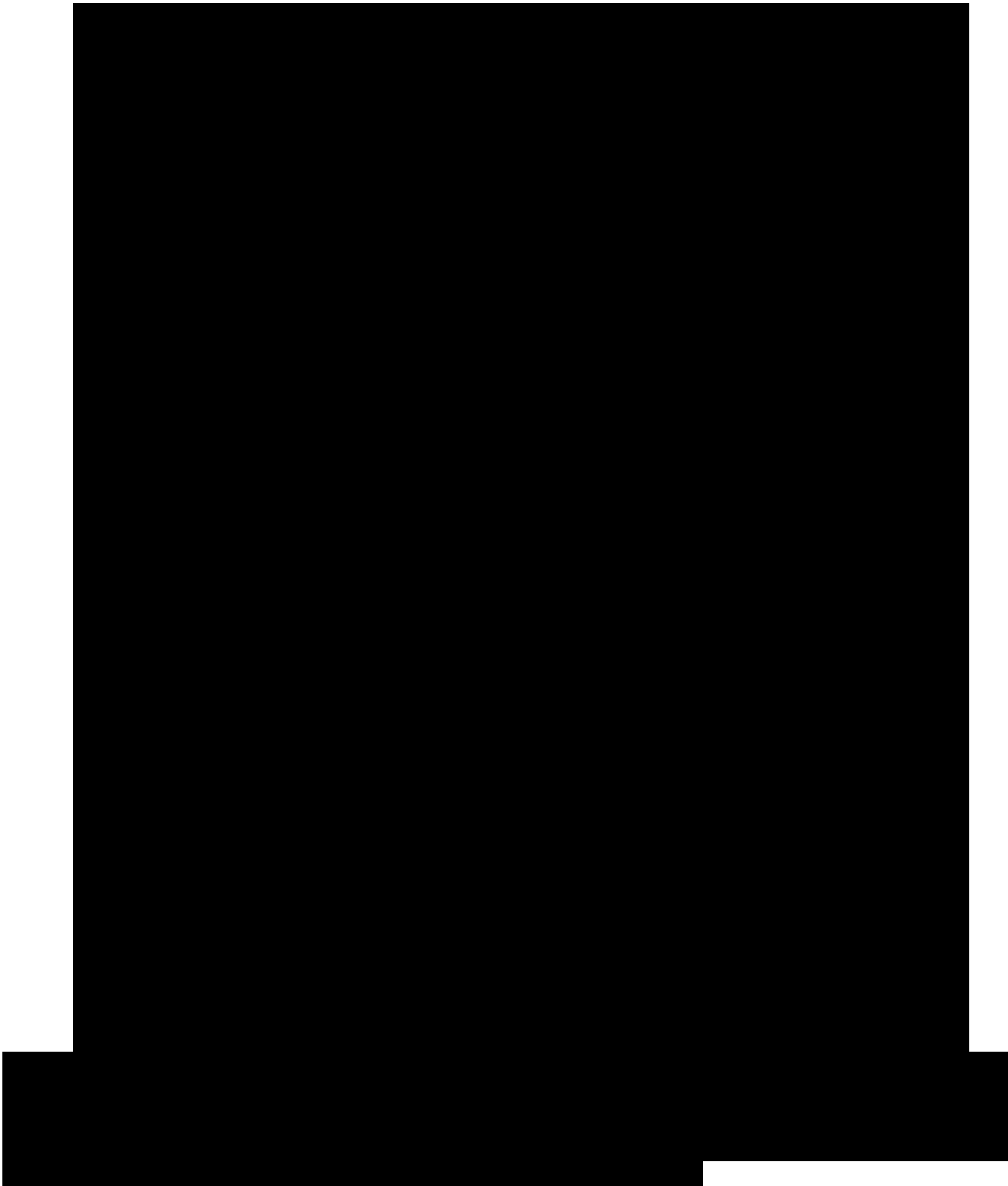
[REDACTED]

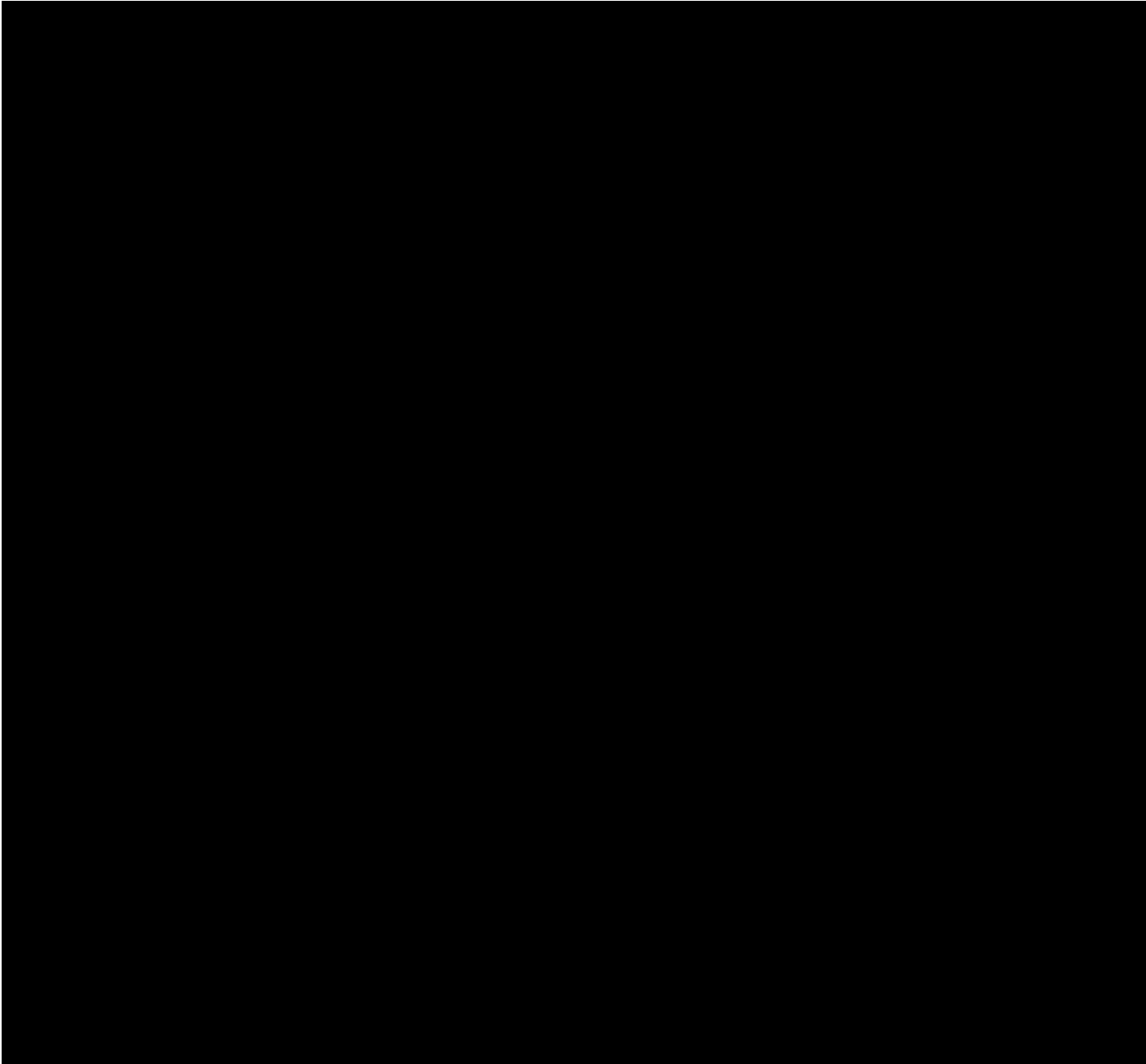
[Redacted]

[Redacted]

[Redacted]





- 
- B. The central system must allow Commission personnel to add, modify, delete, inquire, and report on all information stored on the system, including information about facilities, game vendors, gaming device models, site controllers, game parameters, etc. On-line inquiry, with print capability, of this information must be available on the management terminals.

Everi Games Inc. Response:

The ability to research VLT history, player information (where applicable), standard reports, research disputes, and interact with the live site databases with ad-hoc reports will be available on the Management Terminals.

The MT will be used to add, update, delete, and inquire on Facility information, VLT Game Vendors and Models, site controllers, game parameters, and other information in the database. In order to protect the integrity of the Central System, when unusual data inquiry/modification requests that are outside the scope of normal gaming operations, where data corrections are required, will be completed by Everi Games Inc. DBAs.

Instances where this is possible can include, but are not limited to; gaming device malfunctions, incorrect data feeds loaded by facility users and incorrect data entry of offline voucher activity. When this is necessary, Everi Games Inc. will meet with the Commission, ascertain the specifics of the data inquiry/modifications and collaborate with the Commission to determine the best approach in collecting and/or modifying the data in question, if it is deemed necessary and advisable.

[REDACTED]

- C. The central system must allow Commission personnel to maintain an inventory database containing information on every gaming device. In addition to gaming device enrollment and file maintenance capabilities, the system must support inquiries and reporting of-all information for specified gaming devices including history of gaming device locations, movement, and status changes. Minimum data requirements are gaming device serial number, status, manufacturer, gaming device model, date of manufacture, current location (i.e., facility or authorized storage), and installation date.

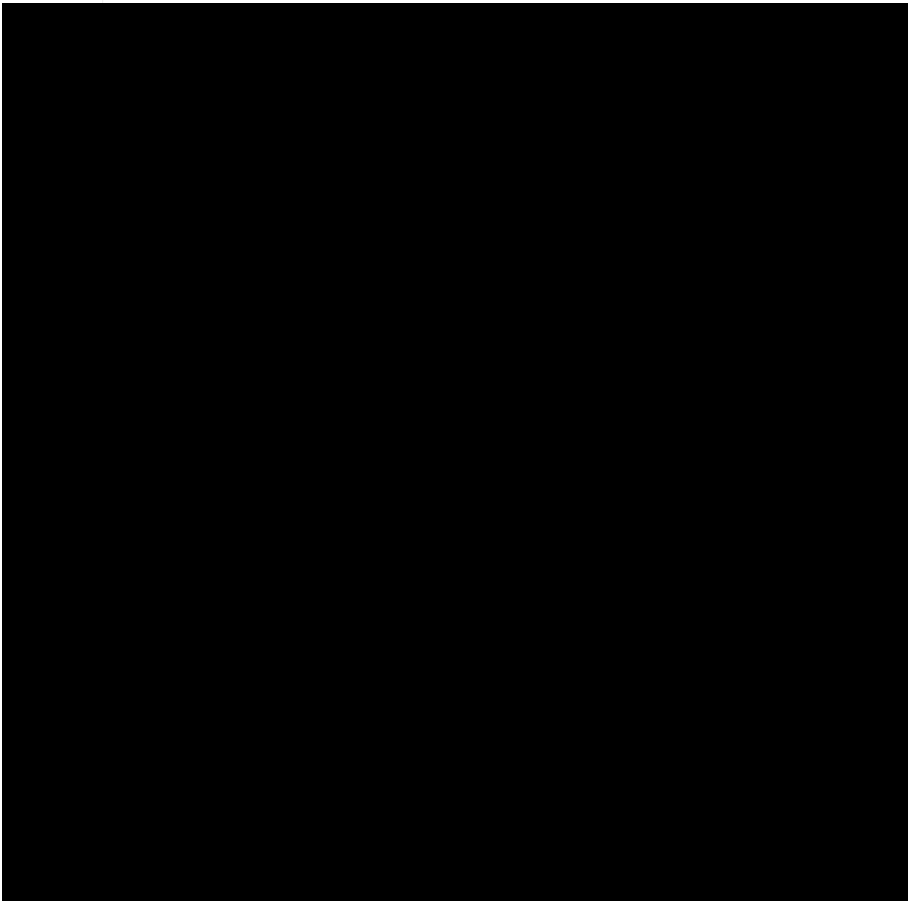
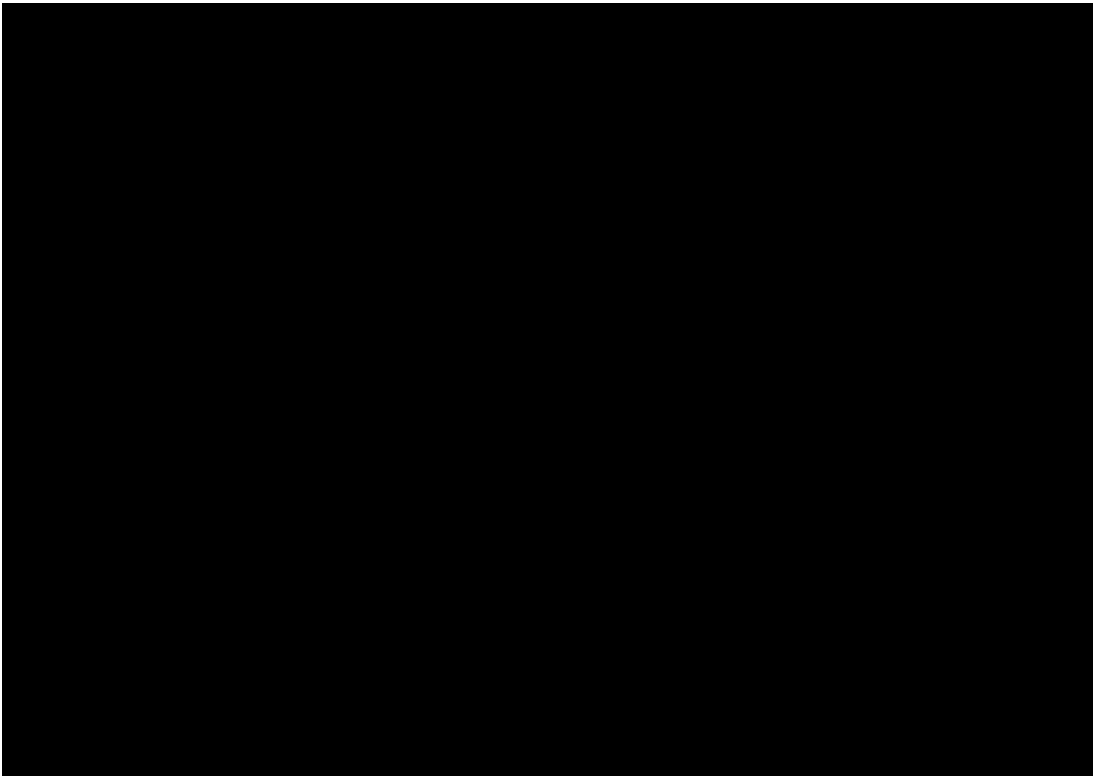
Everi Games Inc. Response:

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]



D. The central system must allow Commission personnel to maintain an inventory database containing information on every authorized site controller. In addition to site controller enrollment and file maintenance capabilities, the central system must support inquiries and reporting of all information for specified site controllers. Minimum data requirements include site controller serial number, status, model number, date of manufacture, current location (i.e., facility or authorized storage), and installation date. Each site controller must be identified by a unique key field that is independent of any other information about the site controller.

Everi Games Inc. Response:

Site Controller Information Maintenance

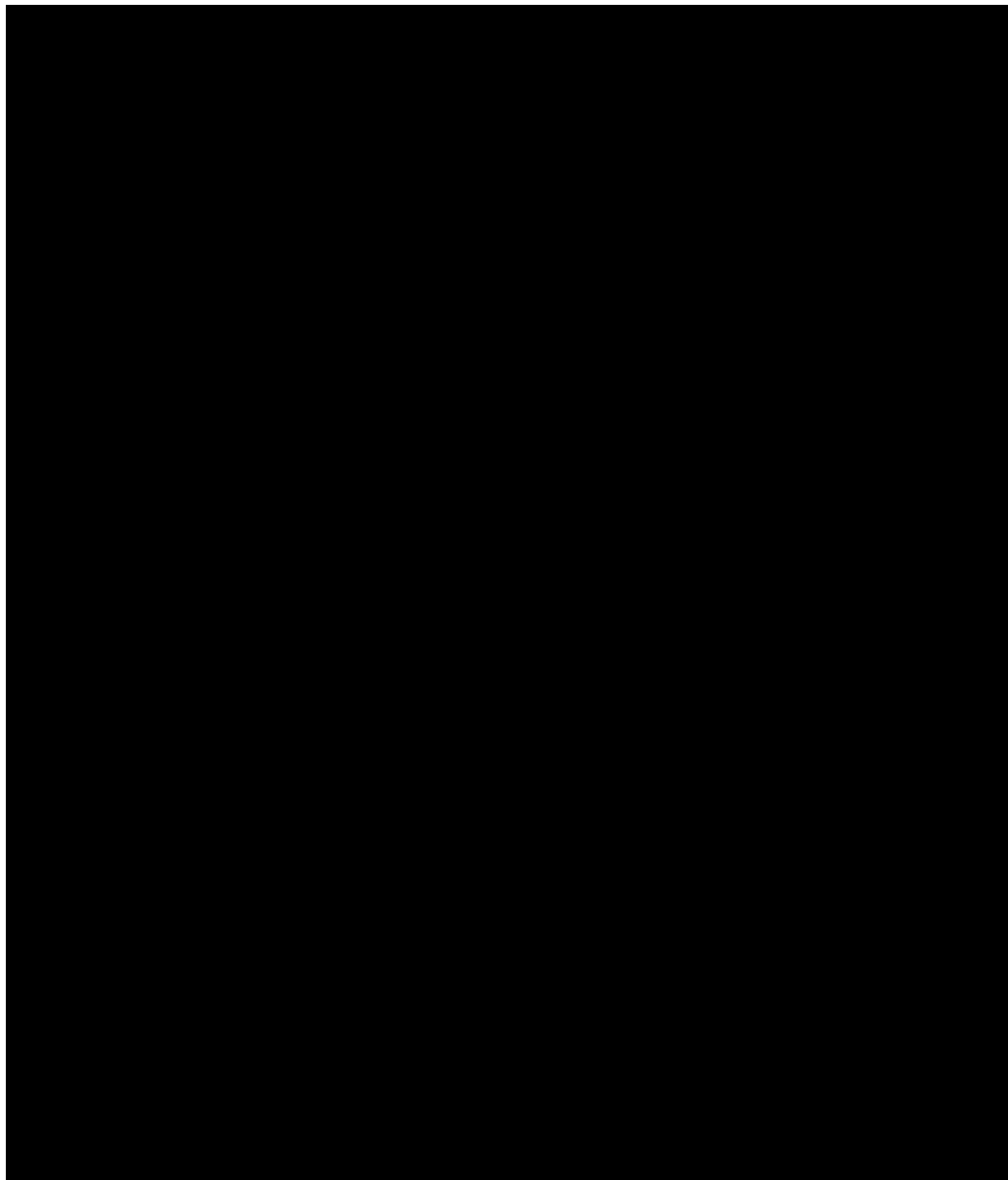
[REDACTED]

E. The central system must provide a means to easily and safely make mass changes to selected fields and records in any of the databases. Access to this function must be strictly controlled.

Everi Games Inc. Response:

Mass Database Changes

[REDACTED]



[Redacted text line]

[Redacted text line]

[Redacted text line]

[Redacted text line]

[Redacted text line]

[Redacted text line]

[Redacted text line]

[Redacted text line]

[Redacted text line]

[Redacted text line]

[Redacted text line]

• [Redacted]

F. The Contractor must provide any and all safeguards to identify and prevent illegal activities regarding the play on gaming devices, including, but not limited to, attempts to "launder money".

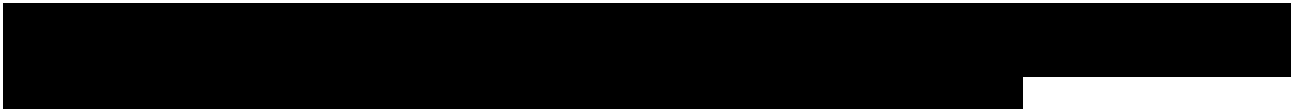
Everi Games Inc. Response:

Illegal Activity Safeguards

[Redacted]

[Redacted]

[Redacted]



3.7 SOFTWARE MANAGEMENT

Management of video lottery game software is a critical aspect of the overall security of the central system. The following specifications are required to ensure that only approved software is used in gaming devices:

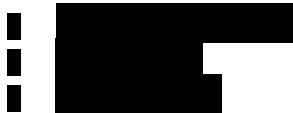
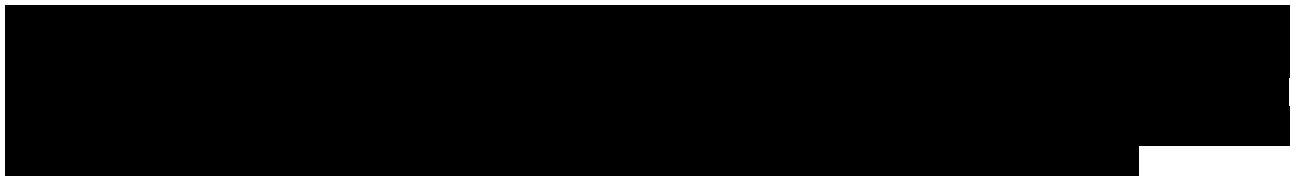
- i. Define new software to the system and enter all characteristics including games.
- ii. Load software images to the central system and identify each stored image by gaming device manufacturer.
- iii. Perform a mathematical process on the software image and compare this result to the result on an identical process performed by a gaming device on the device's software.
- iv. Game software should not be permitted to run if a checksum process fails.
- v. Any software failing a checksum process should be removed from the system.

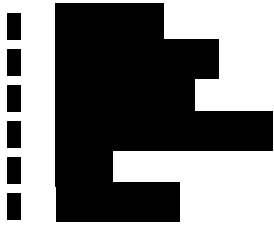
Everi Games Inc. Response:

The Everi Games Inc. Central System manages the game software for all manufacturers to ensure that only Commission approved software is used in VLTs and ETGs. This is accomplished by requiring all game software on the gaming floor to have passed a checksum signature verification process.

Define new software to the system and enter all characteristics including games. All game software must pass third-party testing certification. Accompanying this submission for certification is a software definition file specifying signature verification data for the game. This file contains all the relevant information to identify the particular gaming software and the checksum/signature results for later verification. After the software passes the third-party certification, the Commission receives the software definition files for the game. When the gaming software is scheduled to go onto the gaming floor the Commission physically hands the software definitions to the Everi Games Inc. staff in the New York Network Operations Center (NOC). The NOC then imports the software definitions into the Everi Games Inc. Central System.

Load software images to the central system and identify each stored image by gaming device manufacturer. The process for loading images into for gaming devices into the central system for VLTs and ETGs are very similar but do have their differences.





[Redacted text block]

[Redacted text block]

[Redacted text block]

[Redacted text block]

[Large redacted text block]

[REDACTED]

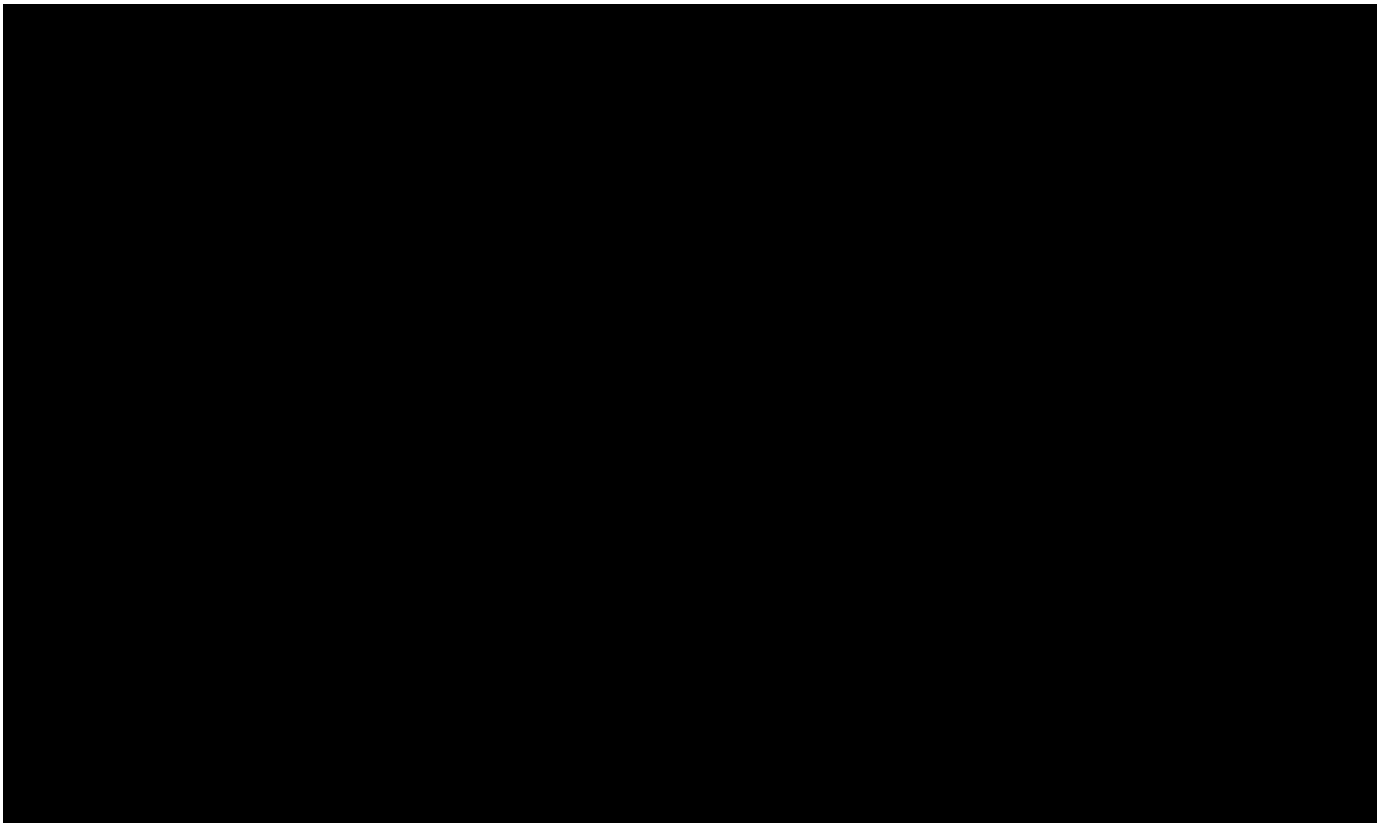
[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]



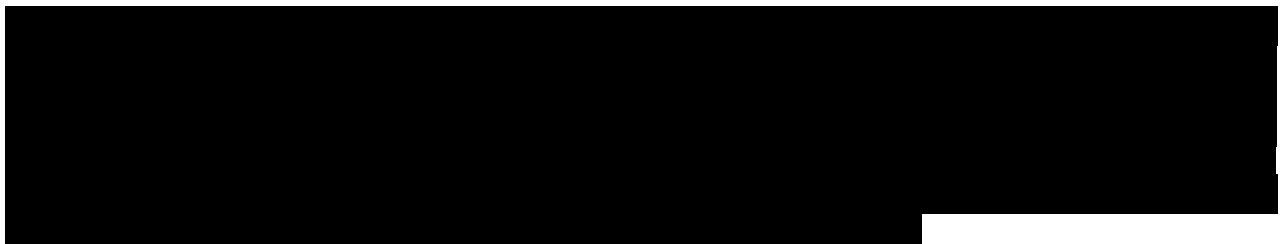
3.8 CASH VOUCHER PRODUCTION AND VALIDATIONS

- A. When a player requests to be cashed out, the gaming device will generate a unique serial number according to an algorithm provided by the Contractor. The algorithm must include a check digit. A cash voucher with basic information and the serial number and the barcode representation of the serial number printed on it will be produced by the gaming device. This transaction will be sent to and recorded on the central system via the site controller.

Everi Games Inc. Response:

Cash Voucher Production and Validations

The Everi Games Inc. Central System cash voucher production utilizes current gaming industry standards and modern database technologies for improved voucher security. The system allows gaming devices to integrate easily with standard monetary instrument sized, 18-digit, barcoded voucher currently in use by many gaming device manufacturers, which includes the standard check digit and additional hash encryption security.



[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

B. The application must validate cash vouchers on the central system, including updating the central system database, when a validation request is sent from the site controller. A cash voucher is validated at the facility location where the voucher was issued by keying the serial number on the keypad of the validation terminal or scanning the barcode printed on the cash voucher by the gaming device and transmitting the transaction to the central system. The central system will verify that the serial number is on the validation file, has not been previously paid, is being validated at the same facility where the prize was won or at the Commission headquarters, and is not older than 45 days. Any voucher older than 45 days must be claimed at a Lottery regional office or mailed to Commission headquarters. Vouchers up to 365 days old will be paid through the Commission's internal system after proper validation. If the validation is successful, the validation record will be updated on the central system. If the validation is unsuccessful, a record of the validation attempt will be logged on

the central system with the reason why it was not successful. Note: The central system shall have sufficient flexibility to configure the 45/365-day validation rules at the Commission's discretion. In either case, an appropriate response will be sent to the site controller from the central system. For individual wins meeting IRS reportable criteria (currently \$600 or more and 300 to 1 odds), the validation process must capture the winner's personal information for IRS reporting and generate a W-2G for the winner.

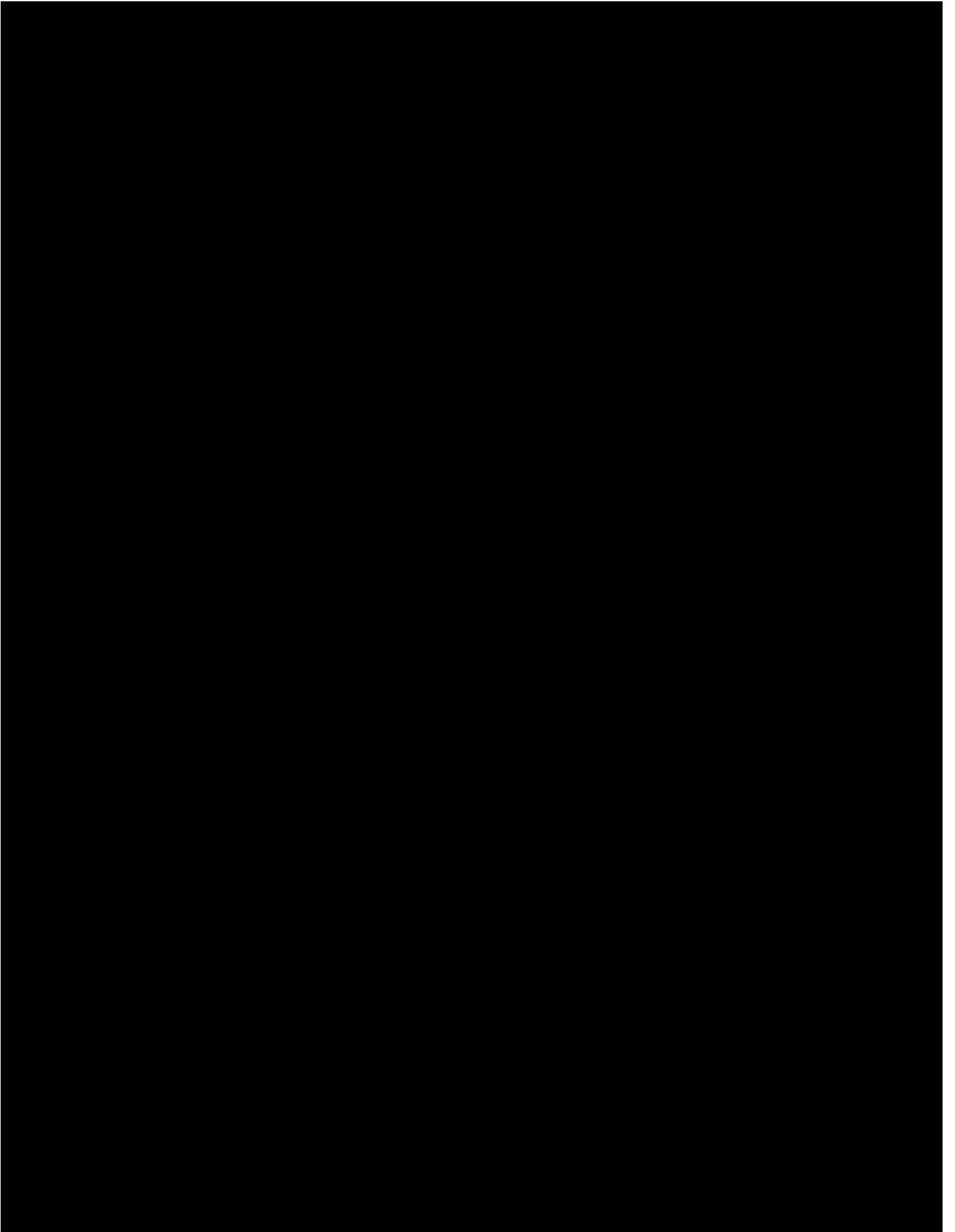
The central system must withhold taxes according to Internal Revenue Service (IRS) criteria (currently required when winnings, less the wager, are greater than \$5,000). The Commission will provide the withholding percentage as set by law to the Contractor. For wins greater than \$600, the central system must check for delinquent child support, public assistance or State taxes in arrears. In order to meet the offset for delinquent child support and/or State taxes in arrears, the Commission will withhold up to 100% of the winnings; in order to meet the offset for public assistance, the Commission will withhold up to 50% of the winnings. The Commission will, on a daily basis, supply offset tables for loading on the Contractor's system. The central system must also withhold State and certain local taxes as well. The Commission will provide the Contractor with the appropriate withholding percentages.

Everi Games Inc. Response:

Vouchers are redeemed using a validation or Management Terminal using the process illustrated in the figure below. Everi Games Inc. has added enhancements to its Central System, where the central database is only needed for voucher redemptions if the net amount of the voucher exceeds thresholds specified by the commission. If these thresholds are crossed, specific withholdings (delinquent child support, public assistance or State taxes in arrears) are then checked for at the central database and logged as needed in the facility database. For all other vouchers (that do not cross these thresholds), validation of the voucher is handled on the facility databases. This enhancement reduces calls to the central databases and minimizes disruptions to a positive patron experience at each facility.

Within 45 days, players can redeem cash vouchers at the issuing facility using the Validation Terminal program. Once the 45-day period has lapsed, the vouchers are expired and the full list of expired vouchers is provided to the Commission to load into their system, so that vouchers may be cashed out at Commission approved locations. The Commission may at any time request the 45-day limitation to be adjusted and Everi Games Inc.'s DBAs will present a plan to make the respective modifications, including those involved in voucher redemption as well as relating reporting suite changes.

To redeem a voucher, the verifying attendant scans the voucher bar code with the validation or Management Terminal bar code scanner (the preferred method), or alternatively, the voucher ID number may be manually entered if the bar code scanner is not available.



[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

C. A cash voucher inquiry capability shall be provided to show current status and payment data if previously paid. Access to validation and inquiry functions shall be strictly controlled at the central system level.

Everi Games Inc. Response:

Cash Voucher Status and Payment Dates

[Redacted]

[Redacted]

[Redacted]

[Redacted]

- D. The central system shall provide the capability via site management terminals, to scan and log all abandoned vouchers found within a gaming facility. Once flagged as an abandoned or suspect voucher within the voucher database, the central system should prevent the cashing of such vouchers without secondary approval by a cashier supervisor. Management terminal reporting must be capable of monitoring the redemption status of all abandoned vouchers. Reporting must summarize the unique voucher number, the amount of the voucher, the date and time the voucher was issued by a gaming machine, the date and time the voucher was abandoned via the management terminal, and the date and time the voucher was redeemed via the validation terminal.

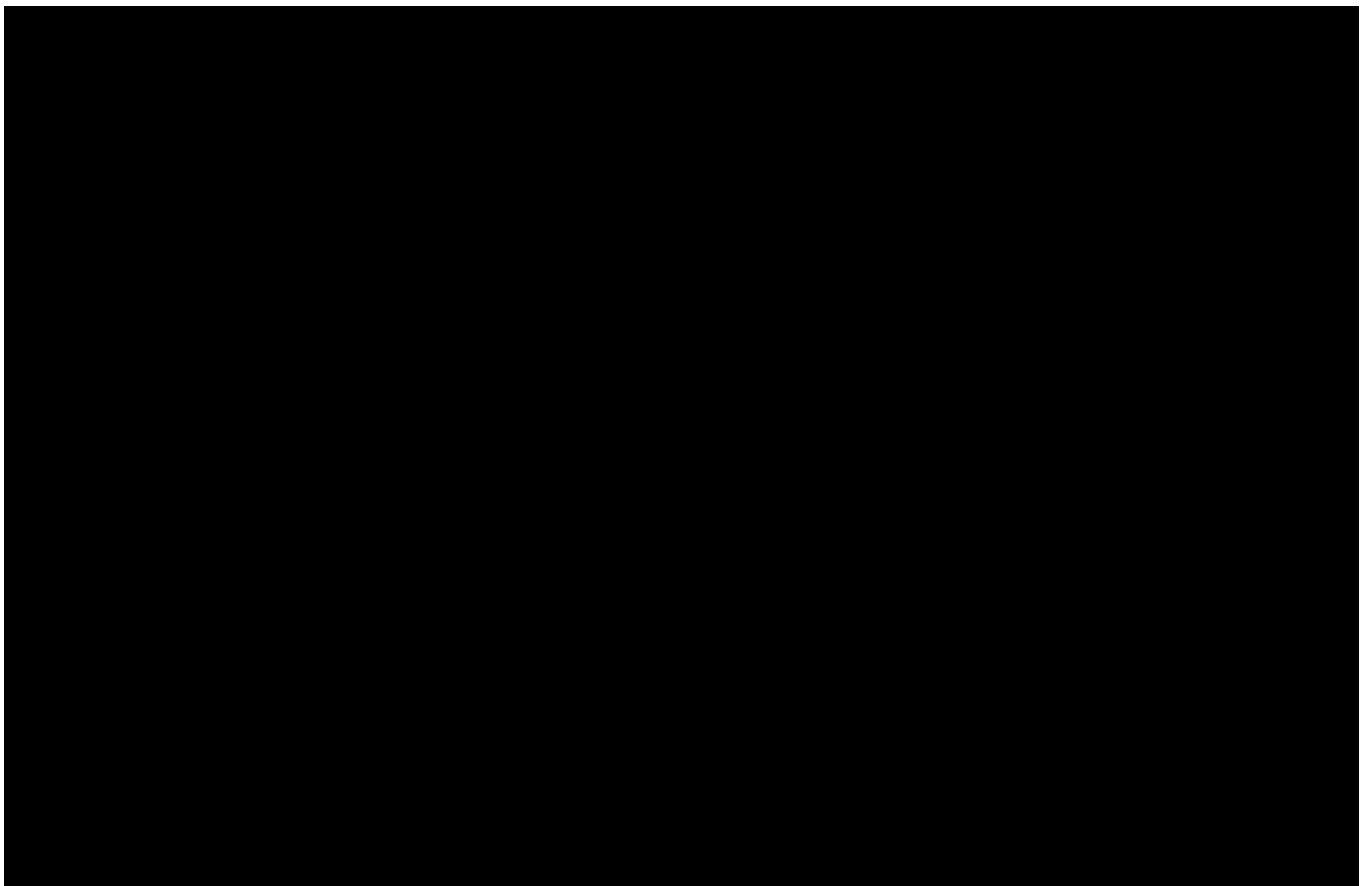
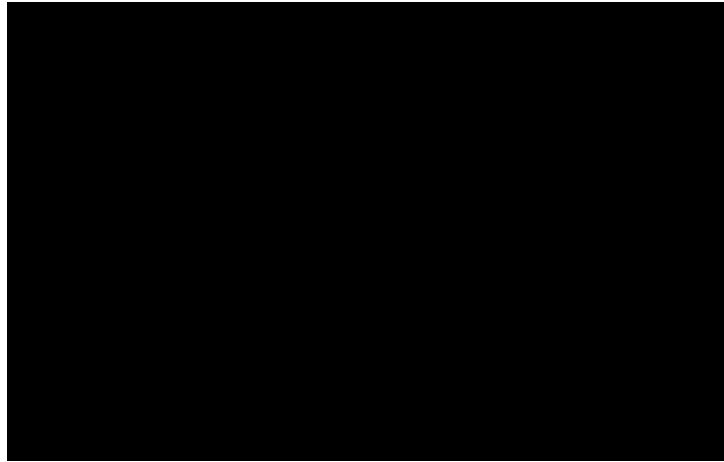
Everi Games Inc. Response:

Abandoned Vouchers

[Redacted]

[Redacted]

[Redacted]



- E. A database on the central system shall be maintained which contains a record of all cash vouchers showing the current status of ticket, payment information and any comments entered by the facility.



Everi Games Inc. Response:

The Central System maintains detailed voucher information in the database and can be accessed via the Management Terminal Voucher Management Screen as detailed in the preceding RFP sections 3.8.B-D.

- F. New York State is a leader in the area of Responsible Gaming Compliance. The central system provider must have the capacity to receive information electronically on a daily basis from the Commission of players who, by action of the facility or player, are banned from participating in gaming activities in the State of New York (the "exclusion list). The system should have the ability to lock any voucher presented by an individual who appears on the aforementioned exclusion list. Any locked voucher can only be released by a designated employee within the Commission.

