UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the Quarterly Period Ended March 31, 2022

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 001-38136

Accel Entertainment, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	98-1350261
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

140 Tower Drive
Burr Ridge, Illinois 60527
(Address of Principal Executive Offices) (Zip Code)

(630) 972-2235
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbols	Name of Each Exchange on Which Registered
Class A-1 Common Stock, par value $.0001 per share	ACEL	The New York Stock Exchange

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

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

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

Large accelerated filer	☐	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 Act). Yes ☐ No ☒

As of May 2, 2022, there were 92,051,003 shares outstanding of the registrant's Class A-1 Common Stock, par value $.0001 per share.

ACCEL ENTERTAINMENT, INC.
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTER ENDED MARCH 31, 2022

TABLE OF CONTENTS

PART I.	**FINANCIAL INFORMATION**	1
ITEM 1.	FINANCIAL STATEMENTS	1
	Condensed Consolidated Statements of Operations and Comprehensive Income (Unaudited) for the three months ended March 31, 2022 and 2021	1
	Condensed Consolidated Balance Sheets at March 31, 2022 (Unaudited) and December 31, 2021	2
	Condensed Consolidated Statements of Stockholders' Equity (Unaudited) for the three months ended March 31, 2022 and 2021	3
	Condensed Consolidated Statements of Cash Flows (Unaudited) for the three months ended March 31, 2022 and 2021	4
	Notes to the Condensed Consolidated Financial Statements (Unaudited)	6
ITEM 2.	MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	24
ITEM 3.	QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	35
ITEM 4.	CONTROLS AND PROCEDURES	36
PART II.	**OTHER INFORMATION**	37
ITEM 1.	LEGAL PROCEEDINGS	37
ITEM 1A.	RISK FACTORS	38
ITEM 2.	UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS	39
ITEM 3.	DEFAULTS UPON SENIOR SECURITIES	39
ITEM 4.	MINE SAFETY DISCLOSURES	39
ITEM 6.	EXHIBITS	40
SIGNATURES		41

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

ACCEL ENTERTAINMENT, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(Unaudited)

(In thousands, except per share amounts)	Three Months Ended March 31,	
	2022	2021
Revenues:		
Net gaming	$ 188,462	$ 140,464
Amusement	4,990	4,049
ATM fees and other revenue	3,439	2,556
Total net revenues	196,891	147,069
Operating expenses:		
Cost of revenue (exclusive of depreciation and amortization expense shown below)	132,620	98,891
General and administrative	31,119	24,475
Depreciation and amortization of property and equipment	5,841	5,989
Amortization of route and customer acquisition costs and location contracts acquired	3,548	6,106
Other expenses, net	2,556	2,053
Total operating expenses	175,684	137,514
Operating income	21,207	9,555
Interest expense, net	4,001	3,344
(Gain) loss on change in fair value of contingent earnout shares	(3,417)	2,797
Income before income tax expense	20,623	3,414
Income tax expense	4,835	1,913
Net income	$ 15,788	$ 1,501
Net income per common share:		
Basic	$ 0.17	$ 0.02
Diluted	0.17	0.02
Weighted average number of shares outstanding:		
Basic	92,993	93,471
Diluted	93,741	94,280
Comprehensive income		
Net income	$ 15,788	$ 1,501
Unrealized gain on investment in convertible notes (net of income taxes of $0 and $187, respectively)	—	469
Unrealized gain on interest rate caplets (net of income taxes of $1,934 and $0, respectively)	4,864	—
Comprehensive income	$ 20,652	$ 1,970

The accompanying notes are an integral part of these condensed consolidated financial statements

ACCEL ENTERTAINMENT, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except par value and share amounts)	March 31, 2022	December 31, 2021
Assets	**(Unaudited)**	
Current assets:		
Cash and cash equivalents	$ 194,898	$ 198,786
Prepaid expenses	6,279	6,998
Interest rate caplets	10,532	—
Investment in convertible notes	32,065	32,065
Other current assets	10,830	10,146
Total current assets	254,604	247,995
Property and equipment, net	157,278	152,251
Other noncurrent assets:		
Route and customer acquisition costs, net	15,935	15,913
Location contracts acquired, net	147,397	150,672
Goodwill	46,199	46,199
Other assets	3,101	3,043
Total other noncurrent assets	212,632	215,827
Total assets	$ 624,514	$ 616,073
Liabilities and Stockholders' Equity		
Current liabilities:		
Current maturities of debt	$ 18,457	$ 17,500
Current portion of route and customer acquisition costs payable	2,043	2,079
Accrued location gaming expense	3,359	3,969
Accrued state gaming expense	12,769	11,441
Accounts payable and other accrued expenses	19,397	14,616
Accrued compensation and related expenses	4,244	8,886
Current portion of consideration payable	12,101	13,344
Total current liabilities	72,370	71,835
Long-term liabilities:		
Debt, net of current maturities	323,057	324,022
Route and customer acquisition costs payable, less current portion	3,871	3,953
Consideration payable, less current portion	12,006	12,706
Contingent earnout share liability	39,414	42,831
Warrant and other long-term liabilities	17	17
Deferred income tax liability	6,957	2,248
Total long-term liabilities	385,322	385,777
Stockholders' equity:		
Preferred Stock, par value of $0.0001; 1,000,000 shares authorized; 0 shares issued and outstanding at March 31, 2022 and December 31, 2021	—	—
Class A-1 Common Stock, par value $0.0001; 250,000,000 shares authorized; 92,484,542 shares issued and outstanding at March 31, 2022; 93,410,563 shares issued and outstanding at December 31, 2021	9	9
Additional paid-in capital	189,299	187,656
Treasury stock, at cost	(22,917)	(8,983)
Accumulated other comprehensive income	4,864	—
Accumulated deficit	(4,433)	(20,221)
Total stockholders' equity	166,822	158,461
Total liabilities and stockholders' equity	$ 624,514	$ 616,073

The accompanying notes are an integral part of these condensed consolidated financial statements

ACCEL ENTERTAINMENT, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

(In thousands, except shares)	Class A-1 Common Stock		Additional Paid-In	Treasury Stock		Accumulated Other Comprehensive	Accumulated	Total Stockholders'
	Shares	Amount	Capital	Shares	Amount	Income	Deficit	Equity
Balance, January 1, 2022	93,410,563	$ 9	$ 187,656	(701,305)	$ (8,983)	$ —	$ (20,221)	$ 158,461
Repurchase of common stock	(1,087,990)	—	—	(1,087,990)	(13,934)	—	—	(13,934)
Stock-based compensation	—	—	1,605	—	—	—	—	1,605
Exercise of stock-based awards	161,969	—	38	—	—	—	—	38
Unrealized gain on interest rate caplets	—	—	—	—	—	4,864	—	4,864
Net income	—	—	—	—	—	—	15,788	15,788
Balance, March 31, 2022	92,484,542	$ 9	$ 189,299	(1,789,295)	$ (22,917)	$ 4,864	$ (4,433)	$ 166,822

(In thousands, except shares)	Class A-1 Common Stock		Additional Paid-In	Accumulated Other Comprehensive	Accumulated	Total Stockholders'
	Shares	Amount	Capital	Income	Deficit	Equity
Balance, January 1, 2021	93,379,508	$ 9	$ 179,549	$ 93	$ (51,780)	$ 127,871
Stock-based compensation	—	—	1,593	—	—	1,593
Unrealized gain on investment in convertible notes	—	—	—	469	—	469
Net income	—	—	—	—	1,501	1,501
Balance, March 31, 2021	93,379,508	$ 9	$ 181,142	$ 562	$ (50,279)	$ 131,434

The accompanying notes are an integral part of these condensed consolidated financial statements

ACCEL ENTERTAINMENT, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(In thousands)	Three Months Ended March 31,	
	2022	**2021**
Cash flows from operating activities:		
Net income	$ 15,788	$ 1,501
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	5,841	5,989
Amortization of route and customer acquisition costs and location contracts acquired	3,548	6,106
Amortization of debt issuance costs	626	504
(Gain) loss on change in fair value of contingent earnout shares	(3,417)	2,797
Stock-based compensation	1,605	1,593
(Gain) on disposal of property and equipment	(105)	(34)
Net loss on write-off of route and customer acquisition costs and route and customer acquisition costs payable	174	104
Remeasurement of contingent consideration	(385)	228
Payments on consideration payable	(1,116)	(89)
Accretion of interest on route and customer acquisition costs payable, contingent consideration, and contingent stock consideration	708	615
Deferred income taxes	2,775	1,700
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	199	(908)
Income taxes receivable	—	3,341
Route and customer acquisition costs	(469)	(650)
Route and customer acquisition costs payable	(184)	39
Accounts payable and accrued expenses	1,173	(886)
Accrued compensation and related expenses	(4,642)	(335)
Other assets	(58)	(29)
Net cash provided by operating activities	22,061	21,586
Cash flows from investing activities:		
Purchases of property and equipment	(6,752)	(2,044)
Proceeds from the sale of property and equipment	365	65
Business and asset acquisitions, net of cash acquired	—	(483)
Net cash used in investing activities	(6,387)	(2,462)
Cash flows from financing activities:		
Payments on term loan	—	(3,000)
Payments on delayed draw term loans	—	(1,563)
Proceeds from line of credit	—	27,000
Payments on line of credit	(4,375)	(3,000)
Payments for repurchase of common stock	(13,934)	—
Payments on interest rate caplets	(157)	—
Proceeds from exercise of stock options and warrants	38	—
Payments on consideration payable	(1,084)	(334)
Tax withholding on share-based payments	(50)	—
Net cash (used in) provided by financing activities	(19,562)	19,103
Net (decrease) increase in cash and cash equivalents	(3,888)	38,227
Cash and cash equivalents:		
Beginning of period	198,786	134,451
End of period	$ 194,898	$ 172,678

ACCEL ENTERTAINMENT, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS - (Continued)
(Unaudited)

Supplemental disclosures of cash flow information:				
Cash payments (refunds) for:				
Interest	$	3,386	$	3,008
Income taxes	$	(204)	$	—
Supplemental schedules of noncash investing and financing activities:				
Purchases of property and equipment in accounts payable and accrued liabilities	$	4,338	$	3,853
Deferred premium on interest rate caplets	$	3,898	$	—
Acquisition of businesses and assets:				
Total identifiable net assets acquired	$	—	$	483
Cash purchase price	$	—	$	483

The accompanying notes are an integral part of these condensed consolidated financial statements

ACCEL ENTERTAINMENT, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Note 1. Description of Business

Accel Entertainment, Inc.'s (and together with its subsidiaries, the "Company") wholly owned subsidiary, Accel Entertainment Gaming LLC, is a terminal operator licensed by the State of Illinois Gaming Board ("IGB") since March 15, 2012. Its terminal operator license allows the Company to install and operate video gaming terminals ("VGTs") in licensed video gaming locations throughout the State of Illinois as approved by individual municipalities. The Company also operates redemption terminals, which also function as automated teller machines ("ATMs") at its licensed video gaming locations, and amusement equipment at certain locations. The Illinois terminal operator license, which is not transferable or assignable, requires compliance with applicable regulations and the license is renewable annually unless sooner cancelled or terminated. In July 2020, the Georgia Lottery Corporation approved one of the Company's consolidated subsidiaries as a licensed operator, or Master Licensee, which allows the Company to install and operate coin operated amusement machines for commercial use by the public for play throughout the State of Georgia. The Company also holds a license from the Pennsylvania Gaming Control Board. On December 30, 2021, one of the Company's consolidated subsidiaries acquired amusement and ATM operations in Iowa and registered with the Iowa Department of Inspections and Appeals to conduct such operations in Iowa. The Company is also subject to various other federal, state and local laws and regulations in addition to gaming regulations.

The Company operates 13,663 and 12,720 video gaming terminals across 2,565 and 2,470 locations in the State of Illinois as of March 31, 2022 and 2021, respectively.

The Company is an emerging growth company ("EGC") under the Jumpstart Our Business Startups Act of 2012 ("JOBS Act") following the consummation of a reverse recapitalization that occurred on November 20, 2019. The Company has elected to use this extended transition period for complying with new or revised accounting standards pursuant to Section 107(b) of the JOBS Act and as a result of this election, its financial statements may not be comparable to companies that comply with public company effective dates. The Company expects to remain an EGC until December 31, 2022.

Impact of COVID-19 on the Condensed Consolidated Financial Statements

The ongoing COVID-19 outbreak and its related variants are having a significant impact on global markets as a result of prior and current government-mandated business closures, supply chain and production disruptions, workforce restrictions, travel restrictions, reduced consumer spending and sentiment, amongst other factors, which are, individually or in the aggregate, negatively affecting the financial performance, liquidity and cash flow projections of many companies in the United States and abroad.

A surge of COVID-19 infections occurred in the fall of 2020, as the virus spread in every geographical region (currently 11 regions) in the State of Illinois. In response, the IGB suspended all video gaming operations across the entire state of Illinois starting at 11:01 PM on Thursday November 19, 2020. Video gaming operations resumed in certain regions of the state beginning on January 16, 2021, and fully resumed in all regions on January 23, 2021. Even though video gaming operations resumed across all regions, certain regions still had government-imposed restrictions that, among other things, limited hours of operation and restricted the number of patrons allowed within the licensed establishments. Given the staggered reopening by region in January of 2021, the temporary shutdown impacted, on average, 18 of the 90 gaming days (or 20% of gaming days) during the three months ended March 31, 2021. In light of these events and their effect on the Company's employees and licensed establishment partners, the Company took action to help mitigate the potential effects caused by the temporary cessation of operations by furloughing idle staff as appropriate and deferring certain payments to major vendors.

As a result of these developments, the Company's revenues, results of operations and cash flows were materially affected for the three months ended March 31, 2021.

While COVID-19 infection rates and the related stress on the healthcare system currently remain low, it is possible that the IGB or the State of Illinois may order a future shutdown by region (currently 11 regions), or a complete suspension of video gaming in the state, or institute stay-at-home, closure or other similar orders or measures in the future in response to a resurgence of COVID-19, particularly in light of variant strains of the virus, or other events. If this were to occur, the Company could recognize impairment losses which could be material.

Note 2. Summary of Significant Accounting Policies

Basis of presentation and preparation: The condensed consolidated financial statements and accompanying notes were prepared in conformity with U.S. generally accepted accounting principles ("GAAP") and the rules and regulations of the Securities and Exchange Commission ("SEC"). The condensed consolidated financial statements include the accounts of the Company and of its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. In the opinion of management, the condensed consolidated financial statements include all recurring adjustments and normal accruals necessary for a fair presentation of the Company's financial position, results of operations and cash flows for the dates and periods presented. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the related notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021 (the "Form 10-K"). In preparing our condensed consolidated financial statements, we applied the same significant accounting policies as described in Note 2 to the consolidated financial statements in the Form 10-K. Any significant changes to those accounting policies are discussed below. Interim results are not necessarily indicative of results for a full year.

Use of estimates: The preparation of condensed consolidated financial statements requires management to make estimates and assumptions that affect (i) the reported amounts of assets and liabilities, (ii) disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and (iii) the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates used by the Company include, among other things, the useful lives for depreciable and amortizable assets, income tax provisions, the evaluation of the future realization of deferred tax assets, projected cash flows in assessing the initial valuation of intangible assets in conjunction with business acquisitions, the selection of useful lives for depreciable and amortizable assets in conjunction with business acquisitions, the valuation of level 3 investments, the valuation of contingent earnout shares and interest rate caplets, contingencies, and the expected term of share-based compensation awards and stock price volatility when computing share-based compensation expense. Actual results may differ from those estimates.

Change in estimate: During the fourth quarter of 2021, the Company conducted a review of its estimate of depreciable lives for its gaming terminals and equipment. As a result of this review, the Company extended the useful lives of its gaming terminals and equipment from 10 years to 13 years as the equipment is lasting longer than originally estimated. The Company has many gaming terminals and equipment that were purchased when the Company started operations in 2012 that are still being used today.

Also, during the fourth quarter of 2021, the Company conducted a review of its estimate of the amortization periods for its route and customer acquisition costs and its location contracts. As a result of this review, the Company extended the amortization period of its route and customer acquisition costs from 12.4 years to 18 years and its location contracts from 10 years to 15 years. In both cases the extended useful lives reflect the Company's strong relationship with its licensed establishment partners as demonstrated by continued high contract renewal rates.

The impact of these changes in estimate for the three months ended March 31, 2022, was as follows (in thousands):

	Three months ended March 31, 2022
Decrease to depreciation expense	$ 1,230
Decrease to amortization expense	$ 2,718
Increase to net income	$ 2,823
Increase to net income per share	$ 0.03

Segment information: The Company operates as a single reportable operating segment. The Company's chief operating decision maker ("CODM") is the chief executive officer, who has ultimate responsibility for the operating performance of the Company and the allocation of resources. The CODM assesses the Company's performance and allocates resources based on consolidated results, and this is the only discrete financial information that is regularly reviewed by the CODM.

Derivative instruments: The Company may manage its exposure to certain financial risks through the use of derivative financial instruments ("derivatives"). The Company does not use derivatives for speculative purposes. For a derivative that is designated as a cash flow hedge, changes in the fair value of the derivative are recognized in accumulated other comprehensive income to the extent the derivative is effective at offsetting the changes in the cash flows being hedged until the hedged item affects earnings.

Recent accounting pronouncements*:* In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. In July 2018, the FASB also issued ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements*, which provides an optional transition method allowing the standard to be applied at the adoption date. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. Based on its status as an EGC, the Company expects the new standard will be effective for the Company's fiscal year beginning after December 15, 2021. 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. The Company is assessing the impact of the standard on its condensed consolidated financial statements, as well as evaluating the impact on arrangements within potential future acquisitions.

In October 2021, the FASB issued ASU No. 2021-08, *Business Combinations (Topic 805)*. The guidance in this ASU improves the accounting for revenue contracts with customers acquired in a business combination by addressing diversity in practice and inconsistency related to recognition of contract assets and liabilities acquired in a business combination. The provisions of this ASU require that an acquiring entity accounts for the related revenue contracts in accordance with Accounting Standards Codification ("ASC") 606 as if it had originated the contracts. The standard is effective for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years with early adoption permitted. The Company does not expect the impact of the adoption of this ASU to be material to its financial statements or disclosures.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848)*. This ASU provides temporary guidance to ease the potential burden in accounting for reference rate reform primarily resulting from the discontinuation of LIBOR, which began phasing out on December 31, 2021. The amendments in ASU 2020-04 are elective and apply to all entities that have contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued. The new guidance (i) simplifies accounting analyses under current GAAP for contract modifications; (ii) simplifies the assessment of hedge effectiveness and allows hedging relationships affected by reference rate reform to continue; and (iii) allows a one-time election to sell or transfer debt securities classified as held to maturity that reference a rate affected by reference rate reform. An entity may elect to apply the amendments prospectively from March 12, 2020, through December 31, 2022 by accounting topic. The Company currently references LIBOR for certain debt and hedging arrangements. While no material

impacts are expected from the transition from LIBOR, the Company will continue to evaluate the provisions of this ASU and the impacts of transitioning to an alternative rate.

Other recently issued accounting standards or pronouncements have been excluded because they are either not relevant to the Company, or are not expected to have, or did not have, a material effect on its condensed consolidated financial statements.

Note 3. Investment in Convertible Notes

On July 19, 2019, the Company entered into an agreement to purchase up to $30.0 million in convertible notes from Gold Rush Amusements, Inc. ("Gold Rush"), another terminal operator in Illinois, that bore interest at 3% per annum through December 31, 2021. The convertible notes each included an option to convert the notes to common stock of Gold Rush prior to the maturity date upon written notice from the Company. At closing, the Company purchased a $5.0 million convertible promissory note which was subordinated to Gold Rush's credit facility and matured six months following the satisfaction of administrative conditions.

On October 11, 2019, the Company purchased an additional $25.0 million convertible note which was also subordinated to Gold Rush's credit facility and, beginning on July 1, 2020, the balance of this note, if not previously converted, was payable in equal $1,000,000 monthly installments until all principal has been repaid in full.

On July 30, 2020, the Company and Gold Rush entered into the Omnibus Amendment (the "Amendment") to the original agreement to purchase convertible notes from Gold Rush. The Amendment, among other things, extended the maturity date of the $5.0 million convertible note and the beginning of the payback period for the $25.0 million convertible note until December 31, 2020.

On March 9, 2021, the Company and Gold Rush entered into the Second Omnibus Amendment (the "Second Amendment") to both of the convertible notes and the agreement to purchase the convertible notes. The Second Amendment, among other things, extended the December 31, 2020, maturity and conversion feature of the $5.0 million convertible note to December 31, 2021, the maturity and conversion feature of the $25.0 million convertible note to June 1, 2024 and the beginning of the payback period for the $25.0 million convertible note from December 31, 2020 to January 1, 2022.

On July 30, 2021, the Company provided notice to Gold Rush that it was exercising its rights under each of the convertible notes to convert the entire aggregate principal amount and accrued interest into common stock of Gold Rush, subject to approval from the IGB to transfer the common stock to the Company and receipt of other customary closing deliverables.

On December 2, 2021, the Company received notice from the administrator of the IGB that he was denying the requested transfer of Gold Rush common stock to the Company. The Company disagreed with the administrator's ruling and requested that the matter be put before the IGB for a public vote. On January 27, 2022, the IGB affirmed the administrator's denial. Although the Company is pursuing all administrative remedies available to contest the IGB's ruling, this denial has impacted the conversion assumptions previously used in the accounting valuation of the convertible notes.

On March 9, 2022, the Company filed a lawsuit in the Circuit Court of Cook County, Illinois against Gold Rush relating to the Gold Rush convertible notes. The complaint seeks damages for breach of contract and the implied covenant of good faith and fair dealing as well as unjust enrichment. The lawsuit is publicly available.

Based on the IGB denying the Company's request to transfer Gold Rush common stock despite the Company's unilateral conversion rights, the convertible notes continue to be accounted for as available for sale debt securities, at fair value, with gains and losses recorded in other comprehensive income (loss). As of the filing of the financial statements, the Gold Rush convertible notes (which the Company converted under the terms of the convertible notes to shares of common stock of Gold Rush, but the IGB has currently denied the distribution of shares to the Company) are deemed in default for disclosure and presentation purposes, assuming non-conversion of the convertible notes, as no repayment or installment payments have been received. The

Company has classified the entire $32.1 million accounting fair value, of the convertible notes as current on the condensed consolidated balance sheets as the Company hopes to resolve this matter within the next year. The Company did not further adjust the valuation of the convertible notes downward as the Company believes, assuming for accounting purposes that the notes have not been converted, the recorded amounts approximate the accounting fair value. If successful, the Company's legal remedies with respect to its rights to receive the Gold Rush common stock or equivalent amounts it is entitled to receive with respect to the convertible notes could be materially in excess of the current accounting fair value. The Company recognized within comprehensive income an unrealized gain of $0.5 million, net of income taxes, for the three months ended March 31, 2021, related to the valuation of the convertible notes. For more information on how the Company determined the fair value of the convertible notes, see Note 12.

Note 4. Property and Equipment

Property and equipment consist of the following at March 31, 2022 and December 31, 2021 (in thousands):

	March 31, 2022	December 31, 2021
Gaming terminals and equipment	$ 236,745	$ 225,692
Amusement and other equipment	18,848	18,547
Office equipment and furniture	1,827	1,731
Computer equipment and software	14,554	14,319
Leasehold improvements	4,836	4,127
Vehicles	11,881	11,518
Buildings and improvements	10,997	10,997
Land	911	911
Construction in progress	1,581	3,898
Total property and equipment	302,180	291,740
Less accumulated depreciation and amortization	(144,902)	(139,489)
Property and equipment, net	$ 157,278	$ 152,251

Depreciation and amortization of property and equipment was $5.8 million and $6.0 million for the three months ended March 31, 2022, and 2021, respectively. Depreciation expense in 2022 reflected a change in estimate as the Company extended the useful lives of its gaming terminals and equipment from 10 years to 13 years in the fourth quarter of 2021.

Note 5. Route and Customer Acquisition Costs

The Company enters into contracts with third parties and licensed video gaming locations throughout the State of Illinois that allow the Company to install and operate video gaming terminals. When video gaming operations commence, payments are due monthly or quarterly. Gross payments due, based on the number of live locations, were approximately $6.7 million and $6.8 million as of March 31, 2022, and December 31, 2021, respectively. Payments are due over varying terms of the individual agreements and are discounted at the Company’s incremental borrowing rate associated with its long-term debt at the time the contract is acquired. The net present value of payments due was $5.9 million and $6.0 million as of March 31, 2022, and December 31, 2021, respectively, of which approximately $2.0 million and $2.1 million is included in current liabilities in the accompanying condensed consolidated balance sheets as of March 31, 2022, and December 31, 2021, respectively. The route and customer acquisition cost asset was comprised of payments made on the contracts of $18.2 million and $18.0 million as of March 31, 2022, and December 31, 2021, respectively. The Company has upfront payments of commissions paid to the third parties for the acquisition of the customer contracts that are subject to a clawback provision if the customer cancels the contract prior to completion. The payments subject to a clawback were $1.5 million as of both March 31, 2022, and December 31, 2021.

Route and customer acquisition costs consisted of the following at March 31, 2022 and December 31, 2021 (in thousands):

	March 31, 2022	December 31, 2021
Cost	$ 29,224	$ 28,902
Accumulated amortization	(13,289)	(12,989)
Route and customer acquisition costs, net	$ 15,935	$ 15,913

Amortization expense of route and customer acquisition costs was $0.3 million and $0.5 million for the three months ended March 31, 2022, and 2021, respectively. Amortization expense of route and customer acquisition costs was lower in 2022 when compared to the prior year as the Company extended the amortization period of its route and customer acquisition costs from 12.4 years to 18 years in the fourth quarter of 2021.

Note 6. Location Contracts Acquired

Location contract assets acquired in business acquisitions are recorded at acquisition at fair value based on an income approach. Location contracts acquired consisted of the following at March 31, 2022 and December 31, 2021 (in thousands):

	March 31, 2022	December 31, 2021
Cost	$ 229,287	$ 229,287
Accumulated amortization	(81,890)	(78,615)
Location contracts acquired, net	$ 147,397	$ 150,672

Amortization expense of location contracts acquired was $3.3 million and $5.7 million for the three months ended March 31, 2022, and 2021, respectively. Amortization expense of location contracts is lower in 2022 when compared to the prior year as the Company extended the amortization period of its location contracts from 10 years to 15 years in the fourth quarter of 2021.

Note 7. Goodwill

The Company acquired various companies which were accounted for as a business combination using the acquisition method of accounting in accordance with Accounting Standards Codification ("ASC") Topic 805, *Business Combinations*. The total excess of the purchase price over the tangible and intangible assets acquired and liabilities assumed was recorded as goodwill of $46.2 million as of March 31, 2022, and December 31, 2021, of which $36.5 million was deductible for tax purposes as of March 31, 2022.

Note 8. Debt

The Company's debt as of March 31, 2022, and December 31, 2021, consisted of the following (in thousands):

	March 31, 2022	December 31, 2021
Senior Secured Credit Facility:		
Term Loan	$ 345,625	$ 350,000
Delayed Draw Term Loan (DDTL)	—	—
Total debt on credit facility	345,625	350,000
Add: Interest rate caplet liability	3,742	—
Less: Debt issuance costs	(7,853)	(8,478)
Total debt, net of debt issuance costs	341,514	341,522
Less: Current maturities	(18,457)	(17,500)
Total debt, net of current maturities	$ 323,057	$ 324,022

Senior Secured Credit Facility

On November 13, 2019, the Company entered into a credit agreement (the "Credit Agreement") as borrower, with the Company and its wholly-owned domestic subsidiaries as guarantors, the banks, financial institutions and other lending institutions from time to time party thereto as lenders, the other parties from time to time party thereto, and Capital One, National Association as administrative agent (in such capacity, the "Agent"), collateral agent, issuing bank and swingline lender, providing for a:

- $100.0 million revolving credit facility, including a letter of credit facility with a $10.0 million sublimit and a swing line facility with a $10.0 million sublimit,
- $240.0 million initial term loan facility and
- $125.0 million additional term loan facility.

The additional term loan facility was available for borrowings until November 13, 2020. Each of the revolving loans and the term loans were scheduled to mature on November 13, 2024. The Company incurred $8.8 million of debt issuance costs, which are being amortized over the life of the Credit Agreement.

Given the uncertainty of COVID-19 and its variants and the resulting potential impact to the gaming industry, as well as to provide additional financial flexibility, the Company and the other parties thereto amended the Credit Agreement on August 4, 2020 ("Amendment No. 1") to provide a waiver of financial covenant breach for the periods ended September 30, 2020 through March 31, 2021 of the First Lien Net Leverage Ratio and Fixed Charge Coverage Ratio (each as defined under the Credit Agreement). Amendment No. 1 also raised the floor for the adjusted LIBOR rate to 0.50% and the floor for the Base Rate to 1.50%. The Company incurred costs of $0.4 million associated with Amendment No.1 of the Credit Agreement, of which $0.3 million was capitalized and is being amortized over the remaining life of the Credit Agreement. The waivers of financial covenant breach were never utilized as the Company remained in compliance with all debt covenants during these periods.

On October 22, 2021, in order to increase the borrowing capacity under the Credit Agreement, the Company and the other parties thereto entered into Amendment No. 2 to the Credit Agreement ("Amendment No. 2"). Amendment No. 2, among other things, provides for

- an increase in the amount of the revolving credit facility from $100.0 million to $150.0 million,
- $350.0 million initial term loan facility, the proceeds of which were applied to refinancing existing indebtedness and
- $400.0 million delayed draw term loan facility.

The maturity date of the Credit Agreement was extended to October 22, 2026. The interest rate and covenants remain unchanged. The Company incurred $4.3 million in debt issuance costs associated with Amendment No. 2.

As of March 31, 2022, there remained approximately $550.0 million of availability under the Credit Agreement.

The obligations under the Credit Agreement are guaranteed by the Company and its wholly-owned domestic subsidiaries (collectively, the "Guarantors"), subject to certain exceptions. The obligations under the Credit Agreement are secured by substantially all of assets of the Guarantors, subject to certain exceptions. Certain future-formed or acquired wholly-owned domestic subsidiaries of the Company will also be required to guarantee the Credit Agreement and grant a security interest in substantially all of their assets, subject to certain exceptions, to secure the obligations under the Credit Agreement.