Everi Games Inc. Response:

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

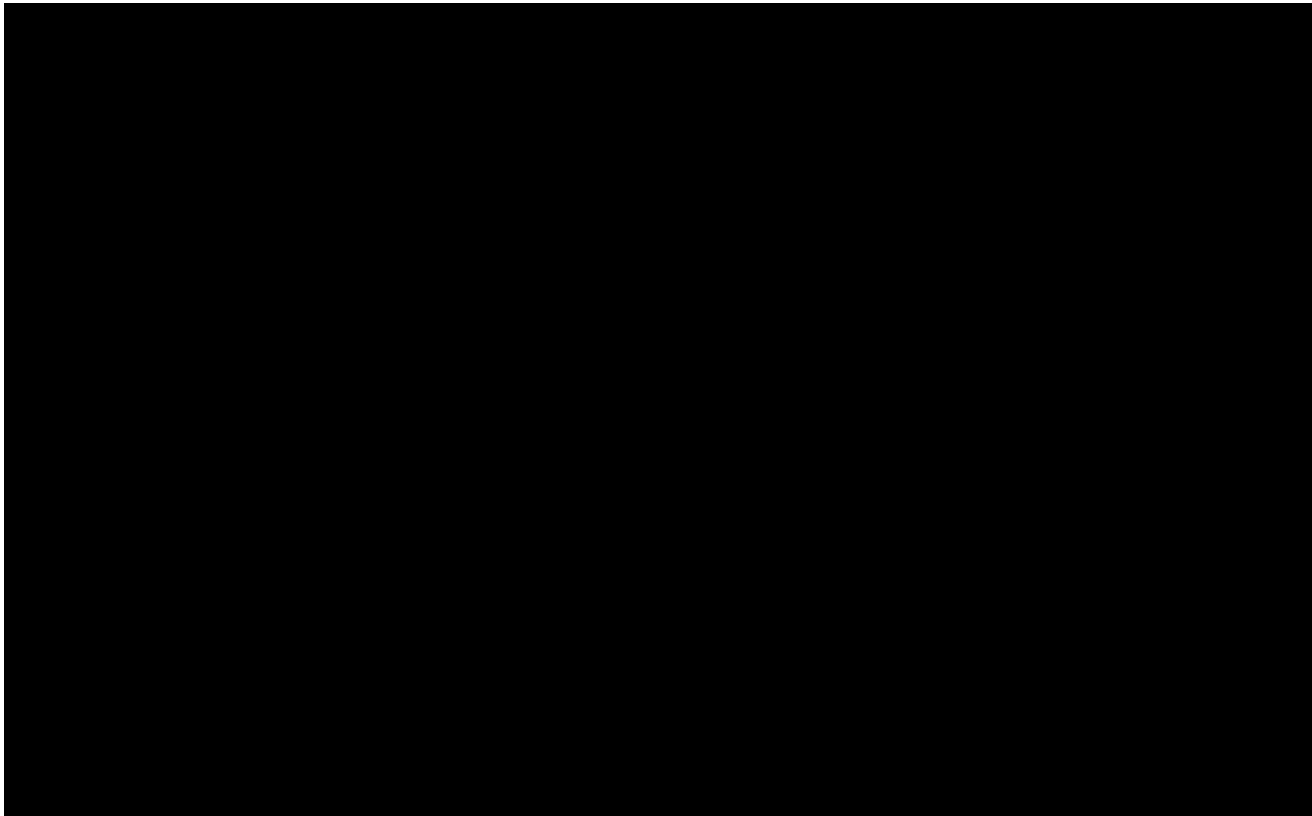
[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]



Populating Winner Exclusion Lists

Reasons for Bans

■ [Redacted text block]

[Redacted text line]

■ [Redacted text block]

[Redacted]

[Redacted]

[Redacted]

3.9 CENTRAL SYSTEM SECURITY CONTROLS

This response also addresses *Section 4.1.9 Application Security Controls*.

- A. The central system shall provide gaming device control capabilities to select Commission personnel using management terminals to immediately activate and deactivate the following:
 - 1) an individual site controller (all gaming devices attached to the site controller must be disabled automatically);
 - 2) single or multiple games on an individual gaming device;
 - 3) a single game across multiple gaming devices;
 - 4) all gaming devices of a given manufacturer's gaming device model;
 - 5) all gaming devices of a given manufacturer using a game identification number that matches a given game identification number; and
 - 6) all gaming devices in each facility location.

NOTE: See *Appendix E-10 Working with the Central System Management Terminal*, for more details about central system security controls.

[REDACTED]

[REDACTED]

[REDACTED]

- B. The central system shall record and report (through a printed report or management terminal display),

by gaming device and facility, all instances of open gaming device doors, service call buttons, error conditions, out-of-service conditions, loss of power, loss of communications, logic area access, cash compartment access, failed integrity checks, and any other events as designated by the Commission or approved in writing by the Commission, including issues with site controllers.

Everi Games Inc. Response:

Event Recording and Reporting

[Redacted]

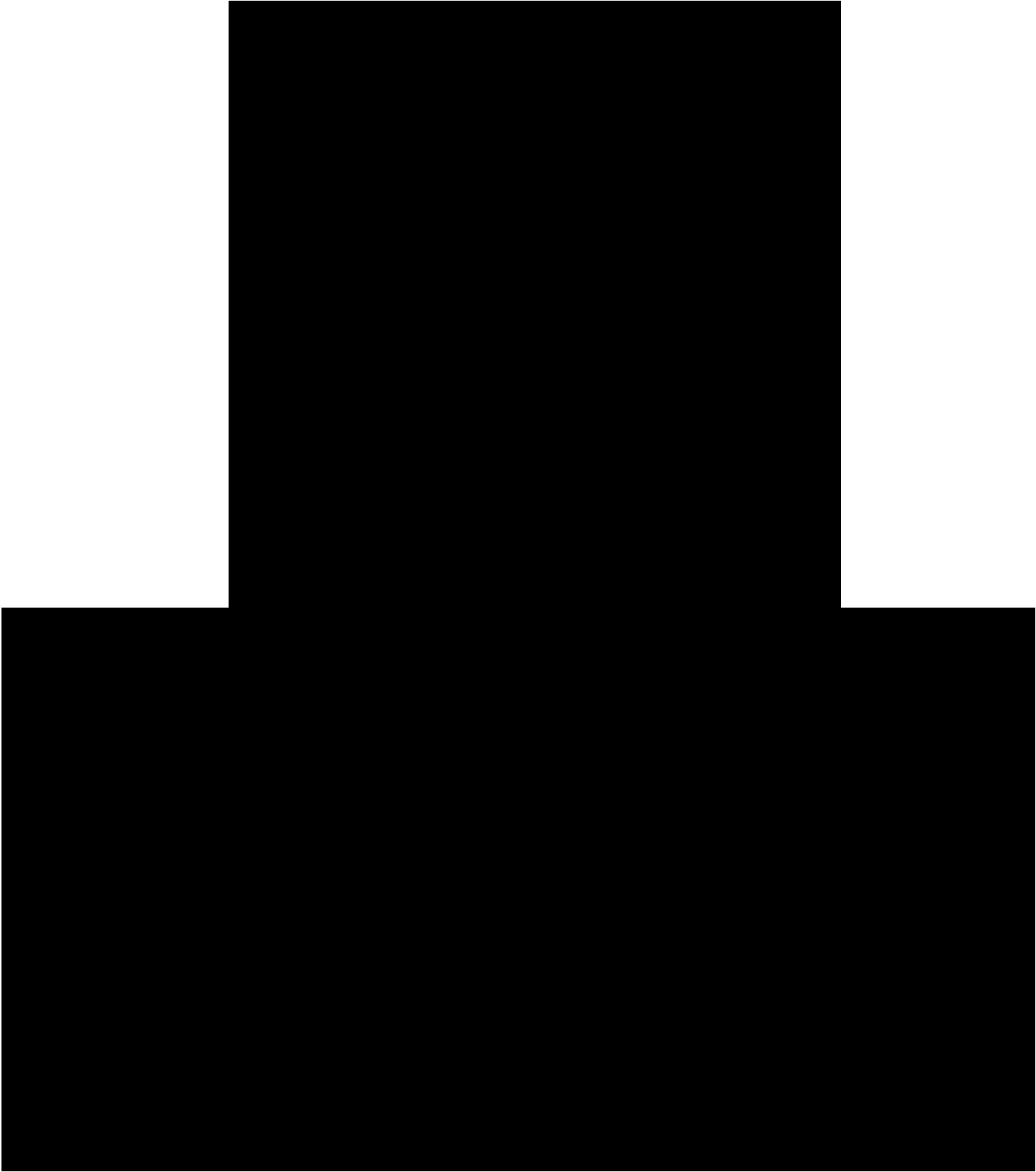
[Redacted]

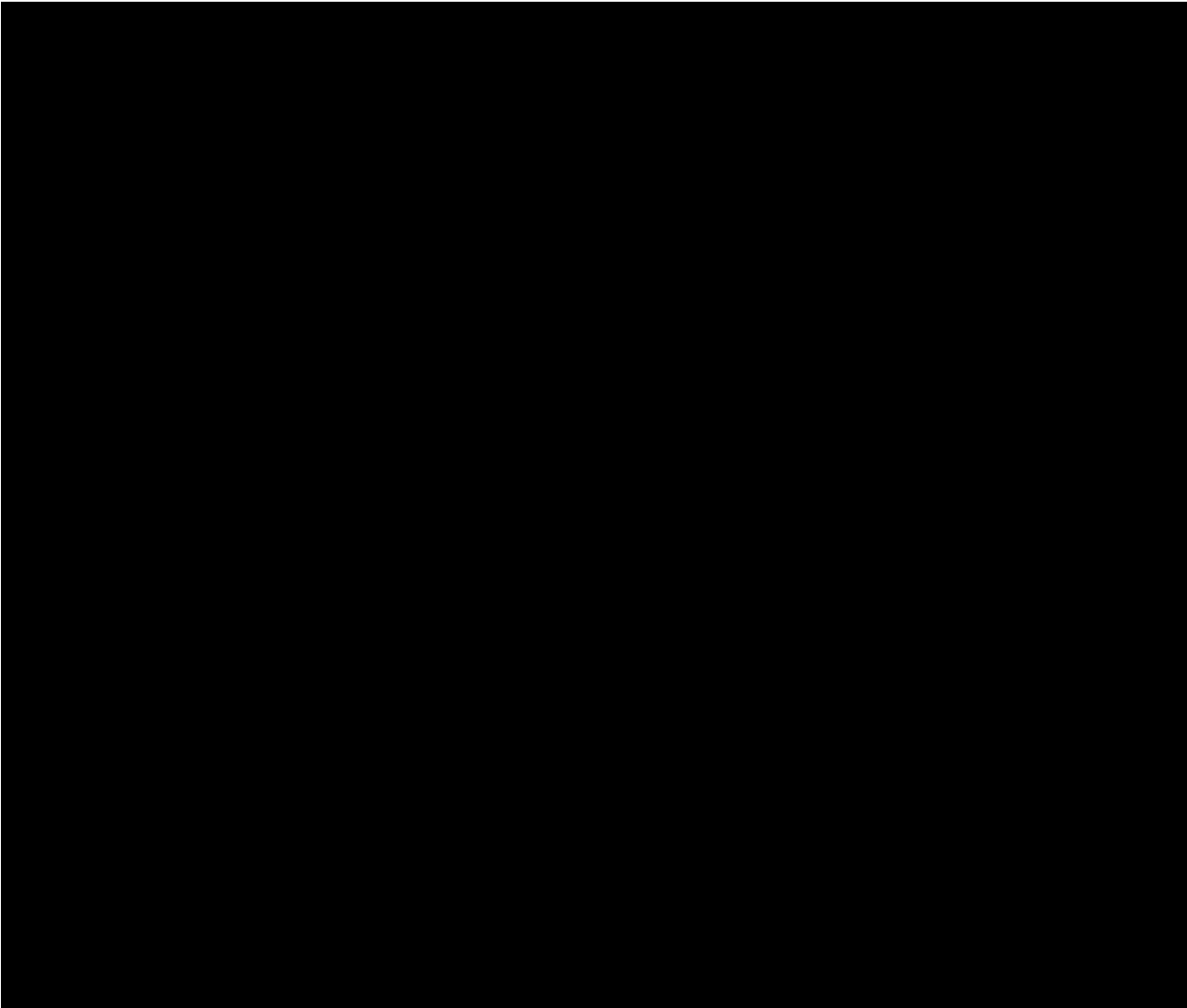
[Redacted]

[REDACTED]

[REDACTED]

[REDACTED]

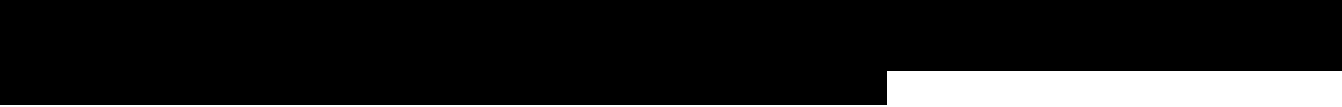
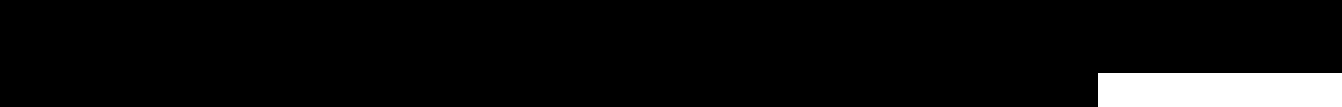




D. All event and cash voucher transactions shall be date- and time-stamped.

Everi Games Inc. Response:

Transaction Time Stamping



3.10 PROGRESSIVE JACKPOT

The central system shall support the use of local and wide area progressive jackpots.

Everi Games Inc. Response:

Progressive Jackpots

The Everi Games Inc. Progressive Jackpot solution is designed to provide maximum flexibility within the Central System by supporting multiple gaming devices within a Facility, gaming devices across all Facility locations, and wide area progressive jackpots where multiple sites can participate in the same progressive game. Progressive Games are tied directly in to the Central System to provide facilities for voucher redemption, progressive jackpot reporting, and progressive jackpot administration.

Progressive Jackpot Description

The Everi Games Inc. Central System supports progressive jackpot games for both Local and Wide area games.

Local Progressive Jackpots

Local Progressive Jackpots can be used at a particular facility and are driven by groups of gaming devices at that facility. Gaming device manufacturers must configure their devices to conform to the rules of a particular jackpot (pay table, credit amount, participation percentage, and probability of progressive award must be the same for each game participating in a progressive pool). In addition, the gaming devices participating in the progressive pool must draw tickets produced using the same tickets generation rules.

There is no limit to the number of gaming devices that participate in a progressive jackpot pool, and no limit to the number of simultaneous progressive pools in operation at a site.

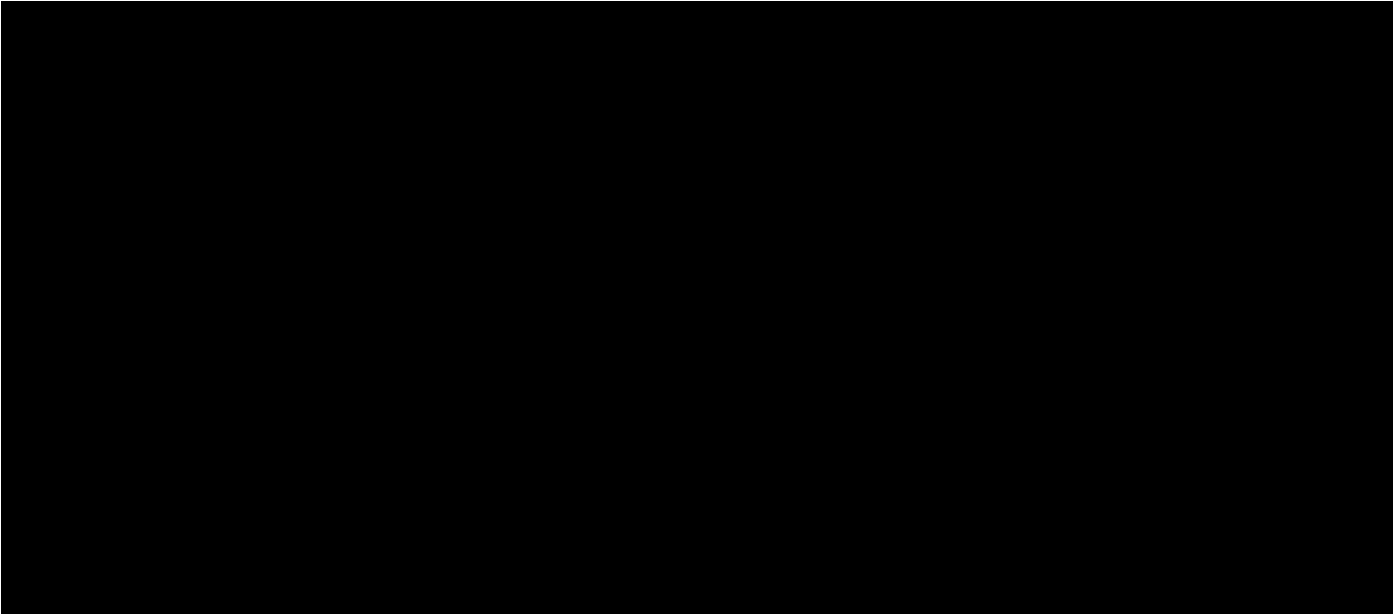
Local Progressive Jackpot amounts are calculated in real-time as purchases are made on participating machines. The Progressive Jackpot is seeded based on a value contained in the ticket data for that particular progressive, and is increased with each purchase based on parameters contained in the ticket data. When the system detects that a particular gaming device has been sent the winning progressive ticket record, it creates an additional win record with the amount in the progressive pool. It then sends the record to the winning gaming device, resets the progressive pool to the seed value and transmits the newly reseeded amount to the signage that displays the progressive pool balance.

[REDACTED]

[REDACTED]

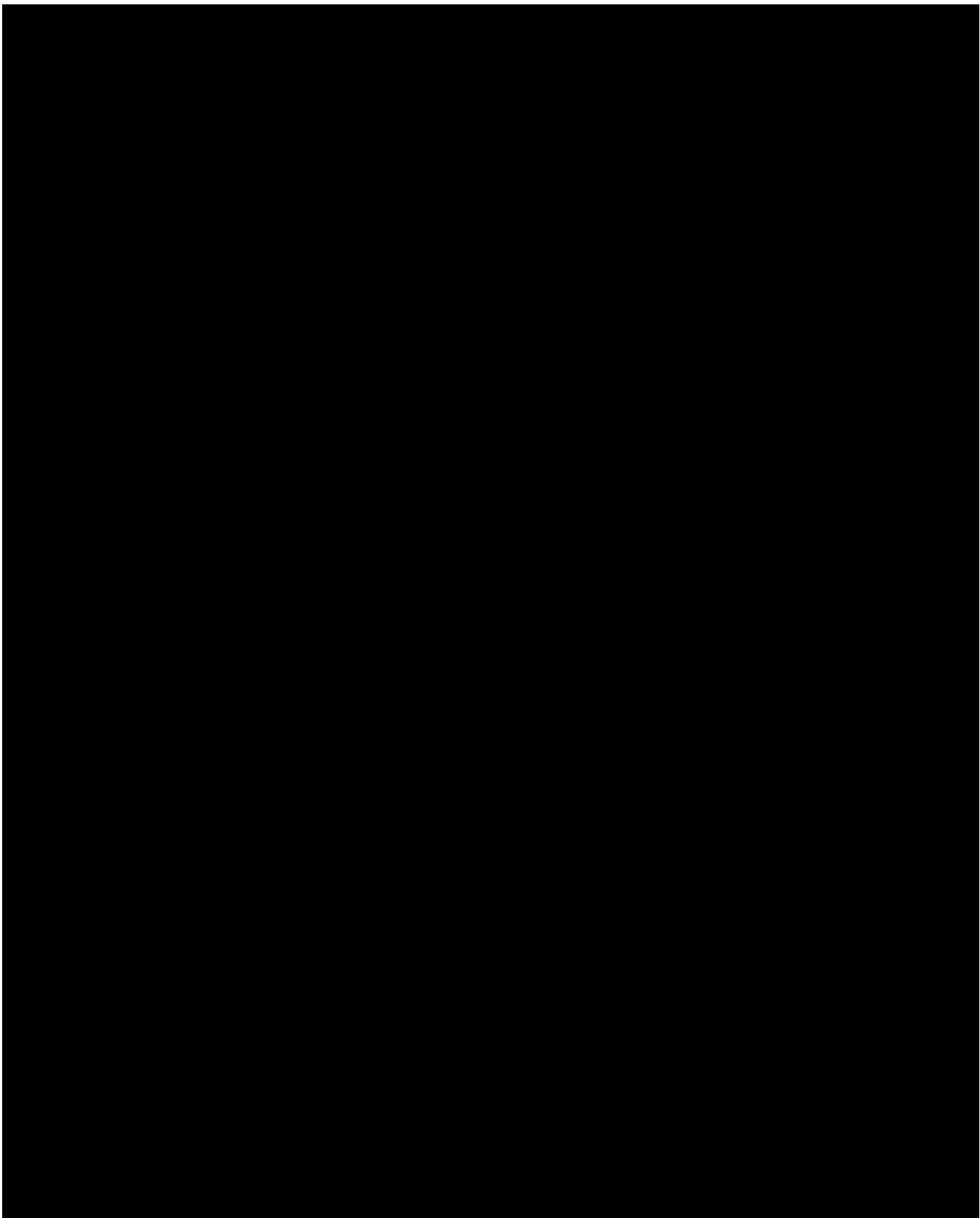
[REDACTED]

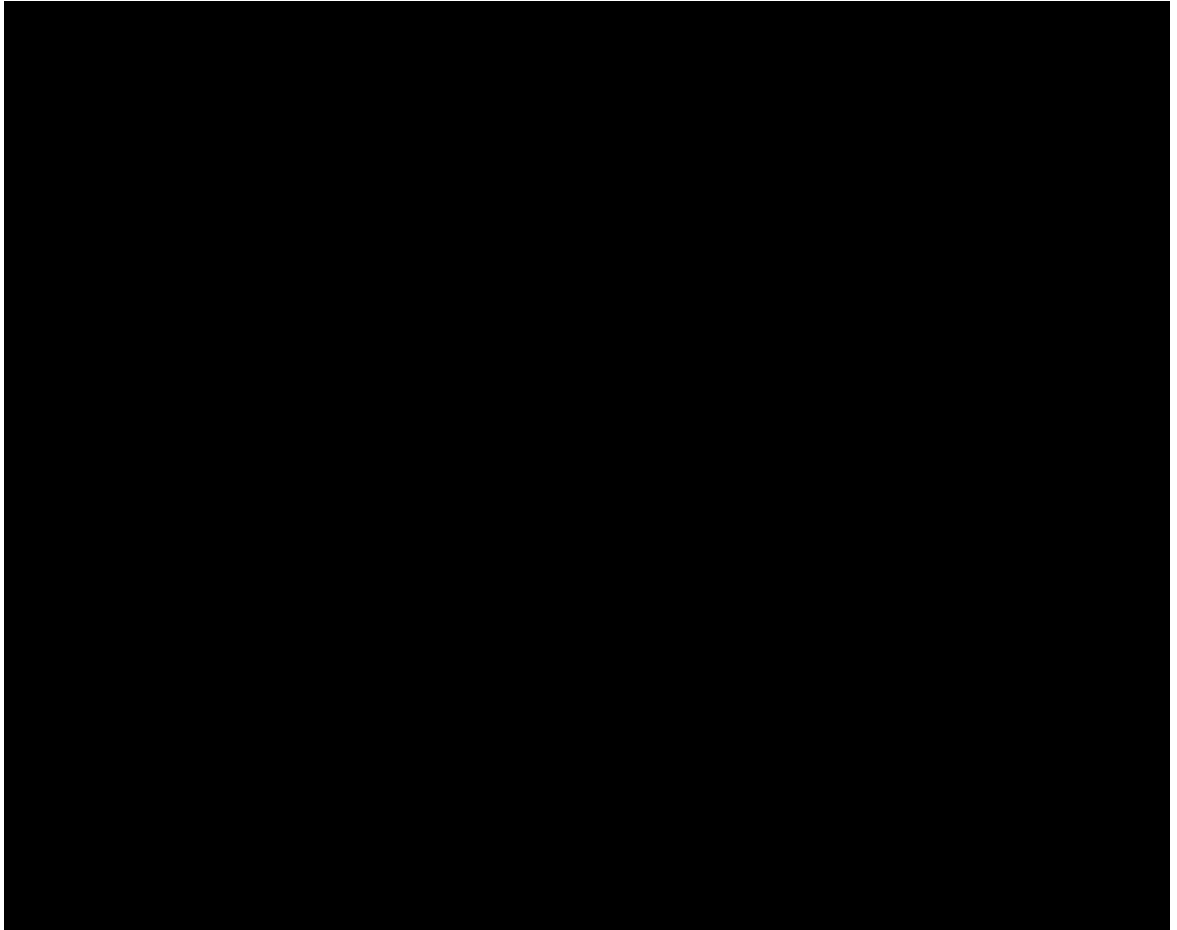
[REDACTED]



Management Terminal Progressive Screen







Daily Reports

As specified in the Report Definition Document in response to RFP Section 3.13, the Everi Games Inc. Central System two reports for monitoring of progressive activity.

- Progressive Contribution and JP Wins Report
- Progressive Jackpot History Report

Wide Area Progressive Jackpots

Wide Area Progressive Jackpots are similar to Local Progressive Jackpots, except that the Progressive Pool Amount and associated data are kept on the Central System. These amounts are updated by each central site every ten seconds, or on request. If a site detects that it has a winning ticket on a wide area progressive, it notifies the central database, which requests updates from all other sites for that particular progressive. If all participating sites are on-line, the award is communicated to the winning site, and the progressive amount is reset. The award is handled at the winning site in the same way as the Local Progressive Jackpot system.

Should the Central System be unavailable, or if one or more Site Controllers attached to a wide area progressive are not available, then manual verification will be necessary.

The Central System will prompt the Network Operation Center to attempt to contact non-reporting sites and pull wide area data from them. After completing this process, the Central System operator can validate the win and the process will complete automatically.

It is important to note that under normal operating conditions, no operator intervention will be required to operate both local and wide-area progressives, other than authorizing games for play at installation. The manual

process described above will only be necessary in extreme circumstances where a prolonged system communication failure has occurred.

Everi Games Inc. feels that it is important that players receive the quickest possible turn-around on wins and payouts, regardless of the systems operating condition. Player loyalty and satisfaction are key to the success of the Commission Central System.

Progressive Jackpot Calculation

Progressive jackpot amounts are calculated in real-time based on actual sales and initial seed values. The calculated progressive jackpot amount is stored on either the Facility Controller database or the Primary Data Center (depending on if it is a local or wide-area jackpot), and progressive wins are awarded the current real-time value of the jackpot when they are registered.

Progressive Jackpot VLT Communication

Progressive amounts (both wide area and local), are communicated with gaming devices every 30-60 seconds (this is configurable) for display purposes only. Progressive wins on the system trigger immediate updates of all progressives, before showing the reduced seed amount.

Winnings Validation

Progressive Wins are handled in the same way as other jackpot wins on the gaming device. No special action is required unless the progressive win triggers one of the business rules affecting vouchers (i.e., IRS reporting, delinquent payments to the Department of Social Services, etc.).

VLT Meters Used to Record Jackpot Pays

The Facility Controller sends progressive amount updates to all progressive gaming devices at a specified interval (the default is every 30 seconds). The individual gaming devices can be configured to scroll a text message on each update, whether or not the amount actually changed. Gaming devices use these updates to insure that their meters are synchronized within a few cents. Each gaming device also independently sets the scrolling rate of its display so that it increments constantly between updates.

3.11 SITE CONTROLLER AND GAMING DEVICE COMMUNICATIONS

The central system shall have the capability to communicate with all site controllers for the purposes of exchanging commands, requesting data, and transmitting data.

- A. Each site controller shall communicate with every gaming device attached to it at least once every three (3) seconds.

Everi Games Inc. Response:

Site Controller and Gaming Device Communications

The Everi Games Inc. Central System has a robust and dynamic interface for defining configurable attributes for the gaming devices and the entire system as a whole. These attributes are configurable in the Everi Games Inc. Management Terminal and upon changing, the new values are communicated to all services or impacted devices. The same is also true for sending commands to various parts of the system. The command interface allows for an instruction to be given in the Everi Games Inc. Management Terminal and it will be transmitted through the various communication protocols to its intended destination. The ability to view/edit a configuration attribute or send a specific command from the Management Terminal is controlled individually through user/group based security permissions. The attribute and command interfaces are extendable easily by gaming device vendors. They can register their own configuration attributes and commands that the Everi Games Inc. system will maintain in the Management Terminal. Gaming devices are also required to support certain attributes and commands to ensure that The Everi Games Inc. Central System can control and perform certain duties.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

B. The central system shall communicate with every site controller at least once every five (5) seconds. At a minimum, information about events, production of cash vouchers and validations must be transmitted. All affected databases must be updated as data is received from the site controllers. When the central system is unable to communicate with a site controller overnight, cash vouchers and events from the previous day shall be recorded and retained until proper communication is restored.

Everi Games Inc. Response:

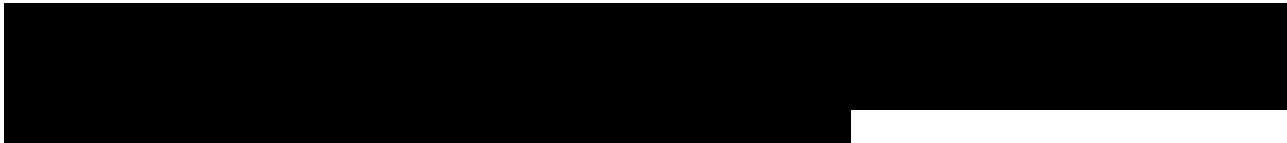
Site Controller Communication

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]



- C. Video lottery games may be played between the hours of 8:00 a.m. (the start of the gaming day) and 6:00 a.m. (the end of the gaming day), local time. Game play shall be disabled at the required closing time. The site controllers shall remain active for another hour after closing time, to allow time for generating reports.

Everi Games Inc. Response:

Game Play Hours

Each facility database will contain business rules and data defining the hours of operation allowed. These can be updated as deemed appropriate by the Commission to adjust the hours of operations for holidays or seasonal hours.



For reporting, management, and security purposes, the Facility Controllers and the Primary Data Center are designed to be operational 24 hours per day, 7 days per week, and 365 days per year. In addition to a pre-open game play alarm, Everi Games Inc. also provides a Transactions Outside of Gaming Hours report weekly to assist in verifying that transactions stopped as intended for the week.

- D. The central system shall download site controller software to the site controller. The central system must have the capability to download to a specific site controller and to broadcast the new software to all site controllers.

Everi Games Inc. Response:

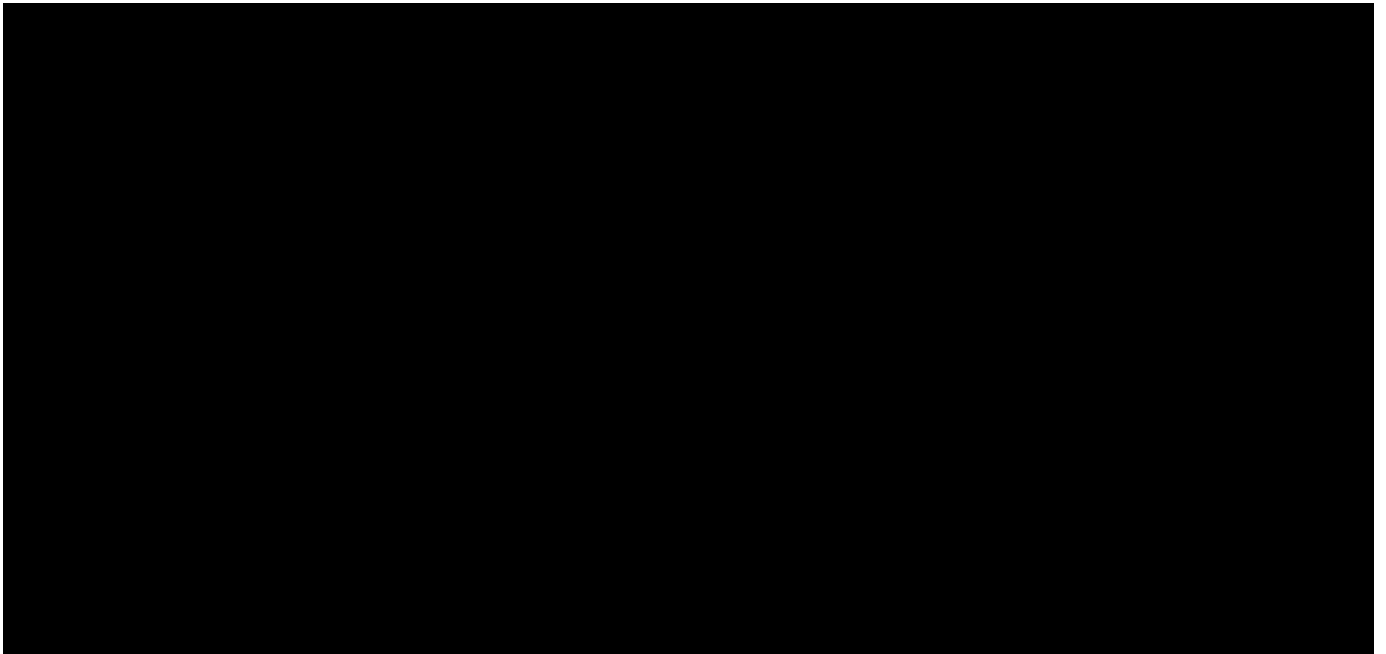
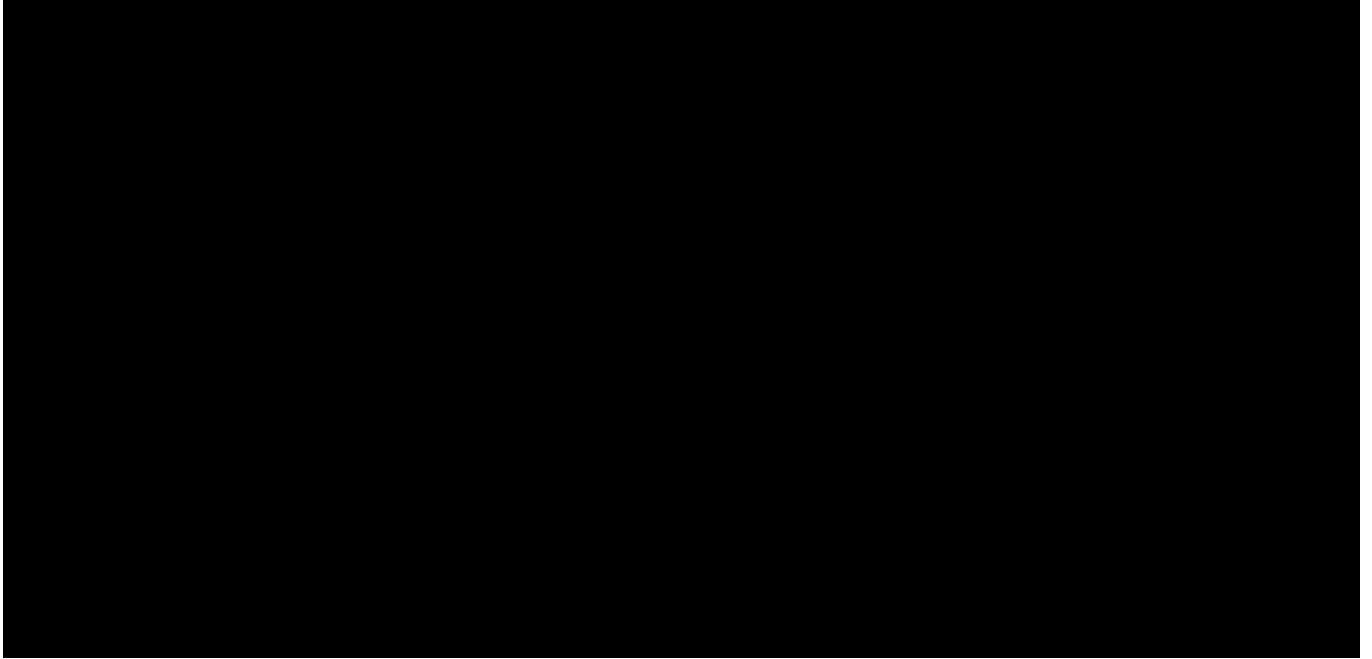
Everi Games Inc. has developed multiple procedures to download and install new site controller software. Everi Games Inc. will only install new software in accordance with policies and regulations set by the Commission regarding changing the system.



- E. The central system shall download game software to gaming devices via the site controller. The central system must have the capability to download to a specific gaming device, to gaming devices at a specific facility location, and to broadcast the new software to all gaming devices of a specified manufacturer and model.


Everi Games Inc. Response:

VLT Game Download



[REDACTED]

[REDACTED]



F. The central system shall download basic facility information, including license number, name and address of the facility, to the site controller for use by the site controller and gaming devices on displays, reports, and voucher slips.

Everi Games Inc. Response:

All basic gaming site information is stored both at the servers hosted at the Everi Games Inc. New York Network Operations Center (NOC) and the servers at the facility. This includes the name, address, license number, accounting code, and additional information. This information is readily available for use on all gaming devices for display, voucher printing, reports, and any other pertinent locations. Any updates to the facility's core information are updated in both locations or propagated from one to the other.

G. The central system shall be capable of downloading a parameter from the central system to gaming devices that specifies the length of time in seconds the gaming device can continue to operate since the last successful communication with the site controller. Values to range from zero to 999 seconds.

Everi Games Inc. Response:

Central System Downloads of Gaming Device Communication Parameters

As stated in section 3.11.A, there is an attribute for controlling the length of time the gaming device can continue to operate since the last successful communication with the site controller:

- `sysMGAMConnectionTimeout`

The `sysMGAMConnectionTimeout` attribute specifies the amount of time of inactivity before the connection to the VLT is dropped. It is currently set to 60 seconds. All attributes are configurable via the Management Terminal with appropriate permissions and approvals.

ETGs operate slightly differently. There are many configurable values that are used by the Everi Games Inc. SAS Host to control the ETGs however, the GSA SAS 6.02 has very specific guidelines on how ETGs should respond during periods of no activity that does not allow for configuration of these intervals. See the excerpt below from GSA SAS 6.02 Section 4 Error Conditions:

Link Down Detection

A gaming machine must consider the communications link to be down if it is not being actively polled by the host. At a minimum, the link must be considered down if the gaming machine has not received any address byte for five seconds (see Section 4.2, loop break indication), or has not received any implied acknowledgement (as defined in Section 3.1) from the host for 30 seconds.

H. The central system shall be capable of downloading a parameter from the central system to site controllers that specifies the length of time in seconds the site controller can continue to operate since the last successful communication with the central system. Values to range from zero to 999 seconds.