Borrowings under the Credit Agreement bear interest, at the Company's option, at a rate per annum equal to either (a) the adjusted LIBOR rate ("LIBOR") (which cannot be less than 0.5%) for interest periods of 1, 2, 3 or 6 months (or if consented to by (i) each applicable Lender, 12 months or any period shorter than 1 month or (ii) the Agent, a shorter period necessary to ensure that the end of the relevant interest period would coincide with any required amortization payment) plus the applicable LIBOR margin or (b) the alternative base rate ("ABR") plus the applicable ABR margin. ABR is a fluctuating rate per annum equal to the

highest of (i) the Federal Funds Effective Rate plus 1/2 of 1.0%, (ii) the prime rate announced from time to time by Capital One, National Association and (iii) LIBOR for a 1-month interest period on such day plus 1.0%. The Credit Agreement also includes provisions for determining a replacement rate when LIBOR is no longer available. As of March 31, 2022, the weighted-average interest rate was approximately 3.6%.

Interest is payable quarterly in arrears for ABR loans, at the end of the applicable interest period for LIBOR loans (but not less frequently than quarterly) and upon the prepayment or maturity of the underlying loans. The Company is required to pay a commitment fee quarterly in arrears in respect of unused commitments under the revolving credit facility and the additional term loan facility.

The applicable LIBOR and ABR margins and the commitment fee rate are calculated based upon the first lien net leverage ratio of the Company and its restricted subsidiaries on a consolidated basis, as defined in the Credit Agreement. The revolving loans and term loans bear interest at either (a) ABR (150 bps floor) plus a margin of 1.75% or (b) LIBOR (50 bps floor) plus a margin up to 2.75%, at the option of the Company.

The term loans and, once drawn, the additional term loans will amortize at an annual rate equal to approximately 5.00% per annum. Upon the consummation of certain non-ordinary course asset sales, the Company may be required to apply the net cash proceeds thereof to prepay outstanding term loans and additional term loans. The loans under the Credit Agreement may be prepaid without premium or penalty, subject to customary LIBOR “breakage” costs.

The Credit Agreement contains certain customary affirmative and negative covenants and events of default, and requires the Company and certain of its affiliates obligated under the Credit Agreement to make customary representations and warranties in connection with credit extensions thereunder.

In addition, the Credit Agreement requires the Company to maintain (a) a ratio of consolidated first lien net debt to consolidated EBITDA no greater than 4.50 to 1.00 and (b) a ratio of consolidated EBITDA to consolidated fixed charges no less than 1.20 to 1.00, in each case, tested as of the last day of each full fiscal quarter ending after the Closing Date and determined on the basis of the four most recently ended fiscal quarters of the Company for which financial statements have been delivered pursuant to the Credit Agreement, subject to customary “equity cure” rights.

If an event of default (as such term is defined in the Credit Agreement) occurs, the lenders would be entitled to take various actions, including the acceleration of amounts due under the Credit Agreement, termination of the lenders’ commitments thereunder, foreclosure on collateral, and all other remedial actions available to a secured creditor. The failure to pay certain amounts owing under the Credit Agreement may result in an increase in the interest rate applicable thereto.

The Company was in compliance with all debt covenants as of March 31, 2022 and expects to remain in compliance for the next 12 months.

Interest rate caplets

The Company manages its exposure to some of its interest rate risk through the use of interest rate caplets, which are derivative financial instruments. On January 12, 2022, the Company hedged the variability of the cash flows attributable to the changes in the 1-month LIBOR interest rate on the first $300 million of the term loan under the Credit Agreement by entering into a 4-year series of 48 deferred premium caplets ("caplets"). The caplets mature at the end of each month and protect the Company if interest rates exceed 2% of 1-month LIBOR. The maturing dates of these caplets coincide with the timing of the Company's interest payments and each caplet is expected to be highly effective at offsetting changes in interest payment cash flows. The aggregate premium for these caplets was $3.9 million, which was the initial fair value of the caplets recorded in the Company's financial statements, and was financed as additional debt. The Company recognized an unrealized gain on the change in fair value of the interest rate caplets of $4.9 million, net of taxes of $1.9 million, for the three months ended March 31, 2022. For more information on how the Company determines the fair value of the caplets, see Note 12.

Note 9. Business and Asset Acquisitions

2022 Pending Acquisitions

On March 2, 2021, the Company announced that it had entered into a securities purchase agreement, to acquire Century Gaming, Inc. ("Century"). Century is Montana's largest gaming operator and a leader in the Nevada gaming market with over 900 licensed establishments and more than 8,500 gaming terminals across both states. Pursuant to the purchase agreement, the Company will acquire all of the outstanding equity interests of Century in a cash and stock transaction valued at $140 million. The transaction was approved by the board of directors of each of the Company and Century, and is expected to close in the second quarter of 2022, subject to the satisfaction of customary closing conditions, including regulatory approvals from applicable gaming authorities. The transaction is expected to be funded through a combination of the Company's cash on hand and capacity under its existing credit facility, in addition to the issuance of approximately 490,000 shares of common stock.

2021 Business Acquisitions

On May 20, 2021, the Company acquired Island Games, Inc. ("Island"), a southern Georgia amusement operator and Master Licensee in the state of Georgia. The acquisition of Island adds 30 Georgia Coin Operated Amusement Machine ("COAM") Class B locations to the Accel portfolio, including a total of 89 Class B COAM terminals. The total purchase price was approximately $2.9 million, of which the Company paid $2.8 million in cash at closing. The remaining $0.1 million of contingent consideration is to be paid in cash if certain operating metrics are achieved. The acquisition was accounted for as a business combination using the acquisition method of accounting in accordance with ASC Topic 805, *Business Combinations* ("Topic 805"). The purchase price was allocated to the tangible assets and identifiable intangible assets acquired and liabilities assumed based upon their estimated fair values.

On December 30, 2021, the Company entered into an agreement with Rich and Junnie's Coin, Inc., an Iowa corporation, and JBCJ, Inc., also an Iowa corporation (collectively referred to as "Rich and Junnie's"), to acquire all of Rich and Junnie's operating assets in Iowa and Illinois. Rich and Junnie's operations in Iowa and Illinois consist of the ownership and operation of amusement devices and ATMs in certain establishments. Total consideration was $4.2 million of which $3.6 million was paid in cash at closing and $0.6 million was recorded in short-term consideration payable on the consolidated balance sheets as of December 31, 2021. The $0.6 million of consideration payable was paid in the first quarter of 2022. The acquisition was accounted for as a business combination using the acquisition method of accounting in accordance with Topic 805. The purchase price was allocated to the following assets: i) video game terminals and equipment totaling $0.3 million; ii) amusement and other equipment totaling $1.3 million; iii) location contracts totaling $1.6 million; iv) cash totaling $0.6 million; and v) goodwill of $0.4 million.

Pro Forma Results

The following unaudited pro forma consolidated financial information reflects the results of operations of the Company for the three months ended March 31, 2021 as if the acquisitions of Rich and Junnie's and Island had occurred as of January 1, 2020, after giving effect to certain purchase accounting adjustments. These amounts are based on available financial information of the acquiree prior to the acquisition date and are not necessarily indicative of what Company's operating results would have been had the acquisition actually taken place as of January 1, 2020. This unaudited pro forma information does not project revenues and net income post acquisition (in thousands).

	Three months ended March 31, 2021
Revenues	$ 147,792
Net income	1,558

Consideration Payable

The Company has a contingent consideration payable related to certain locations, as defined in each respective acquisition agreement, which are placed into operation during a specified period after the acquisition date. The fair value of contingent consideration is included in the consideration payable on the condensed consolidated balance sheets as of March 31, 2022 and December 31, 2021. The contingent consideration accrued is measured at fair value on a recurring basis. The Company presents on its statement of cash flows, payments for consideration payable within 90-days in investing activities, payments after 90-days and up to the acquisition date fair value in financing activities, and payments in excess of the acquisition date fair value in operating activities.

Current and long-term portions of consideration payable consist of the following at March 31, 2022 and December 31, 2021 (in thousands):

	March 31, 2022		December 31, 2021	
	Current	Long-Term	Current	Long-Term
TAV	$ 621	$ 2,595	$ 490	$ 2,858
Fair Share Gaming	1,686	351	1,875	508
Family Amusement	685	1,965	677	1,944
Skyhigh	811	7,095	801	7,396
G3	414	—	414	—
Grand River	6,668	—	6,479	—
Tom's Amusements	745	—	1,491	—
AVG	371	—	371	—
Rich and Junnie's	—	—	646	—
Island	100	—	100	—
Total	$ 12,101	$ 12,006	$ 13,344	$ 12,706

Note 10. Contingent Earnout Share Liability

Pursuant to the terms of the Company's Amended and Restated Certificate of Incorporation, the Company authorized and has available for issuance 10,000,000 shares of Class A-2 Common Stock. The holders of the Class A-2 Common Stock do not have voting rights and are not entitled to receive or participate in any dividends or distributions when and if declared from time to time. The Company concluded that the Class A-2 Common Stock should be reflected as a contingent earnout share liability due to the fact that such shares are not entitled to dividends, voting rights, or a stake in the Company in the case of liquidation.

In November of 2019, 5,000,000 shares of Class A-2 Common Stock were issued, subject to the conditions set forth in a restricted stock agreement (the "Restricted Stock Agreement"), which sets forth the terms upon which the Class A-2 Common Stock will be exchanged for an equal number of validly issued, fully paid and non-assessable Class A-1 Common Stock. The exchange of Class A-2 Common Stock for Class A-1 Common Stock will be subject to the terms and conditions set forth in the Restricted Stock Agreement, with such exchanges occurring in three separate tranches upon the satisfaction of the following triggers:

- Tranche I, equal to 1,666,666 shares of Class A-2 Common Stock, will be exchanged for Class A-1 Common Stock if either (i) the EBITDA for the last twelve months ("LTM EBITDA") of the Company (as determined pursuant to the Restricted Stock Agreement) as of December 31, 2021, March 31, 2022 or June 30, 2022 equals or exceeds $132 million or (ii) the closing sale price of Class A-1 Common Stock on the New York Stock Exchange ("NYSE") equals or exceeds $12.00 for at least twenty trading days in any consecutive thirty trading day period;
- Tranche II, equal to 1,666,667 shares of Class A-2 Common Stock, will be exchanged for Class A-1 Common Stock if either (i) the LTM EBITDA of the Company (as determined pursuant to the Restricted Stock Agreement) as of December 31, 2022, March 31, 2023 or June 30, 2023 equals or exceeds $152 million or (ii) the closing sale price of Class A-1 Common Stock on the NYSE equals or exceeds $14.00 for at least twenty trading days in any consecutive thirty trading day period; and
- Tranche III, equal to 1,666,667 shares of Class A-2 Common Stock, will be exchanged for Class A-1 Common Stock if either (i) the LTM EBITDA of the Company (as determined pursuant to the Restricted Stock Agreement) as of December 31, 2023, March 31, 2024 or June 30, 2024 equals or exceeds $172 million or (ii) the closing sale price of Class A-1 Common Stock on the NYSE equals or exceeds $16.00 for at least twenty trading days in any consecutive thirty trading day period.

On January 14, 2020, the market condition for the settlement of Tranche I was satisfied. However, no stockholder is permitted to own more than 4.99% of the issued and outstanding Class A-1 Common Stock after the settlement unless obtaining required gaming approvals from the applicable gaming authorities. In connection with the settlement, no gaming approvals were obtained. In addition, no stockholder can receive a fractional share from a conversion. As a result, only 1,666,636 shares of the 1,666,666 shares of Class A-2 Common Stock were converted into Class A-1 Common Stock.

Note 11. Warrant Liability

In November 2019, 7,333,326 warrants to purchase shares of Class A-1 Common Stock were issued with other consideration prior to the reverse recapitalization (the "Private Placement Warrants"). As a part of the reverse recapitalization, 2,444,437 Private Placement Warrants were canceled and reissued under the same terms and conditions to Accel legacy stockholders. Each warrant expires five years from issuance and entitles the holder to purchase one share of Class A-1 Common Stock at an exercise price of $11.50 per share, subject to adjustments substantially similar to those applicable to the other outstanding warrants, at any time 30 days after the consummation of the reverse recapitalization.

In 2017, 15,000,000 warrants to purchase shares of Class A-1 Common Stock were issued in connection with the formation of TPG Pace Holdings ("Public Warrants"). Each warrant expires five years from issuance and entitles the holder to purchase one share of Class A-1 Common Stock at an exercise price of $11.50 per share, subject to adjustments substantially similar to those applicable to the other outstanding warrants, at any time 30 days after the consummation of the reverse recapitalization.

On July 14, 2020, the Company announced that it had commenced an exchange offer (the "Offer") to all holders of its outstanding warrants to receive 0.25 shares of Class A-1 Common Stock in exchange for each warrant tendered pursuant to the Offer. The Offer was open until 11:59 p.m., Eastern Standard Time, on August 11, 2020.

On July 16, 2020, the Company consummated the redemption of its Public Warrants. The Company exchanged each Public Warrant for 0.25 shares of the Company's Class A-1 Common Stock and issued 3,784,416 shares of its Class A-1 Common Stock in exchange for the Public Warrants at settlement of the redemption. The exchange was an equitable exchange at fair value and was accounted for as a capital transaction. On July 22, 2020, the Company received written notice from the New York Stock Exchange (the "NYSE") that the NYSE suspended trading in, and had determined to commence proceedings to delist, the Company's Public Warrants to purchase shares of the Company's Class A-1 Common Stock (ticker symbol ACEL.WS) from the NYSE. The delisting was a result of the failure of the Public Warrants to comply with the continued listing standard set forth in Section 802.01D of the NYSE Listed Company Manual which requires the Company to maintain at least 100 public holders of a listed security.

On August 14, 2020, 7,189,990 of the Private Placement Warrants were validly tendered representing approximately 99.93% of the total Private Placement Warrants outstanding. The Company accepted all such warrants and issued an aggregate of 1,797,474 shares of its Class A-1 Common Stock in exchange for the warrants tendered. As of March 31, 2022, 5,144 warrants remain outstanding.

Note 12. Fair Value Measurements

ASC Topic 820, *Fair Value Measurements and Disclosures,* establishes a framework for measuring fair value and the corresponding disclosure requirements around fair value measurements. This topic applies to all financial instruments that are being measured and reported on a fair value basis.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, various methods, including market, income and cost approaches, are used. Based on these approaches, certain assumptions are utilized that the market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. Valuation techniques are utilized that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, it is required to provide information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2: Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.

Level 3: Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

Assets measured at fair value

The following tables summarize the Company's assets that are measured at fair value on a recurring basis (in thousands):

		Fair Value Measurement at Reporting Date Using		
	March 31, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Investment in convertible notes	$ 32,065	$ —	$ —	$ 32,065
Interest rate caplets	10,532	—	10,532	—
Total	$ 42,597	$ —	$ 10,532	$ 32,065

		Fair Value Measurement at Reporting Date Using		
	December 31, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Investment in convertible notes	$ 32,065	$ —	$ —	$ 32,065

Investment in convertible notes

As described in Note 3, on July 30, 2021, the Company provided notice to Gold Rush that it was exercising its rights to convert the convertible notes into common stock of Gold Rush, subject to approval from the IGB to transfer the common stock to the Company. Accordingly, beginning in the third quarter of 2021, given the pending request for regulatory approval on the transfer of equity interest, the fair value of the convertible notes was estimated using a probability-weighted approach. Assuming regulatory approval was received, the fair value of the convertible notes was estimated on an as-converted basis by multiplying the equity value of Gold Rush by the ownership percentage as calculated pursuant to the terms of the convertible note agreements. In the scenario where regulatory approval was not received, the fair value of the convertible notes was estimated using a discounted cash flow approach assuming the Company would request immediate redemption of the principal and accrued interest and the discount rate was estimated based on comparable public debt rates. This assumption did not consider legal claims the Company may have under the convertible notes to receive the economic value of the conversion shares, even if transfer of the actual ownership interest in Gold Rush to Accel was not approved by the IGB. After the IGB Administrator's denial of the transfer of the equity interest on December 2, 2021, the Company concluded that the fair value of the convertible notes should be calculated as principal plus interest accrued as of December 31, 2021. The Company has considered interest as an input to the accounting fair value for all periods and periodically revaluates its impact, if any, based on developments including the pending lawsuit against Gold Rush. For the avoidance of doubt, this fair value is less than what Accel maintains Gold Rush owes Accel under the convertible notes, but is consistent with ASC Topic 820. This valuation of the Company's investment in convertible notes is considered to be a Level 3 fair value measurement as the significant inputs are unobservable and the Company is pursuing its legal remedies with respect to the amounts owed by Gold Rush.

Interest rate caplets

The Company determines the fair value of the interest rate caplets using quotes that are based on models whose inputs are observable LIBOR forward interest rate curves. The valuation of the interest rate caplets is considered to be a Level 2 fair value measurement as the significant inputs are observable. Changes in the fair value of interest rate caplets are classified within other comprehensive income on the accompanying condensed consolidated statements of operations and comprehensive income.

Liabilities measured at fair value

The following tables summarizes the Company's liabilities that are measured at fair value on a recurring basis (in thousands):

		Fair Value Measurement at Reporting Date Using		
	March 31, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Liabilities:				
Contingent consideration	$ 18,241	$ —	$ —	$ 18,241
Contingent earnout shares	39,414	—	39,414	—
Warrants	13	—	13	—
Total	$ 57,668	$ —	$ 39,427	$ 18,241

		Fair Value Measurement at Reporting Date Using		
	December 31, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Liabilities:				
Contingent consideration	$ 19,434	$ —	$ —	$ 19,434
Contingent earnout shares	42,831	—	42,831	—
Warrants	13	—	13	—
Total	$ 62,278	$ —	$ 42,844	$ 19,434

Contingent Consideration

The Company uses a discounted cash flow analysis to determine the value of contingent consideration upon acquisition and updates this estimate on a recurring basis. The significant assumptions in the Company's cash flow analysis includes the probability adjusted projected revenues after state taxes, a discount rate as applicable to each acquisition, and the estimated number of locations that "go live" with the Company during the contingent consideration period. The valuation of the Company's contingent consideration is considered to be a Level 3 fair value measurement as the significant inputs are unobservable and require significant judgment or estimation. Changes in the fair value of contingent consideration liabilities are classified within other expenses, net on the accompanying condensed consolidated statements of operations and comprehensive income.

Contingent earnout shares

The Company determined the fair value of the contingent earnout shares based on the market price of the Company's A-1 Common Stock. The liability, by tranche, is then stated at present value based on i) an interest rate derived from the Company's borrowing rate and the applicable risk-free rate and ii) an estimate on when it expects the contingent earnout shares to convert to A-1 Common Stock. The valuation of the Company's contingent consideration is considered to be a Level 2 fair value measurement. Changes in the fair value of contingent earnout shares are included within (gain) loss on change in fair value of contingent earnout shares on the accompanying condensed consolidated statements of operations and comprehensive income.

Warrants

The Company determined the fair value of its warrants by using a Black-Scholes option-pricing model. The Black-Scholes option-pricing model requires inputs such as the fair value of the Company's A-1 Common Stock, the risk-free interest rate, expected term, expected dividend yield and expected volatility. The Company's valuation of its warrants is considered to be a Level 2 fair value measurement. Changes in the fair value of the warrants are included within gain on change in fair value of

warrants on the accompanying condensed consolidated statements of operations and comprehensive income, if applicable. There was no change in the fair value of the warrants for the three months ended March 31, 2022 and 2021.

Note 13. Stockholders' Equity

Pursuant to the terms of the Company's Amended and Restated Certificate of Incorporation, the Company authorized and has available for issuance the following shares:

Class A-1 Common Stock

The holders of the Class A-1 Common Stock are entitled to one vote for each share. The holders of Class A-1 Common Stock are entitled to receive dividends or other distributions when and if declared from time to time and share equally on a per share basis in such dividends and distributions, subject to such rights of the holders of preferred stock.

Treasury Stock

On November 22, 2021, the Company's Board of Directors approved a share repurchase program of up to $200 million of shares of common stock. The timing and actual number of shares repurchased will depend on a variety of factors, including price, general business and market conditions, and alternative investment opportunities. Under the repurchase program, repurchases can be made from time to time using a variety of methods, including open market purchases or privately negotiated transactions, in compliance with the rules of the United States Securities and Exchange Commission and other applicable legal requirements. The repurchase program does not obligate the Company to acquire any particular amount of shares, and the repurchase program may be suspended or discontinued at any time at the Company's discretion. As of March 31, 2022, the Company purchased a total of 1,789,295 shares under the plan at a total cost of $22.9 million, of which 1,087,990 shares at a cost of $13.9 million were purchased during the three months ended March 31, 2022.

Note 14. Stock-based Compensation

The Company grants various types of stock-based compensation awards. The Company measures its stock-based compensation expense based on the grant date fair value of the award and recognizes the expense over the requisite service period for the respective award.

Under the Accel Entertainment, Inc. Long Term Incentive Plan, the Company granted 225,881 stock options to eligible officers and employees of the Company during the first quarter of 2022, which shall vest over a period of 4 years. Also in the first quarter of 2022, the Company issued 411,600 restricted stock units ("RSUs") to the board of directors and certain employees, which shall vest over a period of 4 years for employees and a period of approximately 9 months for board of directors. The estimated grant date fair value of these options and RSUs totaled $7.0 million.

Stock-based compensation expense, which pertains to the Company's stock options and RSUs, was $1.6 million for both the three months ended March 31, 2022, and 2021. Stock-based compensation expense is included within general and administrative expenses in the condensed consolidated statements of operations and other comprehensive income.

Note 15. Income Taxes

The Company recognized income tax expense of $4.8 million and $1.9 million for the three months ended March 31, 2022 and 2021, respectively.

The Company calculates its provision for income taxes during interim reporting periods by applying an estimate of the annual effective tax rate to its year-to-date pretax book income or loss. The effective tax rate (income taxes as a percentage of income before income taxes) was 23.4% and 56.0% for the three months ended March 31, 2022 and 2021, respectively. The Company's

effective income tax rate can vary from period to period depending on, among other factors, the amount of permanent tax adjustments and discrete items.

Note 16. Commitments and Contingencies

Lawsuits and claims are filed against the Company from time to time in the ordinary course of business, including related to employee matters, employment of professionals and non-compete clauses and agreements. Other than settled matters explained as follows, these actions are in various stages, and no judgments or decisions have been rendered. Management, after reviewing matters with legal counsel, believes that the outcome of such matters will not have a material adverse effect on the Company's financial position or results of operations.

Accel has been involved in a series of related litigated matters stemming from claims that Accel wrongly contracted with 10 different licensed establishments (the "Defendant Establishments") in 2012 in violation of the contractual rights held by J&J Ventures Gaming, LLC ("J&J"), as further described below.

On August 21, 2012, one of the Company's operating subsidiaries entered into certain agreements with Jason Rowell ("Rowell"), a member of Action Gaming LLC ("Action Gaming"), which was an unlicensed terminal operator that had exclusive rights to place and operate VGTs within a number of establishments, including the Defendant Establishments. Under agreements with Rowell, the Company agreed to pay him for each licensed establishment which decided to enter into exclusive location agreements with the Company. In late August and early September 2012, each of the Defendant Establishments signed separate location agreements with the Company, purporting to grant it the exclusive right to operate VGTs in those establishments. Separately, on August 24, 2012, Action Gaming sold and assigned its rights to all its location agreements to J&J, including its exclusive rights with the Defendant Establishments (the "J&J Assigned Agreements"). At the time of the assignment of such rights to J&J, the Defendant Establishments were not yet licensed by the Illinois Gaming Board ("IGB").

Action Gaming, J&J, and other parties, collectively, the Plaintiffs, filed a complaint against the Company, Rowell, and other parties in the Circuit Court of Cook County, Illinois (the "Circuit Court"), on August 31, 2012, as amended on November 1, 2012, December 19, 2012, and October 3, 2013, alleging, among other things, that the Company aided and abetted Rowell in breaches of his fiduciary duties and contractual obligations with Action Gaming and tortiously interfered with Action Gaming's contracts with Rowell and agreements assigned to J&J. The complaint seeks damages and injunctive and equitable relief. On January 24, 2018, the Company filed a motion to dismiss for lack of subject matter jurisdiction, as further described below. On May 14, 2018, the Circuit Court denied the Company's motion to dismiss and granted a stay to the case, pending a ruling from the IGB on the validity of the J&J Assigned Agreements.

From 2013 to 2015, the Plaintiffs filed additional claims, including J&J Ventures Gaming, LLC et al. v. Wild, Inc. ("Wild"), in various circuit courts seeking declaratory judgements with a number of establishments, including each of the Defendant Establishments, requesting declarations that, among other things, J&J held the exclusive right to operate VGTs at each of the Defendant Establishments as a result of the J&J Assigned Agreements. The Company was granted leave to intervene in all of the declaratory judgments. The circuit courts found that the J&J Assigned Agreements were valid because each of the underlying location agreements were between an unlicensed establishment and an unlicensed terminal operator, and therefore did not constitute use agreements that were otherwise precluded from assignment under the IGB's regulations. Upon the Company's appeal, the Illinois Appellate Court, Fifth District (the "District Court"), vacated the circuit courts' judgments and dismissed the appeals, holding that the IGB had exclusive jurisdiction over the matter that formed the basis of the parties' claims, and declined to consider the merits of the parties' disputes. On September 22, 2016, and after the IGB intervened, the Supreme Court of Illinois issued a judgment in Wild, affirming the District Court's decision vacating the circuit courts' judgments for lack of subject matter jurisdiction and dismissing the appeals, determining that the IGB has exclusive jurisdiction to decide the validity and enforceability of VGT use agreements.

Between May 2017 and September 2017, both the Company and J&J filed petitions with the IGB seeking adjudication of the rights of the parties and the validity of the use agreements. Those petitions have been fully briefed and remain pending. There is no indication as to when the IGB will rule on the petitions. The Company does not have a present estimate regarding the potential damages, if any, that could potentially be awarded in this litigation and, accordingly, have established no reserves relating to such matters. There are also petitions pending with the IGB which could lead to the Company obtaining new locations.

On October 7, 2019, the Company filed a lawsuit in the Circuit Court of Cook County, Illinois against Jason Rowell and other parties related to Mr. Rowell's breaches of his non-compete agreement with the Company. The Company alleged that Mr. Rowell and a competitor were working together to interfere with the Company's customer relationships. On November 7, 2019, Mr. Rowell filed a lawsuit in the Circuit Court of Cook County, Illinois against the Company alleging that he had not received certain equity interests in the Company to which he was allegedly entitled under his agreement. The Company has answered the complaint and asserted a counterclaim, and intends to defend itself against the allegations. Mr. Rowell's claims and the Company's claims are both being litigated in this lawsuit, while the original lawsuit remains pending against the other defendants.

On July 2, 2019, Illinois Gaming Investors, LLC filed a lawsuit against the Company. The lawsuit alleges that a current employee of the Company violated his non-competition agreement with Illinois Gaming Investors, LLC, and together with the Company, wrongfully solicited prohibited licensed video gaming locations. The parties settled this dispute in April 2022.

On December 18, 2020, the Company received a disciplinary complaint from the IGB alleging violations of the Video Gaming Act and the IGB's Adopted Rules for Video Gaming. The disciplinary complaint seeks to fine the Company in the amount of $5 million. The Company filed its initial answer to the IGB's complaint on January 11, 2021 and have begun the administrative hearing process. The Company intends to vigorously defend itself against the allegations in the complaint and denies any allegations of wrongdoing.

On March 9, 2022, the Company filed a lawsuit in the Circuit Court of Cook County, Illinois against Gold Rush relating to the Gold Rush convertible notes. The complaint seeks damages for breach of contract and the implied covenant of good faith and fair dealing as well as unjust enrichment. The lawsuit is publicly available. For more information on the Gold Rush convertible notes, see Note 3.

On March 25, 2022, Midwest Electronics Gaming LLC ("Midwest") filed an administrative review action against the IGB, the Company and J&J in the Circuit Court of Cook County, Illinois seeking administrative review of decisions of the IGB ruling in favor of the Company and J&J and against Midwest regarding the validity of certain use agreements covering locations currently serviced by Midwest. No monetary damages are sought against the Company.

Given the status of the legal proceedings discussed above, the Company has determined that a legal liability is probable and has recorded estimated legal reserves of $1.6 million as of March 31, 2022, which includes a loss of $1.0 million for the three months ended March 31, 2022, and is included within other expenses, net in the condensed consolidated statements of operations and other comprehensive income.

Note 17. Related-Party Transactions

Subsequent to the Company's acquisition of certain assets of Fair Share Gaming, LLC ("Fair Share"), G3 Gaming, LLC ("G3"), Tom's Amusement Company, Inc., ("Tom's Amusements"), and American Video Gaming, LLC, and Erickson Amusements, Inc. (collectively referred to as "AVG"), the sellers became employees of the Company.

Consideration payable to the Fair Share seller was $2.0 million and $2.4 million as of March 31, 2022 and December 31, 2021, respectively. Payments to the Fair Share seller under the acquisition agreement were $0.5 million and $0.1 million during the three months ended March 31, 2022 and 2021, respectively.

Consideration payable to the G3 sellers was $0.4 million as of March 31, 2022 and December 31, 2021. There were no payments to the G3 sellers under the acquisition agreement during the three months ended March 31, 2022 and 2021.

Consideration payable to the Tom's Amusements seller was $0.7 million and $1.5 million as of March 31, 2022 and December 31, 2021, respectively. Payments to the Tom's Amusements seller under the acquisition agreement were $0.8 million during the three months ended March 31, 2022. There were no payments to the Tom's Amusements seller during the three months ended March 31, 2021.

Consideration payable to the AVG seller was $0.4 million as of March 31, 2022 and December 31, 2021. There were no payments to the AVG seller during the three months ended March 31, 2022 and 2021.

The Company engaged Much Shelist, P.C. (“Much Shelist”), as its legal counsel for general legal and business matters. An attorney at Much Shelist is a related party to management of the Company. Accel paid Much Shelist less than $0.1 million and $0.1 million for the three months ended March 31, 2022 and 2021, respectively. These payments were included in general and administrative expenses within the condensed consolidated statements of operations and comprehensive income.

Note 18. Earnings Per Share

The components of basic and diluted earnings per share (“EPS”) were as follows for the three months ended March 31 (in thousands, except per share amounts):

	Three Months Ended March 31,	
	2022	**2021**
Net income	$ 15,788	$ 1,501
Less: Net income applicable to contingently issuable shares	—	—
Net income on which diluted earnings per share is calculated	$ 15,788	$ 1,501
Basic weighted average outstanding shares of common stock	92,993	93,471
Dilutive effect of stock-based awards for common stock	748	809
Diluted weighted average outstanding shares of common stock	93,741	94,280
Earnings per share:		
Basic	$ 0.17	$ 0.02
Diluted	$ 0.17	$ 0.02

Anti-dilutive stock-based awards, contingent earnout shares and warrants excluded from the calculations of diluted EPS were 4,729,800 and 5,359,661 as of March 31, 2022 and 2021, respectively.