Everi Games Inc. Response:

Network Operations Center to on-site Facility Communications

Communication between the servers at the Everi Games Inc. New York Network Operations Center (NOC) and the servers at the facility on-site are mainly governed by monitoring tools as referenced in section 3.11.B. They are covered under a continuous monitoring and alerting system.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

3.12 PERIODIC CENTRAL SYSTEM PROCESSING

- A. Starting at the end of every gaming day, all accounting and sales data (meters) for each gaming device must be collected and posted to the appropriate central system databases.
- B. An electronic file in a Commission-approved format shall be provided on a daily basis which contains all cash vouchers issued, cash vouchers paid, net sales for each gaming device, and the number of gaming devices at each facility location recorded on the central system from the current gaming day. This file will be used as input to the Commission's ICS.
- C. The central system shall calculate an invoice for each facility on a daily basis. The central system must:
 - Accept an electronic transmission produced by the Commission that contains net adjustment

[Redacted]

[Redacted]

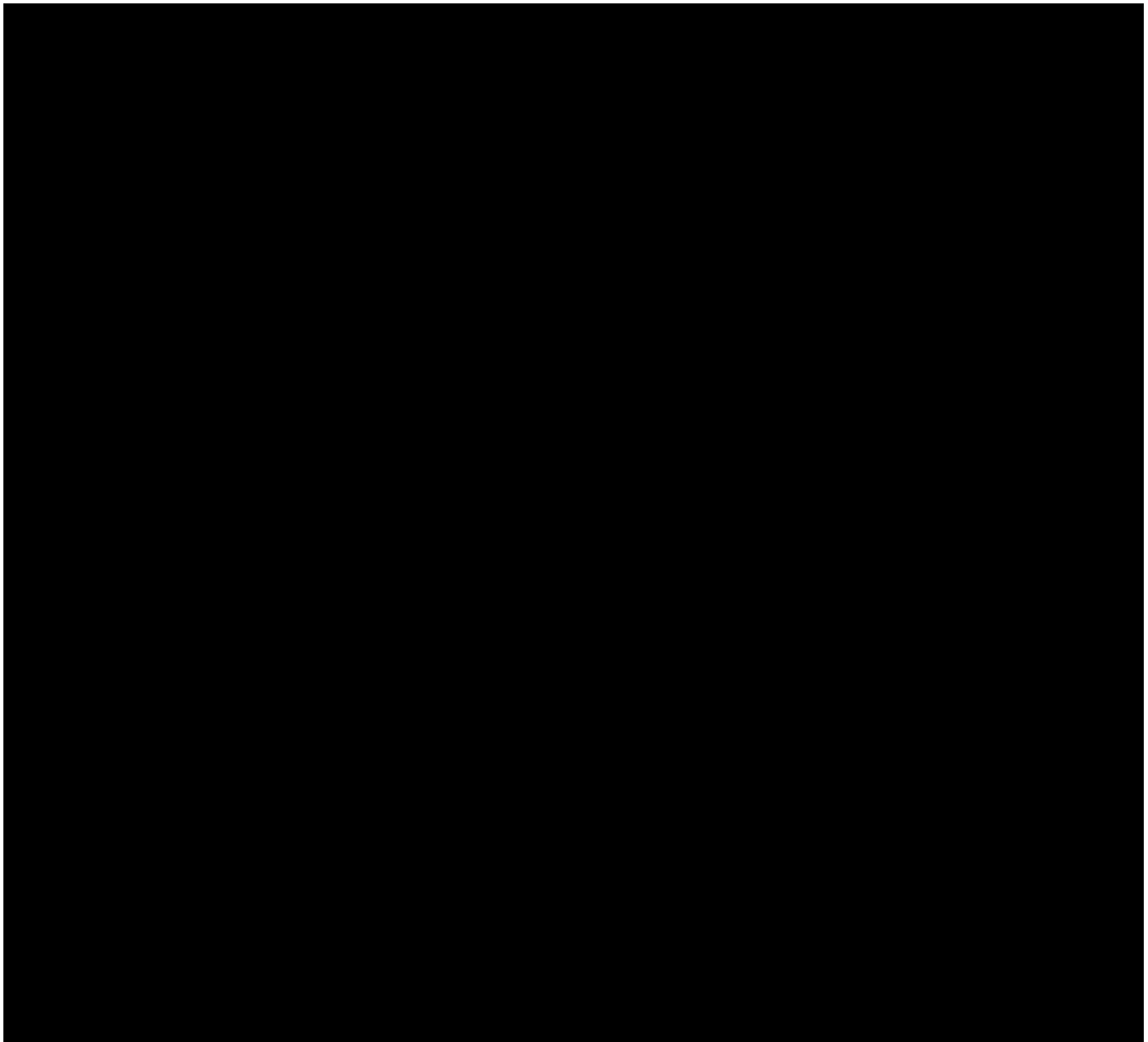
[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]



[Redacted text]

[Redacted text]

[Redacted text]

[Redacted text]

•

[Redacted]

[Redacted]

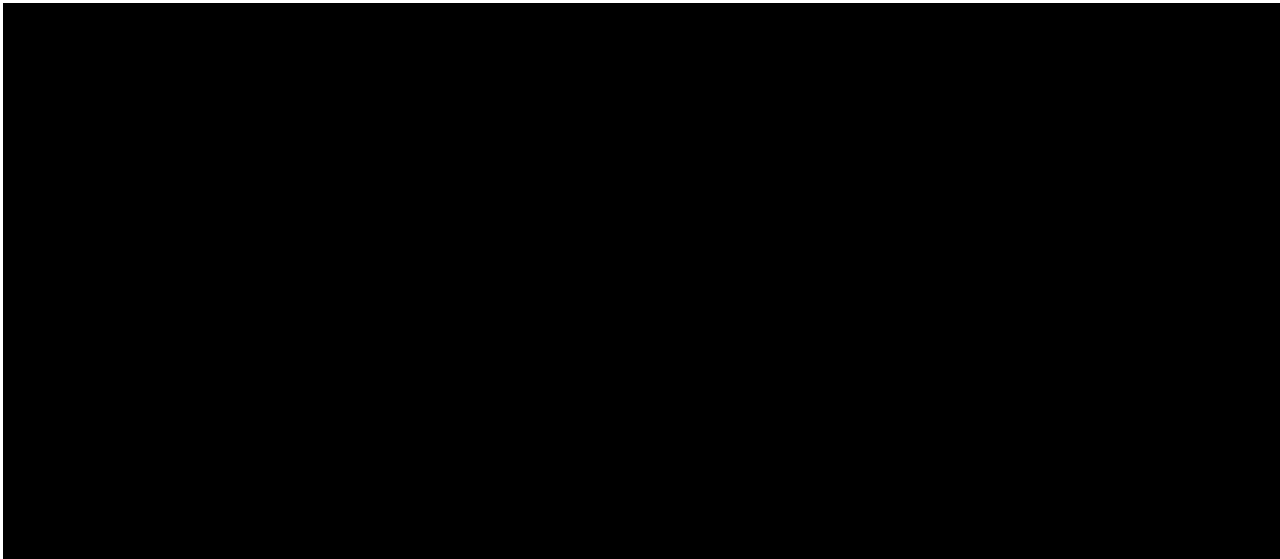
[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]



Section 3.12.E Site Controller Sign-On Messages

Everi Games Inc. Response:

Sign-On Messages

When facility site controllers are reset, messages are sent between the site controller and the central system. The status and event messages are displayed on our central monitoring systems.

Additionally, 10 minutes prior to the facility closing for a gaming day, a message is sent to all gaming devices stating: “The Facility Will Close in 10 minutes.” This also triggers the bill acceptors on all the gaming devices to be disabled so that no new gaming sessions can be started so close to the facility close time. The time to disable bill acceptors prior to closing is configurable. When the facility is officially closed a message is displayed on all gaming devices: “The Facility Is Closed.”

The gaming floor can be brought online and bill acceptors are enabled one to two hours (configurable) before the physical doors open. This gives the vendor technicians the chance to walk the floor and confirm that all gaming devices are online and operational. A similar message for the facility opening could easily be added to be sent either when the bill acceptors are enabled or when the doors open upon request. Generally, this is not necessary as access is controlled via physical security.

Section 3.12.F Responsible Gaming and Banned Users

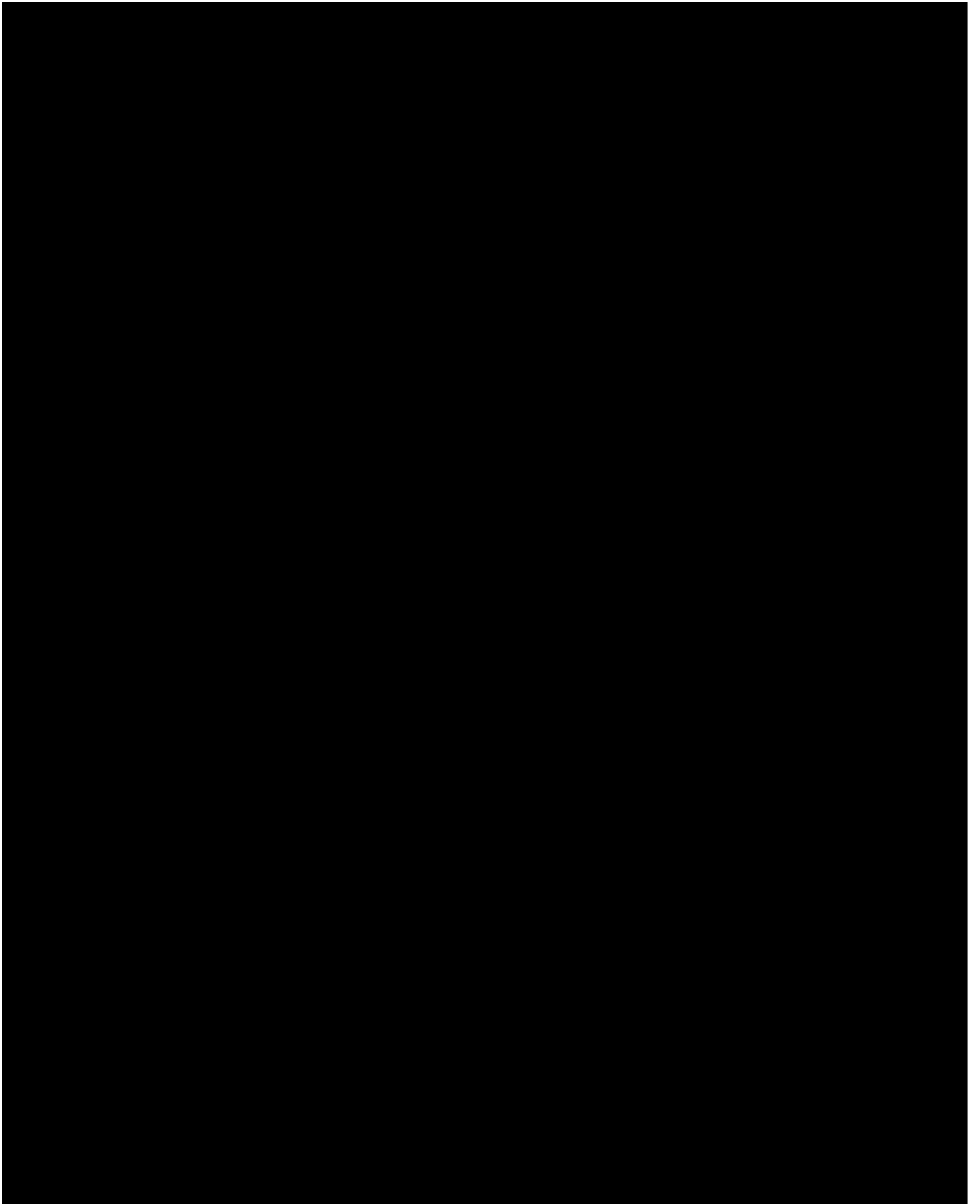
Everi Games Inc. Response:

Responsible Gaming



[Redacted]

[Redacted]



3.13 NETWORK OPERATIONS CENTER REPORT SPECIFICATIONS

The central system shall produce reports to meet the needs of various units at the Commission. Routine reports are to be produced on regular cycles required by such units (daily, weekly, etc.) and special report requests are to be provided upon request by such units. After award of the Contract, the Successful Bidder must provide database schemata of all files to the Commission. Report formats and contents must be approved by the Commission. At a minimum, the system must:

- A. Be capable of producing ad hoc reports using the report writer;
- B. Be capable of reporting on sales trends and play trends on a daily, weekly, range of weeks, annual,

and Year to Date (YTD) basis by gaming device, by game. Summaries shall be by facility, gaming device manufacturer, gaming device model and game;

- C. Be capable of reporting on revenue, payout, and net sales on a daily, weekly, range of weeks, annual, and YTD basis by gaming device, by game. Summaries shall be by facility, gaming device manufacturer, gaming device model and game;
- D. Be capable of providing a daily activity report summarized by gaming device terminal manufacturer, gaming device model and game; and
- E. Be capable of reporting any gaming that occurs outside authorized gaming hours.

Everi Response:

Network Operations Report Specifications

The Everi Games Inc. Central System and Facility Controllers have robust reporting capabilities through the use of

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]



3.14 CENTRAL SYSTEM ACCESS AND USE

- A. Central system interfaces shall be through user-friendly menus or a Windows-based interface.
- B. Custom menus must be able to be defined for each authorized user or group of users. The central system must have a controlled and restricted process for setting up and modifying user menus that can be used at any time during the day without support from the Contractor.

Please cross reference Section 4.1.14 Application System Access and Use for response.

- C. For any parts of the central system that are menu-driven, the central system should allow accelerated navigation for experienced users. This navigation would allow a user to go to a screen that may be several menu levels deep, and from one screen to another; rather than always having to back out of and through the full menu structure.

Please cross reference Section 4.1.14 Application System Access and Use for response.

Everi Games Inc. Response:

NOTE: See Section 4.1.4.14 Application System Access and Use for more information.

NOTE: See Appendix E-10 Working with the Central System Management Terminal, Appendix E-11 Working with The Central System Validation Terminal, and Appendix E-12 Central System Reports Definition, which describes central system access and use in more detail.

3.15 CENTRAL SYSTEM DOCUMENTATION

Documentation about the central system shall be complete and maintained on a current basis as changes to the central system occur. The documentation must reflect actual central system operation and be updated as part of the process for requesting changes to the central system.



The documentation shall fully describe all central system inputs and outputs, including interfaces with other systems, data definitions, file and database descriptions, central system inventories, functional system flow, theory of operation, and central system narratives.

Everi Games Inc. Response:

CENTRAL SYSTEM DOCUMENTATION

When Everi Games Inc. delivers its Central system to the Commission, it will be accompanied by a full set of documentation.

System and Application Documentation

In addition to an overview of the system and how it works, the documentation will contain the following:

- White papers for operating systems, commercial off-the-shelf software products, libraries, and configuration files
- Installation instructions for Everi Games Inc. applications
- Operations manuals for key components of Data Centers, Facility Controllers, Management Terminals, and Validation Terminals
- Operations manuals for commercial off-the-shelf products included with the system
- A high level system design guide that describes the overall operations of the system as well as the theory behind the operations. This guide will include all of the top-level system design documents and diagrams, including process diagrams, logical data flow diagrams, and process physical view diagrams. It describes all system inputs and outputs, the purpose of all necessary files and databases, and an inventory of all components necessary to operate the system.
- VLT Interface Control Document (ICD) that lists the format and protocol for all VLT to Site Controller communications. This document should be supplied to all VLT Game Vendors that the Commission qualifies. The VLT ICD will contain message formats, example code, and UML sequence diagrams that document necessary interfaces. Common interface scenarios will be documented in detail and a list of off-nominal situations with the correct interface sequences will be maintained and added to as the system matures
- Commission Mainframe ICD that describes all interactions and data formats used between the Everi Games Inc. Central System and the Commission mainframe computer

Database Documentation

In addition to the application documentation described above, Everi Games Inc. will provide detailed and extensive database documentation for this critical system element. Everi Games Inc. recognizes the importance of managing the databases. The Facility Controller, Primary Data Center, and Backup Data Center databases will be documented with the following:

- Database Design Diagrams that show the table structure and data content of the databases
- Entity Relationship Diagrams (ERDs) that show the relationships between table entries throughout the database
- Data Flow Diagrams that are critical to understanding how the database works and how changes might affect performance
- Data Dictionary that defines each item and element in the database

Each of these database documents will be supplied by Everi Games Inc. and will be maintained and provided to the Commission as the software is updated

Documentation Maintenance

Everi Games Inc. maintains its software documentation as part of its normal software development process. All changes to the software are documented in each new release. Before changes are accepted into formal test, the required changes to the documentation must be recorded and delivered to the quality assurance department.

3.16 SUPPORT FOR TESTING CENTRAL SYSTEM SOFTWARE

Implementation of, and modifications to the central system will be required to keep pace with industry standards, comply with Federal and State statutory requirements, meet new policy determinations, and implement desired improvements in the central system's capabilities and performance. Ongoing testing of software changes is a critical aspect of ensuring the continued accuracy and integrity of the central system. All central system modifications will be subject to a thorough acceptance test process, by a Commission- approved independent test lab, that will verify the accuracy and integrity of the new software prior to being used in a production mode.

Everi Games Inc. Response:

Everi Games Inc. understands and agrees that modifications and enhancements to the Central System are necessary. The Everi Games Inc. solution is built on the following criteria:

- Maximize revenues
- Comply with statutory requirements
- Meet new policy determinations
- Implement desired improvements in the Central System's capabilities and performance
- Keep pace and be forward thinking in the industry

In order to ensure the continued accuracy and integrity of the Central System, all software changes to the system will be subjected to a comprehensive and on-going testing program, including acceptance testing by Everi Games Inc. Quality Control, prior to being provided to an independent testing lab for their acceptance testing as described in Section 3.2.10.

The Everi Games Inc. Quality Control mission is to ensure the delivery of software that is of high quality, high reliability, and meets or exceeds the expectations of customers. The Quality Control department tests software and hardware utilizing the processes set forth in test processes developed by Everi Games Inc. staff.

The purpose of the test processes are to ensure that all quality control members take the necessary steps to achieve the quality mission as described above. Believing the key to the Everi Games Inc. test process is organization, the test process can be summed up in the following high-level steps:

- i. Define Commission Requirements, which involves meeting with Commission Management, Operations, Finance and Marketing staff to define specific functions that require modifications or additions.
- ii. Organize Project which involves writing a test plan and defining schedules, resources, and the budget.
- iii. Design and Build System Test, which involves identifying test cycles, phases, and cases, as well as entrance and exit criteria and expected results. The test manager will generate a test script for the individual test cases. The test conditions are derived from the software design document and test documents.
- iv. Design and Build Test Procedures which involves setting up procedures for reporting errors and test results, such as bug tracking databases and test tracking spreadsheets.
- v. Build Test Environment which involves requesting and building hardware, software, and data set-ups.
- vi. Execute Tests by Phase, which involves running each test phase as detailed in the test plan.

vii. Signoff, which occurs when all pre-defined exit criteria have been achieved

- A. This approach to acceptance testing requires a test environment on both the primary and backup central systems that is separate from the production environment. This separation includes both data and software programs. Accordingly, the central system must have a test environment that will allow every software change to be completely tested and verified prior to the software being used in a production environment. This testing capability must include front-end processing and network testing so that the site controllers with attached gaming devices can be used to fully test a facility configuration. This test environment must always be available on the central system, without any impact on the performance and operation of the production gaming system. This includes having no impact or reduction in the fault tolerant capabilities of the central system and no measurable impact on the performance of the production processing environment.

Everi Games Inc. Response:

As described in Section 3.4.C – Central System Specifications – Test System, Everi Games Inc. will provide separate development and test environments for testing bug fixes and/or new features developed for Everi Games Inc. applications. These separate development and test environments do not impact the production hardware or network; they exist independently of the production system and contain their own data and software programs. The PDC and BDC test environments are identical.

The purpose of the test systems is to perform testing and verification of software changes, perform acceptance testing, and simulate the release of software modifications and enhancements prior to updating the production system. The test system has all the capabilities of the Central System, including front-end processing and network testing so that Site Controllers and attached gaming devices can be used to fully test the Everi Games Inc. Central System. These test systems are always accessible and function without degrading the performance or fault-tolerant capabilities of the production environment.

All updates to functionality go through multiple phases of development and testing using different test environments including user acceptance testing with the Commission staff to ensure that all requirements have been accomplished and testing by the Commission approved independent test lab. The test systems described are used to verify the accuracy and integrity of the new software prior to being used in production.

- B. The central system should provide tools to allow for efficient and effective testing. This could include the use of a random test data generator where large quantities of data can be created based on a few parameters that describe the general characteristics of the data (e.g., value ranges, volume of data, transaction types, etc.). This may be accomplished via terminal simulator that simulates all types of transactions, including validations, gaming device transactions, report requests, service transactions, and signing on and off the system.

Everi Games Inc. Response:

Test Tools

The Everi Games Inc. Central System provides the necessary tools to conduct efficient and effective testing. The Software Development Life Cycle (SDLC) employed encompasses in-depth testing procedures. Firstly, multiple development only environments are used. These are fully functional standardized systems that encompass an entire system with all of the capabilities of the Everi Central System. These development

environments are fully virtualized. This means that a copy of the entire development system can be copied and backed up as needed to facilitate proper software development and testing.

The systems also support point-in-time snapshot creation and restoration that has proved invaluable in duplicating the same scenario under different conditions for thorough testing by the development team. Testing by the individuals who made the change is required, followed by an in-depth code review process to ensure correct functionality and coding standards are achieved.

The changes then go through testing in an in-house Quality Assurance (QA) department to validate all changes and improvements were performed correctly and in accordance with all requirements and use-cases. This occurs on a separate testing system that always reflects the clean state of the actual production environment. All updates are applied and installed using the same process as the one they will ultimately be applied to the production environment with as to ensure that the testing is 100% valid. Modifications are then reviewed and tested by a third-party impartial company. This process as a whole ensures stable, reliable, high-throughput software at every level.

Additionally, existing tools are used or created if necessary to ensure that the highest quality product is delivered. Some of these testing tools include:

- Automated Unit Testing
- Individual client simulators
 - Gaming Device Simulator
 - Kiosk Simulator
 - Directory Service Simulator
 - Hardware peripheral Simulators
- Service simulators
- Load and performance testing tools
 - VLT Load Tester
 - SAS Load Tester
 - Cash Drawer Transaction Load Tester
- Black box testing tools
 - Testing individual components with targeted random inputs ranges to verify the expected outputs.
- Memory Leak and Stabilization testing tools
 - Evaluate performance and stability over long periods of time under high activity and load.
- Restored production data/Emulate data with similar characteristics
 - Productions database restores can be performed with all sensitive information removed for test purposes.
 - Data is generated for test purposes that match different scenarios identified in the production data.

Our stringent testing procedures combined with a myriad of different testing tools and a high level of attention to detail produces high-performant, stable and reliable software designed for the specific needs of the jurisdiction.

- C. The central system should provide a method to extract from the production environment all data related to a particular facility, gaming device, etc., and copy it to the test environment. The method should allow for a test condition to be easily created that imitates a particular production problem. Another tool test that is useful in an on-line environment, and that should be incorporated, is an automated test-scripting tool that allows for simulation of on-line data entry activities.

Everi Games Inc. Response

Test Tools

The ability to extract data from the production environment is a critical aspect of the Everi Games Inc. testing process. Central System functionality allows specific sets of data from the production environment, such as all data related to a particular facility or gaming device, to be replicated to the test environment for testing purposes. This can include the imitation of specific events in the production environment. The replication functionality is strictly controlled and monitored.

The Everi Games Inc. Quality Control department utilizes the following test tools, as described in the subsections below.

XRay

XRay is a complete Test Management tool for Jira, the chosen ticketing and project management tool of Everi Games Inc. unless we identify a better alternative in the future. It is a full-featured app that does not require any other software in order to run. Xray supports the entire testing life cycle: test planning, test design, test execution and test reporting. This is done by using special Jira issue types, so all of the benefits of Jira can be used. The aim is to help improve the quality of our systems through effective and efficient testing. That's why Xray already supports both manual and automated tests.

SAS and VLT Load Testers

Everi Games Inc. has created SAS and VLT Load Testers to automate the creation of data, with a diversity of features to simulate game play, voucher creation, multiple win scenarios (jackpots, progressives, etc), along with many other features. In addition to automating data creation, the Everi Games Inc. load testers allow substantial amounts of data to be rolled up and aggregated during End of Day processing. This aggregated data is later used for an assortment of other testing such as reporting suite change validation and data validation.

DGI Testing Tool

The DGI Testing tool allows QUALITY CONTROL to read the raw message output from VLT and SAS Load Testers and devices. Messages such as Card In, Card Out, Deposit, Play, Voucher In, Voucher Out, and others which allow for QUALITY CONTROL verification of these messages.

VMware vSphere

Everi maintains a test system that is virtually operating on its own on a daily basis. Through load testers and automation of activities such End Of Day processing, transactions that one would find in a live facility are generated and summarized every day to ensure data is in place to support testing a variety of scenarios. VMware vSphere is leveraged for creating snapshots of the entire testing system. This can be used when testing multiple runs of the same report or procedural change (End of Day Report, new Proc being installed, etc). It also lets QUALITY CONTROL keep an active copy of the production system that they can revert to at any time

SoapUI

SoapUI is used to test various aspects of the kiosk. It simulates requesting vouchers, redeem vouchers, get attributes, and voucher printed. This is used to test any functionality related to this service without having to have a physical kiosk in front of them, and also allows for simulating multiple scenarios at once.

Everi Verify

Everi Verify is used to create checksums for any system software being submitted to GLI. GLI requires all submitted software to have a checksum attached to the submission. This tool was created internally and creates the GLI required checksum.

3.17 FACILITY SITE CONTROLLER SPECIFICATIONS

This section describes the functional specifications of the site controller.

A. HARDWARE SPECIFICATIONS

Currently at least one (1) facility has a backup site controller that has the ability to take over in the event of the loss of the main server.

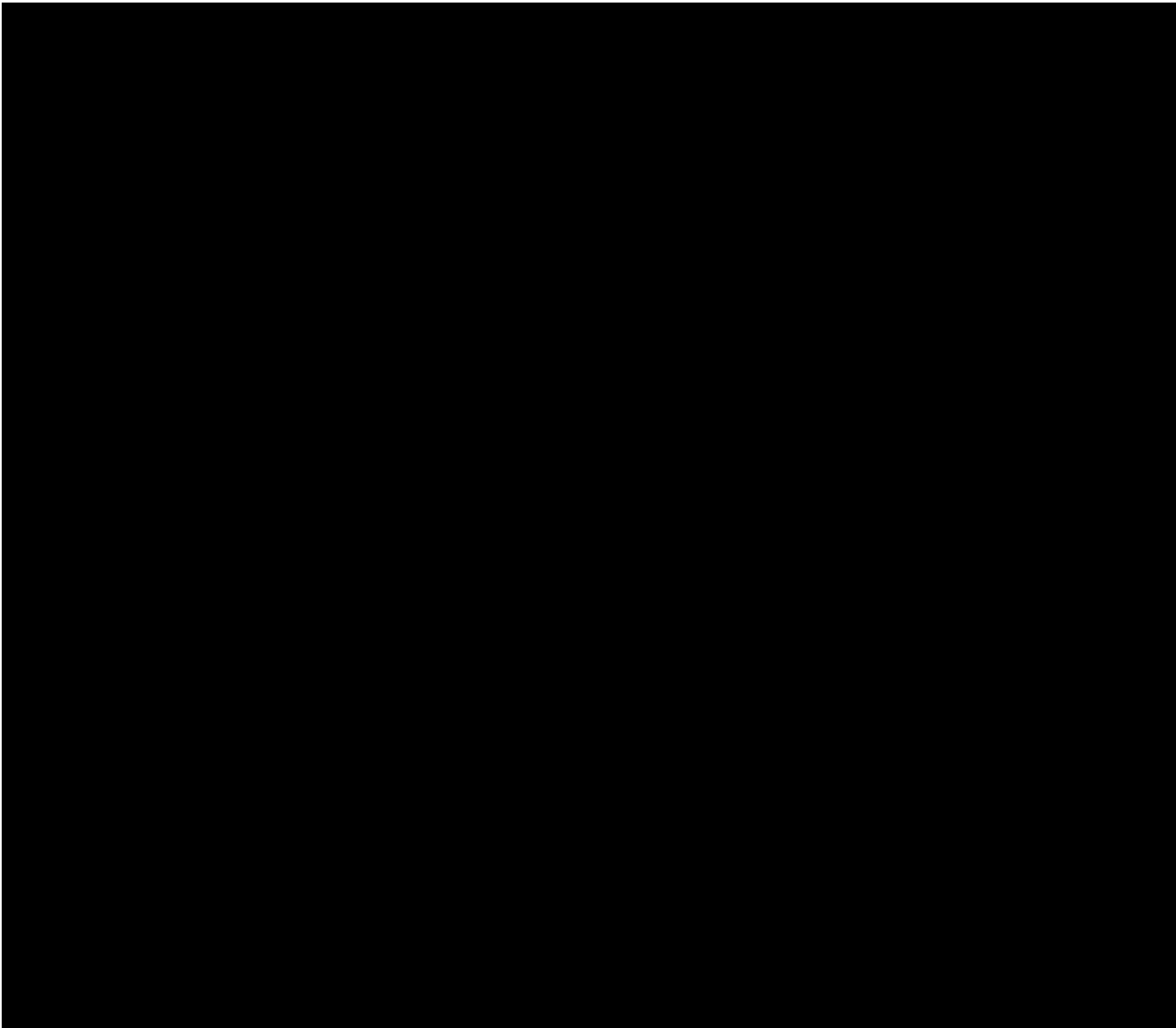
1. Each site controller shall support any combination of gaming devices attached to it. Each site controller should be able to support multiple gaming devices.

Everi agrees that, "Each site controller shall support any combination of gaming devices attached to it. Each site controller should be able to support multiple gaming devices.

2. Each site controller shall have built-in power protection to ensure isolation from power bumps, brown outs, electric noise transmissions, and other forms of noise over common 120V power circuits. Site controllers shall not emit any form of noise back onto lines.
3. Each site controller shall have a battery to save critical memory to support an on-board time-keeping device in the event of a loss of power. Batteries must have a minimum life expectancy of five years to allow the site controller the capability to retain critical information for a minimum of four (4) weeks after the loss of power. Each site controller must be equipped with a "low battery" indicator that will record the condition as an event to be sent to the central system.

Everi Games Inc. Response:





[Redacted line of text]

- [Redacted list item]
- [Redacted list item]
- [Redacted list item]
- [Redacted list item]

•

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

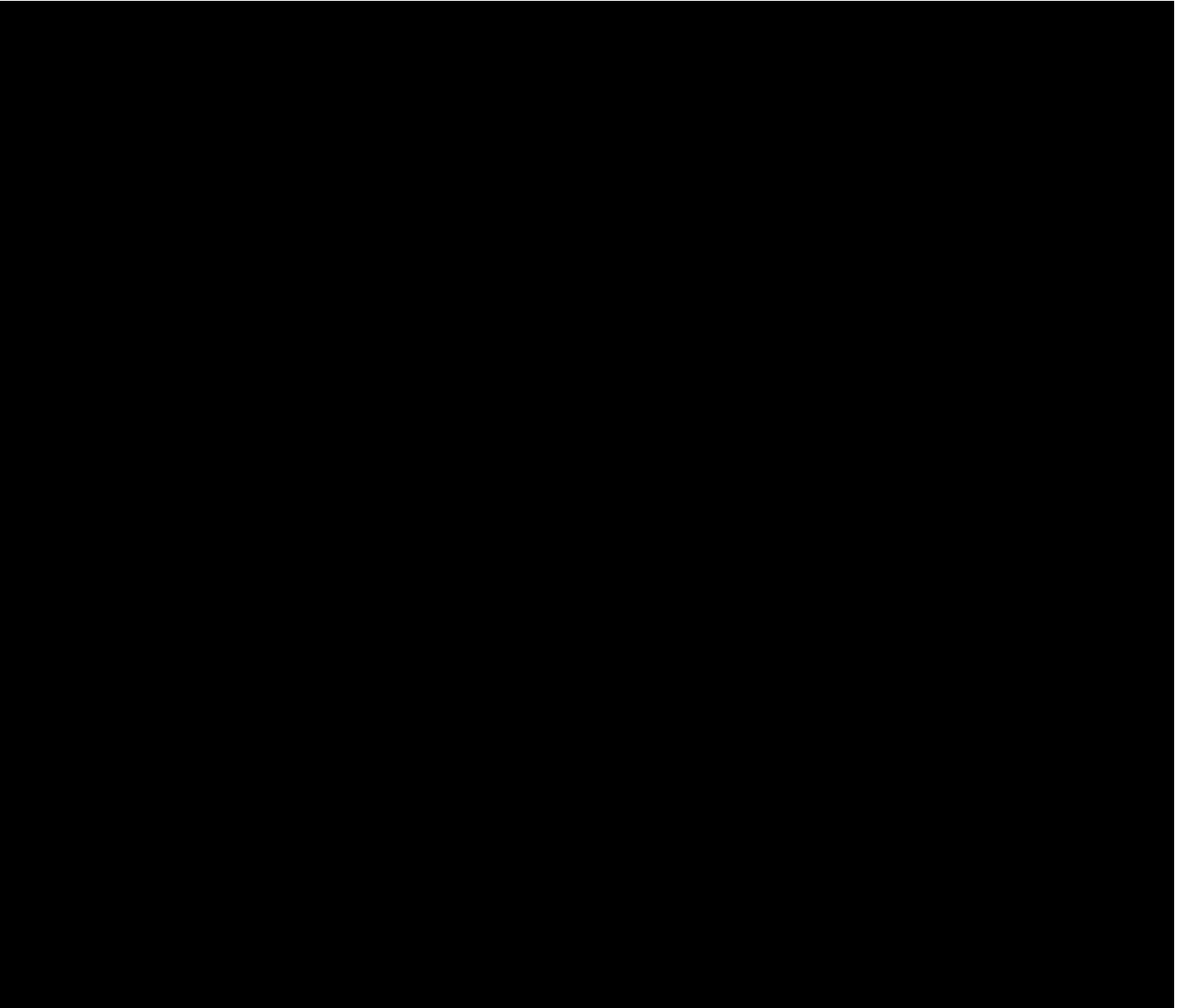
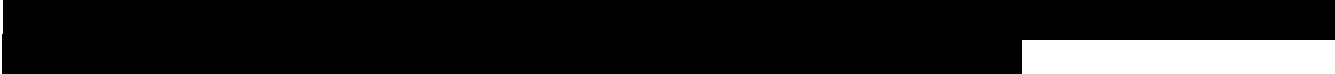
[Redacted]

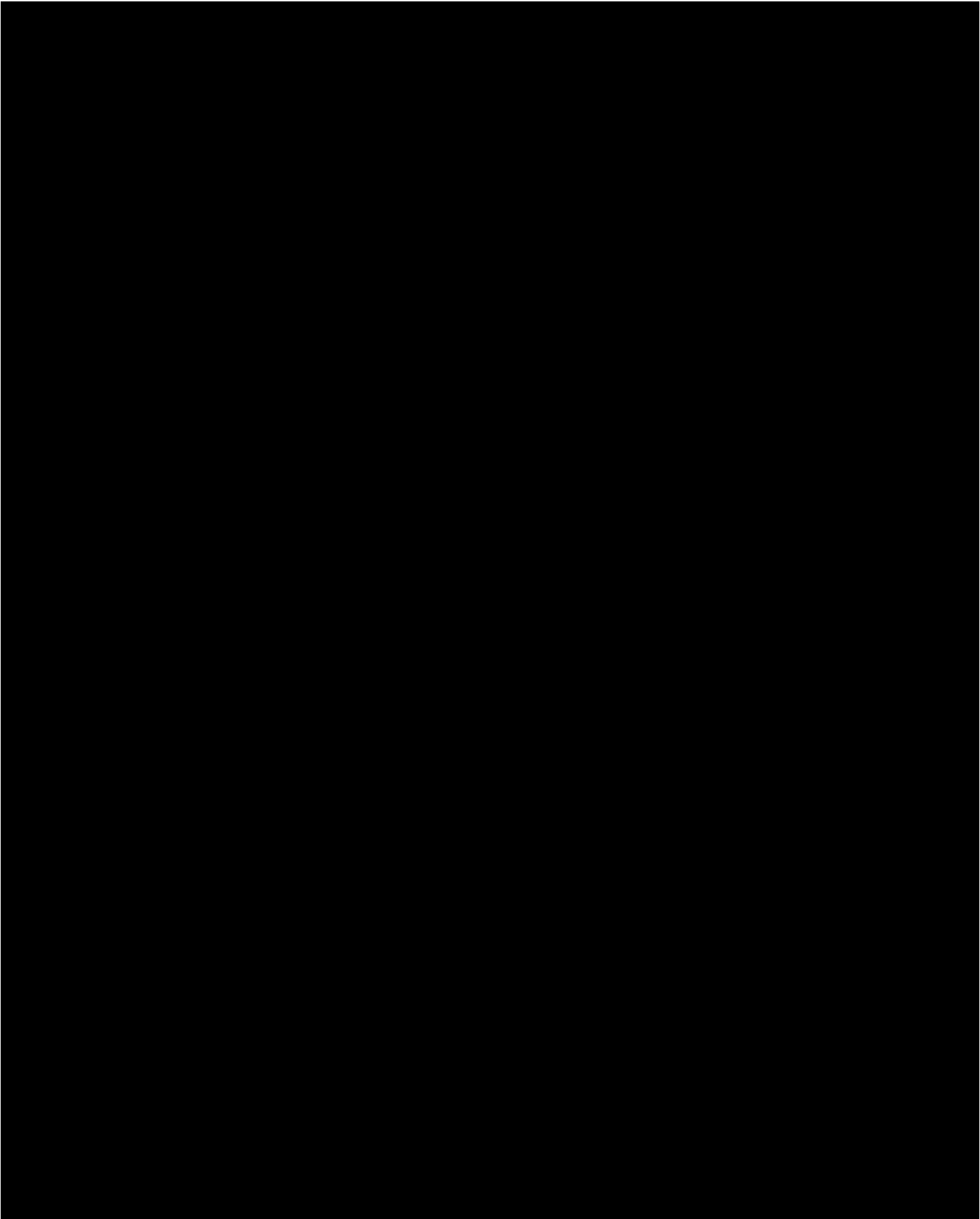
[Redacted]

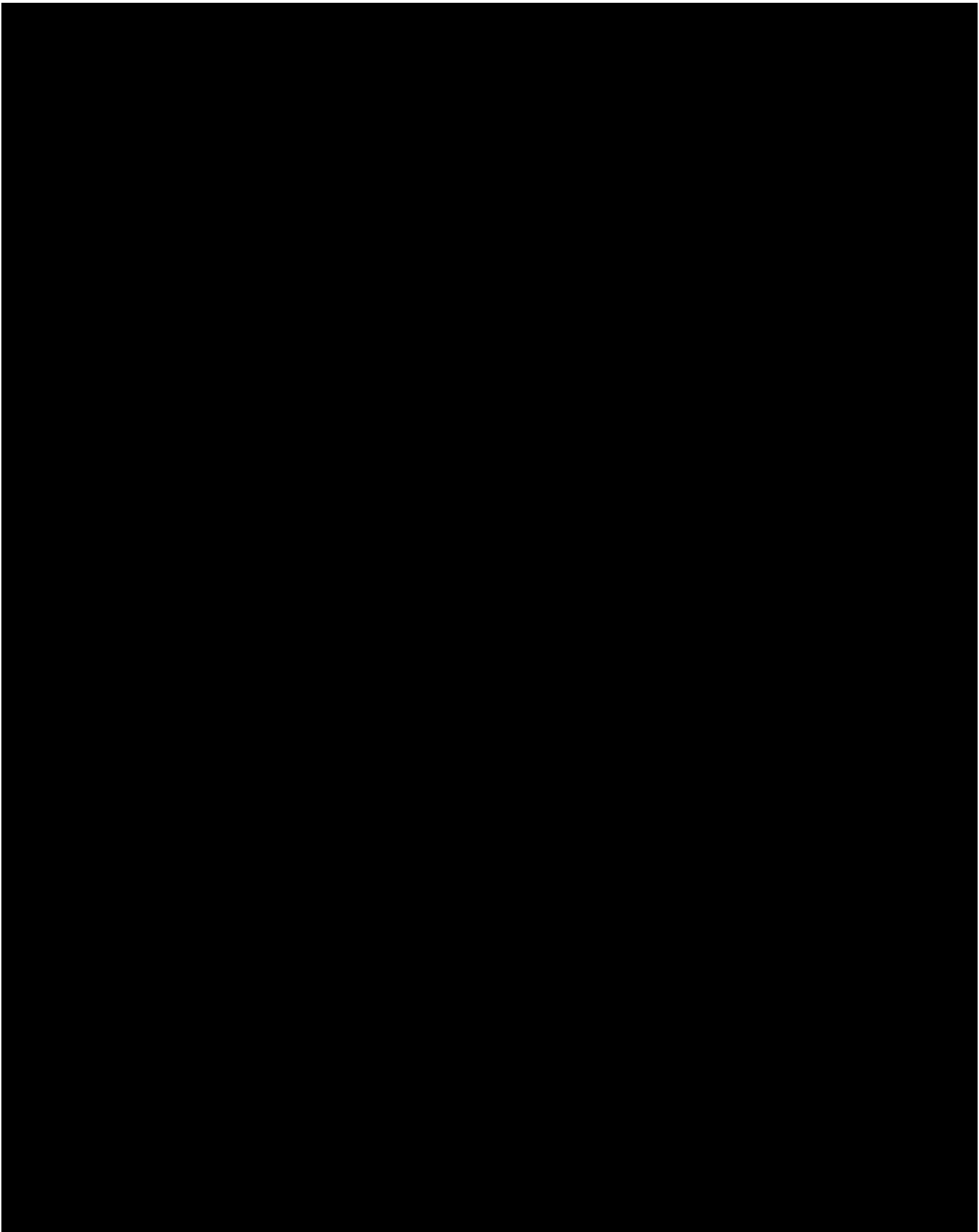
[Redacted]