Note 19. Subsequent Events

On April 22, 2022, the Company filed a petition in the Circuit Court of Cook County, Illinois to judicially review the IGB's decision to deny the requested transfer of Gold Rush common stock in respect of the Company's conversion of its convertible notes. For more information on the Gold Rush convertible notes, see Note 3.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our unaudited condensed consolidated financial statements and the related notes and other financial information included in this Quarterly Report on Form 10-Q. This discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified below, and those discussed in the section titled "Risk Factors" included in our Annual Report on Form 10-K for the year ended December 31, 2021. This discussion and analysis should also be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations", set forth in our Annual Report on Form 10-K for the year ended December 31, 2021.

Company Overview

We believe we are a leading distributed gaming operator in the United States on an Adjusted EBITDA basis, and a preferred partner for local business owners in the Illinois market. Our business consists of the installation, maintenance and operation of video gaming terminals ("VGTs"), redemption devices that disburse winnings and contain automated teller machine ("ATM") functionality, and other amusement devices in authorized non-casino locations such as restaurants, bars, taverns, convenience stores, liquor stores, truck stops, and grocery stores, which are referred to collectively as "licensed establishments." We also operate stand-alone ATMs in gaming and non-gaming locations. Accel has been licensed by the Illinois Gaming Board ("IGB") since 2012, received approval from the Georgia Lottery Corporation as a Master Licensee in July 2020, and holds a license from the Pennsylvania Gaming Control Board since November 2020. On December 30, 2021, one of the Company's consolidated subsidiaries acquired amusement and ATM operations in Iowa and registered with the Iowa Department of Inspections and Appeals to conduct operations in Iowa. The Company is also subject to various other federal, state and local laws and regulations in addition to gaming regulations.

We operate 13,663 video gaming terminals across 2,565 locations in the State of Illinois as of March 31, 2022.

Our gaming-as-a-service platform provides local businesses with a turnkey, capital efficient gaming solution. We own all of our gaming equipment and manage the entire operating process for our licensed establishment partners. We also offer our licensed establishment partners gaming solutions that appeal to players who patronize those businesses. We devote significant resources to licensed establishment partner retention, and seek to provide prompt, personalized player service and support, which we believe is unparalleled among other distributed gaming operators. Dedicated relationship managers assist licensed establishment partners with regulatory applications and compliance onboarding, train licensed establishment partners on how to engage with players and potential players, monitor individual gaming areas for compliance, cleanliness and comfort and recommend potential changes to improve both player gaming experience and overall revenue for each licensed establishment. We also provide weekly gaming revenue reports to our licensed establishment partners and analyze and compare gaming results within individual licensed establishment partners. This information is used to determine an optimal selection of games, layouts and other ideas to generate foot traffic for our licensed establishment partners with the goal of generating increased gaming revenue. Further, our in-house collections and security personnel provide highly secure cash transportation and vault management services. Our best-in-class technicians ensure minimal downtime through proactive service and routine maintenance. As a result, Accel's voluntary contract renewal rate was approximately 99% for the three-year period ended December 31, 2021.

In addition to our gaming business, we also install, operate and service redemption devices that have ATM functionality, stand-alone ATMs and amusement devices, including jukeboxes, dartboards, pool tables, pinball machines and other related entertainment equipment. These operations provide a complementary source of lead generation for our gaming business by offering a "one-stop" source of additional equipment for its licensed establishment partners. If we are presented with appropriate opportunities, we may acquire other additional businesses, services, resources, or assets, including hospitality operations, that are accretive to our core gaming business.

Impact of COVID-19

The COVID-19 outbreak and its related variants are having a significant impact on global markets as a result of government-mandated business closures, supply chain and production disruptions, workforce restrictions, travel restrictions, reduced consumer spending and sentiment, amongst other factors, which are, individually or in the aggregate, negatively affecting the financial performance, liquidity and cash flow projections of many companies in the United States and abroad.

A surge of COVID-19 infections occurred in the fall of 2020, as the virus spread in every geographical region (currently 11 regions) in the State of Illinois. In response, the IGB suspended all video gaming operations across the entire state of Illinois starting at 11:01 PM on Thursday November 19, 2020. Video gaming operations resumed in certain regions of the state beginning on January 16, 2021, and fully resumed in all regions on January 23, 2021. Even though video gaming operations resumed across all regions, certain regions still had government-imposed restrictions that, among other things, limited hours of operation and restricted the number of patrons allowed within the licensed establishments. Given the staggered reopening by region in January of 2021, the temporary shutdown impacted, on average, 18 of the 90 gaming days (or 20% of gaming days) during the three months ended March 31, 2021. In light of these events and their effect on the Company's employees and licensed establishment partners, the Company took action to help mitigate the potential effects caused by the temporary cessation of operations by furloughing idle staff as appropriate and deferring certain payments to major vendors.

As a result of these developments, the Company's revenues, results of operations and cash flows were materially affected for the three months ended March 31, 2021.

While COVID-19 infection rates and the related stress on the healthcare system remain low, it is possible that the IGB or the State of Illinois may order a future shutdown by region (currently 11 regions), or a complete suspension of video gaming in the state, or institute stay-at-home, closure or other similar orders or measures in the future in response to a resurgence of COVID-19, particularly in light of variant strains of the virus, or other events. Under the guidelines provided by the Illinois Department of Health and Governor's office, the IGB has been closely monitoring Illinois' COVID-19 related statistics including the positivity rate, hospital admissions, and hospital bed availability in each region. As such, there may be additional operational and financial impacts on the business from future resurgences of COVID-19 and its variant strains, which we cannot reasonably anticipate.

Components of Performance

Revenues

Net gaming. Net gaming revenue represents net cash received from gaming activities, which is the difference between gaming wins and losses. Net gaming revenue includes the amounts earned by the licensed establishments and is recognized at the time of gaming play.

Amusement. Amusement revenue represents amounts collected from amusement devices operated at various licensed establishments and is recognized at the point the amusement device is used.

ATM fees and other revenue. ATM fees and other revenue represents fees charged for the withdrawal of funds from Accel's redemption devices and stand-alone ATMs and is recognized at the time of the ATM transaction.

Operating Expenses

Cost of revenue. Cost of revenue consists of (i) a 34% tax on net video gaming revenue that is payable to the IGB, (ii) an administrative fee (0.8513% currently) payable to Scientific Games International, the third-party contracted by IGB to maintain the central system to which all VGTs across Illinois are connected, (iii) establishment revenue share, which is defined as 50% of gross gaming revenue after subtracting the tax and administrative fee, (iv) ATM and amusement commissions payable to locations, (v) ATM and amusement fees, and (vi) licenses and permits required for the operation of VGTs and other equipment.

General and administrative. General and administrative expenses consist of operating expense and general and administrative ("*G&A*") expense. Operating expense includes payroll and related expense for service technicians, route technicians, route security, and preventative maintenance personnel. Operating expense also includes vehicle fuel and maintenance, and non-capitalizable parts expenses. Operating expenses are generally proportionate to the number of licensed establishments and VGTs. G&A expense includes payroll and related expense for account managers, business development managers, marketing, and other corporate personnel. In addition, G&A includes marketing, information technology, insurance, rent and professional fees.

Depreciation and amortization of property and equipment. Depreciation is computed using the straight-line method over the estimated useful lives of the individual assets. Leasehold improvements are amortized over the shorter of the useful life or the lease.

Amortization of route and customer acquisition costs and location contracts acquired. Route and customer acquisition costs consist of fees paid at the inception of contracts entered into with third parties and licensed video gaming establishments throughout the State of Illinois which allow Accel to install and operate video gaming terminals. The route and customer acquisition costs and route and customer acquisition costs payable are recorded at the net present value of the future payments using a discount rate equal to Accel's incremental borrowing rate associated with its long-term debt. Route and customer acquisition costs are amortized on a straight-line basis over 18 years, which is the expected estimated life of the contract, including expected renewals.

Location contracts acquired in a business combination are recorded at fair value and then amortized as an intangible asset on a straight-line basis over the expected useful life of 15 years.

Interest expense, net

Interest expense, net consists of interest on Accel's current and prior credit facilities, amortization of financing fees, and accretion of interest on route and customer acquisition costs payable. Interest on the current credit facility is payable monthly on unpaid balances at the variable per annum LIBOR rate plus an applicable margin, as defined under the terms of the credit facility, ranging from 1.75% to 2.75% depending on the first lien net leverage ratio. Interest expense, net also consists of interest income on convertible from Gold Rush that bore interest at the greater of 3% per annum or Accel's borrowing rate on its credit facility through December 31, 2021.

Income tax expense

Income tax expense consists mainly of taxes payable to federal, state and local authorities. Deferred income taxes are recognized for the tax consequences of temporary differences between the financial statement carrying amounts and the tax basis of the assets and liabilities.

Results of Operations

The following table summarizes Accel's results of operations on a consolidated basis for the three months ended March 31, 2022 and 2021:

(in thousands, except %'s)	Three Months Ended March 31,		Increase / (Decrease)	
	2022	2021	Change ($)	Change (%)
Revenues:				
Net gaming	$ 188,462	$ 140,464	47,998	34.2 %
Amusement	4,990	4,049	941	23.2 %
ATM fees and other revenue	3,439	2,556	883	34.5 %
Total net revenues	196,891	147,069	49,822	33.9 %
Operating expenses:				
Cost of revenue (exclusive of depreciation and amortization expense shown below)	132,620	98,891	33,729	34.1 %
General and administrative	31,119	24,475	6,644	27.1 %
Depreciation and amortization of property and equipment	5,841	5,989	(148)	(2.5)%
Amortization of route and customer acquisition costs and location contracts acquired	3,548	6,106	(2,558)	(41.9)%
Other expenses, net	2,556	2,053	503	24.5 %
Total operating expenses	175,684	137,514	38,170	27.8 %
Operating income	21,207	9,555	11,652	121.9 %
Interest expense, net	4,001	3,344	657	19.6 %
(Gain) loss on change in fair value of contingent earnout shares	(3,417)	2,797	(6,214)	(222.2)%
Income before income tax expense	20,623	3,414	17,209	504.1 %
Income tax expense	4,835	1,913	2,922	152.7 %
Net income	$ 15,788	$ 1,501	$ 14,287	951.8 %

Revenues

Total revenues for the three months ended March 31, 2022 were $196.9 million, an increase of $49.8 million, or 33.9%, compared to the prior-year period. This increase was driven by an increase in net gaming revenue of $48.0 million, or 34.2%, an increase in amusement revenue of $0.9 million, or 23.2%, and an increase in ATM fees and other revenue of $0.9 million, or 34.5%. Increase in net gaming revenue was attributable to the prior year IGB-mandated shutdown of Illinois video gaming due to the ongoing COVID-19 outbreak, which impacted 18 of the 90 gaming days (or 20% of gaming days) during the three months ended March 31, 2021. The increase in net gaming revenues for the three months ended March 31, 2022, also reflected an increase in gaming terminals and locations, as well as an increase in location hold-per-day.

Cost of revenue

Cost of revenue for the three months ended March 31, 2022 was $132.6 million, an increase of $33.7 million, or 34.1%, compared to the prior-year period due primarily to the previously mentioned IGB-mandated shutdown of Illinois video gaming due to the ongoing COVID-19 outbreak in the prior-year period.

General and administrative

General and administrative expenses for the three months ended March 31, 2022 were $31.1 million, an increase of $6.6 million, or 27.1%, compared to the prior-year period. The increase was attributable to a reduction in our prior year monthly expenses during the previously mentioned IGB-mandated shutdown. General and administrative expenses for the three months ended March 31, 2022 also reflected higher payroll-related costs as we continued to grow our operations.

Depreciation and amortization of property and equipment

Depreciation and amortization of property and equipment for the three months ended March 31, 2022 was $5.8 million, a decrease of $0.1 million, or 2.5%, compared to the prior-year period due to us extending the useful lives of our gaming terminals and equipment from 10 years to 13 years. The impact of this change in estimate was a decrease in depreciation expense of $1.2 million for the three months ended March 31, 2022. This decrease was partially offset by an increased number of licensed establishments and VGTs.

Amortization of route and customer acquisition costs and location contracts acquired

Amortization of route and customer acquisition costs and location contracts acquired for the three months ended March 31, 2022 was $3.5 million, a decrease of $2.6 million, or 41.9%, compared to the prior-year period due to us extending the useful lives of our route and customer acquisition costs from 12.4 years to 18 years and location contracts acquired from 10 to 15 years. The impact of these changes in estimate was a decrease in amortization expense of $2.7 million for the three months ended March 31, 2022.

Other expenses, net

Other expenses, net for the three months ended March 31, 2022 were $2.6 million, an increase of $0.5 million, or 24.5%, compared to the prior-year period due to a $1.0 million loss associated with a legal settlement, partially offset by lower fair value adjustments associated with the revaluation of contingent consideration liabilities.

Interest expense, net

Interest expense, net for the three months ended March 31, 2022 was $4.0 million, an increase of $0.7 million, or 19.6%, compared to the prior-year period primarily due to higher average interest rates and lower interest income, partially offset by a decrease in average outstanding debt. The weighted average interest rate was approximately 3.6% for the three months ended March 31, 2022 compared to 3.3% in the prior-year period.

(Gain) loss on change in fair value of contingent earnout shares

Gain on the change in fair value of contingent earnout shares for the three months ended March 31, 2022 was $3.4 million, compared to the prior-year period, which had a loss of $2.8 million. The changes in fair value are primarily due to the change in the market value of our A-1 common stock, which was the primary input to the valuation of the contingent earnout shares.

Income tax expense

Income tax expense for the three months ended March 31, 2022 was $4.8 million, an increase of $2.9 million, or 152.7%, compared to the prior-year period. The effective tax rate for the three months ended March 31, 2022 was 23.4% compared to 56.0% in the prior year period. Our effective income tax rate can vary from period to period depending on, among other factors, the amount of permanent tax adjustments and discrete items.

Key Business Metrics

Accel uses a variety of statistical data and comparative information commonly used in the gaming industry to monitor the performance of the business, none of which are prepared in accordance with GAAP, and therefore should not be viewed as indicators of operational performance. Accel's management uses this information for financial planning, strategic planning and employee compensation decisions. The key indicators include:

- Number of licensed establishments;
- Number of VGTs;
- Average remaining contract term (years); and
- Location hold-per-day.

Number of licensed establishments

The number of licensed establishments is calculated based on data provided by Scientific Games, a contractor of the IGB. Terminal operator portal data is updated at the end of each gaming day and includes licensed establishments that may be temporarily closed but still connected to the central system. Accel utilizes this metric to continually monitor growth from organic openings, purchased licensed establishments, and competitor conversions. Competitor conversions occur when a licensed establishment chooses to change terminal operators.

In January 2022, the IGB implemented a new rule that required terminal operators to remove gaming equipment if there was no activity for more than 72 hours ("72-hour rule"). This rule applies to locations that are temporally closed for renovations, ownership changes, and seasonality. As a result, 30 licensed establishments were impacted by the 72-hour rule during the first quarter of 2022. This did not materially impact gaming revenue but reduced our reported number of licensed establishments.

Number of video game terminals (VGTs)

The number of VGTs in operation is based on Scientific Games terminal operator portal data which is updated at the end of each gaming day and includes VGTs that may be temporarily shut off but still connected to the central system. Accel utilizes this metric to continually monitor growth from existing licensed establishments, organic openings, purchased licensed establishments, and competitor conversions.

As a result of the previously mentioned 72-hour rule, Accel removed approximately 150 VGTs during the first quarter of 2022. The removals did not materially impact gaming revenue but reduced our reported number of gaming terminals.

Average remaining contract term

Average remaining contract term is calculated by determining the average expiration date of all outstanding contracts with Accel's current licensed establishment partners, and then subtracting the applicable measurement date. The IGB limited the length of contracts entered into after February 2, 2018 to a maximum of eight years with no automatic renewals.

Location hold-per-day

Location hold-per-day is calculated by dividing the difference between cash deposited in all VGTs at each licensed establishment and tickets issued to players at each licensed establishment by the number of locations in operation each day during the period being measured. Then divide the calculated amount by the number of operating days in such period.

The following table sets forth information with respect to Accel's licensed establishments, number of VGTs, and average remaining contract term as of March 31, respectively:

	As of March 31,		Increase / (Decrease)	
	2022	2021	Change $	Change %
Licensed establishments	2,565	2,470	95	3.8 %
VGTs	13,663	12,720	943	7.4 %
Average remaining contract term (years)	7.0	6.7	0.3	4.5 %

The following table sets forth information with respect to Accel's location hold-per-day for the three months ended March 31, respectively:

	March 31,		Increase / (Decrease)	
	2022	2021	Change $	Change %
Location hold-per-day - for the three months ended [(1)]	$ 811	$ 784	$ 27	3.4 %

(1) Location hold-per-day for the three months ended March 31, 2021 is computed based on 72-eligible days of gaming (excludes 18 non-gaming days due to the IGB mandated COVID-19 shutdown).

Non-GAAP Financial Measures

Adjusted EBITDA and Adjusted net income are non-GAAP financial measures and are key metrics used to monitor ongoing core operations. Management of Accel believes Adjusted EBITDA and Adjusted net income enhance the understanding of Accel's underlying drivers of profitability and trends in Accel's business and facilitate company-to-company and period-to-period comparisons, because these non-GAAP financial measures exclude the effects of certain non-cash items or represent certain nonrecurring items that are unrelated to core performance. Management of Accel also believe that these non-GAAP financial measures are used by investors, analysts and other interested parties as measures of financial performance and to evaluate Accel's ability to fund capital expenditures, service debt obligations and meet working capital requirements.

Adjusted net income and Adjusted EBITDA

(in thousands)	Three Months Ended March 31,	
	2022	**2021**
Net income	$ 15,788	$ 1,501
Adjustments:		
Amortization of route and customer acquisition costs and location contracts acquired [1]	3,548	6,106
Stock-based compensation [2]	1,605	1,593
(Gain) loss on change in fair value of contingent earnout shares [3]	(3,417)	2,797
Other expenses, net [4]	2,556	2,053
Tax effect of adjustments [5]	(2,475)	(2,993)
Adjusted net income	17,605	11,057
Depreciation and amortization of property and equipment	5,841	5,989
Interest expense, net	4,001	3,344
Emerging markets [6]	485	517
Income tax expense	7,310	4,906
Adjusted EBITDA	$ 35,242	$ 25,813

(1) Amortization of route and customer acquisition costs and location contracts acquired consist of upfront cash payments and future cash payments to third-party sales agents to acquire the licensed video gaming establishments that are not connected with a business combination. Accel amortizes the upfront cash payment over the life of the contract, including expected renewals, beginning on the date the location goes live, and recognizes non-cash amortization charges with respect to such items. Future or deferred cash payments, which may occur based on terms of the underlying contract, are generally lower in the aggregate as compared to established practice of providing higher upfront payments, and are also capitalized and amortized over the remaining life of the contract. Future cash payments do not include cash costs associated with renewing customer contracts as Accel does not generally incur significant costs as a result of extension or renewal of an existing contract. Location contracts acquired in a business combination are recorded at fair value as part of the business combination accounting and then amortized as an intangible asset on a straight-line basis over the expected useful life of the contract of 15 years. “Amortization of route and customer acquisition costs and location contracts acquired” aggregates the non-cash amortization charges relating to upfront route and customer acquisition cost payments and location contracts acquired.

(2) Stock-based compensation consists of options, restricted stock units and warrants.

(3) (Gain) loss on change in fair value of contingent earnout shares represents a non-cash fair value adjustment at each reporting period end related to the value of these contingent shares. Upon achieving such contingency, shares of Class A-2 common stock convert to Class A-1 common stock resulting in a non-cash settlement of the obligation.

(4) Other expenses, net consists of (i) non-cash expenses including the remeasurement of contingent consideration liabilities, (ii) non-recurring expenses relating to lobbying efforts and legal expenses in Pennsylvania and lobbying efforts in Missouri, (iii) non-recurring costs associated with COVID-19 and (iv) other non-recurring expenses.

(5) Calculated by excluding the impact of the non-GAAP adjustments from the current period tax provision calculations.

(6) Emerging markets consist of the results, on an adjusted EBITDA basis, for non-core jurisdictions where our operations are developing. Markets are no longer considered emerging when Accel has installed or acquired at least 500 gaming terminals in the jurisdiction, or when 24 months have elapsed from the date Accel first installs or acquires gaming terminals in the jurisdiction, whichever occurs first.

Adjusted EBITDA for the three months ended March 31, 2022, was $35.2 million, an increase of $9.4 million, or 36.5%, compared to the prior-year period. The increase in performance for the three months ended was attributable to an increase in the number of licensed establishments, VGTs, and location hold-per-day, and the absence of the previously mentioned IGB-mandated shutdown of Illinois video gaming due to the ongoing COVID-19 outbreak that had a significant impact on our performance in the prior-year period.

Liquidity and Capital Resources

In order to maintain sufficient liquidity, we review our cash flow projections and available funds with our Board of Directors to consider modifying our capital structure and seeking additional sources of liquidity, if needed. The availability of additional liquidity options will depend on the economic and financial environment, our creditworthiness, our historical and projected financial and operating performance, and our continued compliance with financial covenants. As a result of possible future economic, financial and operating declines, possible declines in our creditworthiness and potential non-compliance with financial covenants, we may have less liquidity than anticipated, fewer sources of liquidity than anticipated, less attractive financing terms and less flexibility in determining when and how to use the liquidity that is available.

We believe that our cash and cash equivalents, cash flows from operations and borrowing availability under our senior secured credit facility will be sufficient to meet our capital requirements for the next twelve months. Our primary short-term cash needs are paying operating expenses and contingent earnout payments, servicing outstanding indebtedness, and funding our Board of Directors approved share repurchase program and near term acquisitions. As of March 31, 2022, Accel had $194.9 million in cash and cash equivalents.

Senior Secured Credit Facility

On November 13, 2019, we entered into a credit agreement (the "Credit Agreement") as borrower, with Accel and our wholly-owned domestic subsidiaries, as guarantors, the banks, financial institutions and other lending institutions from time to time party thereto, as lenders, the other parties from time to time party thereto and Capital One, National Association, as administrative agent (in such capacity, the "Agent"), collateral agent, issuing bank and swingline lender, providing for a:

- $100.0 million revolving credit facility, including a letter of credit facility with a $10.0 million sublimit and a swing line facility with a $10.0 million sublimit,
- $240.0 million initial term loan facility and
- $125.0 million additional term loan facility.

The additional term loan facility was available for borrowings until November 13, 2020. Each of the revolving loans and the term loans were scheduled to mature on November 13, 2024.

Given the uncertainty of COVID-19 and the resulting potential impact to the gaming industry and our future assumptions, as well as to provide additional financial flexibility, we and the other parties thereto amended the Credit Agreement on August 4, 2020 to provide a waiver of financial covenant breach for the periods ended September 30, 2020 through March 31, 2021 of the First Lien Net Leverage Ratio and Fixed Charge Coverage Ratio (each as defined under the Credit Agreement). The amendment also raised the floor for the adjusted LIBOR rate to 0.50% and the floor for the Base Rate to 1.50%. We incurred costs of $0.4 million associated with the amendment of the Credit Agreement, of which $0.3 million was capitalized and will be amortized over the remaining life of the facility. The waivers of financial covenant breach were never utilized as we remained in compliance with all debt covenants during these periods.

On October 22, 2021, in order to increase the borrowing capacity under the Credit Agreement, we and the other parties thereto entered into Amendment No. 2 to the Credit Agreement ("Amendment No. 2"). Amendment No. 2, among other things, provides for:

- an increase in the amount of the revolving credit facility from $100.0 million to $150.0 million,
- a $350.0 million initial term loan facility, the proceeds of which were applied to refinancing existing indebtedness and
- a new $400.0 million delayed draw term loan facility.

The maturity date of the Credit Agreement was extended to October 22, 2026. The interest rate and covenants remain unchanged.

As of March 31, 2022, there remained approximately $550.0 million of availability under the Credit Agreement.

The obligations under the Credit Agreement are guaranteed by Accel and our wholly-owned domestic subsidiaries, subject to certain exceptions (collectively, the "Guarantors"). The obligations under the Credit Agreement are secured by substantially all of assets of the Guarantors, subject to certain exceptions. Certain future-formed or acquired wholly-owned domestic subsidiaries by us will also be required to guarantee the Credit Agreement and grant a security interest in substantially all of our assets (subject to certain exceptions) to secure the obligations under the Credit Agreement.

Borrowings under the Credit Agreement bear interest, at Accel's option, at a rate per annum equal to either (a) the adjusted LIBOR rate ("LIBOR") (which cannot be less than 0.5%) for interest periods of 1, 2, 3 or 6 months (or if consented to by (i) each applicable Lender, 12 months or any period shorter than 1 month or (ii) the Agent, a shorter period necessary to ensure that the end of the relevant interest period would coincide with any required amortization payment) plus the applicable LIBOR margin or (b) the alternative base rate ("ABR") plus the applicable ABR margin. ABR is a fluctuating rate per annum equal to the highest of (i) the Federal Funds Effective Rate plus 1/2 of 1.0%, (ii) the prime rate announced from time to time by Capital One, National Association and (iii) LIBOR for a 1-month Interest Period on such day plus 1.0%. The Credit Agreement also includes provisions for determining a replacement rate when LIBOR is no longer available. As of March 31, 2022, the weighted-average interest rate was approximately 3.6%.

Interest is payable quarterly in arrears for ABR loans, at the end of the applicable interest period for LIBOR loans (but not less frequently than quarterly) and upon the prepayment or maturity of the underlying loans. Accel is required to pay a commitment fee quarterly in arrears in respect of unused commitments under the revolving credit facility and the additional term loan facility.

The applicable LIBOR and ABR margins and the commitment fee rate are calculated based upon the first lien net leverage ratio of Accel and its restricted subsidiaries on a consolidated basis, as defined in the Credit Agreement. The revolving loans and term loans bear interest at either (a) ABR (150 bps floor) plus a margin of 1.75% or (b) LIBOR (50bps floor) plus a margin up to 2.75%, at our option.

The term loans and, once drawn, the additional term loans will amortize at an annual rate equal to approximately 5.00% per annum. Upon the consummation of certain non-ordinary course asset sales, we may be required to apply the net cash proceeds thereof to prepay outstanding term loans and additional term loans. The loans under the Credit Agreement may be prepaid without premium or penalty, subject to customary LIBOR "breakage" costs.

The Credit Agreement contains certain customary affirmative and negative covenants and events of default, and requires Accel and certain of its affiliates obligated under the Credit Agreement to make customary representations and warranties in connection with credit extensions thereunder.

In addition, the Credit Agreement requires Accel to maintain (a) a ratio of consolidated first lien net debt to consolidated EBITDA no greater than 4.50 to 1.00 and (b) a ratio of consolidated EBITDA to consolidated fixed charges no less than 1.20 to 1.00, in each case, tested as of the last day of each full fiscal quarter ending after the Closing Date and determined on the basis of the four most recently ended fiscal quarters of Accel for which financial statements have been delivered pursuant to the Credit Agreement, subject to customary "equity cure" rights.

If an event of default (as such term is defined in the Credit Agreement) occurs, the lenders would be entitled to take various actions, including the acceleration of amounts due under the Credit Agreement, termination of the lenders' commitments thereunder, foreclosure on collateral, and all other remedial actions available to a secured creditor. The failure to pay certain amounts owing under the Credit Agreement may result in an increase in the interest rate applicable thereto.

We were in compliance with all debt covenants as of March 31, 2022. Given our assumptions about the future impact of COVID-19 and its variant strains on the gaming industry, which could be materially different due to the inherent uncertainties of future restrictions on the industry, we expect to meet our cash obligations as well as remain in compliance with the debt covenants in our credit facility for the next 12 months.

Interest rate caplets

The Company manages its exposure to some of its interest rate risk through the use of interest rate caplets, which are derivative financial instruments. On January 12, 2022, we hedged the variability of the cash flows attributable to the changes in the 1-month LIBOR interest rate on the first $300 million of the term loan under the Credit Agreement by entering into a 4-year series of 48 deferred premium caplets ("caplets"). The caplets mature at the end of each month and protect the Company if interest rates exceed 2% of 1-month LIBOR. The maturing dates of these caplets coincide with the timing of our interest payments and each caplet is expected to be highly effective at offsetting changes in interest payment cash flows. The aggregate premium for these caplets was $3.9 million, which was the initial fair value of the caplets recorded in our financial statements, and was financed as additional debt.

Cash Flows

The following table summarizes Accel's net cash provided by or used in operating activities, investing activities and financing activities for the periods indicated and should be read in conjunction with our condensed consolidated financial statements and the notes thereto included in this filing:

(in thousands)	Three Months Ended March 31,	
	2022	2021
Net cash provided by operating activities	$ 22,061	$ 21,586
Net cash used in investing activities	(6,387)	(2,462)
Net cash (used in) provided by financing activities	(19,562)	19,103

Net cash provided by operating activities

For the three months ended March 31, 2022, net cash provided by operating activities was $22.1 million, an increase of $0.5 million over the comparable period. In addition to our increase in net income, we also experienced an increase in our deferred income taxes, partially offset by the adjustment for gains on the remeasurement of contingent earnout shares in the current period compared to losses in the prior period, as well as higher payments on consideration payable.

Net cash used in investing activities

For the three months ended March 31, 2022, net cash used in investing activities was $6.4 million, an increase of $3.9 million over the comparable period and was primarily attributable to more cash used for the purchases of property and equipment.

Net cash (used in) provided by financing activities

For the three months ended March 31, 2022, net cash used in financing activities was $19.6 million, compared to cash provided by financing activities of $19.1 million in the prior-year period. The higher use of cash reflects repurchases of our Class A-1 common stock of $13.9 million under our share repurchase program and the absence of $27.0 million in borrowings on our credit facility that occurred in the prior-year period.

Critical Accounting Policies and Estimates

In preparing our condensed consolidated financial statements, we applied the same critical accounting policies as described in our Annual Report on Form 10-K for the year ended December 31, 2021 that affect judgments and estimates of amounts recorded for certain assets, liabilities, revenues, and expenses.

Seasonality

Accel's results of operations can fluctuate due to seasonal trends and other factors. For example, the gross revenue per machine per day is typically lower in the summer when players will typically spend less time indoors at licensed establishment partners, and higher in cold weather between February and April, when players will typically spend more time indoors at licensed establishment partners. Holidays, vacation seasons, and sporting events may also cause Accel's results to fluctuate.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk represents the risk of loss that may impact Accel's financial position due to adverse changes in financial market prices and rates. Market risk exposure is primarily the result of fluctuations in interest rates.