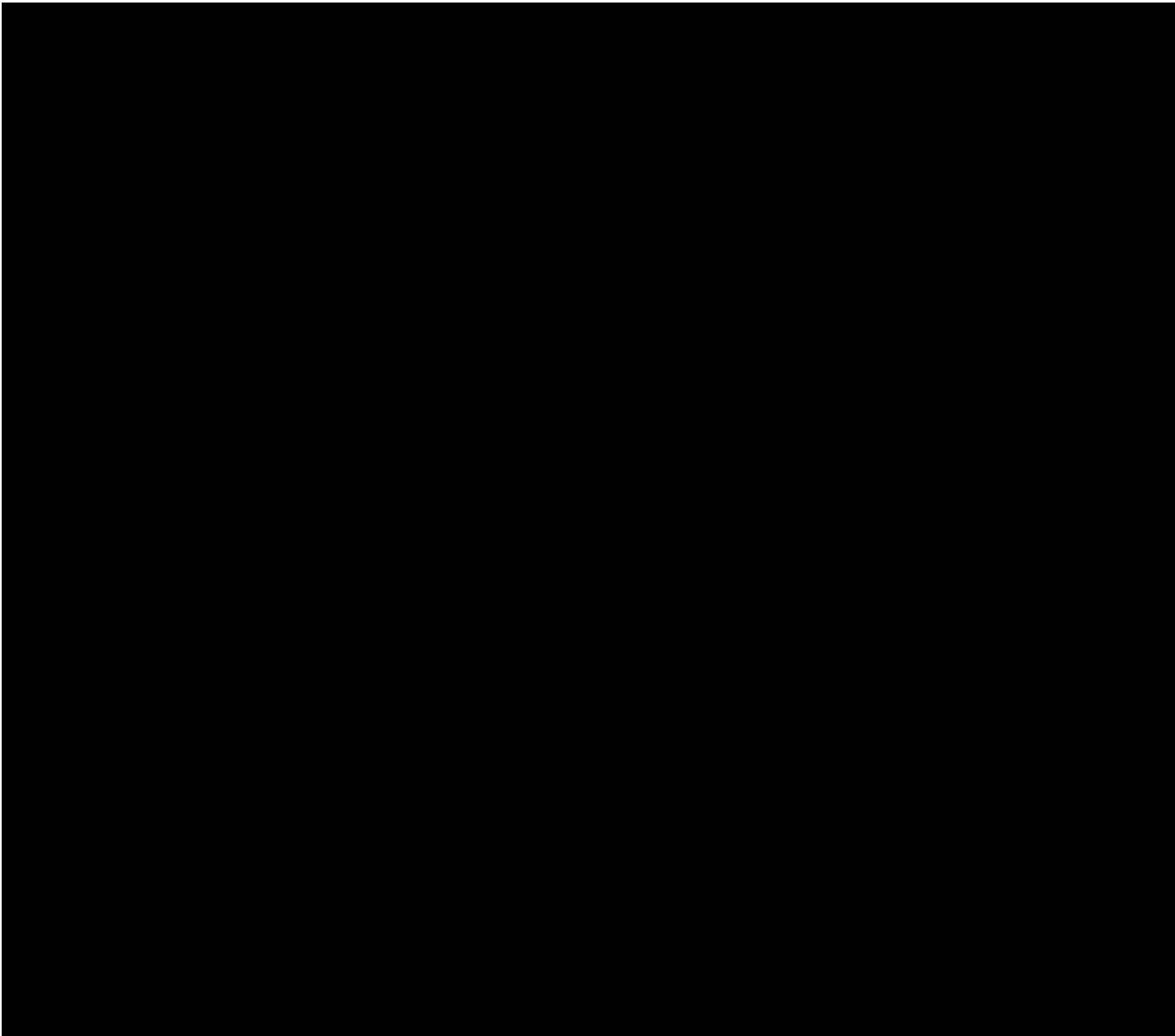
[Redacted]

[Redacted]

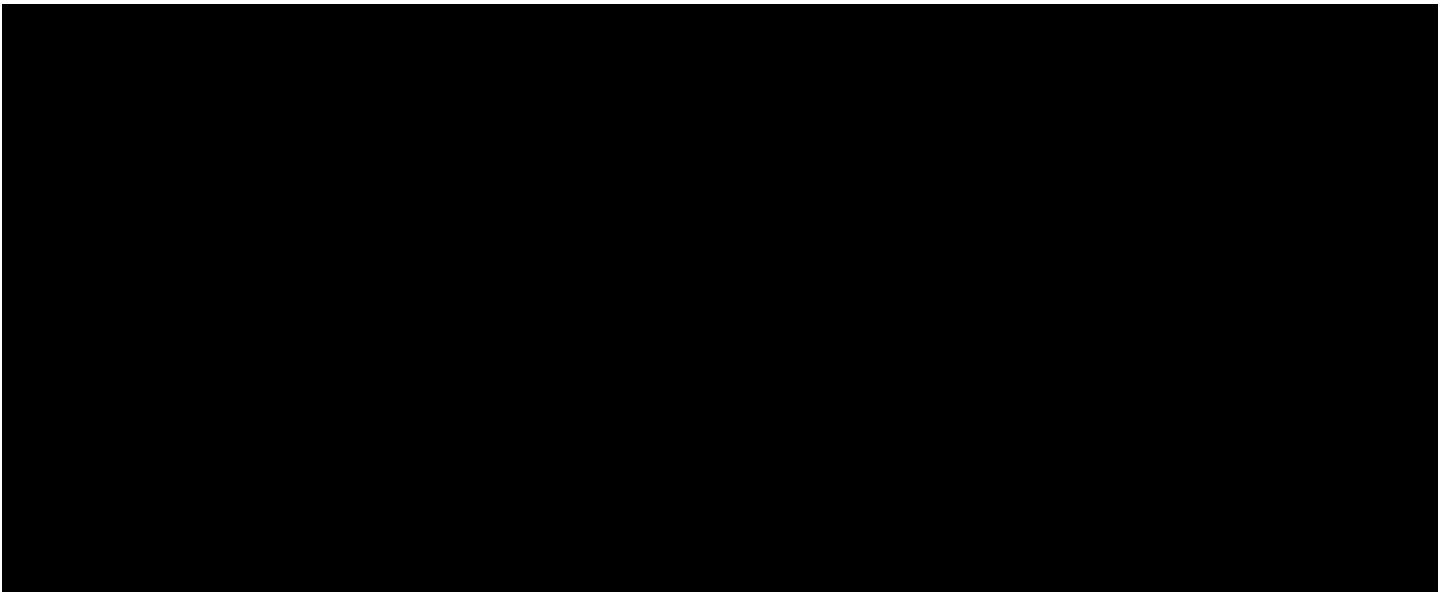


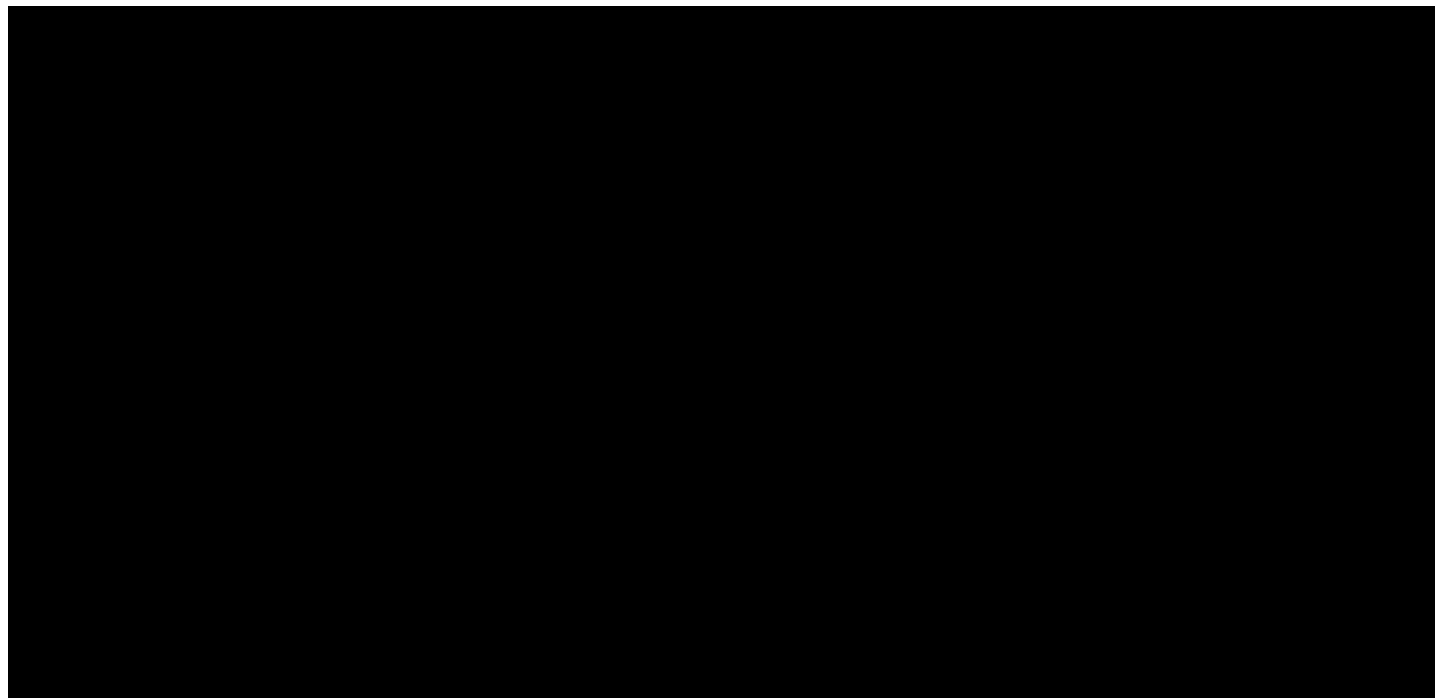
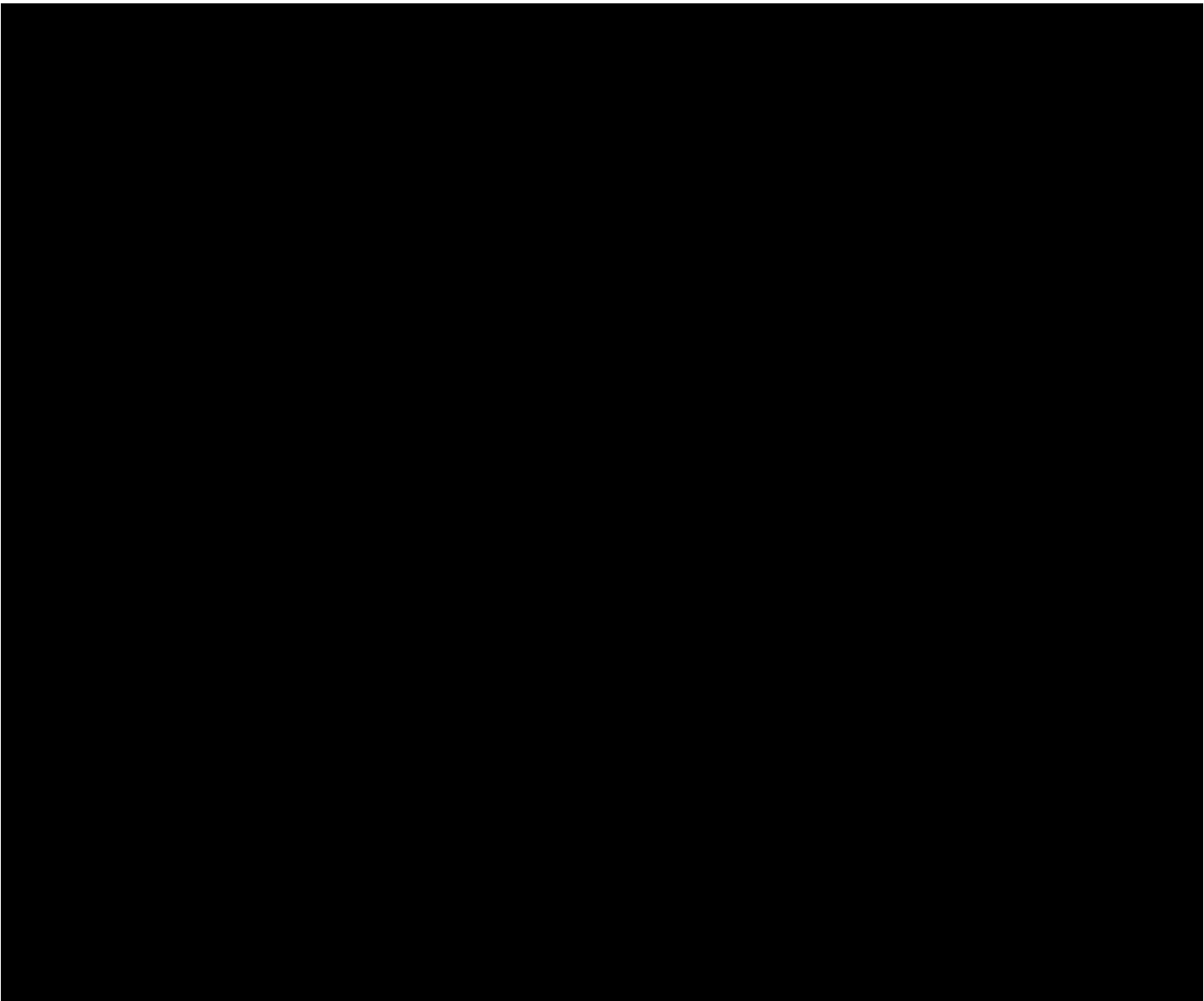


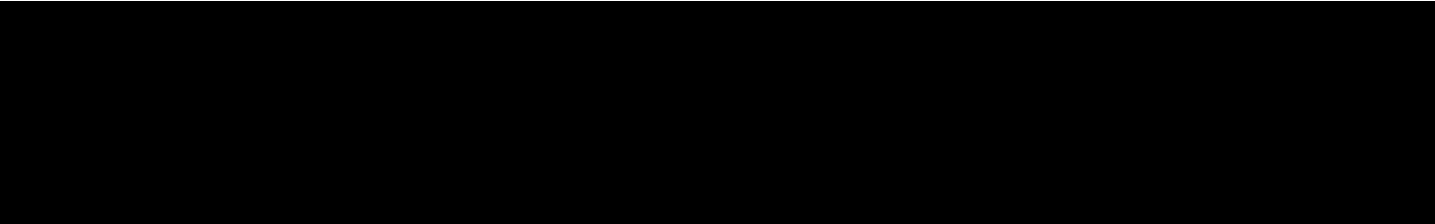




c.
d







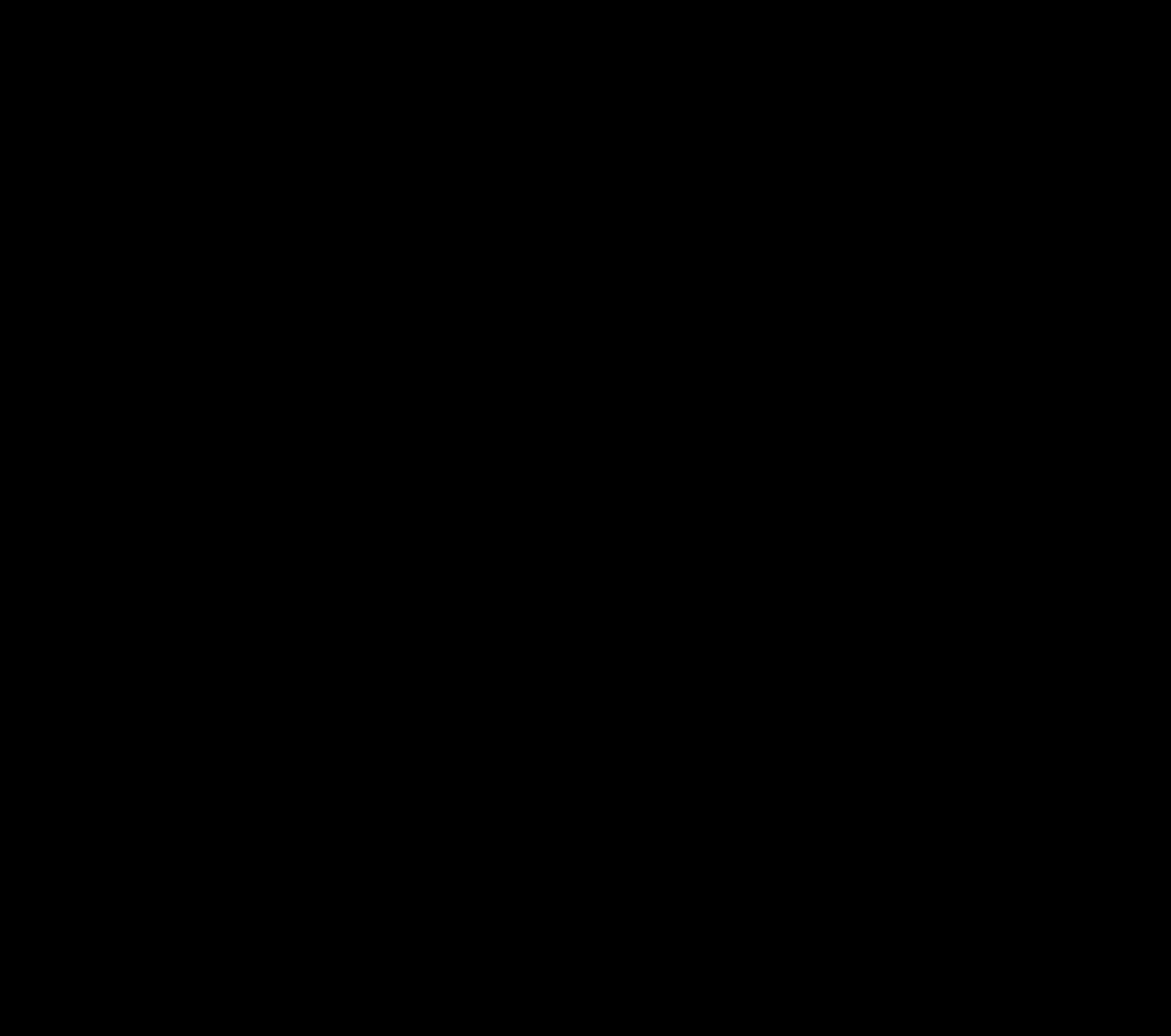
Uninterruptible Power Supply (UPS)

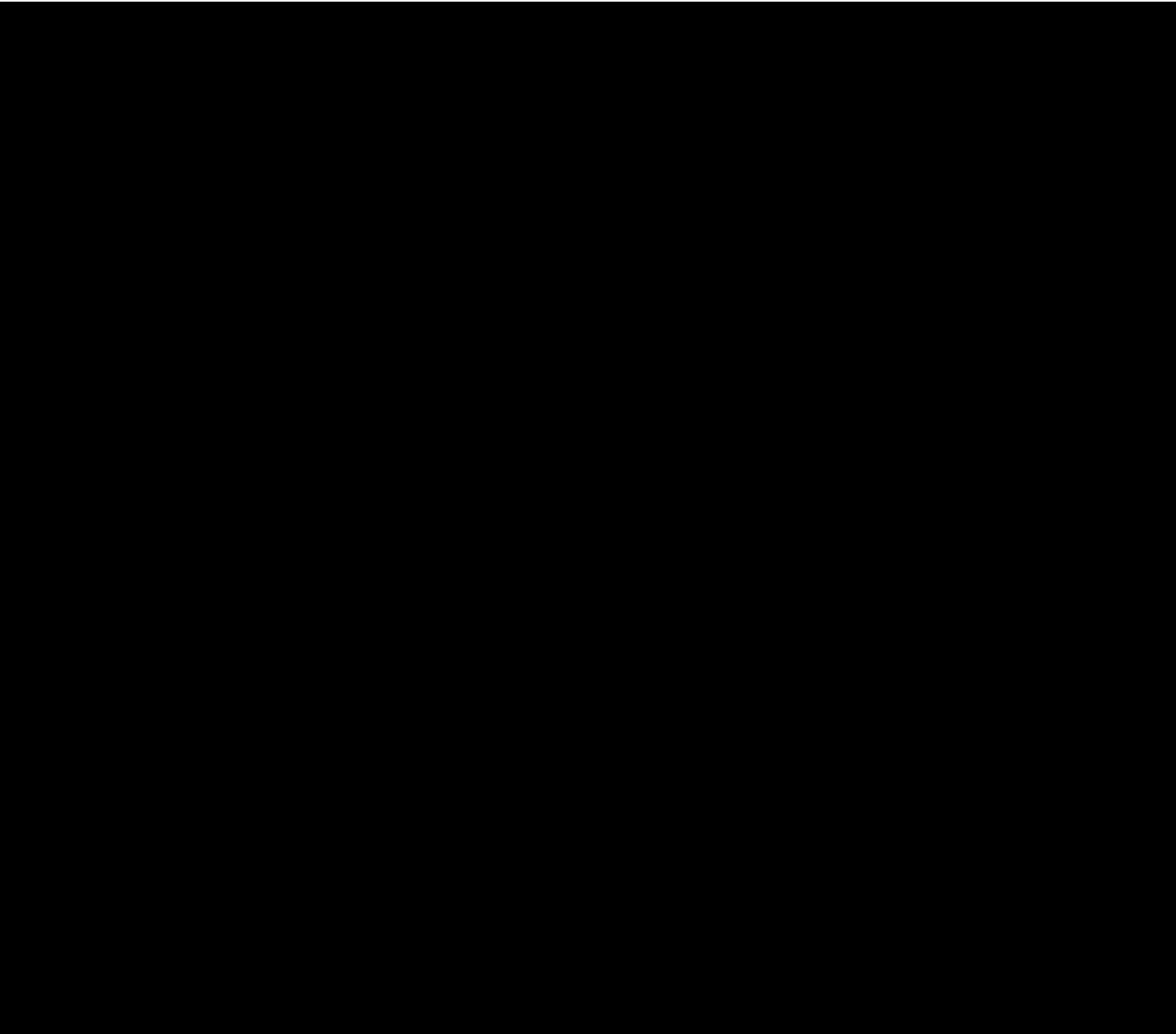
Everi Games Inc. will provide at least two rack-mounted power conditioning UPS backup units to protect against



power.

Server Rack UPS Units (MDF) – Example (Jake’s 58)





[Redacted text block]

[Redacted text block]

[Redacted text block]

[Redacted text block]

[Redacted text block]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

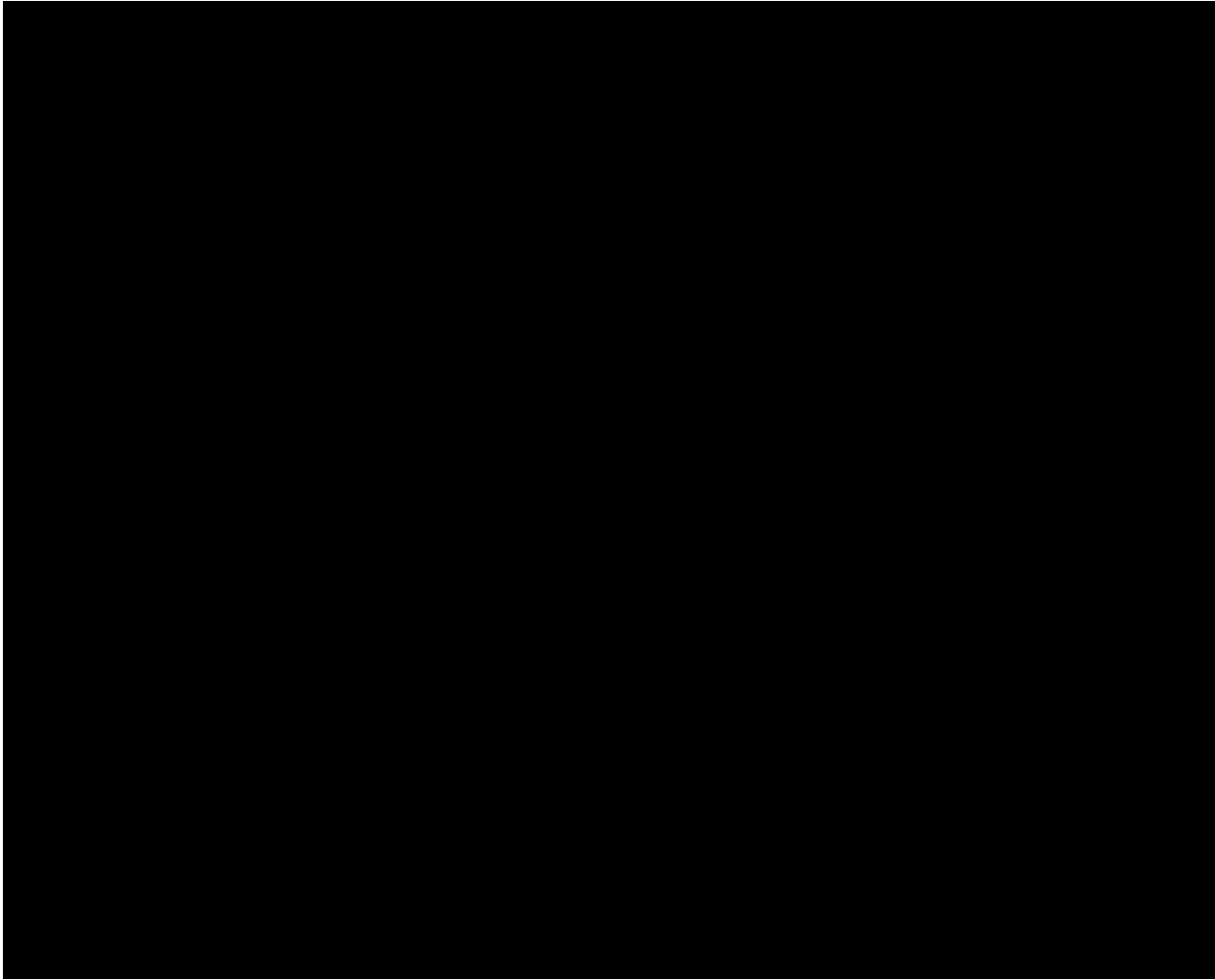
[Redacted]

[Redacted]

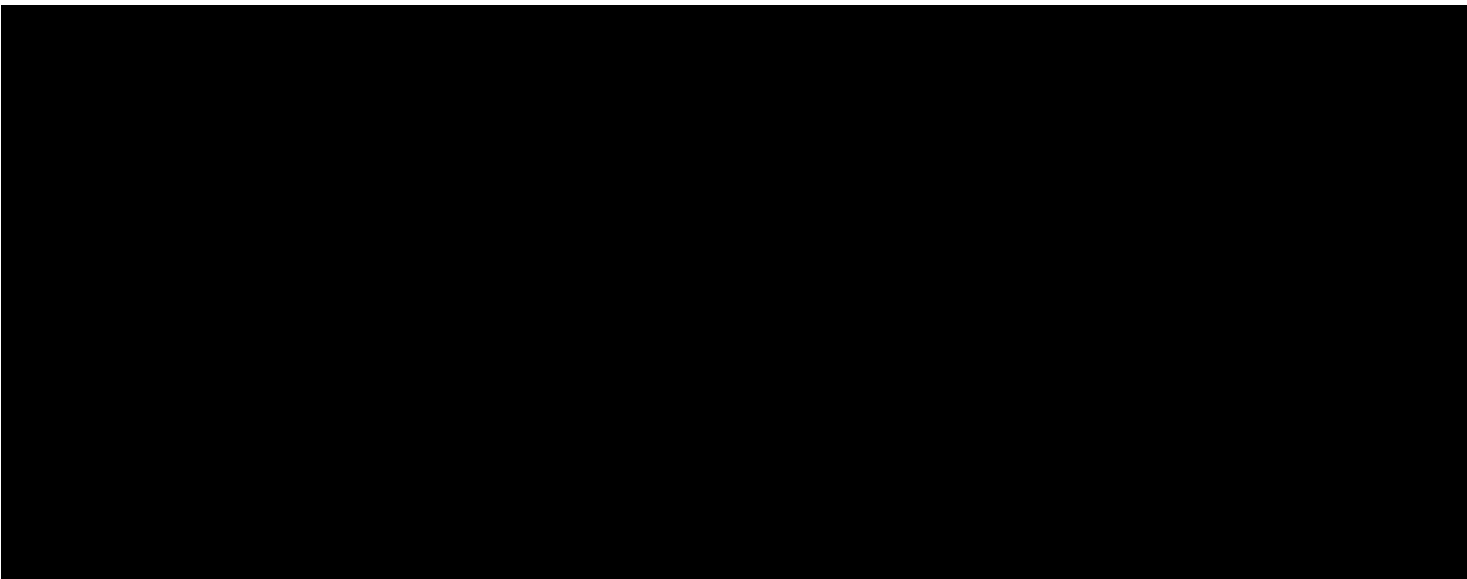
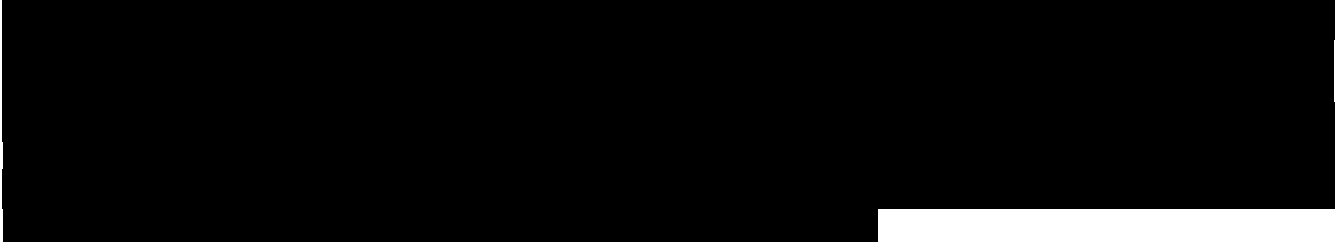
[Redacted]

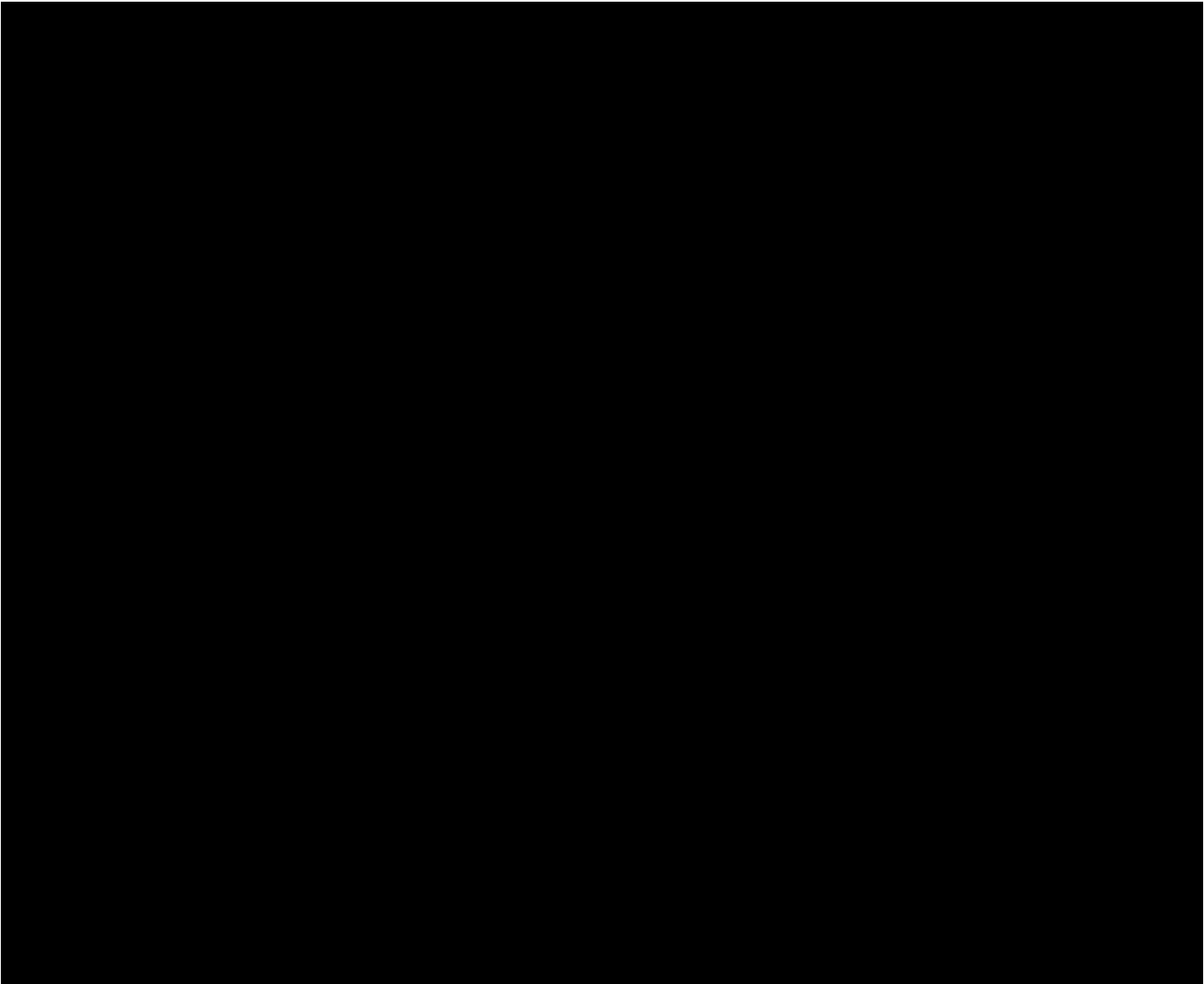
[Redacted]

[Redacted]



Everi Games Inc. provides a distributed network solution between the gaming devices located on the facility

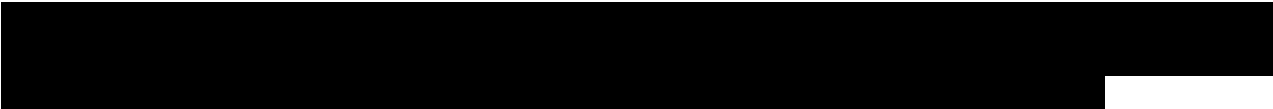


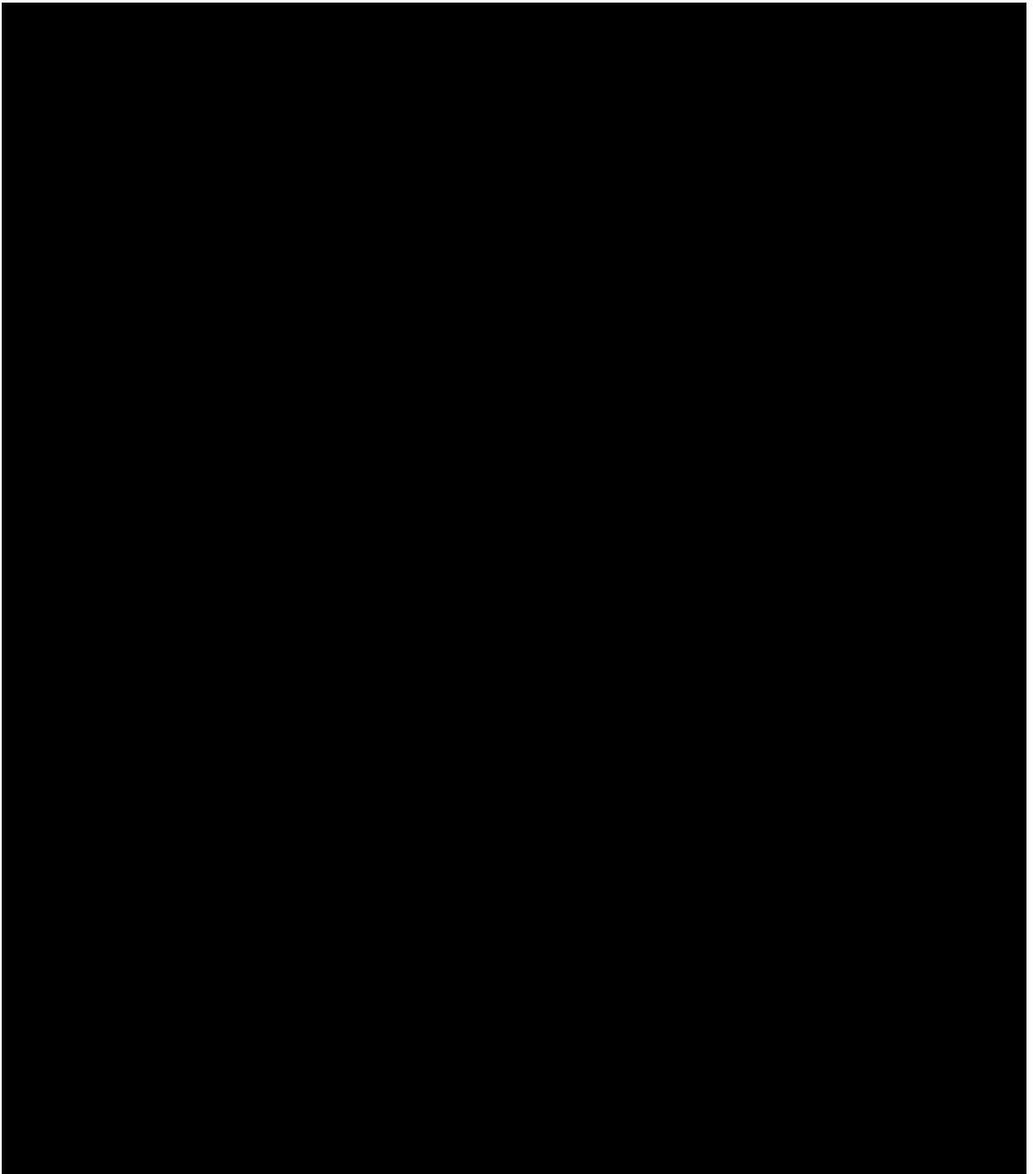


B. NETWORK CONNECTIVITY

Site controllers must be connected to the network's interface.

Everi Games Inc. Response:





C. SECURITY CONTROLS

1. Communications between a site controller and the gaming devices must be encrypted per: <https://its.ny.gov/document/encryption-standard>.

Everi Games Inc. Response:

[REDACTED]

[REDACTED]

2. A means by which facilities can choose between high-level (level 1 security) and low-level (level 2 security) access controls over site controller functions must be provided. Site controller functions are not allowed until a site controller is signed-on by entering the sign-on password. Password maintenance is based on the level of access. Level 1 can modify level 1 and 2 passwords; level 2 can only modify level 2 passwords. Use of an administrator function to accomplish this is acceptable. The principle of role-based access of the least privilege must be applied in accordance with:

https://its.ny.gov/sites/default/files/documents/nys-p03-002-information_security_0.pdf.

Everi Games Inc. Response:

[REDACTED]

[REDACTED]

At a minimum, the Contractor shall provide/ensure that:

- a. Security groups are established to control user access to site controller applications, data and reports. Security permissions within each security group should only allow access to system applications, data and reports that are commensurate with that groups job duties. For

example, cage cashiers may be one security group and their access may be limited to operating a validation terminal and redeeming vouchers, whereas a game vendor technician may be allowed access to game assignment functionality and specific reports.

Everi Games Inc. Response:

Each facility has its own set of security groups for its users. A user at one facility has no permissions at any other facility or the central system. It is possible to add a user to multiple facilities if the user works at both facilities, but the norm is that users at one facility have no permissions at all other facilities. Different gaming device vendor technicians only have permissions to view and control their own devices. There are various groups with different access levels, and access functions e.g., Floor Attendants, Floor Attendant Supervisors, Cashiers, Cashier Supervisors, Main Bankers, Surveillance, Drop Team, and Vendor Technician. Each different group only has access to the specific applications, screens, and reports applicable for their specific job role.

- b. Each site controller must monitor the operation of each gaming device that is attached to the site controller. Each site controller must report to the central system all events of open doors, error conditions, out-of-service conditions, loss of power, loss of communications, logic area access, cash compartment access, failed integrity checks, and any other special gaming device events, as defined by the Commission. Each site controller must also report to the central system events that occur within the site controller (such as sign-on, sign-off, loss of power, loss of communication, etc.). Certain events will be reported to the central system as either a high or low security event, depending on which access passwords were entered.

Everi Games Inc. Response:

All gaming device events are monitored at the site controller and the central system. The gaming devices report many different security events with different priority levels (Low, Medium, High, and Critical). The event interface is also extendable by gaming device vendors. The gaming devices may register and trigger additional events of their choosing and they will be displayed on the Everi Management Terminal and related reporting. The gaming device reports the following events and many others:

- LOCKED_DOOR_OPEN
- DOOR_OPENED
- DOOR_CLOSED
- EMPLOYEE_LOGGED_IN
- EMPLOYEE_LOGGED_OUT
- LOCKED_BA_JAM
- LOCKED_BA_FULL
- LOCKED_PRINTER_OOP
- LOCKED_PRINTER_JAMMED
- LOCKED_TILT
- LOCKED_CLOSE_SESSION_FAILED
- LOCKED_PRINT_VOUCHER_FAILED
- LOCKED_BEGIN_SESSION_WITH_CASH_FAILED
- LOCKED_BEGIN_SESSION_WITH_VOUCHER_FAILED
- LOCKED_BEGIN_SESSION_WITH_SESSION_ID_FAILED
- LOCKED_REGISTRATION_FAILED
- LOCKED_CREDIT_CASH_FAILED
- LOCKED_CREDIT_VOUCHER_FAILED

- LOCKED_SOFTWARE_ERROR
- LOCKED_MALFORMED_MESSAGE
- LOCKED_GAME_MALFUNCTION
- LOCKED_COMMANDED
- POWER_FAILURE
- CANCELED_CREDIT_HAND_PAY
- PROGRESSIVE_JACKPOT
- LOW_RAM_BATTERY
- LOST_CONNECTION
- RAM_CORRUPTION
- LOCKED_CHECKSUM_FAILED
- LOCKED_WIN_THRESHOLD_EXCEEDED
- LOCK_CLEARED
- CALL_ATTENDANT_ON
- CALL_ATTENDANT_OFF

Other events as the Commission designates necessary.