Interest rate risk

Accel is exposed to interest rate risk in the ordinary course of its business. Accel's borrowings under its senior secured credit facility were $345.6 million as of March 31, 2022. If the underlying interest rates were to increase by 1.0%, or 100 basis points, the increase in interest expense on Accel's floating rate debt would negatively impact Accel's future earnings and cash flows by approximately $3.5 million annually, assuming the balance outstanding under Accel's credit facility remained at $345.6 million. In order to protect against higher interest rates in the future on its credit facility, the Company hedged the variability of the cash flows attributable to the changes in the 1-month LIBOR interest rate on the first $300 million of the term loan by entering into a 4-year series of 48 deferred premium caplets ("caplets") on January 12, 2022. The caplets mature at the end of each month and protect the Company if interest rates exceed 2% of 1-month LIBOR.

Cash and cash equivalents are held in cash vaults, highly liquid, checking and money market accounts, VGTs, redemption terminals, ATMs, and amusement equipment. As a result, these amounts are not materially affected by changes in interest rates.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

In connection with the filing of this Form 10-Q for the quarter ended March 31, 2022, our Chief Executive Officer ("CEO", serving as our Principal Executive Officer) and our Chief Financial Officer ("CFO", serving as our Principal Financial Officer) conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended ("Exchange Act")). As a result of this evaluation, our CEO and CFO concluded that those material weaknesses previously identified in Item 9A. "Controls and Procedures" of our Annual Report on Form 10-K for the year ended December 31, 2021 were still present as of March 31, 2022 (the "Evaluation Date"). Based on those material weaknesses, and the evaluation of our disclosure controls and procedures, our CEO and CFO concluded that our disclosure controls and procedures were not effective as of the Evaluation Date.

Notwithstanding the identified material weaknesses, management believes that the condensed consolidated financial statements included in this Form 10-Q fairly present in all material respects our financial condition, results of operations, and cash flows as of March 31, 2022.

Changes in Internal Control Over Financial Reporting

There were no changes during the quarter ended March 31, 2022 in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting other than the material weaknesses previously identified and disclosed in our Annual Report on Form 10-K for the year ended December 31, 2021.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Lawsuits and claims are filed against Accel from time to time in the ordinary course of business, including related to employee matters, employment agreements and non-compete clauses and agreements. Other than settled matters explained as follows, these actions are in various stages, and no judgments or decisions have been rendered. Management, after reviewing matters with legal counsel, believes that the outcome of such matters are not expected to have a material adverse effect on our financial position or results of operations.

Accel has been involved in a series of related litigated matters stemming from claims that Accel wrongly contracted with 10 different licensed establishments (the "Defendant Establishments") in 2012 in violation of the contractual rights held by J&J Ventures Gaming, LLC ("J&J"), as further described below.

On August 21, 2012, one of Accel's operating subsidiaries entered into certain agreements with Jason Rowell ("Rowell"), a member of Action Gaming LLC ("Action Gaming"), which was an unlicensed terminal operator that had exclusive rights to place and operate gaming terminals within a number of establishments, including the Defendant Establishments. Under agreements with Rowell, Accel agreed to pay him for each licensed establishment which decided to enter into exclusive location agreements with Accel. In late August and early September 2012, each of the Defendant Establishments signed separate location agreements with Accel, purporting to grant it the exclusive right to operate gaming terminals in those establishments. Separately, on August 24, 2012, Action Gaming sold and assigned its rights to all its location agreements to J&J, including its exclusive rights with the Defendant Establishments (the "J&J Assigned Agreements"). At the time of the assignment of such rights to J&J, the Defendant Establishments were not yet licensed by the IGB.

Action Gaming, J&J, and other parties, collectively, the Plaintiffs, filed a complaint against Accel, Rowell, and other parties in the Circuit Court of Cook County, Illinois (the "Circuit Court"), on August 31, 2012, as amended on November 1, 2012, December 19, 2012, and October 3, 2013, alleging, among other things, that Accel aided and abetted Rowell in breaches of his fiduciary duties and contractual obligations with Action Gaming and tortiously interfered with Action Gaming's contracts with Rowell and agreements assigned to J&J. The complaint seeks damages and injunctive and equitable relief. On January 24, 2018, Accel filed a motion to dismiss for lack of subject matter jurisdiction, as further described below. On May 14, 2018, the Circuit Court denied Accel's motion to dismiss and granted a stay to the case, pending a ruling from the IGB on the validity of the J&J Assigned Agreements.

From 2013 to 2015, the Plaintiffs filed additional claims, including J&J Ventures Gaming, LLC et al. v. Wild, Inc. ("Wild"), in various circuit courts seeking declaratory judgements with a number of establishments, including each of the Defendant Establishments, requesting declarations that, among other things, J&J held the exclusive right to operate VGTs at each of the Defendant Establishments as a result of the J&J Assigned Agreements. Accel was granted leave to intervene in all of the declaratory judgements. The circuit courts found that the J&J Assigned Agreements were valid because each of the underlying location agreements were between an unlicensed establishment and an unlicensed terminal operator, and therefore did not constitute use agreements that were otherwise precluded from assignment under the IGB's regulations. Upon Accel's appeal, the Illinois Appellate Court, Fifth District (the "District Court"), vacated the circuit courts' judgements and dismissed the appeals, holding that the IGB had exclusive jurisdiction over the matter that formed the basis of the parties' claims, and declined to consider the merits of the parties' disputes. On September 22, 2016, and after the IGB intervened, the Supreme Court of Illinois issued a judgment in Wild, affirming the District Court's decision vacating the circuit courts' judgments for lack of subject matter jurisdiction and dismissing the appeals, determining that the IGB has exclusive jurisdiction to decide the validity and enforceability of VGT use agreements.

Between May 2017 and September 2017, both Accel and J&J filed petitions with the IGB seeking adjudication of the rights of the parties and the validity of the use agreements. Those petitions were recently adjudicated by the IGB, largely in Accel's favor, and J&J has filed a new lawsuit to challenge the IGB's rulings. Accel does not have a present estimate regarding the

potential damages, if any, that could potentially be awarded in this litigation and, accordingly, have established no reserves relating to such matters. There are also petitions pending with the IGB which could lead to Accel obtaining new locations.

On October 7, 2019, Accel filed a lawsuit in the Circuit Court of Cook County, Illinois against Jason Rowell and other parties related to Mr. Rowell's breaches of his non-compete agreement with Accel. Accel alleged that Mr. Rowell and a competitor were working together to interfere with Accel's customer relationships. That lawsuit, which seeks equitable relief and legal damages, has not yet been served. On November 7, 2019, Mr. Rowell filed a lawsuit in the Circuit Court of Cook County, Illinois against Accel alleging that he had not received certain equity interests in Accel to which he was allegedly entitled under his agreement. The parties are engaging in discovery. Accel intends to defend itself against the allegations.

On July 2, 2019, Illinois Gaming Investors, LLC filed a lawsuit against Accel. The lawsuit alleges that a current employee violated his non-competition agreement with Illinois Gaming Investors, LLC, and together with Accel, wrongfully solicited prohibited licensed video gaming locations. The parties settled this dispute in April 2022.

On December 18, 2020, we received a disciplinary complaint from the IGB alleging violations of the Video Gaming Act and the IGB's Adopted Rules for Video Gaming. The disciplinary complaint seeks to fine us in the amount of $5 million. We filed our initial answer to the IGB's complaint on January 11, 2021 and have begun the administrative hearing process. We intend to vigorously defend ourself against the allegations in the complaint and deny any allegations of wrongdoing.

On March 9, 2022, we filed a lawsuit in the Circuit Court of Cook County, Illinois against Gold Rush relating to the Gold Rush convertible notes. The complaint seeks damages for breach of contract and the implied covenant of good faith and fair dealing as well as unjust enrichment. The lawsuit is publicly available.

On March 25, 2022, Midwest Electronics Gaming LLC ("Midwest") filed an administrative review action against the Illinois Gaming Board, Accel and J&J in the Circuit Court of Cook County, Illinois seeking administrative review of decisions of the IGB ruling in favor of Accel and J&J and against Midwest regarding the validity of certain use agreements covering locations currently serviced by Midwest. No monetary damages are sought against Accel.

On April 22, 2022, we filed a petition in the Circuit Court of Cook County, Illinois to judicially review the IGB's decision to deny the requested transfer of Gold Rush common stock in respect of our conversion of the convertible notes. For more information on the Gold Rush convertible notes, see Note 3 to the accompanying unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q.

Given the status of the legal proceedings discussed above, the Company has determined that a legal liability is probable and has recorded estimated legal reserves of $1.6 million as of March 31, 2022, which includes a loss of $1.0 million for the three months ended March 31, 2022, and is included within other expenses, net in the condensed consolidated statements of operations and other comprehensive income.

ITEM 1A. RISK FACTORS

An investment in our common stock involves a high degree of risk. You should carefully consider the risk factors described under Part I - Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2021 and our condensed consolidated financial statements and related notes contained in this Quarterly Report on Form 10-Q in analyzing an investment in our common stock. If any such risks occur, our business, financial condition, and results of operations would likely suffer, the trading price of our common stock would decline, and you could lose all or part of your investment. In addition, the risk factors and uncertainties could cause our actual results to differ materially from those projected in our forward-looking statements, whether made in this report or other documents we file with the SEC, or our annual report to stockholders, future press releases, or orally, whether in presentations, responses to questions, or otherwise. Additional risks and uncertainties not currently known to us or those we currently view to be immaterial may also materially adversely affect our business, financial condition, or results of operations.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchase of Equity Securities

On November 22, 2021, the Company's Board of Directors approved a share repurchase program of up to $200 million of shares of Class A-1 common stock. The timing and actual number of shares repurchased will depend on a variety of factors, including price, general business and market conditions, and alternative investment opportunities. Under the repurchase program, repurchases can be made from time to time using a variety of methods, including open market purchases or privately negotiated transactions, in compliance with the rules of the SEC and other applicable legal requirements. The repurchase program does not obligate the Company to acquire any particular amount of shares, and the repurchase program may be suspended or discontinued at any time at the Company's discretion.

The following table provides the shares purchased under the share repurchase program in the first quarter of 2022:

Period	Total number of shares purchased	Average price paid per share	Cumulative shares purchased as part of publicly announced program	Maximum approximate dollar value of shares that may yet be purchased under the program (in millions)
January 2022	561,120	$12.52	1,262,425	$184.0
February 2022	316,277	$13.15	1,578,702	$179.8
March 2022	210,593	$13.06	1,789,295	$177.1
Total	1,087,990			

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 6. EXHIBITS

Exhibit No.	Exhibit
10.22* **	Executive Employment Agreement, dated April 25, 2022, by and between Accel Entertainment, Inc., and Mathew Ellis.
31.1	Certification of Principal Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a)
31.2	Certification of Principal Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a)
32.1	Section 1350 Certification of Principal Executive Officer
32.2	Section 1350 Certification of Principal Financial Officer
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
104	Cover Page Inline XBRL File (included in Exhibit 101)

* Filed herewith.
** Indicates management contract or compensation plan or agreement.

SIGNATURES

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

ACCEL ENTERTAINMENT, INC.

Date: May 4, 2022

By: */s/ Mathew Ellis*

Mathew Ellis
Chief Financial Officer

Exhibit 10.22

EXECUTIVE EMPLOYMENT AGREEMENT

This **EXECUTIVE EMPLOYMENT AGREEMENT** ("***Agreement***") is entered into as of April 24, 2022 by Accel Entertainment, Inc., a Delaware corporation (the "***Company***"), and Mathew Ellis ("***Executive***") and amends and restates the employment agreement entered into by and between the Company and Executive dated as of June 6, 2019, and amended and restated as of January 1, 2021 (the "***Prior Agreement***").

WHEREAS, the Company desires to employ Executive as the Company's Chief Financial Officer and Executive desires to serve in such capacity, pursuant to the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and promises contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties hereto, the parties hereto agree as follows:

ARTICLE I
CERTAIN DEFINITIONS

1.1 "***Affiliate***" means any corporation, partnership, limited liability company, limited liability partnership, association, trust or other organization that, directly or indirectly, controls, is controlled by, or is under common control with, the Company. For purposes of the preceding sentence, "control" (including, with correlative meanings, the terms "controlled by" and "under common control with"), as used with respect to any entity or organization, shall mean the possession, directly or indirectly, of the power (i) to vote more than 50% of the securities having ordinary voting power for the election of directors of the controlled entity or organization or (ii) to direct or cause the direction of the management and policies of the controlled entity or organization, whether through the ownership of voting securities, by contract, or otherwise.

1.2 "***Board***" means the Board of Directors of the Company.

1.3 "***Cause***" means (a) Executive's material breach of this Agreement or any other written agreement between Executive and the Company or an Affiliate or Executive's breach of any policy or code of conduct established by the Company or an Affiliate and applicable to Executive; (b) commission of an act of gross negligence, willful misconduct, breach of fiduciary duty, fraud, theft or embezzlement on the part of Executive; (c) commission by Executive of, or conviction or indictment of Executive for, or plea of nolo contendere by Executive to, any felony (or state law equivalent) or any crime involving moral turpitude; (d) commission of any action that could cause Executive or the Company to be in violation of the Illinois Video Gaming Act or rules established by the Illinois Gaming Board, or that could cause the revocation or loss of any other material gaming license; or (e) Executive's willful failure or refusal, other than due to Disability, to perform Executive's obligations pursuant to this Agreement or any other written agreement with the Company or an Affiliate, as applicable, or to follow any lawful directive from the Company or any Affiliate, as determined by the Company; provided, however, that if Executive's actions or omissions as set forth in clause (e) are of such a nature that the Company determines they are curable by Executive, such actions or omissions must remain uncured 30 days after the Company has provided Executive written notice of the obligation to cure such actions or omissions.

1.4 "***COBRA***" means the Consolidated Omnibus Reconciliation Act of 1985, as amended.

1.5 "***Code***" means the Internal Revenue Code of 1986, as amended.

1.6 "***Covered Termination***" means (a) the termination of Executive's employment by the Company without Cause, or (b) Executive's termination of employment with the Company for Good Reason. A Covered Termination will not include a termination of Executive's employment by reason of Executive's death or Disability, the termination of Executive's employment for Cause or Executive's termination of his employment without Good Reason.

1.7 "***Disability***" means a physical or mental sickness or any injury which renders Executive incapable of performing the services required of him as an Executive of the Company and which does or may be expected to continue for more than six months during any 12-month period. In the event Executive shall be able to perform his usual and customary duties on behalf of the Company following a period of disability, and does so perform such duties or such other duties as are prescribed by the Board for a period of three continuous months, any subsequent period of disability shall be regarded as a new period of disability for purposes of this Agreement. The Company and Executive shall determine the existence of a Disability and the date upon which it occurred. In the event of a dispute regarding whether or when a Disability occurred, the matter shall be referred to a medical doctor selected by the Company and Executive. In the event of their failure to agree upon such a medical doctor, the Company and Executive shall each select a medical doctor who together shall select a third medical doctor who shall make the determination. Such determination shall be conclusive and binding upon the parties hereto.