- c. If the cash door access password is not entered for a level 1 site and the cash door is opened, then the event that is sent to the central system will be flagged as a high-level security event. When the password for cash door access is entered it will remain in effect for 30 minutes or until the facility enters the cash door access password again to deactivate it.

Everi Games Inc. Response:

The gaming device ensures that all passwords or access methods are enforced on the device itself. Not every gaming device necessarily requires a password. Some require an employee card to be inserted, a Radio-Frequency Identification (RFID) tag, pin entry, or key turn. Many devices require a combination of these methods. The gaming device vendors in cooperation with the Commission and approved third-party compliance (GLI/BMM) will decide which security constraints satisfy the requirement for a password for accessing the cash door. The gaming devices will be required to adhere to the password constraints set forth by the Commission and send the appropriate high-level security event when necessary.

- d. Commission representatives will be required to enter their own password to sign-on at the facility location. Sign-on should be disabled after the central system's specified-time period has elapsed and a function to force a sign-off should be available on the central system per the ITS Information Security Policy <https://its.ny.gov/document/information-security-policy>. This password authorizes access to the user's security permissions, which may include logic area access and diagnostics. If the logic area is accessed and a field representative has not entered their password, then the event that is sent to the central system will be flagged as a high-level security event.

Everi Games Inc. Response:

Commission representatives will be required to have valid user accounts with access privileges tailored to their individual job function requirements. In order sign on to any part of the system, Commission representatives will be required to enter their username and password. The Everi system supports the ability to automatically sign-off a user after a specified amount of time. This is generally set to 20 minutes. The amount of time can be configured as needed. The automatic sign-off policy can be applied to all users or only specified groups. Authorized users of the Everi Management Terminal on the central system can view who is actively logged into the system and force a sign-off. The staff at the Everi New York Network Operations Center (NOC) also check

for users who have been signed-in for more than 4 hours and force them to sign-off before running the daily batch processing. The Everi Management Terminal Security screens can be used to monitor all security events and alerts that are triggered by unauthorized access to the logic area.

- e. Each site controller must disable a gaming device when certain events occur, including, but not limited to, when a gaming device fails to respond to a poll from a site controller, when event data indicates that the logic area was accessed, or when there has been a power failure or a memory problem. A site controller shall then require the gaming device to successfully pass integrity tests before the gaming device is allowed to resume play. Integrity tests must include verifying the game software signature matches with the certification from an independent test laboratory.

Everi Games Inc. Response:

If a gaming device fails to respond to a request, an event indicates the problem (for example, the logic area is accessed, a power has failed, or a memory problem has occurred), the gaming device is disabled, and the security event is reported and picked up by Everi's monitoring systems. The gaming device will then either remain disabled until it is evaluated by a vendor technician or reenter its initialization state depending on the specifications in the GSA SAS 6.02 and VLT ICD documents. When the gaming device is reinitialized, it will perform all validation and integrity checks including software signature verification imported by the third-party certification (GLI/BMM), and MAC address verification. If the gaming device passes all integrity checks, it will be re-enabled, otherwise, it will remain disabled until the problem can be rectified and all applicable events and alarms will be triggered.

- f. A site controller must disable gaming devices when communication with the central system is lost for the number of seconds specified by a download as required to stop such download.

Everi Gaming Inc. Response:

Communication between the site controller and the central system is maintained and monitored by several different methods, such as a period polling between the site controller and central system databases, SolarWinds, and Splunk monitoring. Any loss of connectivity will be detected quickly and immediately responded to. If both the primary and backup NOC cannot be reached by the site controller, the impact on normal gaming operations is minimal. Gaming devices are still able to function as normal, accepting cash, vouchers, and performing wagers as normal. VLT wagering may be impacted if communication cannot be restored for an extended period.

Anytime there is a communication break between a site controller and the central system, conscious and deliberate actions are taken after discussing the issue with the Commission and deciding on the plan of action. There are always different scenarios to consider and whether to disable gameplay for a facility should be decided carefully with input from the necessary parties.

NOTE: See *Section 3.11.H SITE CONTROLLER AND GAMING DEVICE COMMUNICATIONS* for more details.

D. REPORTS

Each site controller must produce printed and electronic reports, in a format prescribed by the Commission, of daily and weekly sales and daily invoice information, game play results, and configuration status. Historical archiving must be available for reports identified in this section. At a minimum, the following reports should be available from a site controller:

Everi Games Inc. Response:

The Facility Controllers will have the ability to print all of the reports identified in Section 3.13 of the RFP. Sales Summaries, Billing Statements, gaming device summaries are available at the facility level. These reports will report on gaming devices and sales at their individual sites, provide daily and weekly sales and daily invoice information, game play results, and configuration status.

All new reports are simply added to the management terminal and the stored procedures are loaded to the database. Once this process is complete, the report is made available in the Standard report select list on the Management Terminal.

1. Daily Sales report: This report should include, at a minimum, bank number, game manufacturer, gaming device number, credits played, credits won, and net win for each gaming device, with the ability to sort reports by bank, game manufacturer, or game device number.

Everi Games Inc. Response:

Daily Sales report: Multiple sales reports in Everi Games Inc. reporting suite, such as the Detailed Activity reports (Bank, Denomination, Manufacturer, Device), support reporting by bank number, game manufacturer, gaming device number, credits played, credits won, and net win for each gaming device, with the ability to sort reports by bank, game manufacturer, or game device number.

2. Daily Sales Invoice/Remittance report: This report shall calculate the daily net proceeds due to the Commission from credits played, less credits won, less progressive and free play adjustments, less applicable operator commission, marketing allowance and capital award, plus unclaimed prizes and any taxes or offsets withheld from player prizes, and any other adjustments required by the Commission.

Everi Games Inc. Response:

Everi Games Inc. provides the Daily Sales Invoice/Remittance report to the New York Gaming Commission. This report calculates the daily net proceeds due to the Commission from credits played, less credits won, less progressive and free play adjustments, less applicable operator commission, marketing allowance and capital award, plus unclaimed prizes and any taxes or offsets withheld from player prizes, and any other adjustments required by the Commission.

3. Promotional Play Summary report: This report should include a daily summary of coupon/free play redeemed for each promotional offer created on the central system, with reporting of game manufacturer, promotion code, coupon value issued (Coupon In), remaining coupon value (Coupon Out), and coupon value redeemed (Coupon Played). Additional reporting must include a cumulative summary of coupon issuance and redemption for each promotional offer.

Everi Games Inc. Response:

Everi Games Inc. provides two reports aggregating the values for promotional play activity.

- Coupon Redemption by Promo – Daily Usage Report

- This report includes a daily summary of coupon/free play redeemed for each promotional offer created on the central system, with reporting of game manufacturer, promotion code, coupon value issued (Coupon In), remaining coupon value (Coupon Out), and coupon value redeemed (Coupon Played).
 - Coupon Redemption by Promo – Cumulative Usage Report
 - This report includes a cumulative summary of coupon issuance and redemption for each promotional offer.
4. Outstanding Voucher report: This report should summarize the aggregate number and dollar amount of vouchers issued, vouchers redeemed, and vouchers outstanding for each day of the prior 45-day period.

Everi Games Inc. Response:

Everi Games Inc. provides the Outstanding Voucher report, which summarizes the aggregate number and dollar amount of vouchers issued, vouchers redeemed, and vouchers outstanding for each day of the prior 45-day period. It also includes the 46th day, reflecting the expired vouchers to be including on the Daily Remittance.

5. Event report: This report should include the last 100 events sent to the central system. The report provided must have the capability to select by specific gaming device number, gaming device, or site controller events, and date/timerange.

Everi Games Inc. Response:

Everi Games Inc. provides the Alerts Report reporting events sent to the Central System. The report takes start and end date parameters and provides alert information including gaming device number, gaming device, or site controller events, and date/time range.

6. Daily Net Win Variance report: This system balancing report must calculate the net win for each gaming device by comparing the "Credits" method (Credits Played, minus Credits Won) to the "Cash and Voucher" method (Cash and Voucher In, minus Voucher Out), noting any variance between the two (2) methods for each gaming device. Contractor shall investigate variances and provide weekly variance reports summarizing the cause of such variances.

Everi Games Inc. Response:

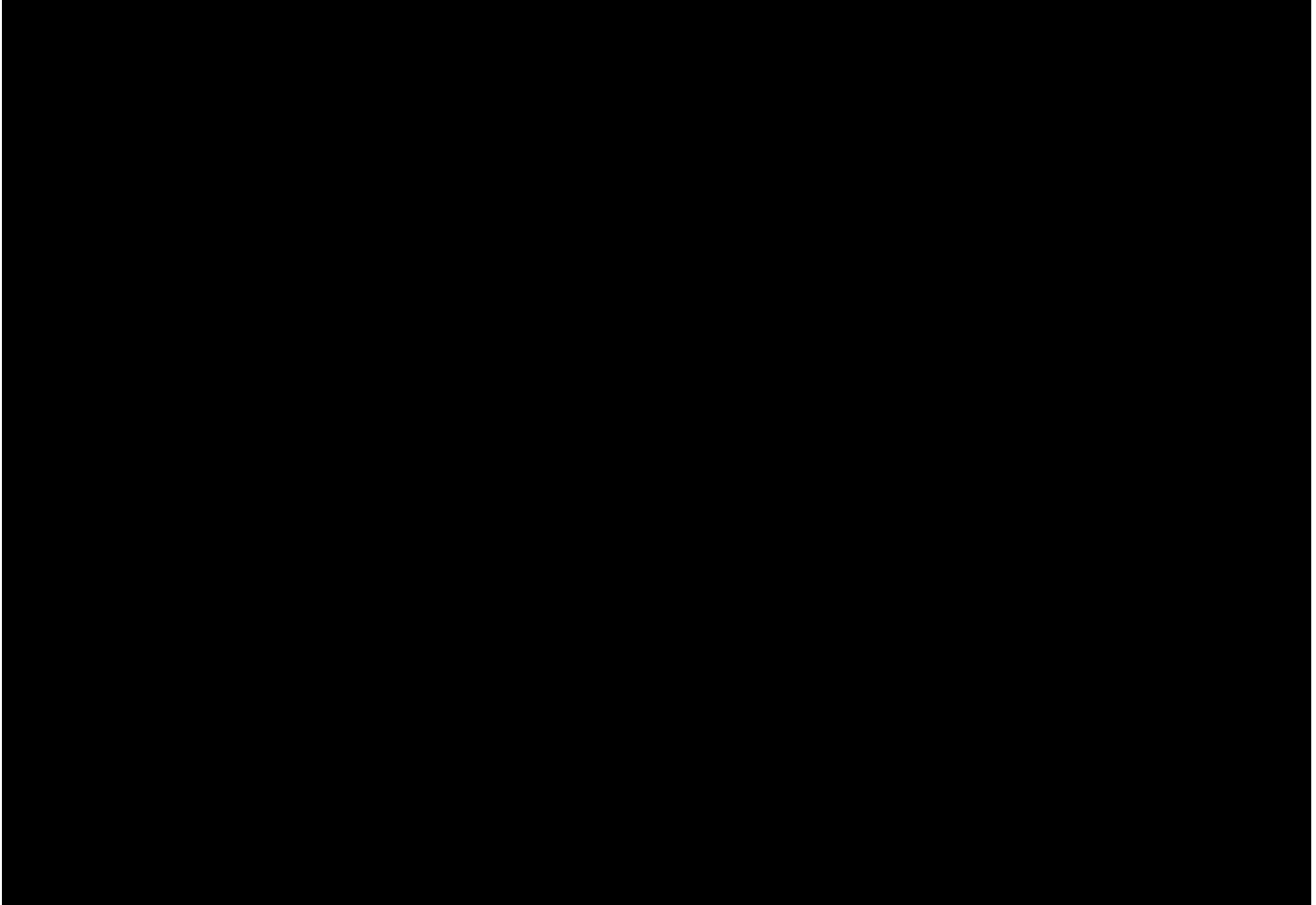
Everi Games Inc. provides the Net Win Variance Report, a system balancing report that calculates the net win for each gaming device by comparing the "Credits" method (Credits In, minus Credits Won) to the "Cash and Voucher" method (Cash and Voucher In, minus Voucher Out), noting any variance between the two (2) methods for each gaming device. Everi Games Inc. investigates variances on a regular basis and provides weekly variance reports summarizing the cause of such variances.

7. Soft Count Reconciliation report: This report should summarize, by denomination, the number and dollar amount of currency run through each gaming device bill acceptor for the time period specified by a user. It should allow for comparison to an imported file containing the physical soft count of currency from each device's drop box and produce an exception report with discrepancies by device.

Everi Games Inc. Response:

Everi Games Inc. provides the Soft Count Reconciliation report, which summarizes, by denomination, the number and dollar amount of vouchers and the total amount of currency run through each gaming device bill acceptor for the time period specified by a user.

The Management Terminal provides the Soft Count Reconciliation screen by which facility staff may load files containing the physical soft count of currency from each device's drop box and produce an exception report with discrepancies by device.



8. Progressive Contribution and Jackpot Accounting report: This report should summarize progressive contributions and jackpot wins on each gaming device.

Everi Games Inc. Response:

Everi Games Inc. provides the Progressive Contribution and JP Wins report to summarize progressive contributions and jackpot wins on each gaming device.

9. Daily Cash Drawer report: A summary and detail cash drawer report are required to account for all cash drawer activity. This summary report should identify each cash drawer assigned to a cashier in a gaming day and report on the beginning balance, total drawer funds and returns, total vouchers redeemed, the ending drawer balance and cashier over/shorts. A detailed report should list all individual transactions processed on the drawer for each cashier.

Everi Games Inc. Response:

Everi Games Inc. provides two reports to account for all cash drawer activity.

- Cash Drawer Detail Report by Drawer Report

■ [REDACTED]

- Cash Drawer Summary Report

■ [REDACTED]

10. Configuration Inventory report: This report should include gaming device numbers, including, but not limited to, each gaming device's game identification number and logic board number, as well as site controller number and site controller's address.

Everi Games Inc. Response:

Configuration Inventory report: Everi Games Inc. provides the Device Inventory Report, which provides information on devices connected to the network. This report returns DeviceID, DeviceName, NetworkPort_Description, ManufacturerID, DeviceStatus', DeviceType, BankNumber, Port, Bank_ID, Switch_Id, SwitchName, Bank Locations, Installation dates and other fields.

E. SITE CONTROLLER FUNCTIONALITY

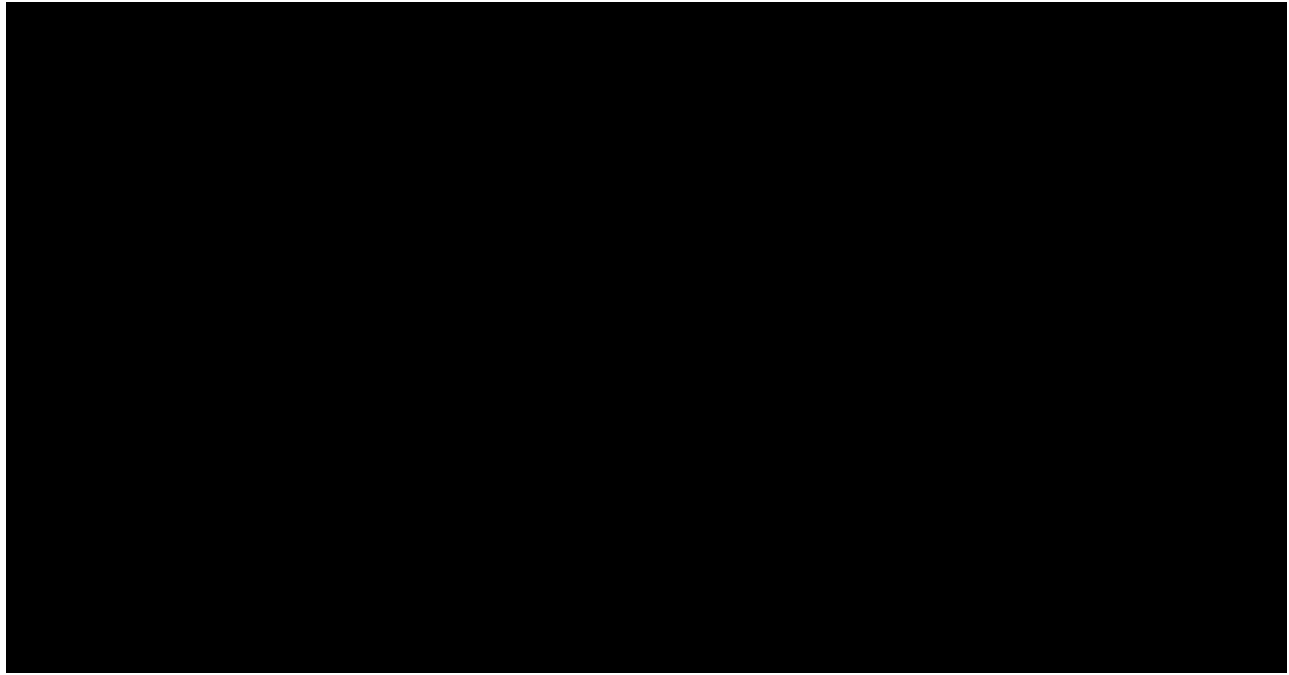
1. When requested by the central system, the site controller must enable or disable the operation of any or all gaming devices that are attached to the site controller.

Everi Games Inc. Response:

Enable/Disable Gaming Device

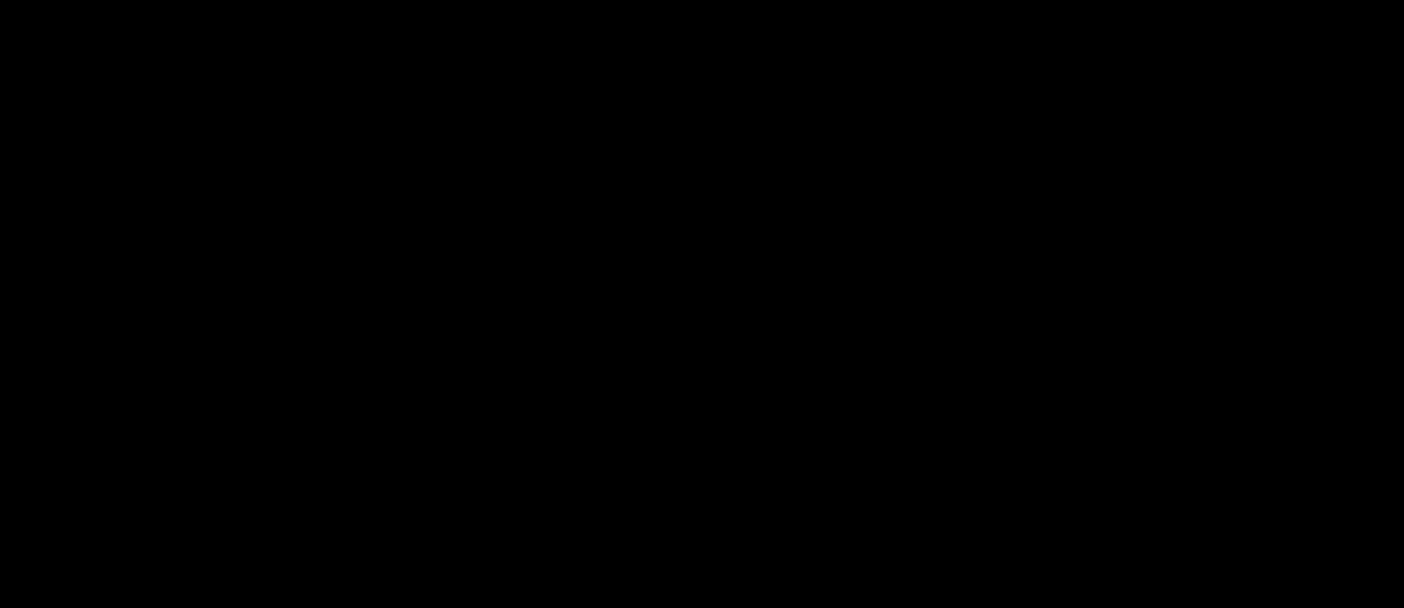
To enable or disable ETGs, use the SAS Host Status screen in the Everi Games Inc. Management Terminal. A single, multiple, or all ETGs can be quickly selected and controlled. Some of the options include:

- Enable
- Disable
- Upgrade
- Reboot
- Change Device
- Assign Game Name
- Assign Location Information
- RAM Clear
- Compute Checksum



VLTs are enabled or disabled using the Device Commands screen in the Everi Games Inc. Management Terminal. Some of the options include:

- Lock
- Clear Lock
- Exit
- Reboot
- Shutdown
- Compute Checksum
- Clear Meters
- Update Meters



2. A site controller shall be able to accept, load, and reboot using software that is downloaded from the central system.

Everi Games Inc. Response:

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

3. A site controller shall be able to accept new software that is downloaded from the central system for any or all the gaming devices that are attached to the site controller and transmit that software to the appropriate gaming device. A site controller must be able to monitor and report on the software versions that are in use by each gaming device and that are in use by sitecontroller.

Everi Games Inc. Response:

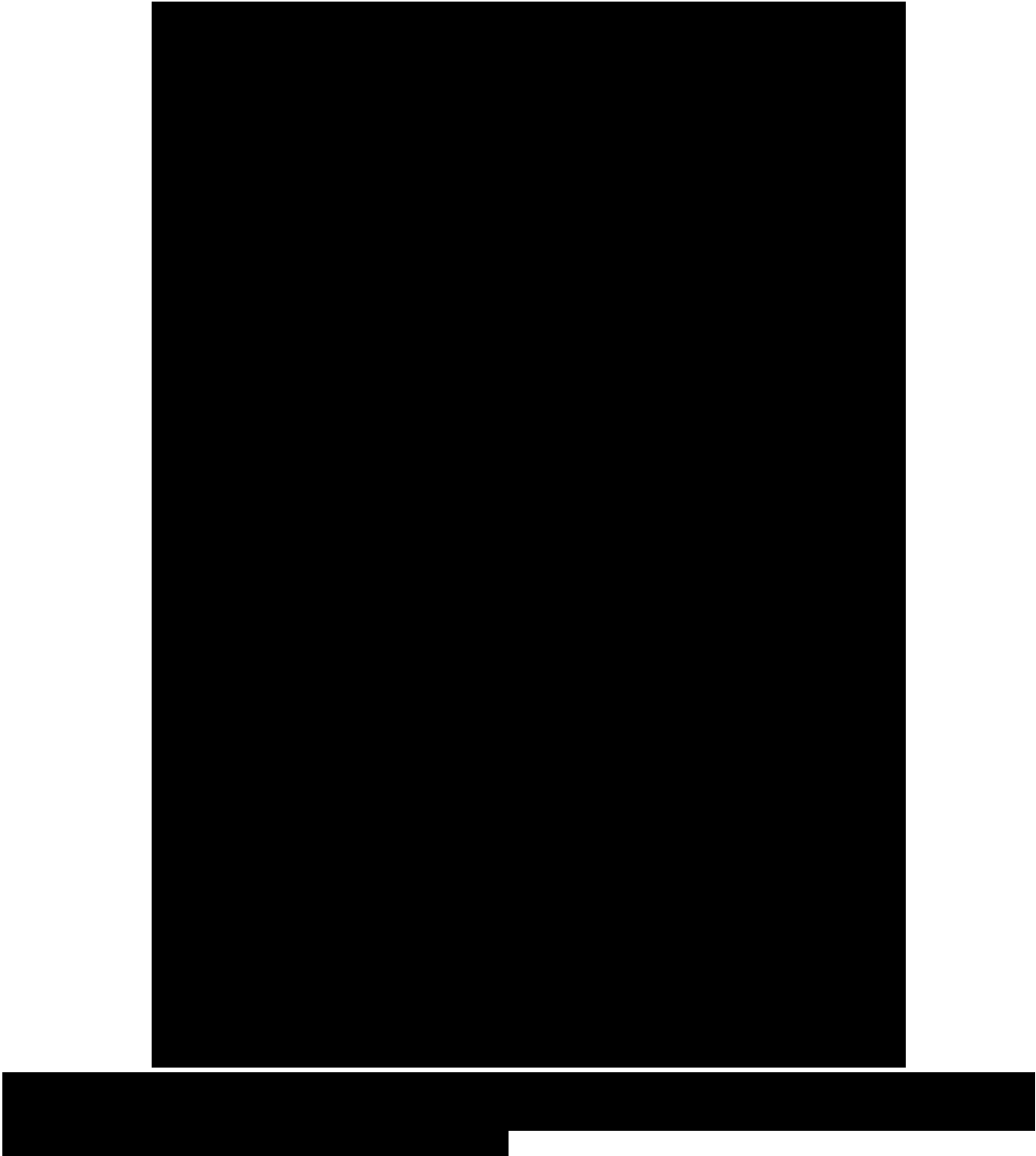
Using the Everi Games Inc. Management Terminal, new VLT software can be imported into our databases and uploaded onto on-site FTP servers. Once the upload is complete, the system is able to download software to VLTs and report and control which software versions are in use by each VLT.

Downloading software to the VLTs is currently supported. The ETGs, however, communicate through the GSA SAS 6.02 protocol. Right now, this does not specify a method for downloading software to the ETGs. If it is ever expanded to support download Everi Games Inc. will work closely with the ETG vendors and the Commission to support software download to the ETGs.

4. A site controller shall accept, either directly or through an attached device, a bar- coded cash voucher that has been produced by a gaming device, converting the barcode to the associated unique serial number, and transmitting that number to the central system for validation on the central database.

Everi Games Inc. Response:

[REDACTED]





5. A site controller shall allow for keyboard input of cash voucher validation information (in the event that a barcoded ticket is unreadable).

Everi Games Inc. Response:

Keyboard input for Voucher Validation

Both the Everi Games Inc. Management Terminal and Everi Games Inc. Validation Terminal support manually entering a voucher's unique serial number. This is available in every part of the Everi Games Inc. Central System where a voucher barcode could be scanned. This is accomplished via an on-screen keypad or physical keyboard. This ensures that if the barcode on the voucher could not be read by the barcode scanner for any reason all system functionality continues uninterrupted.

6. When a facility signs-on, a site controller shall display on its screen a sign-on message sent from the central system.

Everi Games Inc. Response:

Sign-On Messages

When facility site controllers are reset, messages are sent between the site controller and the central system. The status and event messages are displayed on our central monitoring systems.

Additionally, 10 minutes prior to the facility closing for a gaming day, a message is sent to all gaming devices stating: "The Facility Will Close in 10 minutes." This also triggers the bill acceptors on all the gaming devices to be disabled so that no new gaming sessions can be started so close to the facility close time. The time to disable bill acceptors prior to closing is configurable. When the facility is officially closed a message is displayed on all gaming devices: "The Facility Is Closed."

The gaming floor can be brought online and bill acceptors are enabled one to two hours (configurable) before the physical doors open. This gives the vendor technicians the chance to walk the floor and confirm that all gaming devices are online and operational. A similar message for the facility opening could easily be added to

be sent either when the bill acceptors are enabled or when the doors open upon request. Generally, this is not necessary as access is controlled via physical security.

7. Diagnostic functions must include:

- Testing the connections from the site controller to the attached gaming devices;
- Testing the connections from the site controller to the central system;
- Memory check;
- Battery check;
- Printer test; and
- Testing and confirming the number of gaming devices in communication with the site controller.

Everi Games Inc. Response:

Everi Games Inc. recognizes the importance of Proactive Monitoring. As system provider, we stay diligent to ensure we continue to provide the highest level of system stability possible. Our system has built in Keep Alive message to monitor communications between Host and VLT's as well as connectivity between Site and Central. Our 24/7/365 staff is alerted of any issues and the proper escalation procedures are followed accordingly to minimize impact.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

F. MAINTENANCE AND REPAIR

The Contractor shall perform maintenance and repair of failed site controllers.

Everi Games Inc. Response:

Everi Games Inc. maintains support contracts with the OEMs and third party support providers on all of the Central Systems. In the event a site controller requires attention, Everi Games Inc. can leverage several different methods to perform maintenance and repairs on the site controller component as determined by urgency and impact (Incident Management). Because the Everi Games Inc. VLS system has multiple layers of redundancy, most failures, maintenance and repairs to site controllers will occur without impact to gaming operations.

Everi Games Inc. runs a dedicated Network Operations Center (NOC) in Schenectady, New York staffed 24x7x365 to perform proactive monitoring, detection, escalation, notification, and maintenance support. Everi Games Inc. also leverages dedicated Field Service Technicians assigned to each region to provide on-site coverage and maintenance support. The Field Service Technicians, as part of onboarding and annual certification, are trained on Central Systems, including procedures to perform various maintenance and repair tasks. The Field Service Technicians work in collaboration with the NOC Staff to detect, escalate, resolve and document any anomaly.

Lastly, Everi Games Inc. maintains a dedicated staff of Network and System Architects & Engineers in Austin TX available 24x7x365 to provide 3rd & 4th tier support for any issue that might require more advanced troubleshooting and support.

3.18 PERFORMANCE FACTORS

This section describes critical performance factors for the central system. The Commission will verify that performance criteria proposed by the Contractor has been implemented prior to accepting the new system. These performance criteria pertain to a fully loaded and operational system with all network communications encrypted using the encryption algorithm agreed upon by the Commission.

The performance factors must include:

A. Cash Voucher Production Response

Defined as the number of seconds between requesting a cash voucher from a gaming device, recording each voucher's data, and the production of the cash voucher at the gaming device.

B. Validation Response

Defined as the number of seconds between entering the unique cash voucher serial number and receiving a response from the central system as to its validity.

C. Special Event Response

Defined as the number of seconds required to record on the central system the occurrence of a special event at a gaming device including, but not limited to, access without a password, off-hours activity, open doors, paper jams.

D. Nightly Batch Processing Response

Defined as the number of hours required to perform all batch processing that must occur in the available time window between authorized periods of gaming device gaming activity. This includes, at a minimum, backup of all critical and changed data files on the central system, polling and obtaining sales and game data from site controllers for a fully populated gaming device base of 20,000 gaming devices. All file and database updating, and any special weekly or other periodic processing, must also occur within this time period. Standard report generation and the backup of static data files can occur

outside of this nightly batch window as long as full availability of the fault tolerant production environment is not impacted.

The completion of all batch processing shall occur within the available batch window.

Everi Games Inc. Response:

3.18 A Cash Voucher Production Response

[Redacted]

[Redacted]

3.18 B Validation Response

[Redacted]

[Redacted]

3.18 C Special Event Response

[Redacted]

[Redacted]

3.18 D Nightly Batch Processing

[Redacted]

[Redacted]

[Redacted]

3.19 PROMOTIONS

The Commission requires the capability of providing players with coupons and downloadable credits offering free play for a gaming device. These coupons and credits, similar to the bar-coded voucher, will be inserted or downloaded into the gaming device and will allow the game play for a defined monetary amount. The central system must be capable of creating a file containing the barcode information to allow for printing or downloading into the player tracking system.

The Contractor shall provide a central system-driven, customized promotion program. Customization should encompass but not be limited to promotions by manufacturer by game type, bank of games, and by theme. The purpose of this capability is to enable the Commission to manage on-premise promotions by facility in an efficient centralized manner.

Everi Games Inc. Response:

[REDACTED]

[REDACTED]

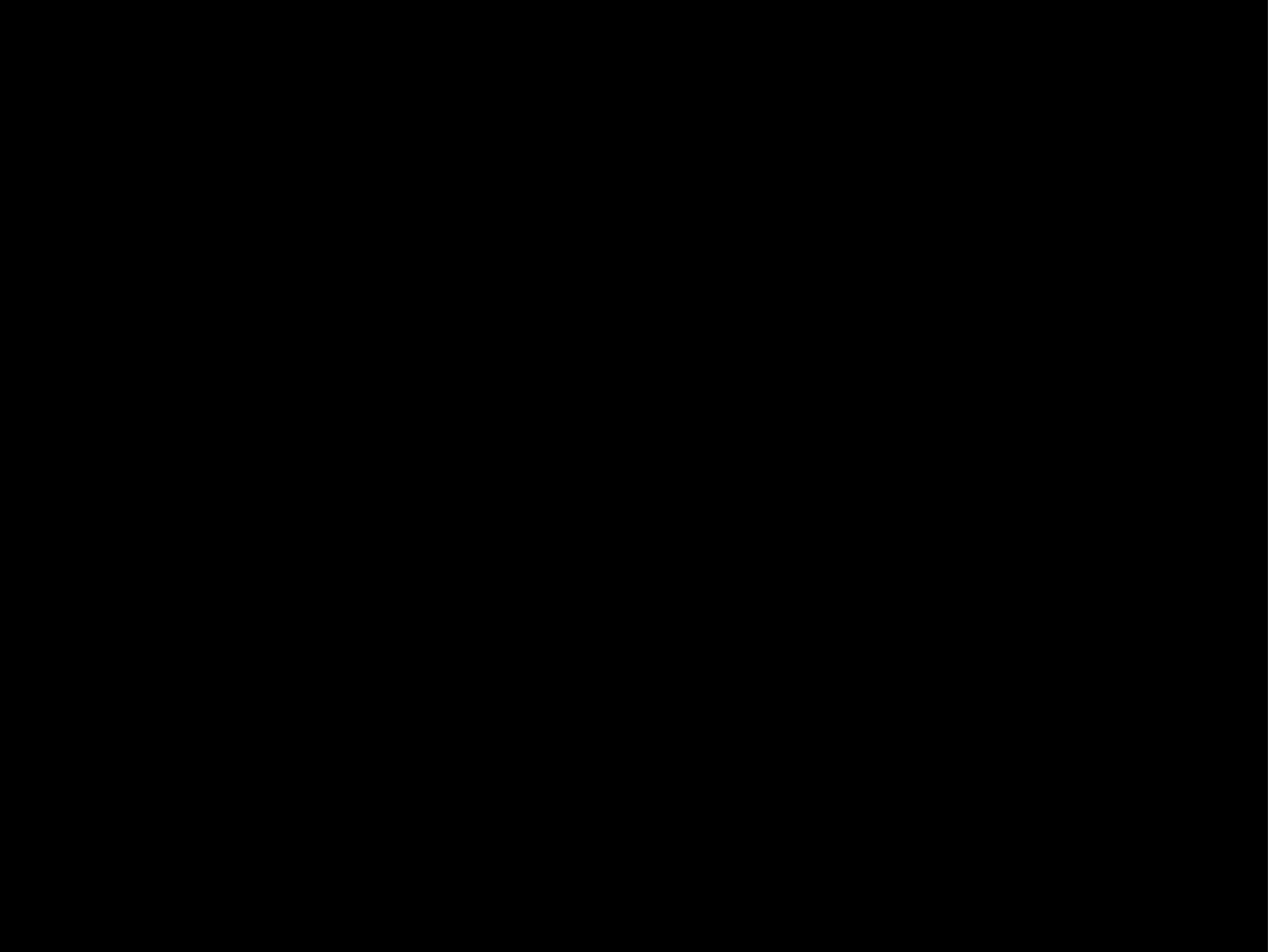
[REDACTED]

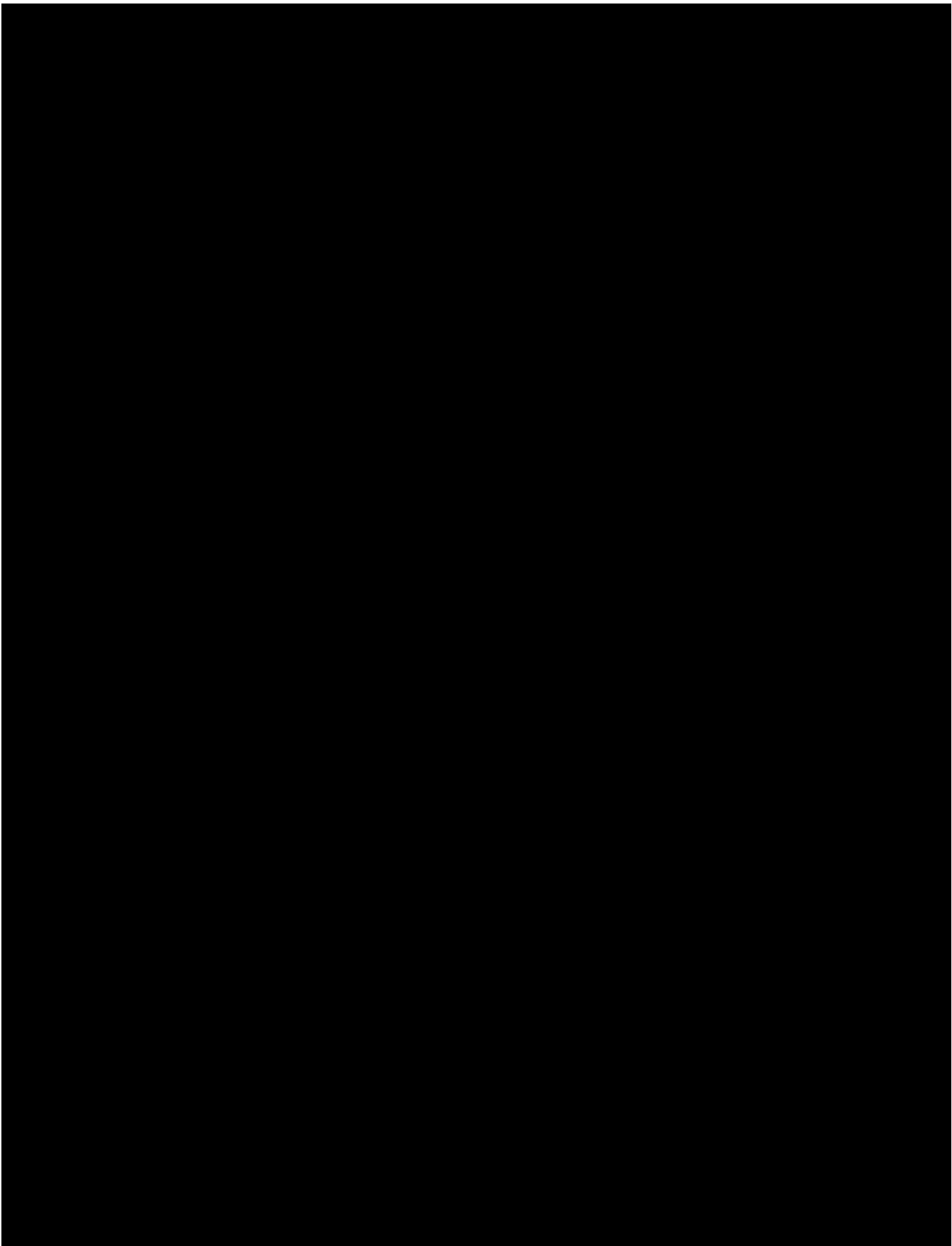
[REDACTED]

- [REDACTED]

- [REDACTED]

[REDACTED]







PROHIBITED HARASSMENT POLICY

Everi Payments Inc. or Everi Games Inc. (“EVERI” or “company”) maintains a strict policy prohibiting sexual harassment and harassment because of sex, race, color, religion, age, disability, sexual orientation, national origin, medical condition, marital status, or any other basis made unlawful by any applicable law, ordinance or regulation. This policy applies to all persons involved in the operations of the Company and prohibits such harassment by any employee of the Company, including supervisors and co-workers, any customer or client of the Company, and any vendor or other service provider at our facilities or booths. Prohibited harassment in any form, including verbal, physical and visual conduct, threats, demands, and retaliation, is unlawful and will not be tolerated. Harassment includes, but is not limited to:

- Verbal conduct such as epithets, derogatory comments, slurs, or unwanted sexual advances, invitations, or comments.
- Visual conduct such as derogatory posters, photography, cartoons, drawings, or gestures.
- Physical conduct such as unwanted touching, blocking normal movement, or interfering with work directed at you because of your sex or any other protected basis.
- Threats and demands to submit to sexual requests in order to keep your job or avoid some other loss, and offers of job benefits in return for sexual favors.
- Retaliation for opposing, reporting or threatening to report harassment, or for participating in an investigation, proceeding or hearing conducted by an investigating agency.

Prohibited harassment is not necessarily limited to the loss of a job or some other economic benefit. If you believe you are being harassed in violation of this policy, you may use the procedure outlined in this policy to file a complaint and have it investigated. The Company requests that all employees report conduct they observe which is prohibited by this policy whether or not they are personally involved. All supervisory employees who witness such conduct or otherwise become aware of any allegations or complaints of harassment must report it to Human Resources and their supervisor immediately. A supervisory employee's failure to immediately report such activity, complaints or allegations will result in discipline up to and including termination.

You may bring a complaint to your own supervisor or any other Company supervisor or Human Resources preferably as soon as possible after any incident you feel is prohibited harassment. Your complaint should include the details of the incident



or incidents, the names of the individuals involved and the names of any witnesses. Supervisors will refer all complaints of prohibited harassment to Human Resources. The Human Resources Department will undertake an investigation of the harassment allegations. This investigation will be completed and a determination regarding the harassment alleged will be made and communicated to you as soon as practical. The Company treats all complaints of harassment seriously and all employees are expected to be candid and truthful during the investigation. If evidence arises that a participant in the investigation has made intentionally false statements, the employee will be disciplined up to and including termination.

If the Company determines that prohibited harassment has occurred, the Company will take remedial action commensurate with the severity of the offense. Action will also be taken to deter any future harassment. The Company will not retaliate against you for filing a complaint and will not permit retaliation by management or any other employees. If you feel you are being retaliated against in any manner whatsoever, please report this immediately to the Human Resources Department.

The Company encourages all employees to report any incidents of harassment forbidden by this policy immediately so that complaints can be quickly and fairly resolved, and relevant witnesses can be interviewed while events are still fresh in their memory.



ACKNOWLEDGEMENT & AGREEMENT

I, _____, acknowledge that I have participated in the
(Print Name)
Company Prohibited Harassment Training and received a copy of the Company Prohibited Harassment Policy. I clearly understand the conditions and terms set forth in the policy, as well as my personal and professional responsibilities and obligations.

Employee Signature

Date



Preventing Discrimination and Harassment - Employees

Introduction

What's Ahead...

The Importance of Diversity

Respect and Disrespect in the Workplace

Federal Anti-Discrimination Laws

State and Local Anti-Discrimination Laws

Federal Definition of Sexual Harassment

Hostile Work Environment

Quid Pro Quo Sexual Harassment

Conduct To Be Avoided

Conduct To Be Avoided

Other Forms of Harassment

Consensual Relationships

e-Harassment

Unwelcome Physical Behaviors

Unwelcome Verbal Behaviors

Offensive Displays in the Workplace

Reporting Discrimination and Harassment

What You Can Do

Quiz

MEMORANDUM

To: [Name]

Date: [Date]

Re: Training Course - "**Preventing Discrimination and Harassment - Employees**"

Video Transcript:

Thank you for taking the time to participate in this very important training course. This course is a critical part of our ethics and compliance program, as well as our commitment to good corporate citizenship.

In today's fast-paced, global marketplace, our long-term success is based on our integrity. Our customers and business partners count on us to adhere to the highest standards of business ethics and compliance. Whatever your role, your conduct and judgment reflect on our reputation and are critical to our success.

We've developed this training course to help you understand and comply with all applicable laws and policies. Please give this course your undivided attention and discuss any questions or concerns about this material with your supervisor.

Thank you.

As an employee, you have an important role in helping our organization deal with workplace discrimination and harassment. Your responsibilities include —

- Being familiar with relevant federal laws;
- Understanding our anti-discrimination policy — what conduct it prohibits and what duties it imposes on you as an employee; and
- Reporting any misconduct that you observe or learn of.

We'll explore these responsibilities in detail in this 30-minute training course.

If you have questions about any of this material, please contact your supervisor or Human Resources.

Bulletin!

Learning Objectives

By the end of this course, you will be able to —

- Explain how federal and state anti-discrimination laws work;
- Avoid and prevent discrimination and harassment;
- Understand and recognize retaliation; and
- Respond to and report incidents of discrimination, harassment or retaliation.

What's Ahead...



We've organized the course around these major topics:

- The importance of a diverse workforce and discrimination-free workplace;
- Anti-discrimination laws and legal processes;
- Avoiding misconduct in your duties as an employee; and

- Reporting discrimination or harassment that occurs in the workplace.

We'll start with an introductory quiz to see how much you already know and understand about these topics. You'll also take several "pop quizzes" within the lecture material and a multiple-choice "final quiz" at the end of the course.

The Importance of Diversity



As our economy becomes increasingly global, our workplace grows ever more diverse. During the next decade, 67% of new workers in the U.S. will be female, Asian, African-American or Hispanic; only 31% will be white males, once considered the "typical" U.S. employee.

Gender and race are just two measures of this growing diversity. The trend is much the same no matter how one slices the workforce. For example, by 2024 one of every four workers in the U.S. will be 55 or older.

Without question, diversity is a critical part of our organization's current success and our potential for future growth. We believe that being diversity-aware makes our organization a better place to work and helps us provide the best goods and services to our customers.

Respect and Disrespect in the Workplace



The guiding principle of our diverse workforce is this: Every human being is of equal worth and is entitled to the same employment privileges and opportunities — without regard to race, religion, sex, age, disability, sexual orientation or any other characteristic protected by law. We believe that by treating others as you wish to be treated — with respect and dignity — all of us will be more productive and creative and will do our jobs better.

On the flip side, there are laws and policies that tell us what we ***should not*** do — that is, engage in discrimination and harassment:

- Workplace **discrimination** means being treated differently or unfairly on the job because of a legally protected trait or characteristic, such as one's gender, race or marital status.
- Workplace **harassment** — verbal or physical conduct that is unwelcome or abusive — is a form of workplace discrimination.

As we'll discuss in more detail, workplace discrimination and harassment are illegal under federal, state and local laws, and they are prohibited by our anti-discrimination policy.

Pop Quiz!

In the following vignette, Alex is introduced to David, a potential business partner. We will ask you a couple of questions about their interaction afterwards. Please click "Continue" to view the vignette.

Video Transcript:

Jeffrey
: Alex, welcome!

Jeffrey
: Let me introduce you to a colleague of mine. David, this is Alex. Alex heads up our domestic operations and has some very interesting ideas about how our two companies might work together.

David: It's a pleasure to meet you.

Alex: Likewise. This is my wife, Margaret.

David: I'd introduce you to my partner, but we're still waiting on him.

Alex: You mean "her."

David: Excuse me?

Alex: You said "him," but I think you mean "her."

David: No . . . I meant my partner Jimmy.

Jeffrey
: You know, I think I saw him at the bar. Why don't we go find him? We'll talk to you later, Alex.

Has Alex engaged in harassment based on sexual orientation?

- 1. Yes, because his comments to David were clearly intentional.
- 2. Maybe, if his comments created a hostile environment.
- 3. No, his comments were merely embarrassing.

1. *We disagree.*

Whether Alex intended his comments to be offensive is not the critical issue. Harassment can arise from both intentional and unintentional conduct.

2. *We agree.*

Whether particular behavior has created a hostile environment may depend on a number of factors, including whether it was objectively offensive and whether it was severe and pervasive. While this isolated incident would probably not constitute harassment by itself, a series of similar incidents could create serious problems for

Alex in the form of a civil lawsuit and disciplinary action, up to and including termination.

3. *We disagree.*

While Alex's comments were definitely embarrassing, there is a better answer.

What important rule should Alex keep in mind to avoid a similar incident in the future?

- 1. Treat others as you would like to be treated — with respect and dignity.
- 2. Talk first, think later.
- 3. If you don't have something nice to say, don't say anything at all.

1. *We agree.*

The most important thing you can do to contribute to a respectful and pleasant working environment is to treat all co-workers, business partners and customers with respect and dignity. This principle will lead to a more diverse and productive workforce. Alex may have made a better first impression with David if he remembered this principle before he spoke.

2. *We disagree.*

This is what got Alex into trouble in the first place.

3. *We disagree.*

There is a better answer.

Federal Anti-Discrimination Laws



Federal anti-discrimination laws apply throughout the U.S. and not just in certain states. There are seven federal laws with which you need to be familiar:

- [Title VII of the Civil Rights Act](#) prohibits discrimination based on race, color, sex, religion or national origin. Passed in 1964, Title VII is the cornerstone of federal anti-discrimination law.
- The [Pregnancy Discrimination Act](#) (PDA) prohibits discrimination on the basis of pregnancy, childbirth and related medical conditions.
- The [Age Discrimination in Employment Act](#) (ADEA) bars discrimination on the basis of age against anyone at least 40 years old.
- The [Americans with Disabilities Act](#) (ADA) prohibits discrimination on the basis of a person's disability.
- The [Genetic Information Nondiscrimination Act](#) (GINA) bars employers and health insurers from discriminating based on a person's genetic information.
- The [Uniformed Services Employment and Reemployment Rights Act \(USERRA\)](#) prohibits discrimination on the basis of past, current or prospective military service.
- The [Equal Pay Act \(EPA\)](#) prohibits sex-based wage discrimination for equal work.

Title VII

Title VII of the Civil Rights Act is just one part of a landmark bill introduced by President Kennedy in 1963. The President originally asked for a law "giving all Americans the right to be served in facilities that are open to the public — hotels, restaurants, theaters, retail stores and similar establishments," as well as "greater protection for the right to vote."

During debate in the House of Representatives, the bill was strengthened to include provisions banning discrimination in employment. After President Kennedy's assassination, President Johnson pressed the Senate to pass the bill despite strong opposition. When a 54-day filibuster was broken, the bill passed and was signed into law by President Johnson in July 1964.

In 1986, the U.S. Supreme Court held that sexual harassment is a form of sex discrimination prohibited by Title VII.

The Pregnancy Discrimination Act

The Pregnancy Discrimination Act requires that we treat women who are pregnant or affected by related conditions the same as other employees with similar abilities or limitations.

The PDA provides four pregnancy-related protections:

- **Hiring:** We may not refuse to hire a pregnant woman because of her pregnancy, a pregnancy-related condition or the prejudices of co-workers, clients or customers.
- **Ability To Work:** If an employee is temporarily unable to perform her job due to pregnancy, we must treat her the same as any other temporarily disabled employee.
- **Leave:** We must hold open a job for a pregnancy-related absence for the same length of time that jobs are held open for employees on sick or disability leave.
- **Insurance:** Any health insurance that we provide must cover expenses for pregnancy-related conditions on the same basis as other medical conditions.

The EEOC has published [guidance](#) on pregnancy discrimination that, among other things, extends protection to past pregnancy or the intention to become pregnant. The EEOC guidance emphasizes that women affected by pregnancy, childbirth and related medical conditions must receive the same treatment as other employees who are similar in their ability or inability to work. This means that pregnancy-related impairments may qualify for reasonable accommodations under the Americans with Disabilities Act.

The Age Discrimination in Employment Act

The Age Discrimination in Employment Act protects individuals who are 40 or older from discrimination based on age with respect to any term, condition or privilege of employment. This means that we may not discriminate in hiring, firing, promotion, layoff, compensation, benefits, job assignments or training.

Age-discrimination issues often arise in the pre-employment context — for example, in job postings or applicant interviews. Under the ADEA —

- We may not include **age preferences or specifications** in job notices or ads. We may specify an age limit only if age is a "bona fide occupational qualification" (BFOQ) — that is, if it is reasonably necessary to the normal operation of our business.
- We may ask an applicant his or her age or date of birth only if we have a lawful, non-discriminatory reason for doing so. Otherwise, an applicant who is turned down for a position after being asked age information could claim that we improperly rejected him or her on the basis of age.

The Americans with Disabilities Act

The Americans with Disabilities Act prohibits discrimination against qualified individuals with disabilities in job applications, hiring, firing, advancement, compensation, job training and other terms, conditions and privileges of employment.

An individual with a disability is a person who —

- Has a physical or mental impairment that substantially limits one or more major life activities;
- Has a record of such an impairment; or
- Is regarded as having such an impairment.

A qualified individual is someone who, with or without reasonable accommodation, can perform the essential functions of the job in question. We are required to make reasonable accommodations to the known disability of qualified applicants or employees if it would not impose an undue hardship on our organization.

Genetic Information Nondiscrimination Act

The Genetic Information Nondiscrimination Act prohibits discrimination against employees and applicants based on their genetic information. It also regulates how we collect genetic information and requires us to protect the confidentiality of that information.

GINA prohibits us from —

- Attempting to elicit genetic information through requests, Internet searches, social media use, third-party conversations, follow-up questions, personal-effects searches or other activity likely to result in the disclosure of genetic information;
- Including an employee's healthcare information with his or her general personnel file, rather than in separate, confidential files; and
- Requesting employee healthcare information without warning the employee's medical provider not to include any genetic information.

USERRA

USERRA prohibits employers from engaging in military-service discrimination in hiring, reemployment, promotion, benefits, termination and the terms, conditions or privileges of employment. It also requires employers to —

- Provide leave to employees who enlist in the Armed Forces, National Guard or other uniformed service; and
- Reemploy employees who have taken military leave with all rights and benefits they would have earned without a break in employment.

Equal Pay Act

Equal work means work performed under similar working conditions that requires equal —

- Skill;
- Effort; and
- Responsibility.

The law allows exceptions where an unequal payment is made under a seniority system, merit system or system that measures the quality or quantity of production.

Bulletin!

EEOC Focuses on Pregnancy Discrimination

The EEOC has published [enforcement guidance](#) on the requirements of the PDA and the application of the Americans with Disabilities Act of 1990 (ADA) to those with pregnancy-related disabilities. Highlights of the EEOC's guidance include —

- **PDA Scope:** Prohibited discrimination can be based not only on current pregnancy but also on **past pregnancy** or the **intention to become pregnant**;
- **Treatment in the Workplace:** Employers must treat women affected by pregnancy, childbirth or related medical conditions the same as other employees who are similar in their ability or inability to work. This includes permitting pregnant women to take part in **light duty** work arrangements (that is, a temporary reduction in a job's normal physical demands), not forcing pregnant employees to take leave if they are willing and able to do their jobs, and making parental leave to care for a newborn equally available to similarly situated men and women;
- **Employment Benefits:** If an employer offers **medical benefits**, the terms and conditions for pregnancy-related benefits cannot differ from those applicable to other medical conditions — for example, preventive care coverage cannot exclude coverage of prescription contraceptives; and
- **Disability Accommodations:** Pregnancy-related impairments may qualify for reasonable accommodations under the ADA, which prohibits discrimination against disabled employees.

State and Local Anti-Discrimination Laws



In addition to these federal laws, some states and localities prohibit workplace discrimination and harassment on some or all of these grounds:

- Disability;
- Genetic information;
- Ancestry;

- Religious creed;
- Denial of a family medical care leave;
- Marital status;
- Medical condition;
- Gender, gender identity and gender expression;
- Sexual orientation;
- Veteran status;
- Arrest or conviction record;
- Status as a victim of domestic violence, stalking and sex offenses;
- Military service;
- HIV or AIDS status;
- Partnership status;
- Unemployment status;
- Size/physical appearance;
- Political affiliations or beliefs;
- Off-work conduct;
- Educational background;
- Income status;
- Off-duty smoking; or
- Place of birth.

Pop Quiz!

In the following vignette, Stacey, Dianne and Beverly are co-workers. Pay attention to their actions and words, because we will ask you a question about their interaction afterwards. Please click "Continue" to view the vignette.

Video Transcript:

I don't know why these proofs are taking so long to get approved. We have
Stacey: the speed of technology at our fingertips, but it's taking forever to get the edits done.

Dianne Well, maybe if some people would learn how to use the Internet . . . At least
:
most of the new hires know how to use the new file-sharing software. In-person proofing takes forever, and it's such a thing of the past.

Stacey: I know. Can't you send it to her as an attachment?

Dianne I do. But it's like even that's too much for her to handle.
:

Stacey: As long as we're not taking the blame — whatever.

Dianne Come on. The meeting's about to start.
:

Have Stacey and Dianne engaged in age discrimination?

- 1. Yes.
- 2. Maybe some form of misconduct, but not illegal age discrimination.
- 3. No, this was acceptable (though not respectful) workplace behavior.

1. *We disagree.*

It's not clear whether the women were frustrated with their co-worker's age per se, or the fact that she was not as computer-savvy or as fast a worker as they were. More evidence would be needed to conclude that this was age discrimination, though it's still problematic in any case.

2. *We agree.*

This exchange provides some evidence of a potentially hostile work environment on the basis of age, but it's probably not enough by itself to be considered illegal. It's not clear whether the women were frustrated with their co-worker's age per se, or the fact that she was not as computer-savvy or as fast a worker as they were. Being mean to someone because they're slow is not respectful workplace behavior and violates our policy against bullying and other abusive conduct toward co-workers, but it's not illegal.

3. *We disagree.*

While possibly not illegal, it's against our policy to engage in bullying or otherwise abusive conduct toward co-workers.

Federal Definition of Sexual Harassment



Sexual harassment includes —

- Unwelcome sexual advances;
- Requests for sexual favors; or
- Other verbal or physical conduct of a sexual nature.

This conduct violates federal law (Title VII) if it —

- Affects an individual's employment;
- Unreasonably interferes with an individual's work performance; or
- Creates an intimidating, hostile or offensive workplace.

A common misconception is that the [victim](#) of sexual harassment must be a woman and the [harasser](#) must be a man, but the victim and the harasser can be either a woman or a man, and they can both be of the same sex.

Harasser

The harasser may be male or female and a co-worker, supervisor, manager, customer or vendor. The person may also be completely unaware that his or her behavior is offensive and potentially unlawful.

Please note that unlawful harassment can occur even if there is no intent to harass.

Victim

The victim of harassment can be —

- Male or female;
- Junior or senior in rank to the harasser; and
- Someone other than the person who is being directly harassed — this is known as indirect harassment.

Hostile Work Environment



There are two types of sexual harassment: (1) hostile work environment; and (2) quid pro quo. Hostile work environment harassment is the most common type of sexual harassment. It occurs when unwelcome comments or conduct of a sexual nature unreasonably interferes with an employee's work performance or creates an intimidating, hostile or offensive work environment.

In order to qualify as hostile work environment harassment, the unwelcome comments or conduct must be severe or pervasive — meaning that it affects the victim's employment and creates an abusive workplace. Courts consider the frequency and severity of the conduct, whether the conduct was physically threatening or humiliating, and whether the conduct unreasonably interfered with the employee's work performance.

Hostile work environment harassment may involve physical, verbal or visual conduct, and may affect the targeted individual or co-workers who witness inappropriate conduct.

Bulletin!

Woman Harassed by Male Co-Workers

Awarded \$13 Million in Lawsuit Against Former Employer

A U.S. federal court awarded \$13 million in damages to a woman who suffered gender discrimination while employed as a shipping supervisor at a global company that manufactured insulation materials. Over the course of six years, she was paid less than her male counterparts and was the victim of verbal abuse on multiple occasions. For example, one male co-worker repeatedly called her 'Big Girl' because of her height and another made obscene gestures when he heard her voice over the company radio. When she reported this harassment, her manager dismissed her complaints and blamed her for causing trouble. After filing numerous complaints, the company fired her on the alleged grounds of "poor job performance," even though her past performance reviews praised her work. Shortly after her termination, she sued her former employer and the court found that she was a victim of gender discrimination, a hostile work environment and unlawful retaliation.

Quid Pro Quo Sexual Harassment



In addition to creating a hostile environment, sexual harassment may take a form known as "quid pro quo" harassment — literally "this for that." Quid pro quo harassment occurs if someone in a position of power tries to make an employee submit to sexual conduct as a condition of receiving a job benefit, such as a promotion, raise or favorable work assignment.

In the typical scenario, the harasser is a manager or supervisor with direct authority over the employee's job benefits. But quid pro quo harassment can also be committed by a customer, vendor or other person who has an indirect impact on whether an employee receives job benefits.

Although quid pro quo and hostile environment harassment are different in theory, the line between them is not always clear — and they often occur together. As an employee, you need to understand that the law and our policy prohibit **both** forms of sexual harassment.

Pop Quiz!

In the following vignette, Ramona and Frank are co-workers who are supervised by Alicia. We'll have a question or two for you after the video.

Video Transcript:

Frank: So what are you up to this weekend?

Ramona
:
I'm going upstate with my husband.

Frank: Oh, that's cool.

Ramona
:
Yeah, we're going to go to a bed and breakfast

Alicia: Hey, guys, thanks again for rocking that meeting — it was great work. Just remember to get me those files first thing Monday morning, okay?

Frank: Will do.

Alicia: All right.

Ramona
:
Thanks.

Frank: All right. See you.

Ramona
:
All right. Bye.

Which of these best characterizes what Ramona saw?

- 1. Quid pro quo harassment.
- 2. Hostile environment harassment.
- 3. A personal matter that was not harassment of any sort.

1. *We disagree.*

If Alicia demanded sexual favors from Frank in exchange for job benefits, that would be quid pro quo harassment. But there's no indication at this point that the kiss was not consensual.

2. *We agree.*

This could be a first indication of a possible hostile environment. Knowing that her supervisor is romantically involved with her co-worker may well make Ramona feel that Alicia will favor Frank over her and others. If this proves to be the case, it could eventually rise to the level of being considered harassment.

Consensual relationships between an employee and his or her supervisor present many red flags.

3. *We disagree.*

The fact that Alicia supervises Frank makes this more than a personal matter.

What should Ramona do?

- 1. Nothing.
- 2. Make a complaint for sexual discrimination, because Alicia is favoring Frank over her.
- 3. Report the situation to Human Resources.

1. *We disagree.*

While it may be a personal matter between Alicia and Frank, if they are having a relationship that could affect the workplace, Ramona should not simply ignore what she saw.

2. *We disagree.*

This is not the type of sexual discrimination Title VII is intended to protect against.

3. *We agree.*

Whenever there is a romantic relationship in the workplace between a supervisor and an employee, it is important that the company knows about it and has an opportunity to take corrective action if warranted.

Conduct To Be Avoided



The following conduct may create a sexually hostile work environment and should be avoided by all employees:

- **Visual Harassment:** Displaying pin-ups, posters, calendars, sexual photographs or magazine articles of nude or scantily clad men or women, no matter how private the location in which they're displayed.
- **Derogatory Comments:** Suggestive or lewd remarks, threats, comments about an individual's body, or unwanted sexual advances or invitations.
- **Unwelcome Physical Contact:** Touching, hugging, kissing or massaging someone on any part of his or her body.
- **Graffiti:** Creating graffiti that references protected characteristics or targets specific employees by name.
- **Electronic Harassment:** Surfing or linking to websites featuring videos, photos or text about sex or gender.
- **Sexually Explicit Jokes:** Telling or emailing sexually explicit jokes. If you have to preface a joke with "I hope this doesn't offend anyone . . .," ***don't tell it.***

Pop Quiz!

In the following vignette, Cindy is Tenisha's supervisor. We'll have some questions for you after you watch the video.

Video Transcript:

Cindy: Uh huh . . . yeah. Look, Dominic, it's all on the intranet. [Listening] No . . . you have to do that — they won't let me do it for you. [Listening] No, you're making it much harder than it needs to be. [Listening] It's not going to help for you to get upset and curse [Listening] Okay, I have someone in my office. I have to go now — goodbye, Dominic. [Looking up] Sorry about the wait.

Tenisha
:
It's no problem, I

Cindy: Argh — it's just those crazy Italians!

Tenisha
:
Um . . . yeah So anyway, you wanted to talk about the Wontel account?

Cindy: Right, right. Okay, let me get my notes

What kind of discrimination or harassment should Tenisha be most concerned about?

- 1. Race discrimination.
- 2. Ethnic-origin discrimination.
- 3. None, since she's not Italian.

1. *We disagree.*

Just because Cindy and Tenisha are of different races, a difference between them isn't automatically race discrimination.

2. *We agree.*

Cindy's comment reflects a stereotype about Italians. The fact that Tenisha is not Italian doesn't mean she should have to work in an environment hostile to those of a certain ethnic origin.

3. *We disagree.*

The fact that Tenisha is not Italian doesn't mean she should have to work in an environment hostile to those of a certain ethnic origin.

Of course, Cindy was only joking when she referred to Dominic as a "crazy Italian."

After all, Cindy had been happily married to another "crazy Italian" for 15 years! Given this, was her comment just a harmless joke?

- 1. No, Tenisha should complain to HR.
- 2. Maybe, but maybe not.
- 3. Yes, everyone knows that Cindy is a big joker.

1. *We disagree.*

One insensitive comment is probably not a reason to make a complaint.

2. *We agree.*

What seems funny to Cindy is not necessarily funny to those she works with. Jokes can be insensitive and hurtful. Many hostile environment claims are based on assertedly "harmless" jokes.

3. *We disagree.*

Jokes can be insensitive and hurtful. Many hostile environment claims are based on assertedly "harmless" jokes.

Conduct To Be Avoided



Here is some additional conduct that all employees should avoid:

- **Inappropriate Compliments:** Making suggestive compliments about anatomy or sexual innuendos about dress or personal appearance. Compliments should be related to work performance only — e.g., "Wow! Great job," or "Way to handle that client."

- **Computer Screensavers and/or Pornographic Websites:** Deploying computer screensavers with sexually suggestive images or scenes from pornographic movies.
- **"Sexting":** Sending and exchanging text messages with sexual images, content, propositions or demands.
- **Facebook Statuses, Wall Posts or Twitter Posts:** Posting sexually charged and inappropriate messages and status updates on Facebook, Twitter or similar sites.
- **Sexual Names:** Making suggestive, insulting or obscene comments, or using expressions such as "whore," "slut" or "broad" to refer to women in the workplace.
- **Repeatedly Asking Someone Out:** Making repeated requests for a date with someone who is not interested, even if in jest.

Other Forms of Harassment



In addition to harassment of a sexual nature, workplace harassment can take many forms, including —

- Spreading malicious rumors;
- Insulting someone verbally or picking on them through physical behavior;
- Making threats or offensive comments;
- Deliberately undermining competent employees by overloading them with work and/or using constant criticism; and
- Preventing individuals from progressing by intentionally blocking promotions or training opportunities.

Harassment encompasses all forms of unwanted conduct that violate a person's dignity, or create an intimidating, hostile or offensive environment. It can be based on race, color, religion, sex, national origin, age, disability or some other personal characteristic. It can also appear arbitrary in nature and be persistent or limited to an isolated incident or set of incidents.

Pop Quiz!

The costs of harassment to an organization can be significant. Which of the following could occur as a result of harassment?

- 1. Decreased productivity.
- 2. Absenteeism.
- 3. Increased team conflict.
- 4. Reputational damage or adverse publicity.
- 5. All of the above.

1. *We disagree.*

All of these could occur as a result of harassment. In addition, an organization may suffer —

- A loss of staff and expertise due to resignations from employees who wish to escape the hostile environment;
- Increased healthcare and sick-pay costs because of the health consequences of harassment; and
- Litigation and legal costs.

2. *We disagree.*

All of these could occur as a result of harassment. In addition, an organization may suffer —

- A loss of staff and expertise due to resignations from employees who wish to escape the hostile environment;
- Increased healthcare and sick-pay costs because of the health consequences of harassment; and
- Litigation and legal costs.

3. *We disagree.*

All of these could occur as a result of harassment. In addition, an organization may suffer —

- A loss of staff and expertise due to resignations from employees who wish to escape the hostile environment;
- Increased healthcare and sick-pay costs because of the health consequences of harassment; and

- Litigation and legal costs.

4. *We disagree.*

All of these could occur as a result of harassment. In addition, an organization may suffer —

- A loss of staff and expertise due to resignations from employees who wish to escape the hostile environment;
- Increased healthcare and sick-pay costs because of the health consequences of harassment; and
- Litigation and legal costs.

5. *We agree.*

All of these could occur as a result of harassment. In addition, an organization may suffer —

- A loss of staff and expertise due to resignations from employees who wish to escape the hostile environment;
- Increased healthcare and sick-pay costs because of the health consequences of harassment; and
- Litigation and legal costs.

Consensual Relationships



Conduct must also be ***unwelcome*** to be considered harassment — that is, an employee involved in a consensual sexual relationship usually can't complain that he or she is being harassed. In reality, however, the line between "unwelcome" and "consensual" can be somewhat blurry.

As a general rule, it is *not* sexual harassment for a supervisor to extend a social invitation to someone under his or her supervision. The same holds true for invitations by co-workers to each other.

Be careful not to confuse a person's passivity with "consent." Just because the person put up with a certain amount of sexual banter doesn't excuse sexual advances or other offensive conduct that occur after he or she has made known that the conduct is unwelcome. Employees need to be sensitive to indications from a co-worker that their conduct or language is making him or her uncomfortable.

e-Harassment



A growing amount of inappropriate conduct comes from employees' computers and smartphones — whether through email, instant messaging, blogging, social media or other modes of electronic communication. Consider these statistics:

- 27% of organizations have been subject to sexual harassment claims stemming from employee abuses of computer systems;
- 26% of employers have terminated employees for misuse of electronic-communication systems;
- 70% of all pornographic traffic on the Internet occurs during regular business hours; and
- 23% of all cases of workplace harassment are carried out through means of electronic communication, such as email, text messaging and social media.

Do not access pornographic websites at work. If a message, picture or web page would be inappropriate to share with someone face-to-face, it's equally inappropriate to communicate it via email, instant messaging or other electronic means.

Unwelcome Physical Behaviors



As we've discussed, our anti-discrimination policy prohibits all types of behavior that create any type of hostile work environment for others — not just on the basis of sex.

This includes unwelcome physical behaviors such as these:

- Touching (other than a handshake or incidental brush) that makes a person feel uncomfortable;
- Staring or leering at someone;
- Gesturing in a threatening or offensive way;
- Making inappropriate facial expressions;
- Intimidating someone by standing too close, blocking their movements, slamming a door or throwing things; and
- Tripping, hitting or pushing someone or engaging in other acts of physical violence.

Unwelcome Verbal Behaviors



Likewise, our anti-discrimination policy prohibits all types of verbal behavior that create a hostile work environment. This includes unwelcome behaviors such as these:

- Making offensive comments about someone's clothes, appearance, skin color, religious beliefs, age or other characteristics;
- Using threatening, offensive or derogatory language;
- Telling inappropriate jokes;
- Posting offensive material about co-workers or customers on social media sites such as Facebook and Twitter; and
- Bullying others through verbal abuse or intimidation.

Pop Quiz!

In the following vignette, Rodrigo and Annette are brainstorming ideas in a meeting. Pay attention to their words and actions, because you will be asked about their interaction after the vignette ends. Please click "Continue" to view the video.

Video Transcript:

Rodrigo: I think Alan is right — if we want our client to be happy with this next phase, we really have to impress them . . . so I wanna hear some fresh new ideas, guys.

Annette: Why don't we do something with social media — I heard about this great new

Rodrigo: Why don't we let the people who've been working with the client a bit longer get a word in?

Rodrigo: Anybody have any "smart" or "thoughtful" ideas?

Julie: We could do an analysis of their previous campaigns and see what generated the most interest.

Alan: Yeah, that's a great idea.

Rodrigo: Okay. Sameer, you look like you've got something on your mind . . . what do you think?

Sameer: Well, I think we should focus on the client's Facebook and Instagram pages

Rodrigo: I like that.

Rodrigo's interaction with Annette could be characterized as which of the following?

- 1. Effective leadership.
- 2. Discrimination.
- 3. Workplace bullying.

1. *We disagree.*

There's a better answer.

2. *We disagree.*

There's a better answer.

3. *We agree.*

Workplace bullying can take the form of hostility, abuse of power, deceit and sabotage or other abusive behaviors. In this case, Rodrigo is using his power as a manager to bully Annette by not listening to her ideas and humiliating her in front of other co-workers. This kind of behavior is not acceptable or tolerated in our workplace.

If Annette feels she is being bullied by Rodrigo, what should she do?

- 1. Ignore Rodrigo and present her ideas anyway.
- 2. File a complaint.
- 3. Present her ideas in a detailed email after the meeting.

1. We disagree.

This will not resolve the issue of workplace bullying and might increase tensions between Annette and Rodrigo.

2. We agree.

Annette should report Rodrigo to another management-level employee or to Human Resources. This will allow the company to investigate the issue and take appropriate action.

3. We disagree.

This will not resolve the issue of workplace bullying.

Offensive Displays in the Workplace



Employees can also create a hostile work environment by displaying offensive objects or images at their desks, on their computers or on social media — even if they only mean it as a joke.

Our anti-discrimination policy prohibits the display of unwelcome objects and images such as these:

- Photos, drawings, cartoons, posters or calendars containing lewd, pornographic or otherwise offensive images;
- Videos, screensavers, slideshows or other electronic depictions of offensive material;
- Statues or figurines with exaggerated or otherwise offensive characteristics; and
- Clothing with offensive symbols, images or logos.

Reporting Discrimination and Harassment



If you believe that you are a victim of discrimination or harassment, or if you witness discrimination or harassment by others, you have a duty to report the incident to a supervisor, manager or Human Resources. We will conduct a prompt and thorough investigation, and it is your responsibility to be cooperative, truthful and candid if you are asked to assist in the investigation.

We will keep your report confidential to the extent possible, consistent with our duty to investigate the incident thoroughly. Under no circumstances will we [retaliate](#) against an employee who makes a good-faith report of suspected discrimination or harassment or who participates in an investigation.

If we find the report to be true, we will take appropriate disciplinary and corrective action against those responsible, up to and including termination of their employment.

Retaliation

The law protects employees who make complaints and participate in investigations from retaliatory actions. Such actions can include situations where an employer —

- Harasses an employee;
- Unjustifiably disciplines an employee, such as through demotion, suspension or termination;
- Refuses to promote an employee with no reasonable justification;
- Gives an employee a negative evaluation that does not reflect his or her work performance;
- Excessively monitors an employee's activities;
- Excludes an employee from — or fails to notify employee of — work events, such as meetings and training sessions; and
- Transfers an employee to a different location or changes the employee's position or job responsibilities.

Pop Quiz!



Sandra walks into the breakroom and hears Michael telling Pete about a wild night he spent with a woman he met in a bar. Sandra politely asks them to change the subject because the conversation makes her uncomfortable. This is a classic example of —

- 1. Quid pro quo harassment.
- 2. Retaliation.
- 3. Hostile environment harassment.

1. *We disagree.*

This is not quid pro quo harassment.

2. *We disagree.*

There is no retaliation here.

3. *We agree.*

Sandra was understandably offended by her co-workers' conversation and acted appropriately by asking them to stop. If this or similar incidents occur in the future, Sandra may well decide to make a complaint.



A week later Pete and Michael got in trouble for a similar incident, and Pete was transferred to a far-away location. This is an example of —

- 1. Employee discipline.
- 2. Retaliation.
- 3. Cruel and unusual punishment.

1. *We agree.*

It was reasonable of the company to transfer Pete to a different location as discipline for his role in creating a hostile work environment.

2. *We disagree.*

A transfer to an undesirable location is an "adverse consequence" of the type seen in many retaliation claims, but this was not a retaliation scenario.

3. *We disagree.*

There's a better answer.



Following Pete's transfer, Michael harassed Sandra on a daily basis. Sandra filed a complaint and her manager reassigned her to a different department. This is an example of —

- 1. Employee discipline.
- 2. Retaliation.
- 3. Resolving the complaint.

1. *We disagree.*

There's a better answer.

2. *We agree.*

Sandra's reassignment to a different department after filing a complaint is an "adverse consequence" of the type seen in many retaliation claims. Other examples of retaliatory actions include termination of employment, demotion, reduction of hours and relocation.

3. *We disagree.*

There's a better answer.

What You Can Do



In the interest of creating and maintaining a work environment that minimizes unnecessary conflict, fear and hostility, we owe it to each other to follow these fundamental rules:

- Treat your co-workers with respect and dignity regardless of their gender, race, age, nationality or other characteristics;
- Respect the different cultural and other perspectives your co-workers bring to the workplace;
- Deal with people as individuals, rather than as members of specific racial, ethnic, religious or other groups; and
- Report all discriminatory and harassing behavior so that we can conduct an investigation and take corrective measures.

Although there is no set period of time in which you must report wrongful conduct, it is important to file a complaint as soon as reasonably possible. The sooner we know about a situation, the sooner we can take steps to investigate and remedy the problem.

Respect and Disrespect in the Workplace

4.1 Which of the following is the most important reason to report conduct that you believe to be discrimination, harassment or otherwise inappropriate?

- 1. To make your co-workers like you more.
- 2. To make our organization aware of problems in the workplace.
- 3. To get people you don't like in trouble.

1. *We disagree.*

This is certainly not the most important reason.

2. *We agree.*

You should report conduct that you believe to be discrimination, harassment or otherwise inappropriate so that our organization can investigate and take corrective action if warranted.

3. *We disagree.*

This is certainly not the most important reason.

4.2 Which of the following rules is most likely to prevent discrimination and harassment in the workplace?

- 1. Treat others the same way you would like to be treated.
- 2. Mind your own business.
- 3. Use good manners.

1. *We agree.*

Treating your co-workers with the same level of respect you wish to receive from them is likely to foster respect and dignity throughout the workplace.

2. *We disagree.*

Minding your own business is not a good idea in the workplace where communication and collaboration is encouraged.

3. *We disagree.*

Saying "please" and "thank you" will foster respect and dignity in the workplace, but there's a better rule for preventing discrimination and harassment.

Federal Anti-Discrimination Laws

5.1 Boris is a supervisor who seems to harass all his subordinates equally —

regardless of their race, color, sex, age, disability, etc. Manuela, a 45-year-old pregnant Hispanic female who reports to Boris, has had all she can take. On which of these laws can Manuela base a harassment claim?

- 1. Title VII of the Civil Rights Act.
- 2. The Pregnancy Discrimination Act.
- 3. The Age Discrimination in Employment Act.
- 4. None of the above.

1. We disagree.

Boris appears to be an "equal-opportunity harasser" — that is, he harasses everyone who works under him, regardless of their race, color, sex, etc. Manuela probably doesn't have a claim under Title VII.

2. We disagree.

Boris appears to be an "equal-opportunity harasser" — that is, he harasses everyone who works under him, regardless of their race, color, sex, etc. Manuela probably doesn't have a claim for pregnancy discrimination.

3. We disagree.

Boris appears to be an "equal-opportunity harasser" — that is, he harasses everyone who works under him, regardless of their race, color, sex, etc. Manuela probably doesn't have a claim for age discrimination.

4. We agree.

Boris appears to be an "equal-opportunity harasser" — that is, he harasses everyone who works under him, regardless of their race, color, sex, etc. While he sounds like a very bad supervisor, he is probably not violating any federal laws. Many organizations, however, have anti-discrimination policies that prohibit a broader range of discriminatory conduct than do federal, state and local laws. Boris may be violating that policy even though he is not violating any laws.

5.2 As long as employees don't engage in conduct that is prohibited by federal, state or local law, they will not be subject to discipline. Is this true?

- 1. Yes.
- 2. Sometimes.
- 3. No.

1. We disagree.

What federal, state and local laws prohibit is very important, but they are not the only rules that employees need to be concerned with.

2. *We disagree.*

What anti-discrimination laws prohibit is very important, but they are not the only rules that employees need to be concerned with.

3. *We agree.*

In addition to federal, state and local laws, employees must be sure that they comply with their organization's anti-discrimination policy, which may prohibit an even broader range of inappropriate conduct in order to make the organization a more comfortable place to work.

5.3 Barbara is an older employee who has a hearing problem. Last week her employer told her she was being transferred to a position that does not require her to answer the phone. Which of the following federal laws may her employer be violating?

- 1. Title VII of the Civil Rights Act.
- 2. The Age Discrimination in Employment Act.
- 3. The Americans with Disabilities Act.
- 4. None of the above.

1. *We disagree.*

Although this law prohibits discrimination on the basis of race, color, sex, religion and national origin, those characteristics are not the issue here.

2. *We disagree.*

Although this law prohibits discrimination on the basis of age, Barbara's age is not the issue here.

3. *We agree.*

This law prohibits discrimination on the basis of disability. Barbara's employer is likely violating the Americans with Disabilities Act by involuntarily transferring her to a position that does not require her to answer the phone.

4. *We disagree.*

There is at least one federal law that Barbara should consult.

State and Local Anti-Discrimination Laws

6.1 Billy complained to HR that his supervisor Frank often referred to several older co-workers as "old geezers" because they weren't proficient at certain computer tasks. Frank heard about the complaint and transferred the older workers to a different department. Which of the following statements is the most accurate:

- 1. Billy should go back to HR to alert them to the situation as possible

retaliation.

- 2. The older workers should go to HR and complain of retaliation.
- 3. Frank has not retaliated against anyone.

1. *We agree.*

It's not clear (a) whether Frank transferred the older workers in response to Billy's complaint and (b) whether the transfer represented an adverse employment consequence to them. In either case, Billy should alert HR to these changes so they can address and correct the situation, as necessary.

2. *We disagree.*

Since these workers didn't make a complaint, they probably can't complain of retaliation. It's also not clear that their transfer was an adverse employment consequence; perhaps Frank found them positions to which they were better-suited.

3. *We disagree.*

Frank's actions could be considered retaliation if he took them because of Billy's complaint. Knowing that Frank was prone to this type of action could deter Billy or other employees from complaining about discriminatory conduct in the future.

6.2 Andy was having problems at home, and his work was suffering. He talked with his supervisor Jane, but she was not sympathetic. In fact, a week later, Jane took away some of Andy's responsibilities until he "worked out his issues." Does Andy have a retaliation claim?

- 1. No. This was not retaliation.
- 2. Maybe, if the loss of job responsibilities was an "adverse action."
- 3. Yes. This is a classic case of prohibited retaliation.

1. *We agree.*

It appears that Jane was carrying out her duties as a supervisor. There is no indication of retaliation in this situation, since it was Andy's personal problems that caused his work to suffer and led to his temporary change of responsibilities. Having personal problems is not protected activity.

2. *We disagree.*

Andy's temporary loss of job responsibilities was not an "adverse action" in the legal sense because it was the result of his personal problems. Having personal problems is not protected activity.

3. *We disagree.*

There's a better answer.

6.3 Last week Patti bumped into Curt, VP of Operations, and accidentally spilled hot tea on him. Yesterday Curt announced a major staff reorganization, and Patti was transferred to a position with fewer responsibilities. Does Patti have a solid claim for retaliation?

- 1. Yes, if Patti thinks that Curt transferred her because of the accident.
- 2. Maybe, because when an employee is transferred, he/she has the right to make a claim for something.
- 3. No, because the transfer was not discriminatory.

1. *We disagree.*

Patti's hunch that she was transferred because of the tea accident would not be a solid basis for a claim.

2. *We disagree.*

Curt is entitled to make an employment decision affecting Patti, as long as the decision is based on legitimate and non-discriminatory reasons.

3. *We agree.*

Since Patti was not involved in a claim of discrimination or harassment, Curt's decision could not be considered unlawful retaliation. Patti doesn't have a valid retaliation claim just because she's unhappy with Curt's decision.

Federal Definition of Sexual Harassment

7.1 In Walter's first week on the job, he engaged in harassing conduct in the office, on a business trip and at the company picnic. Which of those incidents provides grounds for discipline, possibly including termination of Walter's employment?

- 1. The office incident only.
- 2. The office and business-trip incidents.
- 3. All three incidents.
- 4. None of the above, since Walter is a new employee.

1. *We disagree.*

This incident is deserving of discipline, but there's a better answer.

2. *We disagree.*

These incidents are deserving of discipline, but there's a better answer.

3. *We agree.*

Our policy applies in the workplace and in all work-related settings, including business trips and business-related social events.

4. We disagree.

Employees may be disciplined for harassing conduct regardless of how long they have been on the job.

7.2 You can overhear two co-workers, Dan and Natasha, trading sexually explicit jokes in the break room. You know that telling such jokes within earshot of others can create a hostile work environment in violation of our anti-discrimination policy. What should you do?

- 1. Ignore them because no other employees are around.
- 2. Ignore them unless you find the jokes offensive.
- 3. Ask them to stop and report them to your supervisor or HR if they don't.

1. We disagree.

You should not ignore Dan and Natasha's conduct.

2. We disagree.

You should not ignore Dan and Natasha's conduct, even if you're not offended.

3. We agree.

Regardless of whether other employees overhear Dan and Natasha's sexually explicit jokes, or whether you are personally offended, the jokes are inappropriate in the work environment where they can be overheard by others and contribute to a hostile work environment.

7.3 While at work, Casey uses social media to send his co-workers, Jamie and Alex, sexually explicit cartoons. Jamie is offended but doesn't know what to do. What course of action should you suggest?

- 1. Jamie should ignore the cartoons since Casey sent them to her personal social media account.
- 2. Jamie should ask Casey to stop sending her sexually explicit material, and then report him to her supervisor or HR if he doesn't.
- 3. Jamie should report Casey to her supervisor or HR, and then ask him to stop.

1. We disagree.

Sending sexually explicit material during work hours is inappropriate, even if it is to a co-worker's personal email or social media account.

2. We agree.

It's often effective to take informal measures to stop offensive workplace conduct before making a formal report. However, if Jamie is not comfortable addressing the issue directly, she should report the matter to HR.

3. *We disagree.*

It's often effective to take informal measures to stop offensive workplace conduct **before** making a formal report. However, if Jamie is not comfortable addressing the issue directly, she should report the matter to HR.

Conduct To Be Avoided

10.1 Two co-workers, Ryan and Trista, used to date until Trista broke it off. Ryan has been trying to win Trista back by leaving her love notes and commenting on how "sexy" she looks when she wears short skirts. Trista complained to HR, but Ryan argued that his behavior wasn't sexual harassment because he and Trista were in a consensual relationship. Is Ryan correct?

- 1. No, because they are no longer in a consensual relationship.
- 2. Maybe, if Trista never informed the company that she and Ryan broke up.
- 3. Yes — Ryan was just being flirtatious.

1. *We agree.*

Ryan's behavior is inappropriate because he is no longer in a consensual relationship with Trista. If he doesn't stop bothering Trista, he could be disciplined for sexual harassment and the company could face hostile work environment claims.

2. *We disagree.*

Whether Trista informed the company of their breakup is irrelevant.

3. *We disagree.*

Flirting is not a defense for sexual harassment.

10.2 Erin and Paul work together at XYZ Inc. Paul is attracted to Erin and has asked her out on multiple occasions. Erin has rejected his offer each time, but Paul is hopeful that she will agree to a date if he keeps asking. Is Paul sexually harassing Erin?

- 1. Yes, because Paul won't take "no" for an answer.
- 2. Maybe, if his conduct is severe or pervasive.
- 3. No, Paul's actions are harmless.

1. *We disagree.*

Paul's refusal to stop asking Erin out is just one factor to consider.

2. *We agree.*

Paul's repeated requests for a date may be sexual harassment if a court would consider his conduct severe or pervasive. As a general rule, the more **pervasive** the conduct is, the less **severe** it needs to be to support a harassment claim. Conversely, the more severe the conduct, the less pervasive it needs to be to support a harassment claim.

3. *We disagree.*

Paul may view his actions as harmless, but Erin may not perceive them in the same way.

Unwelcome Physical Behaviors

15.1 Which of the following statements is the most accurate:

- 1. As long as you don't intend a joke to offend anyone, it can't be considered harassment.
- 2. It's okay for a Jewish person to tell a joke that makes fun of Jews.
- 3. If anyone in the workplace finds a joke to be offensive, it's harassment.
- 4. None of the above.
- 5. All of the above.

1. *We disagree.*

The intent of the person who makes a joke is not a factor in determining whether a hostile environment has been created.

2. *We disagree.*

Others in the workplace — whether Jewish or not — may still be offended and complain of a hostile work environment.

3. *We disagree.*

A joke must be objectively offensive — that is, offensive to a reasonable person — to be considered harassing. The fact that one person finds a joke offensive is not enough to create a hostile work environment, but it could still violate company policy.

4. *We agree.*

All of these statements are incorrect.

5. *We disagree.*

At least one of these statements is incorrect.

15.2 Which of these is the best way to avoid discriminating against or harassing your co-workers:

- 1. Treat them the way you'd like to be treated.
- 2. Memorize the list of characteristics protected by federal law.
- 3. Memorize the list of characteristics protected by state and local law.

1. *We agree.*

While it's important to be aware of federal, state and local laws and what they prohibit, it's even more important to treat your co-workers with respect and dignity — the way you'd like them to treat you.

2. *We disagree.*

These are important to be aware of, but there's a better answer.

3. *We disagree.*

These are important to be aware of, but there's a better answer.

15.3 When is it okay to make fun of a co-worker's age?

- 1. On the co-worker's birthday.
- 2. It's never okay in the workplace.
- 3. When joking with the co-worker about his or her upcoming retirement.

1. *We disagree.*

Birthdays are not an excuse to joke about a co-worker's age.

2. *We agree.*

Joking about a co-worker's age could create or contribute to a hostile work environment.

3. *We disagree.*

A co-worker's upcoming retirement is not an excuse to joke about age.

Reporting Discrimination and Harassment

18.1 Which of the following does **not** help keep our workplace free from discrimination and harassment?

- 1. Complying with federal, state and local laws.
- 2. Making sure that there's a "quid pro quo" in the work environment.

- 3. Complying with our organization's policies.
- 4. Helping to maintain a respectful work environment.

1. *We disagree.*

This is essential to promoting a workplace free from discrimination and harassment.

2. *We agree.*

"Quid pro quo" harassment — where a supervisor or other person in a position of authority makes advances toward a subordinate, promising a raise or promotion if the subordinate submits to those advances — is a serious issue. But "making sure that there's a quid pro quo in the work environment" will create — rather than prevent — workplace discrimination and harassment.

3. *We disagree.*

This is essential to promoting a workplace free from discrimination and harassment.

4. *We disagree.*

This is essential to promoting a workplace free from discrimination and harassment.

18.2 Which of the following is **not** a reason to be concerned about workplace discrimination and harassment?

- 1. Harm to our right to free speech.
- 2. Harm to our organization's reputation.
- 3. Harm to employee morale.

1. *We agree.*

Maintaining a respectful work environment should not affect anyone's right to free speech. On the other hand, maintaining a respectful work environment will protect our organization's reputation and employee morale.

2. *We disagree.*

This is a very good reason to be concerned about workplace discrimination and harassment.

3. *We disagree.*

This is a very good reason to be concerned about workplace discrimination and harassment.

18.3 To understand what types of discrimination and harassment are prohibited in our workplace, which of the following should you consider:

- 1. Federal laws.
- 2. State and local laws.
- 3. Our organization's anti-discrimination policy.
- 4. All of the above.

1. *We disagree.*

While federal laws are an important reason for concern because they apply to all states in the U.S., there's a better answer.

2. *We disagree.*

While state and local laws can be an important reason for concern if they prohibit more types of discrimination and harassment than federal laws, there's a better answer.

3. *We disagree.*

While our policy prohibits an even broader range of discriminatory conduct than do federal, state and local laws, there's a better answer.

4. *We agree.*

It's important to understand the types of discrimination and harassment prohibited by federal, state and local laws, as well as our organization's policy.

What You Can Do

19.1 Which of the following can you count on if you complain to a supervisor that a co-worker has harassed or discriminated against you?

- 1. Your complaint will be kept absolutely confidential.
- 2. The company will investigate your complaint.
- 3. Your co-worker will be disciplined.

1. *We disagree.*

We will keep your complaint confidential to the extent this can be done consistently with our duty to investigate and take whatever corrective action is warranted. We cannot promise "absolute" confidentiality.

2. *We agree.*

We will conduct a prompt and thorough investigation, and we will take corrective action if we determine that our policies or the law were violated.

3. *We disagree.*

We will take corrective action — which may include disciplining the offender — if we determine that our policies or the law were violated.

19.2 Monica complained to her co-worker Kenneth that their supervisor Guillermo had touched her inappropriately. Which of the following should Kenneth do?

- 1. Have Monica review the complaint procedure in the anti-harassment policy.
- 2. Punch Guillermo on Monica's behalf.
- 3. Interview Monica to get the details and the names of any witnesses.

1. *We agree.*

Monica should report Guillermo's misconduct using the avenues of complaint described in the policy. This will trigger the organization's duty to investigate and take corrective action if warranted.

2. *We disagree.*

Violence is not the answer. Kenneth could be helpful in a more appropriate way.

3. *We disagree.*

It is not Kenneth's place to investigate Monica's claim. He could be more helpful in another way.

19.3 Curt and Helga were serving themselves coffee before a staff meeting began. They reached for the milk at the same time, and Curt touched Helga's arm softly. Helga thought Curt may have touched her on purpose as a come-on. What should she do?

- 1. Report Curt's misconduct immediately while it is fresh in her mind.
- 2. Ignore the incident, since she can't be sure of Curt's intent.
- 3. Tell Curt she considered his touching unwelcome.

1. *We disagree.*

This may be an overreaction on Helga's part. If this was the first time Curt had done anything like this, Helga should consider doing something else first.

2. *We disagree.*

If Helga honestly believed that Curt intended to touch her inappropriately, she should not ignore the incident.

3. *We agree.*

This is probably the best thing for Helga to do. Curt may not have intended to touch Helga inappropriately; even if he had, Helga should make it clear that he should not do so again.

An employee was about to make a comment to a co-worker but hesitated, unsure if it was appropriate for the workplace. Which of the following questions should the employee ask himself to determine if his comment is okay?

- 1. Would he say it if his children, spouse or parent were present?
- 2. Would he say it if he knew it would be published in the next day's newspaper?
- 3. Would he say it in front of the HR Department after taking this course?
- 4. All of the above.

1. *We disagree.*

2. *We disagree.*

3. *We disagree.*

4. *We agree.*

We hope you share our commitment to a workplace free of discrimination and harassment in which all employees treat each other with respect and dignity.

Appendix E-7

Casino	Tribe	Install Date
12 Tribes - Okanogan	Colville Tribal Enterprises Corporation – Gaming Division, d/b/a Colville Tribal Casinos	12/20/2011
7 Cedars Casino	Jamestown S'Kallam Tribe	10/7/2010
Angel of the Winds	Stillaguamish Tribe of Indians	9/5/2008
Chewelah	Spokane Tribe of Indians	12/11/2012
Clearwater Casino	Suquamish Tribe	9/22/2010
Coulee Dam	Colville Tribal Enterprises Corporation – Gaming Division, d/b/a Colville Tribal Casinos	9/27/2012
Emerald Queen Casino and Hotel	Puyallup Tribe of Indians	8/25/2010
Emerald Queen I-5	Puyallup Tribe of Indians	8/25/2010
Ilani Resort Casino	Cowlitz Indian Tribe	4.24.2017
Kalispel Casino	Kalispel Tribe of Indians	3/24/2010
Little Creek	Squaxin Indian Tribe	1/29/2009
Lucky Dog	Skokomish Indian Tribe	5/5/2011
Lucky Eagle	Confederated Tribes of the Chehalis Reservation	4/1/2010
Mill Bay	Colville Tribal Enterprises Corporation – Gaming Division, d/b/a Colville Tribal Casinos	12/13/2011
Muckleshoot Casino One	Muckleshoot Indian Tribe	12/15/2010
Muckleshoot Casino Two	Muckleshoot Indian Tribe	9/20/2011
Northern Quest	Kalispel Tribe of Indians	3/24/2010
Quil Ceda Creek Casino	Tulalip Tribes of Washington	6/30/2010
Quinault Beach Resort	Quinault Indian Nation	6/28/2011
Redwind	Nisqually Indians of Washington	11/24/2010
Silver Reef	Lummi Tribe of the Lummi Reservation, Washington	8/31/2010
Skagit	Upper Skagit Indian Tribe	3/21/2013
Snoqualmie	Snoqualmie Indian Tribe	9/13/2011
Spokane Tribe	Spokane Tribe of Indians	1/8/2018
Swinomish	Swinomish Tribe	12/14/2011
The Point	Port Gamble S'klallam Tribe	12/21/2010
Tulalip Casino	Tulalip Tribes of Washington	3/15/2010
Yakama Legends	Confederated Tribes and Bands of the Yakama Nation	11/20/2013

Appendix E-8

For reference, Everi has listed over 100 of the locations where we have in excess of 10,000 Class II games installed. Although these games do not fit the definition of a video lottery game as defined by the New York State Gaming Commission, it does highlight Everi's experience in operating secure, large, distributed, high performance networks and systems that generate billions of dollars for its gaming partners.

Artesian Casino	Graton Resort	Seminole Rivermist
Barona	Gray Wolf Peak	Seneca Irving
Bear River	Hidden Oaks	Seneca Oil Spring
BJs Bingo	HoChunk Wisconsin Dells	Seneca Salamanca
Black Gold	Inn of the Mountain Gods	Shoalwater Bay
Border Casino	Jackson Rancheria	Sugar Creek
Bordertown Arena	Jet Stream	Sycuan Casino
Bordertown Casino	Kickapoo Shawnee	Table Mountain
Buffalo Thunder	Kiowa Casino	Tachi Palace
Cache Creek	Kwataqnuq	Tallapoosa
Casino Oklahoma	LakeSide	Texoma
Cherokee Grove	Last Chance	The Point
Cherokee Roland	Prairie Flower	Three Rivers Coos Bay
Cherokee Sallisaw	Red Earth	Treasure Valley
Chicken Ranch	Red Hawk	Tulalip Bingo
Chisholm Trails	River Spirit Casino	Turning Stone Canastota
Choctaw Broken Bow	Riverstar	SavOn
Choctaw Durant	Riverwind	Turning Stone Inn
Choctaw Grant	Lucky Star Clinton	Turning Stone Oneida
Choctaw Jena Pines	Lucky Star Concho	Lake
Choctaw McAlester	Miccosukee	Turning Stone Patrick
Choctaw Pocola	Mohawk Akwesasne	Road
Choctaw Stringtown	Morongo	Turning Stone PlayOn
Colusa Casino	Muckleshoot Bingo	Oneida
Coulee Dam	Muckleshoot Casino	Turning Stone Verona
Dejope	Naskila Entertainment	Viejas Casino
Desert Diamond West Valley	Newcastle	Wind Creek
Eagle Mountain	Northern Lights & Shingobee	Wind Creek Wetumpka
Eagle Pass	Northwood	WinnaVegas
Eagles Landing	Ohiya Resort	Winstar
Elwha River	Osage Sand Springs	Wyandotte
Feather Warrior	Osage Tulsa	Wyandotte Nation
Four Winds South Bend	Paoli-Washita	Yakama
Gold Mountain	Potawatomi Carter	
Golden Eagle	Salt Creek	
Goldsby Gaming	San Manuel	
Grand Casino Hotel Resort	San Pablo	
Grand Treasure	Seminole Nation	

Appendix E-9

Response to RFP Section 4.1.17.E (iv)
SITE CONTROLLER APPLICATION FUNCTIONALITY

Technical Specifications

Appendix E-10



Working with the Central System Management Terminal

Version 2.0

May 2019

Appendix E-11



Working with the Central System Validation Terminal

Version 2.0

May 2019



Central Determinant System Reports Definition

Appendix E-13

Everi SUPPLIER DIVERSITY POLICY

As Everi expands into new opportunities, we want to help cultivate our communities along the way. We strongly believe that by maximizing diversity in our value chain, we can create more prosperous communities in which we live and work and open doors to business opportunities with underrepresented segments. Working together, it is our goal to be a role model to unite our shareholders, customers, and business partners in building a strong, diverse community.

Everi is committed to enabling diverse suppliers to have an equal opportunity to be included in our strategic sourcing and procurement processes.

Everi's Supplier diversity objectives focus on:

- Proactively looking for opportunities to partner with certified diverse suppliers who can provide competitive, high-quality materials and services that meet or exceed the needs of our business and align with our business strategy;
- Fostering a culture based on diversity and inclusion both within Everi as well as with our close partners; and supporting our diversity goals while at the same time supporting the growth of diverse businesses in our community.

All Suppliers that seek to do business with Everi must demonstrate the ability to add value, and provide high-quality goods and services that are competitively priced, reliable, and aligned with our superior level of service.

Everi will look for opportunities to participate in programs that support or help contribute to the development and success of small business, women owned, minority owned, or other diverse businesses, and/or opportunities to participate in conferences, trade shows, procurement events, or other forums, which promote business with diverse suppliers.

Everi's Supplier Diversity program is focused on businesses certified as belonging to one or more of the following classifications. Additional classifications or criteria may be added on a case-by-case basis, and as updated by applicable state, federal, and local laws in effect from time to time.

Minority Business Enterprise: a business enterprise that is at least 51% owned by, and whose management and daily business operations are controlled by, U.S. citizens belonging to recognized ethnic minority groups: African American, Hispanic American, Asian Pacific American, Native American, or Asian Indian American.

Women Business Enterprise: a business enterprise that is at least 51% owned by, and whose management and daily business operations are controlled by U.S. citizens who are female in gender. **Note:** Foreign-owned companies operating in or out of the U.S. are not included.

Tribal Business Enterprise: a commercial activity or business managed or controlled by an Indian tribe, as defined in 25 USCS § 4302 (8).

Native Business: a business enterprise that is at least 51% owned by, and whose management and daily business operations are controlled by, U.S. citizens who are enrolled members of a federally recognized U.S. Native American Tribe.

Lesbian, Gay, Bisexual or Transgender (LGBT) Business Enterprise: a business enterprise that is at least 51% owned by (or if a publicly owned business, at least 51% of the stock of

which is owned by one or more lesbian, gay, bisexual, or transgender persons), and whose management and daily business operations are controlled by, one or more U.S. citizens who are a lesbian, gay, bisexual, or transgender person or persons.

Disabled Veteran Business Enterprise: a business enterprise that is at least 51% owned by, and whose management and daily business operations are controlled by, one or more U.S. citizens who are disabled veterans. A disabled veteran is a veteran of the U.S. Military with a service-connected disability that exceeds 10 percent.

Disabled Business Enterprise: a business enterprise that is at least 51% owned by U.S. citizens who are disabled individual or service-disabled individual.

HUB Zone Small Business Enterprise: among other criteria, a business enterprise that is owned by, and whose management and daily business operations are controlled by, one or more U.S. citizens with a business located within a historically underutilized business (HUB) or enterprise zone and which employs at least 35 percent of its workforce from HUB Zone residents.

Disadvantaged Business Enterprise: among other criteria, a business enterprise that is at least 51% owned by one or more U.S. citizens who are socially and economically disadvantaged; or, in the case of any publicly-owned business, at least 51% of the stock of which is owned by one or more such persons; and whose management and daily business operations are controlled by one or more such individuals. Qualifications for supplier diversity are determined by the U.S. federal government for participation in the SBA 8(a) program.

All diverse suppliers must be certified by third party organizations such as their respective State Government Agencies, the National Minority Supplier Development Council (NMSDC), the Women's Business Enterprise National Council (WBENC), or the National Association of Women Business Owners (NAWBO).

For questions about Everi's supplier diversity initiative, or to register with Everi as a diverse supplier to be considered for future procurement needs, please contact SupplierDiversity@Everi.com.



Everi Games Inc. Women's Leadership Initiative

The Women's Leadership Initiative (WLI) program promotes and advocates for gender diversity in all levels of leadership at Everi Games Inc. Eighty employees have participated in the program since the initial launch in January 2017. The WLI has committed \$300,000 towards diversity and inclusion efforts to date, supporting the program overall among five of our locations across the US. Currently, each program operates independently, but coordinates with regular cross-communication and shared development opportunities.

Members are determined through manager recommendation, diversity of discipline, and location. Managers identify high performing and high potential employees to recommend.

The Las Vegas team currently leads a mentorship program for their members, which partners our current participants with former members, as well as with higher-level executives. The Games team is in the process of defining a mentorship program as well, ideally one that will work for those involved in WLI and the company as a whole.

The WLI also offers leadership development training through in person workshops, online webinars, classes, conferences, and books. The WLI provides opportunities to give back to the community and inspire the next generation of women leaders by learning and networking with other successful women in the community and industry. In fact, over the last two years there has been a 40% promotion rate of women in the Las Vegas group alone.

Forward Looking Goals:

- Open the program to employees in any location, including employees working remotely.
- Open the program to any number of employees that want to participate.
- Combine the Las Vegas and Games programs under one umbrella.

The Games Program focuses on:

AWARENESS

- Individual & Corporate on the existing imbalance and value of diversity
- Potential causes of the lack of diversity

DEVELOPMENT

- Leadership skills
- Tangible/actionable tools to build improvement
- Networking & Sponsorship
- Processes that help promote diversity

INSPIRATION

- Hearing from others that have seen the benefits
- Sharing internal stories
- Building the next generation



Who is involved in WLI Games:

- All Games campuses (Wild Basin, North Tech, Reno, Chicago)
 - Combine events with Las Vegas WLI at least 2 times per year
- 25 employees
- Cabinet: at least 1 rep per campus plus diversity in disciplines
- Opportunity for inclusion
 - Strive for diversity in participant list
 - <15% of men as part of group

Measurements of Success for WLI group:

- Increase in retention rate of female employees (by end of 2019)
- Increase in number of women in Director level or higher positions (by end of 2019)
- Engagement of HR and Executives in creating policies and/or initiatives to increase diversity (by end of 2019)

Measurable Results Observed Since Inception of Program in April 2017 to June 2018:

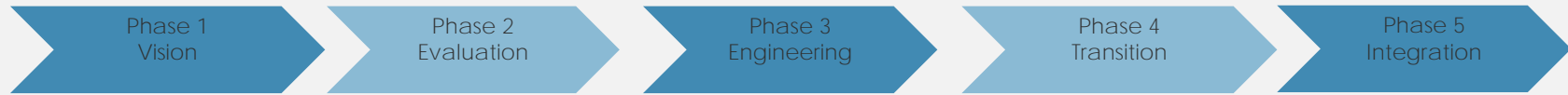
Retention Rate for 2017 = 79%

Retention Rate Jan 2018-June 2018 = 89%

March 2018: 13.04% Women in leadership positions

Overall female employees = 21% in June 2018

Everi Games Work Plan



	Phase 1 Vision & Objectives	Phase 2 Evaluation & Planning	Phase 3 Engineering & Validation	Phase 4 Transition	Phase 5 Integration & Stabilization
Activities & Outcomes	List of activities ->	List of activities -> ->	List of activities -> -> ->	List of activities -> -> -> ->	List of Activities -> -> -> -> ->
	Finalize requirements with the Commission to develop and release an updated VLT ICD to support enhancements to Central System and VLT Operations. Completion: November 2019	Review recommended ICD changes with game manufacturers. Document questions and concerns Completion: December 2019	If proposed approach to Promotions (Section 19 of Bidders Response) is approved by Commission. Build on existing VLT Service to support direct crediting of VLT's and validate across all game manufacturers Completion: To Be Determined based on approval and Game Manufacturers ability to meet implementation details.	Operations can continue uninterrupted with existing system hardware and software Completion: Not applicable	If proposed approach to Promotions (Section 19 of Bidders Response) is approved by Commission. Work with Commission to determine first facility to release and burn in with option to gradually increase number of facilities per deployment effort Completion: To Be Determined based on approval and Game Manufacturers ability to meet implementation details.
	Finalize requirements with the Commission to develop and release an updated VLT ICD to support enhancements to Central System and ETG Operations. Completion: November 2019	Evaluate use of existing SAS Long Poll (i.e AFT Transfer) with game manufacturers as a viable option to support Credit Download. Document questions and Concerns Completion January 2020	If proposed approach to Promotions (Section 19 of Bidders Response) is approved by Commission. Build on existing SAS Host Service to support direct crediting of ETG's and validate across all game manufacturers Completion: To Be Determined based on approval and Game Manufacturers ability to meet implementation details.	Operations can continue uninterrupted with existing system hardware and software Completion: Not applicable	Work with Commission to determine first facility to release and burn in with option to gradually increase number of facilities per deployment effort Completion: To Be Determined based on approval and Game Manufacturers ability to meet implementation details.
	Finalize requirements with the Commission to develop and release an updated Player Tracking ICD to support enhancements to Central System and integrate with VLT's and ETG's Completion: November 2019	Share and review updated protocol document with Player Tracking providers. Document questions and concerns Completion: January 2020	If proposed approach to Promotions (Section 19 of Bidders Response) is approved by Commission. Extend current Player Tracking interface to support Free Play offers to patrons who have reached defined milestones. Leverage existing remote connectivity with Player Tracking providers for interoperability testing and validation. Provide the same support for new and interested Player Tracking providers as needed Completion: To Be Determined based on approval and Player Tracking Providers ability to meet implementation details.	Current Player Tracking support for existing providers can continue to operate as is with existing hardware and software implementation Completion: Not applicable	Work with Commission to determine first facility to release and burn in with option to gradually increase number of facilities per deployment effort. Completion: To Be Determined based on approval and Player Tracking Providers ability to meet implementation details.
	Identify the latest commercially viable Microsoft SQL Server Platform to transition Manufacturing/Central system to Completion: December 2019	Steps: - Compile and review conversion checklist for previous successful migrations. - Leverage what can be reused and add new line items where applicable. Evaluation include determining if proprietary application changes are needed - Create validation steps Completion: March 2020	Steps: - Build out proof of concept environment to support simulation of conversion procedures - Develop application changes where necessary. Multiple cycles may be needed - Execute Validation steps. Multiple cycles may be needed Completion: February 2021	Current Manufacturing/Central infrastructure will continue to operate as is with no interrupt to Central System operations Completion: Not applicable	If prior phases go as planned, we do not have concerns meeting this timeframe Completion: June 2021

Appendix E-16

NY Project and Sustaining Staffing					
Name	Title	Role	Previous Role Experience	Allocation (%)	
				Projects	Sustaining
Bennett Chan	Sr Director of Operations	Project Director	NY-Director VLT Software Development	100	100
Alex Williams	Manager Software Development	Software Development and Support	NY-VLT Software Development	100	100
Aaron Perl	Software Developer	Software Development and Support	NY-VLT Software Development	100	100
Sebastian Sarbora	Software Developer	Software Development and Support	NY-VLT Software Development	100	100
Shilpa Jadhav	Software Developer	Software Development and Support	NY-VLT Software Development	100	100
Daniel Lestage	Manager DB Development and Support	Database Development and Support	NY-VLT Database Development	100	100
Christopher Gebby	DB Developer	Database Development and Support	NY-VLT Database Development	100	100
Steve Lee	DB Developer	Database Development and Support	NY-VLT Database Development	100	100
Robert Rewkowski	Manager Field Service	Field Service	NY-Central System and VLT Deployment	100	100
Charles Hrusovsky	Field Service Supervisor (Western NY)	Field Service	NY-Central System and VLT Deployment at Empire City Casino	100	100
Donna Weckesser	Field Service Supervisor (Yonkers)	Field Service	NY- Central System and VLT Deployment Finger Lakes Gaming	100	100
Kin Chow	Field Service Supervisor (Central)	Field Service	NY-VLT Deployment-Resorts World	100	100
Kurt Thomas	Field Service Supervisor (Resorts World)	Field Service	NY-Empire City Expansion	100	100
Paul Ganesh	Systems Analyst	Central System Monitoring	NY-Central System Monitoring	100	100
Alex Monahan	Systems Analyst	Central System Monitoring	NY-Central System Monitoring	100	100
Anthony Craft	Systems Analyst	Central System Monitoring	NY-Central System Monitoring	100	100
Arthur Gibson	Systems Analyst	Central System Monitoring	NY-Central System Monitoring	100	100
Kavita Persaud	Systems Analyst	Central System Monitoring	NY-Central System Monitoring	100	100
Michael Pustolka	Systems Analyst	Central System Monitoring	NY-Central System Monitoring	100	100
Richard Rodriguez	Systems Analyst	Central System Monitoring	NY-Central System Monitoring	100	100
Todd Marchesi	Systems Analyst	Central System Monitoring	NY-Central System Monitoring	100	100
Rodney Barber	Director of Production Infrastructure	Network and System Design and Support	NY- Facility DB Migration & Jakes 58 Infrastructure Design	100	25
Adam Key	Network and System Architect	Network and System Design and Support	Class II/III Tribal Wide Area Progressive Gaming infrastructure	100	25
Mathew Muras	Network and System Architect	Network and System Design and Support	Class II/III Tribal Gaming Infrastructure Design and Deployment	100	25
Brad Green	Network and System Architect	Network and System Design and Support	NY-Central System and Infrastructure Deployment	100	100



EVERI

EVERI HOLDINGS, INC.

CHANGE MANAGEMENT POLICY

**NEW YORK STATE GAMING COMMISSION
APPLICATIONS AND I.T. RESOURCES**

NOTICE OF CONFIDENTIALITY:

This document contains proprietary information that is the property of Everi Holdings, Inc. ("EVERI"). Release or transmittal of this document, or any portion thereof, to any person not specifically authorized by EVERI to receive this information is strictly prohibited.

Copyright © 2018 Everi Holdings, Inc. All rights reserved.

Proposal Bond

KNOW ALL MEN BY THESE PRESENTS, That Everi Games Inc. (hereinafter called the **Principal**), as Principal, and RLI Insurance Company, a corporation duly organized under the laws of Illinois (hereinafter called the **Surety**), as Surety, are held and firmly bound unto New York State Gaming Commission (hereinafter called the **Obligee**), in the sum of (\$ 100,000) for the payment of which we, the said Principal and the said Surety, bind ourselves, our heirs, executors, administrators, successors and assigns, jointly and severally, firmly by these presents.

WHEREAS, the Principal has submitted a Proposal, dated 6/5/2019, for:
New York Lottery, Video Lottery Central System, C190001

NOW, THEREFORE, THE CONDITION OF THE OBLIGATION IS SUCH, that if the Obligee shall accept the proposal of the Principal and the Principal shall enter into a contract with the Obligee in accordance with such proposal and submit the Performance Bond or other security, as required, then this obligation shall be null and void. If the Principal fails to timely submit the Performance Bond or other security, as required, or fails to sign the Contract when required to do so by the Obligee, then the Proposal Bond will be forfeited to the Obligee.

This Proposal Bond expires eighteen (18) months after submission of the Proposal.

Signed and sealed this 30th day of May, 2019.

[Signature]
 Witness, W. TODD RESNIK

[Signature]
 Witness, Alicia Dass

Everi Games Inc.
 Principal
 By: [Signature] (SEAL)
DEAN EHRLICH

RLI Insurance Company
 By: [Signature] (SEAL)
Valerie Garcia, Attorney-in-Fact

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

CIVIL CODE § 1189

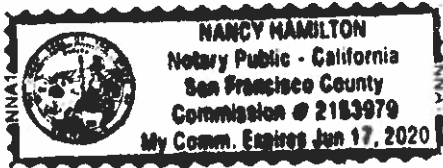
A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of San Francisco)
On 5/30/2019 before me, Nancy Hamilton, Notary Public
Date Here Insert Name and Title of the Officer
personally appeared Valerie Garcia
Name(s) of Signer(s)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.



Signature Nancy Hamilton
Signature of Notary Public

Place Notary Seal Above

OPTIONAL

Though this section is optional, completing this information can deter alteration of the document or fraudulent reattachment of this form to an unintended document.

Description of Attached Document

Title or Type of Document: _____ Document Date: _____
Number of Pages: _____ Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: Valerie Garcia
 Corporate Officer -- Title(s): _____
 Partner -- Limited General
 Individual Attorney in Fact
 Trustee Guardian or Conservator
 Other: _____
Signer Is Representing: _____

~~Signer's Name: _____
 Corporate Officer -- Title(s): _____
 Partner -- Limited General
 Individual Attorney in Fact
 Trustee Guardian or Conservator
 Other: _____
Signer Is Representing: _____~~

POWER OF ATTORNEY

RLI Insurance Company Contractors Bonding and Insurance Company

9025 N. Lindbergh Dr. Peoria, IL 61615
Phone: 800-645-2402

Know All Men by These Presents:

That this Power of Attorney is not valid or in effect unless attached to the bond which it authorizes executed, but may be detached by the approving officer if desired.

That RLI Insurance Company and/or Contractors Bonding and Insurance Company, each an Illinois corporation, (separately and together, the "Company") do hereby make, constitute and appoint:

Mark M. Munekawa, Roger C. Dickinson, Nancy L. Hamilton, Charles R. Shoemaker, Nerissa S. Bartolome, Stanley D. Loar, Yvonne Roncagliolo, Joan DeLuca, Kelly Holtemann, Patrick R. Diebel, Alicia Dass, Valerie Garcia, jointly or severally

in the City of San Francisco, State of California its true and lawful Agent(s) and Attorney(s) in Fact, with full power and authority hereby conferred, to sign, execute, acknowledge and deliver for and on its behalf as Surety, in general, any and all bonds and undertakings in an amount not to exceed Twenty Five Million Dollars (\$25,000,000.00) for any single obligation.

The acknowledgment and execution of such bond by the said Attorney in Fact shall be as binding upon the Company as if such bond had been executed and acknowledged by the regularly elected officers of the Company.

RLI Insurance Company and/or Contractors Bonding and Insurance Company, as applicable, have each further certified that the following is a true and exact copy of a Resolution adopted by the Board of Directors of each such corporation, and is now in force, to-wit:

"All bonds, policies, undertakings, Powers of Attorney or other obligations of the corporation shall be executed in the corporate name of the Company by the President, Secretary, any Assistant Secretary, Treasurer, or any Vice President, or by such other officers as the Board of Directors may authorize. The President, any Vice President, Secretary, any Assistant Secretary, or the Treasurer may appoint Attorneys in Fact or Agents who shall have authority to issue bonds, policies or undertakings in the name of the Company. The corporate seal is not necessary for the validity of any bonds, policies, undertakings, Powers of Attorney or other obligations of the corporation. The signature of any such officer and the corporate seal may be printed by facsimile."

IN WITNESS WHEREOF, the RLI Insurance Company and/or Contractors Bonding and Insurance Company, as applicable, have caused these presents to be executed by its respective Vice President with its corporate seal affixed this 3rd day of October, 2018.



RLI Insurance Company
Contractors Bonding and Insurance Company
By: Barton W. Davis
Barton W. Davis Vice President

State of Illinois }
County of Peoria } SS

On this 3rd day of October, 2018, before me, a Notary Public, personally appeared Barton W. Davis, who being by me duly sworn, acknowledged that he signed the above Power of Attorney as the aforesaid officer of the RLI Insurance Company and/or Contractors Bonding and Insurance Company and acknowledged said instrument to be the voluntary act and deed of said corporation.

By: Gretchen L. Johnnigk
Gretchen L. Johnnigk Notary Public



CERTIFICATE

I, the undersigned officer of RLI Insurance Company and/or Contractors Bonding and Insurance Company, do hereby certify that the attached Power of Attorney is in full force and effect and is irrevocable; and furthermore, that the Resolution of the Company as set forth in the Power of Attorney, is now in force. In testimony whereof, I have hereunto set my hand and the seal of the RLI Insurance Company and/or Contractors Bonding and Insurance Company this 30th day of MAY, 2017.

RLI Insurance Company
Contractors Bonding and Insurance Company
By: Jean M. Stephenson
Jean M. Stephenson Corporate Secretary

LITIGATION BOND

KNOW ALL BY THESE PRESENTS: That we, Everi Games Inc., as Principal (hereinafter referred to as "Principal") and the RLI Insurance Company, as Surety (hereinafter referred to as "Surety") are held and firmly bound jointly and severally unto the New York State Gaming Commission, as Obligee (hereinafter referred to as "Obligee") in the sum of One Million and 00/100 Dollars (\$1,000,000.00) to which payment will and truly to be made, we hereby bind ourselves, our successors, and assigns, firmly by these presents.

WHEREAS, the New York State Gaming Commission issued a Request for Proposal (hereinafter referred to as "RFP") dated 4/23/2019 for New York Lottery, Video Lottery Central System, C190001 and in response to the RFP the Principal has submitted a proposal to the Obligee.

WHEREAS, the RFP requires the Principal to submit with its proposal a litigation bond in the amount of One Million and 00/100 Dollars (\$1,000,000.00).

NOW, THEREFORE, the condition of this obligation is such that in the event that: (i) Principal brings any legal action against the Obligee (including any individual member thereof or any employees of the Obligee) related to the award of the contract pursuant to the RFP; and (ii) the Obligee is the prevailing party at the conclusion of the litigation, then the Obligee shall have reason to file claim against this bond to recover damages due to such suit brought by the Principal.

This obligation shall remain in full force and effect for two (2) years from the bid submission date; however, the Principal may request and the Obligee may grant (but shall not be required to grant) a release of the bond after six (6) months from the bid submission date in return for a release and covenant not to sue in a form acceptable to the Obligee.

In no event shall the liability of the Surety exceed the penal sum stated herein.

IN WITNESS WHEREOF, the above parties have executed this instrument under their seals this 30th day of May, 2019.

WITNESS:
W. Todd Resnik
W. Todd Resnik

Principal Everi Games Inc.
Dean Ehrlich
BY: DEAN EHRlich

WITNESS
Alicia Dass
Alicia Dass

RLI Insurance Company
Valerie Garcia
BY: Valerie Garcia, Attorney in Fact



CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

CIVIL CODE § 1189

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of San Francisco)

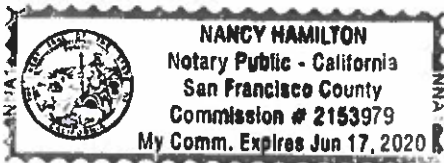
On 5/30/2019 before me, Nancy Hamilton, Notary Public
Date Here Insert Name and Title of the Officer

personally appeared Valerie Garcia
Name(s) of Signer(s)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.



Signature Nancy Hamilton
Signature of Notary Public

Place Notary Seal Above

OPTIONAL

Though this section is optional, completing this information can deter alteration of the document or fraudulent reattachment of this form to an unintended document.

Description of Attached Document

Title or Type of Document: _____ Document Date: _____

Number of Pages: _____ Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: Valerie Garcia

- Corporate Officer — Title(s): _____
- Partner — Limited General
- Individual Attorney in Fact
- Trustee Guardian or Conservator
- Other: _____

Signer Is Representing: _____

~~Signer's Name: _____~~

- ~~Corporate Officer — Title(s): _____~~
- ~~Partner — Limited General~~
- ~~Individual Attorney in Fact~~
- ~~Trustee Guardian or Conservator~~
- ~~Other: _____~~

~~Signer Is Representing: _____~~

POWER OF ATTORNEY

RLI Insurance Company Contractors Bonding and Insurance Company

9025 N. Lindbergh Dr. Peoria, IL 61615
Phone: 800-645-2402

Know All Men by These Presents:

That this Power of Attorney is not valid or in effect unless attached to the bond which it authorizes executed, but may be detached by the approving officer if desired.

That RLI Insurance Company and/or Contractors Bonding and Insurance Company, each an Illinois corporation, (separately and together, the "Company") do hereby make, constitute and appoint:

Mark M. Munekawa, Roger C. Dickinson, Nancy L. Hamilton, Charles R. Shoemaker, Nerissa S. Bartolome, Stanley D. Loar, Yvonne Roncagliolo, Joan DeLuca, Kelly Holtemann, Patrick R. Diebel, Alicia Dass, Valerie Garcia, jointly or severally

in the City of San Francisco, State of California its true and lawful Agent(s) and Attorney(s) in Fact, with full power and authority hereby conferred, to sign, execute, acknowledge and deliver for and on its behalf as Surety, in general, any and all bonds and undertakings in an amount not to exceed Twenty Five Million Dollars (\$25,000,000.00) for any single obligation.

The acknowledgment and execution of such bond by the said Attorney in Fact shall be as binding upon the Company as if such bond had been executed and acknowledged by the regularly elected officers of the Company.

RLI Insurance Company and/or Contractors Bonding and Insurance Company, as applicable, have each further certified that the following is a true and exact copy of a Resolution adopted by the Board of Directors of each such corporation, and is now in force, to-wit:

"All bonds, policies, undertakings, Powers of Attorney or other obligations of the corporation shall be executed in the corporate name of the Company by the President, Secretary, any Assistant Secretary, Treasurer, or any Vice President, or by such other officers as the Board of Directors may authorize. The President, any Vice President, Secretary, any Assistant Secretary, or the Treasurer may appoint Attorneys in Fact or Agents who shall have authority to issue bonds, policies or undertakings in the name of the Company. The corporate seal is not necessary for the validity of any bonds, policies, undertakings, Powers of Attorney or other obligations of the corporation. The signature of any such officer and the corporate seal may be printed by facsimile."

IN WITNESS WHEREOF, the RLI Insurance Company and/or Contractors Bonding and Insurance Company, as applicable, have caused these presents to be executed by its respective Vice President with its corporate seal affixed this 3rd day of October, 2018.



RLI Insurance Company
Contractors Bonding and Insurance Company

By: Barton W. Davis
Barton W. Davis Vice President

State of Illinois }
County of Peoria } SS

CERTIFICATE

On this 3rd day of October, 2018, before me, a Notary Public, personally appeared Barton W. Davis, who being by me duly sworn, acknowledged that he signed the above Power of Attorney as the aforesaid officer of the RLI Insurance Company and/or Contractors Bonding and Insurance Company and acknowledged said instrument to be the voluntary act and deed of said corporation.

I, the undersigned officer of RLI Insurance Company and/or Contractors Bonding and Insurance Company, do hereby certify that the attached Power of Attorney is in full force and effect and is irrevocable; and furthermore, that the Resolution of the Company as set forth in the Power of Attorney, is now in force. In testimony whereof, I have hereunto set my hand and the seal of the RLI Insurance Company and/or Contractors Bonding and Insurance Company this 30th day of MAY, 2019.

By: Gretchen L. Johnnigk
Gretchen L. Johnnigk Notary Public

RLI Insurance Company
Contractors Bonding and Insurance Company
By: Jean M. Stephenson
Jean M. Stephenson Corporate Secretary



Executed in Quadruplicate



 RLI Surety
A division of RLI Insurance Company

9025 N. Lindbergh Dr. | Peoria, IL 61615
P: 309-692-1000 | www.rlicorp.com

May 30, 2019

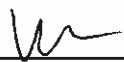
New York State Gaming Commission
Contracts Office, 4th Floor
One Broadway Center
Schenectady, NY 12305

Re: Everi Games Inc.
Request For Proposals
New York Lottery
Video Lottery Central System, C190001
Bid Date: June 5, 2019

This letter is to advise that if Everi Games Inc. is the successful bidder to the above captioned project, then we, RLI Insurance Company, are prepared to write the required Performance Bond on an annually renewable basis.

However, the issuance of any Performance Bond will depend on the underwriting conditions which exist at the time the bond is requested and the acceptability of the contract terms and conditions.

Sincerely,

By: 
Valerie Garcia, Attorney-in-Fact
RLI Insurance Company

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

CIVIL CODE § 1189

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)

County of San Francisco)

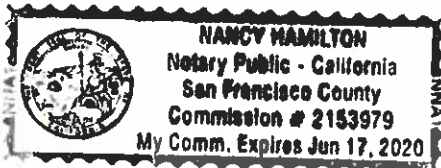
On 5/30/2019 before me, Nancy Hamilton, Notary Public
Date Here Insert Name and Title of the Officer

personally appeared Valerie Garcia
Name(s) of Signer(s)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.



Signature Nancy Hamilton
Signature of Notary Public

Place Notary Seal Above

OPTIONAL

Though this section is optional, completing this information can deter alteration of the document or fraudulent reattachment of this form to an unintended document.

Description of Attached Document

Title or Type of Document: _____ Document Date: _____

Number of Pages: _____ Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: Valerie Garcia

Corporate Officer — Title(s): _____

Partner — Limited General

Individual Attorney in Fact

Trustee Guardian or Conservator

Other: _____

Signer Is Representing: _____

~~Signer's Name: _____~~

~~Corporate Officer — Title(s): _____~~

~~Partner — Limited General~~

~~Individual Attorney in Fact~~

~~Trustee Guardian or Conservator~~

~~Other: _____~~

~~Signer Is Representing: _____~~

POWER OF ATTORNEY

RLI Insurance Company Contractors Bonding and Insurance Company

9025 N. Lindbergh Dr. Peoria, IL 61615
Phone: 800-645-2402

Know All Men by These Presents:

That this Power of Attorney is not valid or in effect unless attached to the bond which it authorizes executed, but may be detached by the approving officer if desired.

That RLI Insurance Company and/or Contractors Bonding and Insurance Company, each an Illinois corporation, (separately and together, the "Company") do hereby make, constitute and appoint:

Mark M. Munekawa, Roger C. Dickinson, Nancy L. Hamilton, Charles R. Shoemaker, Nerissa S. Bartolome, Stanley D. Loar, Yvonne Roncagiolo, Joan DeLuca, Kelly Holtemann, Patrick R. Diebel, Alicia Dass, Valerie Garcia, jointly or severally

in the City of San Francisco, State of California its true and lawful Agent(s) and Attorney(s) in Fact, with full power and authority hereby conferred, to sign, execute, acknowledge and deliver for and on its behalf as Surety, in general, any and all bonds and undertakings in an amount not to exceed Twenty Five Million Dollars (\$25,000,000.00) for any single obligation.

The acknowledgment and execution of such bond by the said Attorney in Fact shall be as binding upon the Company as if such bond had been executed and acknowledged by the regularly elected officers of the Company.

RLI Insurance Company and/or Contractors Bonding and Insurance Company, as applicable, have each further certified that the following is a true and exact copy of a Resolution adopted by the Board of Directors of each such corporation, and is now in force, to-wit:

"All bonds, policies, undertakings, Powers of Attorney or other obligations of the corporation shall be executed in the corporate name of the Company by the President, Secretary, any Assistant Secretary, Treasurer, or any Vice President, or by such other officers as the Board of Directors may authorize. The President, any Vice President, Secretary, any Assistant Secretary, or the Treasurer may appoint Attorneys in Fact or Agents who shall have authority to issue bonds, policies or undertakings in the name of the Company. The corporate seal is not necessary for the validity of any bonds, policies, undertakings, Powers of Attorney or other obligations of the corporation. The signature of any such officer and the corporate seal may be printed by facsimile."

IN WITNESS WHEREOF, the RLI Insurance Company and/or Contractors Bonding and Insurance Company, as applicable, have caused these presents to be executed by its respective Vice President with its corporate seal affixed this 3rd day of October, 2018.



RLI Insurance Company
Contractors Bonding and Insurance Company

By: B. W. Davis
Barton W. Davis Vice President

State of Illinois }
County of Peoria } SS

CERTIFICATE

On this 3rd day of October, 2018, before me, a Notary Public, personally appeared Barton W. Davis, who being by me duly sworn, acknowledged that he signed the above Power of Attorney as the aforesaid officer of the RLI Insurance Company and/or Contractors Bonding and Insurance Company and acknowledged said instrument to be the voluntary act and deed of said corporation.

I, the undersigned officer of RLI Insurance Company and/or Contractors Bonding and Insurance Company, do hereby certify that the attached Power of Attorney is in full force and effect and is irrevocable; and furthermore, that the Resolution of the Company as set forth in the Power of Attorney, is now in force. In testimony whereof, I have hereunto set my hand and the seal of the RLI Insurance Company and/or Contractors Bonding and Insurance Company this 30th day of May, 2019.

By: Gretchen L. Johnnigk
Gretchen L. Johnnigk Notary Public

RLI Insurance Company
Contractors Bonding and Insurance Company

By: Jean M. Stephenson
Jean M. Stephenson Corporate Secretary





EVERI

**New York Gaming Commission
Video Lottery Central System**

Request for Proposal: C190001

June 2019

Fidelity Bond



**DECLARATIONS
CRIME INSURANCE POLICY**

These Declarations along with the completed and signed Application and the Policy with endorsements shall constitute the contract between the **Insureds** and the Insurer.

Insurer: Beazley Insurance Company, Inc.

Policy Number: V19DC2180401

Item 1. Insured: Everi Holding, Inc.
Address: 7250 South Tenaya Way
Suite 100
Las Vegas, NV 89113

Item 2. **Policy Period:**

From: 23-Oct-2018

To: 23-Oct-2019

Both dates at 12:01 a.m. Local Time at the Address stated in Item 1.

		Item 3: Limit of Liability	Item 4: Deductible
Insuring Clause A:	Employee Dishonesty	\$5,000,000 each loss	\$150,000 each loss
Insuring Clause B:	Forgery or Alteration	\$5,000,000 each loss	\$150,000 each loss
Insuring Clause C:	On Premises	\$5,000,000 each loss	\$150,000 each loss
Insuring Clause D:	In Transit	\$5,000,000 each loss	\$150,000 each loss
Insuring Clause E:	Money Orders and Counterfeit Paper Currency Fraud	\$5,000,000 each loss	\$1,000 each loss
Insuring Clause F:	Computer Fraud and Funds Transfer Fraud	\$5,000,000 each loss	\$150,000 each loss
Insuring Clause G:	Client Property Coverage	\$5,000,000 each loss	\$150,000 each loss
Insuring Clause H:	Credit Card Coverage	\$5,000,000 each loss	\$1,000 each loss

15. E04633 042013 ed.
16. E06802 062017 ed.
17. BICCR05090606
18. E07438 012016 ed.
19. E07328 062015 ed.

Diminution of Deductible Endorsement
Fraudulent Instruction Coverage
Independent Contractor Endorsement
Loss Discovered Conversion
Notice of Cancellation

The Insurer has caused this Policy to be signed and attested by its authorized officers, but it shall not be valid unless also signed by another duly authorized representative of the Insurer.



Authorized Representative

25-Oct-2018

Date



Secretary



President

Effective date of this Endorsement: 23-Oct-2018

This Endorsement is attached to and forms a part of Policy Number: V19DC2180401
Beazley Insurance Company, Inc. referred to in this endorsement as either the "Insurer" or the
"Underwriters"

DELETE EXCLUSION A.20. (CORRECTION ENDORSEMENT)

This endorsement modifies insurance provided under the following:

CRIME INSURANCE

In consideration of the premium charged for the Policy, it is hereby understood and agreed that Clause III.
Exclusion A.20 is deleted in its entirety.

All other terms and conditions of this Policy remain unchanged.



Authorized Representative

8. loss of trade secrets, confidential processing methods, confidential information, patents, copyrights, trademarks or intangible or intellectual property of any kind, provided this exclusion does not apply to loss of **Money, Securities or Property** sustained by an **ERISA Plan** resulting from a **Fraudulent or Dishonest Act** committed by an **Employee** acting alone or in collusion with others;
7. Solely with respect to loss sustained by an **ERISA Plan**, payment by the Insurer for covered loss shall be to the **ERISA Plan** sustaining such loss. If such payment is in excess of the amount of coverage required by ERISA for any such **ERISA Plan(s)**, such excess shall be held for the use and benefit of any other named **ERISA Plan(s)** should such **ERISA Plan(s)** also discover loss recoverable hereunder.

With respect to any **ERISA Plan(s)**:

1. if covered loss is sustained by any **ERISA Plan** which does not have any employer securities, the Limit of Liability applicable to such covered loss shall be the lesser of ten percent (10%) of the **ERISA Plan's** funds handled as of the beginning of such **ERISA Plan's fiscal** year or five hundred thousand dollars (\$500,000); or
2. if covered loss is sustained by any **ERISA Plan** which does have any employer securities, the Limit of Liability applicable to such covered loss shall be the lesser of ten percent (10%) of the **ERISA Plan's** funds handled as of the beginning of such **ERISA Plan's** fiscal year or one million (\$1,000,000);

provided that, in all events:

- (a) if the applicable Limit of Liability as set forth in the Declarations is less than the amounts set forth in paragraphs 1. or 2. above, then the applicable Limit of Liability shall be amended to the respective amounts set forth in paragraphs 1. or 2. above; or
- (b) if the applicable Limit of Liability as set forth in the Declarations equals or exceeds the amounts set forth in paragraphs 1. or 2. above, then the applicable Limit of Liability shall be the Limit of Liability as set forth in the Declarations applicable to this coverage section.

All other terms and conditions of this Policy remain unchanged.



Authorized Representative

Effective date of this Endorsement: 23-Oct-2018

This Endorsement is attached to and forms a part of Policy Number: V19DC2180401
Beazley Insurance Company, Inc. Referred to in this endorsement as either the "Insurer" or the
"Underwriters"

NEVADA AMENDATORY ENDORSEMENT

This endorsement modifies insurance provided under the following:

CRIME INSURANCE POLICY.

1. Clause VI. **Termination, Cancellation and Nonrenewal** C.2 and 3 are deleted and replaced with the following:
2. If this Policy has been in effect for less than seventy (70) days and is not a renewal Policy, the Insurer may cancel this Policy for any reason.

If this Policy has been in effect for at least seventy (70) days or is a renewal Policy, the Insurer may only cancel the Policy for any of the following reasons:

1. nonpayment of premium;
2. conviction of the **Insured** of a crime arising out of acts increasing the hazard insured against;
3. discovery of fraud or material misrepresentation in the obtaining of the Policy or in the presentation of a **Claim** thereunder;
4. discovery of: (a) an act or omission, or (b) a violation of any condition of the Policy, which occurred after the first effective date of the current Policy and substantially and materially increases the hazard insured against;
5. a material change in the nature or extent of the risk, occurring after the first effective date of the current Policy, which causes the risk of loss to be substantially and materially increased beyond that contemplated at the time the Policy was issued or last renewed;
6. a determination by the Commissioner that the continuation of the Insurer's present volume of premiums would jeopardize the Insurer's solvency or be hazardous to the interests of policyholders of the Insurer, its creditors or the public; or
7. a determination by the Commissioner that the continuation of the Policy would violate, or place the Insurer in violation of, any provision of the Code.

If the Insurer cancels this Policy for the reason set forth in 1. above, the Insurer shall deliver or mail by first class or certified mail written notice of cancellation to the **Insured** at least ten (10) days before the effective date of cancellation. If the Insurer cancels this Policy for any of the reasons set forth in 2. through 7. above, the Insurer shall deliver or mail by first class or certified mail written notice of cancellation to the **Insured** at least thirty (30) days before the effective date of cancellation.

3. The notice of cancellation shall state the reason for cancellation. The mailing of such notice shall be sufficient notice and the effective date of cancellation stated in the notice shall become the end of the **Policy Period**. Delivery of such written notice by the Insurer shall be equivalent to mailing.

Effective date of this Endorsement: 23-Oct-2018

This Endorsement is attached to and forms a part of Policy Number: V19DC2180401
Beazley Insurance Company, Inc. Referred to in this endorsement as either the "Insurer" or the
"Underwriters"

SANCTION LIMITATION AND EXCLUSION CLAUSE

This endorsement modifies insurance provided under the following:

CRIME INSURANCE POLICY

No (re)insurer shall be deemed to provide cover and no (re)insurer shall be liable to pay any claim or provide any benefit hereunder to the extent that the provision of such cover, payment of such claim or provision of such benefit would expose that (re)insurer to any sanction, prohibition or restriction under United Nations resolutions or the trade or economic sanctions, law or regulations of the European Union, United Kingdom or United States of America.

All other terms and conditions of this Policy remain unchanged.



Authorized Representative

Effective date of this Endorsement: 23-Oct-2018

**This Endorsement is attached to and forms a part of Policy Number: V19DC2180401
Beazley Insurance Company, Inc. Referred to in this endorsement as either the "Insurer" or the
"Underwriters"**

AMEND CANCELLATION


This endorsement modifies insurance provided under the following:

CRIME INSURANCE POLICY

In consideration of the premium charged for the Policy, it is hereby understood and agreed that:

1. Clause VI. General Conditions, C.2. is amended to change the notice period for Insurer initiated cancellations to 60 days for all allowable reasons other than nonpayment of premium.
2. Clause VI. General Conditions, C.5. is deleted in its entirety and replaced with the following:
 5. If this Policy is cancelled, the Insurer shall send the **Insured** any premium refund as soon as practicable. The refund shall be on a pro-rata basis. The return or tender of a return premium is not a condition precedent to the cancellation becoming effective at the time stated in the cancellation notice.

All other terms and conditions of this Policy remain unchanged.



Authorized Representative

Effective date of this Endorsement: 23-Oct-2018

This Endorsement is attached to and forms a part of Policy Number: V19DC2180401
Beazley Insurance Company, Inc. referred to in this endorsement as either the "Insurer" or the
"Underwriters"

AMEND CLIENT PROPERTY COVERAGE FOR SPECIFIC CLIENT

This endorsement modifies insurance provided under the following:

CRIME INSURANCE POLICY

In consideration of the premium charged for the Policy, it is hereby understood and agreed that:

1. Clause II. Definitions B. "Client" is amended to include the following:

New York State Lottery

2. Solely with respect to the Client set forth in paragraph 1. above, items 3 and 4 of the declarations is amended by the following:

		Item 3: Limit of Liability	Item 4: Deductible
Insuring Clause G:	Client Property Coverage	\$5,000,000 each loss	\$150,000 each loss

All other terms and conditions of this Policy remain unchanged.


Authorized Representative

Effective date of this Endorsement: 23-Oct-2018

This Endorsement is attached to and forms a part of Policy Number: V19DC2180401
Beazley Insurance Company, Inc. referred to in this endorsement as either the "Insurer" or the
"Underwriters"

AMEND DEFINITION OF EMPLOYEE

This endorsement modifies insurance provided under the following:

CRIME INSURANCE POLICY

In consideration of the premium charged for the Policy, it is hereby understood and agreed that Clause II.
DEFINITIONS I. "Employee" is deleted in its entirety and replaced with the following:

- I. **"Employee"** means:
 1. a natural person:
 - (a) while in the regular service of the **Insured** in the ordinary course of its business or for sixty (60) days after termination of service;
 - (b) whom the **Insured** has the right to direct and control while performing labor or service for the **Insured** whether such labor or service is on a part-time, temporary, seasonal or full-time basis; and
 - (c) who is compensated directly by the **Insured** through salary, wages or commissions, whether or not they are compensated;
 2. a natural person who is a volunteer or leased **Employee** directed and controlled by the **Insured** while performing labor or service for the **Insured** pursuant to a lease or other written contract to which the **Insured** is a party;
 3. a natural person who is a director, trustee, officer, administrator, manager or partner of the **Insured**, when performing acts coming within the scope of the usual duties of an **Employee**;
 4. a natural person who is a trustee, officer, employee, administrator, fiduciary or manager of any **Plan** or any other natural person who is required to be bonded by Title 1 of the Employee Retirement Income Security Act of 1974, as amended;
 5. a natural person who is a former or retired **Employee** who is retained as a consultant, but solely while such individuals are performing acts within the scope of the usual duties of an **Employee** for or on behalf of the **Insured**, and while under the supervision, direction and control of the **Insured**.
 6. members of any committee duly authorized by the **Insured**, but solely while such individuals are performing services within the scope of the usual duties of an **Employee** for or on behalf of the **Insured**.

The term **Employee** does not include any agent, broker or commission merchant of the **Insured**.

All other terms and conditions of this Policy remain unchanged.



Authorized Representative

Effective date of this Endorsement: 23-Oct-2018

This Endorsement is attached to and forms a part of Policy Number: V19DC2180401
Beazley Insurance Company, Inc. Referred to in this endorsement as either the "Insurer" or the
"Underwriters"

COUNTERFEIT CURRENCY OF ANY COUNTRY

This endorsement modifies insurance provided under the following:

CRIME INSURANCE

In consideration of the premium charged for the Policy, it is hereby understood and agreed that Clause I.
Insuring Clauses E. 2. is deleted and replaced with:

2. counterfeit paper currency of any country that is acquired in the regular course of business from a
Third Party.

All other terms and conditions of this Policy remain unchanged.



Authorized Representative

Effective date of this Endorsement: 23-Oct-2018

This Endorsement is attached to and forms a part of Policy Number: V19DC2180401
Beazley Insurance Company, Inc. referred to in this endorsement as either the "Insurer" or the
"Underwriters"

FRAUDULENT INSTRUCTION COVERAGE

This endorsement modifies insurance provided under the following:

CRIME INSURANCE POLICY

In consideration of the premium charged for the Policy, it is hereby understood and agreed that:

1. Clause I. Insuring Clauses is amended by the addition of:

FI. FRAUDULENT INSTRUCTION

The Insurer shall indemnify the first named **Insured** for loss resulting directly from an **Insured** having transferred, paid, or delivered any **Money** or **Securities** as a direct result of **Fraudulent Instructions** provided by a person purporting to be a **Vendor**, **Client**, or an **Authorized Employee**.

2. Clause II. Definitions is amended by the addition of:

"Authorized Employee" means an **Employee** who is authorized by the **Insured** to transfer **Money** or **Securities** or to instruct other **Employees** to transfer **Money** or **Securities**.

"Fraudulent Instructions" means a fraudulent written instruction, electronic instruction (including email or web-based instruction) or telephone instruction that is intended to mislead an **Insured** through the misrepresentation of a material fact that is relied upon in good faith by such **Insured**.

"Vendor" means any entity or natural person that provides goods or services to the **Insured** pursuant to a written agreement.

3. The Insurer shall not be liable under this Policy for any loss or damage sustained by any **Insured** that results from or arises out of, directly or indirectly, any actual or purported instruction to transfer **Money**, **Securities**, **Property**, **Merchandise**, **Data** or any other item or information; provided that this exclusion shall not apply to loss to which Insuring Clause I.FI. applies.
4. All losses arising out of or resulting from the same **Fraudulent Instruction**, multiple or a series of **Fraudulent Instructions** purporting to be from the same **Vendor**, **Client** or **Authorized Employee** or related **Vendors**, **Clients** or **Authorized Employees**, or multiple or a series of **Fraudulent Instructions** from the same **Third Party** or related **Third Parties** shall be deemed a single loss under this Policy subject to the each loss limit set forth in Section 6. of this Endorsement.
5. Clause III. Exclusions is amended by the addition of:
 - FI. The Insurer shall not be liable under Insuring Clause I.FI. for loss or damage arising out of or resulting from, either directly or indirectly:
 1. the actual or alleged use of credit, debit, charge, access, convenience, customer identification or other cards;

Effective date of this Endorsement: 23-Oct-2018

This Endorsement is attached to and forms a part of Policy Number: V19DC2180401
Beazley Insurance Company, Inc. Referred to in this endorsement as either the "Insurer" or the
"Underwriters"

INDEPENDENT CONTRACTOR ENDORSEMENT

This endorsement modifies insurance provided under the following:

CRIME INSURANCE POLICY

In consideration of the premium charged for the Policy, it is hereby understood and agreed that:

1. Clause II. Definitions I. "**Employee**" is amended to include any independent contractor placed by any **Insured** at a **Client's** location while in the regular service of the **Insured** in the ordinary course of the **Insured's** business whose services are at the exclusive direction of the **Insured** pursuant to a written contract.
2. Clause III. Exclusions B.1. shall not apply to any independent contractor as described in paragraph 1. above.
3. The Deductible applicable to loss caused by an independent contractor as described in paragraph 1. above under Insuring Clause I.A. shall be \$75,000 which shall be deemed to be the deductible in Item 4. of the Declarations.

All other terms and conditions of this Policy remain unchanged.



Authorized Representative

- A. if an **Insured** or some predecessor in interest of such **Insured** carried a prior bond or policy which afforded coverage for a loss sustained during the period of such prior bond or policy and such prior bond or policy was not issued by the Insurer or its affiliates and such loss was first **Discovered** by an **Insured** prior to the expiration of the time allowed for discovery under the last such policy, then no coverage shall be available under this Policy, unless the total amount of covered loss exceeds the limit of liability of the last such bond or policy carried by the Insured or predecessor in interest of such **Insured**, and the Company's Limit of Liability for any such loss will be in excess of the limit of liability of the last bond or policy subject to all of the terms and conditions of this Policy; or
- B. if an **Insured** or some predecessor in interest of such **Insured** carried a prior bond or policy which afforded coverage for a loss sustained during the period of such prior bond or policy and such prior bond or policy was issued by the Insurer or its affiliates then such prior bond or policy shall terminate as of the inception of this Policy and such prior bond or policy shall not cover any loss not discovered and noticed to the Insurer prior to the inception of this Policy then the Insurer's Limit of Liability for such loss shall be the applicable Limit of Liability shown on the Declarations of this Policy.

All other terms and conditions of this Policy remain unchanged.



Authorized Representative

CRIME INSURANCE POLICY

In consideration of payment of the premium and in reliance on all statements made in the Application for this Policy and all information provided to the Insurer and subject to all the provisions of this Policy, the Insurer and the first named **Insured** on behalf of all **Insureds** agree:

I. INSURING CLAUSES

A. EMPLOYEE DISHONESTY

The Insurer shall indemnify the **Insured** or any **Plan** for loss of or damage to **Money**, **Securities** or **Property** resulting directly from **Employee Theft** or **Employee Forgery**.

B. FORGERY OR ALTERATION

The Insurer shall indemnify the **Insured** for loss resulting directly from **Forgery** or alteration by a **Third Party** of any checks, drafts, promissory notes or similar written promises, orders or directions to pay a sum certain in **Money** that are:

1. made or drawn by or upon the **Insured** or that are purported to have been so made or drawn; or
2. made or drawn by one acting as the **Insured's** agent or that are purported to have been so made or drawn.

C. ON PREMISES

The Insurer shall indemnify the **Insured** for loss resulting directly from:

1. **Robbery, Safe Burglary** or **Theft** committed solely by a **Third Party** of **Money**, **Securities** or **Property** within the **Premises** or **Banking Premises**;
2. physical destruction, misplacement or mysterious unexplainable disappearance of **Money**, **Securities** or **Property** from the **Premises**;
3. loss of or damage to **Property** within the **Premises** resulting from an actual or attempted **Robbery, Safe Burglary** or **Theft** committed solely by a **Third Party**;
4. damage to the **Premises** or its exterior resulting from an actual or attempted **Robbery, Safe Burglary** or **Theft** committed solely by a **Third Party** but only to the extent that the **Insured** is the owner of the **Premises** or is liable for such damage; or
5. loss of or damage to a locked safe, vault, cash box, cash register or cash drawer within the **Premises** resulting from an actual or attempted **Robbery, Safe Burglary** or **Theft** committed solely by a **Third Party**.

H. **CREDIT CARD COVERAGE**

The Insurer shall indemnify the **Insured** for loss resulting directly from **Credit Card Fraud**.

I. **EXPENSE COVERAGE**

The Insurer shall indemnify the **Insured** for **Expenses** incurred by the **Insured** and that results from any direct loss covered hereunder.

II. **DEFINITIONS**

The following terms whenever used in this Policy in boldface type shall have the meanings indicated.

- A. **"Banking Premises"** means the interior of that portion of any building occupied by a banking institution or similar safe depository institution, including any night depository chute or safe maintained by the institution.
- B. **"Client"** means a customer of the **Insured** to whom the **Insured** provides goods or services under a written contract or for a fee.
- C. **"Computer Fraud"** means the **Theft of Money, Securities or Merchandise** by a **Third Party**, through the use of any **Computer System**.
- D. **"Computer System"** means a computer or computer network including input, output, processing, storage and communication facilities and shall include off-line media libraries.
- E. **"Computer Violation"** means an intentional, unauthorized and malicious:
1. entry of **Data** into a **Computer System**;
 2. change to data elements or program logic which is kept in machine readable format; or
 3. introduction of instructions, programmatic or otherwise, which propagate themselves through a **Computer System**.
- F. **"Credit Card Fraud"** means **Forgery** or alteration of, on or in, any written instrument required in connection with any credit, debit or access card issued to the **Insured** or at the request of the **Insured**, for business purposes of the **Insured**, to any **Employee** of the **Insured**; provided such **Forgery** or alteration is committed by a **Third Party**.
- G. **"Data"** means information contained in manuscripts, records, accounts, microfilms, tapes or other records, whether or not contained in a **Computer System**.
- H. **"Discovery"** or **"Discovered"** means the moment when the **Insured** or any director,

Money, that are:

1. made or drawn by or drawn upon the **Insured** or that are purported to have been so made or drawn; or
2. made or drawn by one acting as the **Insured's** agent or that are purported to have been so made or drawn.

"Employee Forgery" includes **Forgery** or alteration by an **Employee** of, on or in, any written instrument required in connection with any credit, debit or access card issued to the **Insured** or at the request of the **Insured**, to any **Employee** of the **Insured**.

- K. **"Employee Theft"** means the unlawful taking of **Money**, **Securities** or **Property** to the deprivation of an **Insured** by an **Employee**, whether identified or not, acting alone or in collusion with others.
- L. **"Executive Shareholder"** means any **Employee**, director, trustee, officer, administrator, manager, partner, or shareholder of the **Insured** that has a 25% or greater ownership interest in the **Insured** or any other person or entity that has a 25% or greater ownership interest in the **Insured**.
- M. **"Expenses"** means reasonable expenses, other than an **Insured's** internal corporate costs (such as **Employee** remuneration or **Employee** expenses), incurred by an **Insured** with the Insurer's prior written consent to:
1. establish the existence and amount of a covered loss in excess of the Deductible;
 2. reproduce **Data**; or
 3. repair or replace to a substantially similar standard any safe or vault damaged as a result of **Robbery** or **Safe Burglary**.

With respect to **Forgery** coverage under Insuring Clause I.B., **Expenses** also means reasonable attorney fees, court costs and legal expenses incurred and paid with the Insurer's prior written consent by the **Insured** in defending the **Insured** in any legal proceeding to enforce payment of checks, drafts or similar written promises, orders or directions to pay a sum of certain money that are made, drawn by or drawn upon an **Insured** or by anyone acting as an **Insured's** agent or that are purported to have been so made or drawn upon.

With respect to **Credit Card Fraud** coverage under Insuring Clause I.H., **Expenses** also means reasonable attorney fees, court costs and legal expenses incurred and paid with the Insurer's prior written consent in defending an **Insured** in any legal proceeding brought against it to enforce payment of a written instrument in connection with a credit card.

value but does not include any property excluded under this Policy.

- Y. **"Robbery"** means the unlawful taking of **Money, Securities** or **Property** from the custody of an **Employee** or other person authorized by an **Insured** to act as custodian of such **Money, Securities** or **Property**, except a person acting as a watchman, porter or janitor, by violence or threat of violence, committed in the presence and cognizance of such person.
- Z. **"Safe Burglary"** means the unlawful taking of **Money, Securities** or **Property** by forcible or violent entry, evidenced by visible marks, from a locked vault or safe located within the **Premises**.
- AA. **"Securities"** means negotiable and non-negotiable instruments or contracts representing either **Money** or **Property** and includes:
1. tokens, tickets, revenue and other stamps (whether represented by actual stamps or unused value in a meter) in current use; and
 2. evidences of debt issued in connection with credit or charge cards, which cards are not issued by the **Insured**,
- but does not include **Money**.
- BB. **"Subsidiary"** means any entity, while more than 50% of the outstanding voting securities representing the present right to vote for the election of such entity's directors or the right to elect or otherwise designate more than 50% of such entity's managers is owned or controlled by the **Insured** directly or indirectly, if such entity:
1. was so owned prior to the inception date of this Policy and was insured under a policy issued by the Insurer of which this Policy is a renewal;
 2. was so owned on the inception date of this Policy;
 3. becomes so owned after the inception date of this Policy pursuant to Clause VII.B.1.
- CC. **"Theft"** means any act of stealing.
- DD. **"Third Party"** means any person or entity other than an **Insured, Employee** or **Executive Shareholder**.
- EE. **"Transfer Account"** means an account maintained by the **Insured** at a **Financial Institution** from which the **Insured** can initiate the transfer, payment or delivery of **Money** or **Securities**.

9. loss to or damage to the **Premises**, except as covered under Insuring Clause I.C.;
10. loss to or damage to any property, safe, vault, or to the **Premises** or its exterior, by vandalism or malicious mischief.
11. based upon, arising out of, directly or indirectly resulting from, in consequence of or in any way involving any failure or omission on the part of the **Insured** to obtain or maintain adequate insurance;
12. accounting or arithmetical errors or omissions;
13. income not realized as the result of a covered loss;
14. indirect or consequential loss of any kind except for covered **Expenses** under Insuring Clause I.I.;
15. punitive, exemplary or multiplied damages of any kind;
16. matters deemed uninsurable under the law pursuant to which this Policy shall be construed;
17. taxes, loss of tax benefits, or fines or penalties imposed by law;
18. the **Insured** knowingly having given or surrendered **Money, Securities or Property** in any exchange or purchase with a **Third Party**, not in collusion with an **Employee**; provided that this Exclusion shall not apply to loss under Insuring Clause I.E.;
19. fees, costs or expenses incurred or paid by an **Insured** in defending or prosecuting any legal proceeding or claim, provided that this Exclusion shall not apply to the coverage provided under Insuring Clause I.I.;
20. loss caused by an **Employee** which is **Discovered** after a director, trustee, officer, administrator, manager, partner or **Executive Shareholder** of the **Insured** acquires at any time knowledge of:
 - (a) **Employee Theft** while such **Employee** is employed with an **Insured**; or
 - (b) fraud or dishonesty involving **Money, Securities or Property** valued at \$25,000 or more committed by such **Employee** prior to his or her employment with an **Insured**;
21. **Expenses** incurred:
 - (a) as a result of the reconstitution of **Data** recorded on magnetic or optical media if there are no analysis files, specifications, nor backups of software or **Data** held outside the **Premises**;

1. the terms and conditions under which the credit, debit or access card was issued were fully complied with; and
 2. an **Insured** is legally liable to the issuer of such credit, debit or access card for such loss.
- F. Subject to Clause VI. D of this Policy, no coverage will be available under this Policy for loss or damage unless sustained through acts committed during the **Policy Period** and:
1. **Discovered** during the **Policy Period**; or
 2. **Discovered** during the discovery period described in Clause IV. D. of this Policy.

In no event will coverage be available under this Policy for such loss if such loss is covered under any renewal or replacement of this Policy in whole or in part.

IV. **LIMITS OF LIABILITY, NON-ACCUMULATION OF LIABILITY, DEDUCTIBLE, DISCOVERY PERIOD**

A. **Limits of Liability**

The Insurer's maximum limit of liability for each loss shall be the Limits of Liability for each Insuring Clause I.A. through I.H. as set forth in Item 3. in the Declarations. The payment of loss under one Insuring Clause shall not reduce the Limit of Liability available for the other Insuring Clauses.

A loss resulting from a single act or any number of acts in which the same **Employee** or **Third Party** is concerned or implicated, whether such act or acts occurred before or during the **Policy Period**, will be treated as a single loss hereunder.

If a loss is covered under more than one Insuring Clause, the maximum amount payable under this Policy shall not exceed the largest single applicable Limit of Liability of such Insuring Clauses as provided in Item 3. of the Declarations.

The Insurer's maximum aggregate limit of liability for all **Expenses** incurred during the **Policy Period** shall be the Limit of Liability applicable to Clause I.I. as set forth in Item 3. of the Declarations.

B. **Non-Accumulation of Liability**

When there is more than one **Insured** involved in a loss, the maximum liability of the Insurer for loss sustained by one or all such **Insureds** shall not exceed the amount for which the Insurer would be liable if all losses were sustained by any one of the **Insureds**.

Such notice to the Insurer shall be given to the firm shown in Item 6. of the Declarations at the address set forth therein.

- B. The first named **Insured** shall furnish a sworn proof of loss with full particulars to The Insurer within 6 months of **Discovery** and shall thereafter:
1. submit to examination under oath at the Insurer's request;
 2. produce all pertinent records at such reasonable times and places as the Insurer shall designate;
 3. fully cooperate with the Insurer or their counsel in all matters pertaining to a loss or claim; and
 4. not take any action which in any way increases the Insurer's exposure under this Policy.
- C. The first named **Insured** may offer a comparison between an **Insured's** inventory records and actual physical count of its inventory to prove the amount of loss, but only where the **Insured** establishes wholly apart from such comparison that it has sustained a covered loss.

VI. GENERAL CONDITIONS

A. Reliance Upon and Incorporation of Application

In issuing this Policy, the Insurer has relied upon the statements made in the written Application for this Policy and all information provided to the Insurer. All such statements are the basis of this Policy and shall be incorporated in and constitute part of this Policy.

B. Transactions That Impact Coverage

If an **Insured** consolidates or merges with, acquires majority voting rights in or acquires the assets of another entity which results in an increase of the **Insured's** total revenues by more than 25 percent, coverage is provided to such entity if an **Insured**:

1. gives the Insurer written notice within 90 days from the date of such consolidation, merger or acquisition; and
2. pays the Insurer any additional premium required by the Insurer.

Coverage hereunder shall be afforded for loss which is sustained on or after the effective date of the transaction.

C. Termination, Cancellation and Nonrenewal

under that insurance policy except that the time within which to discover loss had expired, the Insurer will pay for it under this Policy provided:

1. This insurance became effective at the time of cancellation or termination of the prior insurance or insurance subsequent thereto without any interruption in coverage;
2. The loss would have been covered by this insurance had it been in effect when the acts or events causing the loss were committed or occurred; and
3. The loss is **Discovered** during the **Policy Period**; or during the discovery period described in Clause IV. D. of this Policy.

In no event will coverage be available under this Policy for such loss if such loss is covered under any renewal or replacement of this Policy in whole or in part.

Any coverage provided pursuant to this paragraph VI. E. is part of and not in addition to the Limits of Liability applicable to this Policy and the Insurer's liability shall not exceed the limit of liability under the policy in force at the time such loss was sustained or the applicable Limit of Liability in the Declarations, whichever is less.

In the event that a loss is covered under this Policy and another policy, it is hereby agreed that the applicable Insuring Clause deductible for this Policy shall be reduced by the applicable deductible of the other policy.

E. First Named Insured's Rights and Obligations

By acceptance of this Policy, the **Insured** agrees that the first named **Insured** shall act on behalf of all **Insureds** with respect to:

1. the filing of notice or proof of loss in accordance with Clause V.;
2. the filing of a claim, adjustment of the amount of loss, receipt or enforcement of payment of a loss;
3. the payment of premium for, the acceptance of amendments to, or termination of, this Policy; and
4. the return of any premiums by the Insurer to the **Insured**.

F. Other Insurance

This Policy shall be specifically excess of any other existing valid insurance policy, bond or indemnity that applies to loss also covered hereunder, whether such other insurance is stated to be primary, contributory, excess, contingent or otherwise and regardless of

foreign currency is **Discovered**.

2. the least of:
 - (a) the closing price of **Securities** on the business day immediately preceding the day on which a loss is **Discovered**; or
 - (b) the cost of replacing **Securities**; or
 - (c) the cost to post a Lost Instrument Bond.
3. the cost of blank materials, such as blank books, pages or tapes;
4. the least of:
 - (a) the price paid by an **Insured** for the **Property**;
 - (b) cash value of the **Property** at the time the loss was sustained; or
 - (c) the cost to repair or replace the **Property** with that of similar quality and value at the time an **Insured** complies with Clause V., Notices, Proof of Loss and Legal Proceedings, regarding the furnishing of proof of loss.

J. Recoveries

Recoveries, whether effected by the Insurer or by the **Insured**, less the cost of recovery, shall be distributed as follows:

1. first, to the **Insured** for the amount of loss otherwise covered but in excess of the Limits of Liability;
2. second, to the Insurer for the amount paid to the **Insured** for covered loss;
3. third, to the **Insured** for the Deductible; and
4. fourth, to the **Insured** for loss specifically excluded hereunder.

Recovery from reinsurance or indemnity of the Insurer shall not be deemed a recovery hereunder.

K. Subrogation

In the event of any payment under this Policy, the Insurer shall be subrogated to the extent of such payment to the **Insured's** rights of recovery and the **Insured** shall execute all papers required and shall do everything necessary to secure and preserve such rights, including the execution of such documents necessary to enable the Insurer effectively to

payment the Insurer makes to that **Insured** for loss sustained by any **Plan** will be held by that **Insured** for the use and benefit of the **Plan(s)** sustaining the loss.

3. If two or more **Plans** are insured under this insurance, any payment the Insurer makes for loss:
 - (a) sustained by two or more plans; or
 - (b) of commingled funds or other property of two or more **Plans**;

is to be shared by each **Plan** sustaining loss in the proportion that the amount of insurance required for each such **Plan** under ERISA provisions bears to the total of those amounts.

4. The Deductible applicable to Insuring Clause I.A. does not apply to loss sustained by any **Plan** subject to ERISA which is insured under this insurance.

P. Records

The **Insured** must keep records of all **Money, Securities or Property** covered under this Policy so the Insurer can verify the amount of any loss.

Q. Examination of the Insured's Books and Records

The Insurer may examine and audit the **Insured's** books and records as they relate to this Policy at any time during the **Policy Period** and up to 3 years afterward.

R. Headings

The descriptions in the headings and sub-headings of this Policy are solely for convenience and form no part of the terms and conditions of coverage.