1.8 "***Good Reason***" means Executive's resignation within 90 days after any of the following events, unless Executive consents to the applicable event: (a) a material decrease in Executive's base salary, other than a reduction in annual base salary of less than 10% that is implemented in connection with a contemporaneous reduction in annual base salaries affecting other senior executives of the Company; (b) a material decrease in (i) Executive's then-current title or position, or (ii) authority or areas of responsibility as are commensurate with Executive's then-current title or position; (c) a relocation of Executive's principal work location to a location more than 50 miles from Executive's then-current principal location of employment; or (d) a material breach by the Company or any Affiliate of this Agreement or any material agreement between Executive and the Company or any Affiliate. Notwithstanding the foregoing, any assertion by Executive of a termination for Good Reason will not be effective unless and until Executive has: (A) provided the Company or any Affiliate, within 60 days of Executive's knowledge of the occurrence of the facts and circumstances underlying the Good Reason event, written notice stating with specificity the applicable facts and circumstances underlying such Good Reason event; and (B) provided the Company or any Affiliate with an opportunity to cure the same within 30 days after the receipt of such notice.

1.9 "***Person***" shall mean any individual, natural person, corporation (including any non-profit corporation), general partnership, limited partnership, limited liability partnership, joint venture, estate, trust, company (including any company limited by shares, limited liability company or joint stock company), incorporated or unincorporated association, governmental authority, firm, society or other enterprise, organization or other entity of any nature.

ARTICLE II
EMPLOYMENT BY THE COMPANY

2.1 Position and Duties. Subject to the terms set forth herein, effective as of May 1, 2022 (the "***Effective Date***"), Executive will be employed as the Company's Chief Financial Officer and will report to the Company's Chief Executive Officer. Executive will perform such services as are consistent with such position and such other duties as are assigned to Executive by the Company's Chief Executive Officer, including but not limited to managing the Company's SOX compliance, supporting key investor relationships, partnering with the Company's

senior executive team to create the corporate development and growth strategy, and maintaining a consistent and transparent dialogue with the Company's outside auditing firm, the Board and the Audit Committee thereof. During the term of Executive's employment with the Company, Executive will devote Executive's best efforts and substantially all of Executive's business time and attention to the business of the Company.

2.2 Employment Policies. Executive's employment relationship with the Company will also be governed by the general employment policies and practices of the Company, including those relating to protection of confidential information and assignment of inventions, except that when the terms of this Agreement differ from or are in conflict with the Company's general employment policies or practices, this Agreement will control.

3.2 Term. The term of Executive's employment hereunder shall commence as of the later of the Effective Date and the date of Executive's commencement of employment with the Company and shall end on the third anniversary of the Effective Date; provided that such term shall earlier terminate upon a termination of Executive's employment as set forth in Section 4.1. Executive acknowledges and agrees that there is no assurance that this Agreement will be renewed or extended beyond the third anniversary of the Effective Date, and neither Executive nor the Company has any obligation to renew or extend this Agreement or any right to require any such renewal or extension, and a failure to renew or extend this Agreement shall not entitle Executive or the Company to any additional compensation.

ARTICLE III
COMPENSATION

3.1 Base Salary. As of the Effective Date, Executive will receive for services to be rendered hereunder an annual base salary of $350,000, payable in accordance with the Company's standard payroll practices. Executive's base salary will be subject to review from time to time in the sole discretion of the Board.

3.2 Annual Bonus. Executive will be eligible to receive an annual performance bonus with a target amount of 50% of Executive's base salary (the "***Annual Bonus***"). Annual Bonus payments will be determined in the discretion of the Board or the compensation committee thereof and will be subject to achievement of any applicable performance milestones or other terms and conditions determined by the Board or the compensation committee thereof. The Annual Bonus will be payable as soon as practicable following the end of the calendar year to which the bonus relates, subject to Executive's continued employment on the payment date.

3.3 Long-Term Incentive Compensation.

Subject to the approval of the Board or the compensation committee thereof, the Company will grant Executive 50,000 restricted stock units ("***RSUs***") and an option to purchase 50,000 shares of the Company's common stock, pursuant to the terms of the Company's Long Term Incentive Plan (the "***Plan***") and the RSU or stock option agreement governing such awards. The stock option will have a per share exercise price equal to the fair market value of the Company's common stock on the date of grant. The RSUs and the stock options will vest over a four-year period, with 25% of the total number of shares subject to the RSUs and the stock option vesting on the second anniversary of the grant date and the remainder vesting in eight equal quarterly installments thereafter, subject to Executive's continued service with the Company on each applicable vesting date, except as otherwise set forth in the RSU or stock option agreement governing the such awards. Executive acknowledges that foregoing grants of RSUs and stock options will constitute and satisfy the Company's obligations in respect of the "initial equity grant" contemplated in the offer letter between Executive and the Company dated as of April 29, 2020 (the "***Offer Letter***").

In addition, Executive will be eligible to receive grants of equity-based incentive compensation awards on an annual basis commencing in calendar year 2023 in accordance with the Company's annual grants to similarly situated senior executives, if any, with a target grant date value of 100% of Executive's annual base salary. Such grants, if any, will be made in the Board's sole discretion.

3.4 Company Benefits. Executive will be eligible to continue to participate in the employee benefit plans and arrangements established by the Company ("***Employee Benefit Plans***"), including a company phone to use in the furtherance of Executive's duties to the Company, each in accordance with the terms and conditions of such plans as in effect from time to time. Executive will be eligible to accrue up to twenty-five days of paid time off ("***PTO***") per calendar year, at a rate of 0.9615 days per pay period. PTO will be used no more than one week at a time unless otherwise approved by the Company's Chief Executive Officer, and no more than forty hours of PTO may rollover from any calendar year to the next. The Company reserves the right to amend or terminate any Employee Benefit Plan at any time in its sole discretion, subject to the terms of such Employee Benefit Plan and applicable laws.

3.5 Expenses. The Company will reimburse Executive for all reasonable and necessary expenses incurred by Executive in connection with the Company's business, provided that the expenses are properly documented and accounted for in accordance with the Company's policies as may be in effect from time to time.

ARTICLE IV
TERMINATION

4.1 Termination of Employment. Executive's employment with the Company hereunder may be terminated by the Company or Executive, as applicable, without any breach of this Agreement under the following circumstances: (a) the Company may terminate Executive's employment with or without Cause at any time; (b) Executive may resign for Good Reason or without Good Reason at any time; and (c) Executive's employment shall terminate automatically upon Executive's death or, subject to a determination by the Board, upon Executive's Disability. Any termination of Executive's employment by the Company or by Executive under this Article IV (other than in the case of Executive's death) shall be communicated by a written notice to the other party hereto and shall be effective on the date on which such notice is given unless otherwise indicated (and subject to the notice and cure periods required in the event a termination for Cause or a resignation for Good Reason).

4.2 Deemed Resignation. Upon termination of Executive's employment for any reason, Executive shall be deemed to have resigned from all offices and directorships, if any, then held with the Company or any of its Affiliates. Notwithstanding the foregoing, in the event that, following Executive's termination of employment, Executive continues to provide services to the Company as a consultant or member of the Board, Executive may continue to serve in such offices and directorships as then mutually agreed upon between Executive and the Company.

ARTICLE V
SEVERANCE PAYMENTS AND BENEFITS

5.1 General. Upon a termination of Executive's employment for any reason, Executive (or his estate) shall be entitled to receive Executive's accrued but unpaid base salary or wages, accrued vacation pay, unreimbursed business expenses for which proper documentation is provided, and other vested amounts and benefits earned by (but not yet paid to) or owed to Executive under any applicable Employee Benefit Plan of the Company through and including the date of termination of Executive's employment (the "***Accrued Benefits***").

5.2 Covered Termination. In the event Executive experiences a Covered Termination, Executive will be entitled to receive Executive's Accrued Benefits and, subject to the requirements of Section 5.3, will be entitled to receive the following payments and benefits:

(a) Cash Severance. Executive will be entitled to receive an amount equal to the sum of (i) the aggregate base salary and (ii) the Annual Bonus payments, if any, received by Executive during the 12-month period ending on the date of the Covered Termination, payable over a 12- month period in substantially equal installments in accordance with the Company's normal payroll policies, less applicable withholdings, with such installments to commence in the first payroll period immediately following the date the Release (as defined below) becomes effective and non-revocable (so long as such Release becomes effective on or before the 60th day following the date of such Covered Termination).

(b) Continued Healthcare. If Executive elects to receive continued healthcare coverage pursuant to the provisions of COBRA, the Company will directly pay, or reimburse Executive for, the premium for Executive and Executive's covered dependents through the earliest to occur of (i) the 12-month anniversary of the Covered Termination and (ii) the first date on which Executive and Executive's covered dependents become eligible for substantially comparable healthcare coverage under another employer's plans; provided that as soon as administratively practicable following the date the Release effective and non-revocable (so long as such Release becomes effective on or before the 60th day following date of such Covered Termination), the Company will pay to Executive a cash lump-sum payment equal to the monthly premiums that would have been paid on behalf of Executive had such payments commenced on the date of the Covered Termination. Notwithstanding the foregoing, the Company may elect at any time that, in lieu of paying or reimbursing such premiums, the Company will instead provide Executive with a monthly or lump sum cash payment equal to the amount the Company would have otherwise paid pursuant to this Section 5.2(b). less applicable tax withholdings.

5.3 Release. Executive will not be eligible for the severance payment and benefits described in Section 5.2 unless (i) Executive has executed and delivered to the Company a general release of all claims that Executive may have against the Company (or its successor) or Persons affiliated with the Company (or its successor) in a form acceptable to the Company (the "***Release***"), and such Release becomes effective on or before the 60th day following date of the Covered Termination and (ii) Executive has not revoked or breached the provisions of such Release or breached the provisions of Section 6. In the event that Executive does not execute such deliver such Release, such Release does not become effective and irrevocable within such period or Executive revokes or breaches the provisions of such Release or breaches the provisions of Article VI, he (A) will be deemed to have voluntarily resigned his employment hereunder without Good Reason and (B) will not be entitled to the payments or benefits described in Section 5.2.

5.4 Section 280G; Limitation on Payments. Notwithstanding anything in this Agreement to the contrary, if any payment or distribution to Executive pursuant to this Agreement or otherwise ("***Payment***") would (a) constitute a "parachute payment" within the meaning of Section 280G of the Code and (b) but for this sentence, be subject to the excise tax imposed by Section 4999 of the Code (the "***Excise Tax***"), then such Payment will either be delivered in full or delivered as to such lesser extent as would result in no portion of such Payment being subject to the Excise Tax, whichever of the foregoing amounts, after taking into account the applicable federal, state and local income taxes and the Excise Tax, results in the receipt by Executive on an after-tax basis of the largest payment, notwithstanding that all or some portion of the Payment may be taxable under Section 4999 of the Code. The accounting firm engaged by the Company for general audit purposes as of the date prior to the effective date of the applicable change in control, or such other Person as determined in good faith by the Company, will perform the foregoing calculations and the Company will bear all expenses with respect to the determinations by such

accounting firm required to be made hereunder. Any good faith determinations of the accounting firm made pursuant to this Section 5.4 will be final, binding and conclusive upon all parties. Any reduction in payments and/or benefits pursuant to the foregoing will occur in the following order (i) reduction of cash payments; (ii) cancellation of accelerated vesting of equity awards other than stock options, if any; (iii) cancellation of accelerated vesting of stock options, and (iv) reduction of other benefits payable to Executive.

ARTICLE VI
COVENANTS

6.1 Outside Activities; Conflict of Interest. During Executive's term of employment, Executive will not engage in any other employment, occupation or business enterprise without the prior written consent of the Board; provided that it is understood that Executive may serve as a member of the board of directors of one for-profit company, with the prior written consent of the Board. Notwithstanding the foregoing, Executive may engage in civil and not-for-profit activities, and/or maintain passive investments, in each case so long as such activities do not materially interfere or conflict with the performance of Executive's duties or the Company's gaming licenses, as determined in the sole discretion of the Board.

6.2 Non-Competition. During the term of Executive's employment by the Company and for a period of one-year following Executive's termination of service for any reason, Executive will not directly or indirectly, whether as an officer, director, stockholder, partner, proprietor, associate, representative, consultant, or in any capacity whatsoever engage in, become financially interested in, be employed by or have any business connection with any other Person known by Executive to compete directly with the Company, throughout the world, in any line of business engaged in (or planned to be engaged in) by the Company; provided, however, that Executive may own, as a passive investor, securities of any competitor corporation, so long as Executive's direct holdings in any such corporation do not in the aggregate constitute more than 1% of the voting stock of such corporation.

6.3 Non-Solicitation. During the term of Executive's employment and for a period of one-year following Executive's termination of employment for any reason, Executive shall not (a) solicit, divert or take away any of the Company's customers, suppliers or accounts; or (b) divert, take away, hire, solicit or seek to induce employment of any person who is then an employee of the Company; provided, however, that a general advertisement to which an employee of the Company responds shall not on its own result in a breach of this Section 6.3.

6.4 Confidential and Proprietary Information. Except as Executive reasonably and in good faith determines to be required in the faithful performance of Executive's duties hereunder, Executive shall, during the term of his employment and following his termination of service for any reason, maintain in confidence and shall not directly or indirectly, use, disseminate, disclose or publish, for Executive's benefit or the benefit of any other Person, any confidential or proprietary information or trade secrets of or relating to the Company, including, without limitation, information with respect to the Company's operations, processes, protocols, products, inventions, business practices, finances, principals, vendors, suppliers, customers, potential customers, marketing methods, costs, prices, contractual relationships, regulatory status, compensation paid to employees or other terms of employment ("***Proprietary Information***"), or deliver to any Person, any document, record, notebook, computer program or similar repository of or containing any such Proprietary Information. Executive's obligation to maintain and not use, disseminate, disclose or publish, for Executive's benefit or the benefit of any other Person, any Proprietary Information after Executive's termination of service will continue so long as such Proprietary Information is not, or has not by legitimate means become, generally known and in the public domain (other than by means of Executive's direct or indirect disclosure of such Proprietary Information) and continues to be maintained

as Proprietary Information by the Company. For the avoidance of doubt, nothing in this Agreement will be construed to prohibit Executive from filing a charge or complaint, participating or cooperating with, or receiving an award for any information provided to any governmental agency or entity, including but not limited to the Equal Employment Opportunity Commission, the Department of Justice, the Securities and Exchange Commission, or any other federal, state or local government agency or commission.

6.5 Work Product. Executive acknowledges and agrees that any copyrightable works prepared by Executive within the scope of his employment will be "works made for hire" under the Copyright Act and that the Company will be considered the author and owner of such copyrightable works. Executive further agrees that all inventions, improvements, designs, original works of authorship, formulas, processes, compositions of matter, computer software programs, databases, mask works, confidential information and trade secrets ("Inventions") made, created, conceived or first reduced to practice during the period of Executive's employment, whether or not in the course of Executive's employment, and whether or not patentable, copyrightable or protectable as trade secrets, and that (a) are developed using equipment, supplies, facilities or trade secrets of the Company; (b) result from work performed by Executive for the Company; or (iii) relate to the Company's business or actual or demonstrably anticipated research or development (the "Assigned Inventions"), will be the sole and exclusive property of the Company. Executive shall execute any and all documents and shall provide such assistance necessary either to evidence or register the assignment of these rights.

6.6 Cooperation. Executive agrees to reasonably cooperate with the Company during the term of his employment hereunder and thereafter, at the Company's sole expense relating to any travel or other out-ofpocket expenses incurred, in connection with any governmental, regulatory, commercial, private or other investigations, arbitrations, litigations or similar matters that may arise during the term of his employment hereunder, or in any way relate to events that occurred during term of his employment hereunder, until such investigations, arbitrations, litigations or similar matters are completely resolved.

ARTICLE VII
GENERAL PROVISIONS

7.1 Indemnification. The Company shall indemnify and hold harmless Executive, to the maximum extent permitted by applicable law, against all costs, charges, expenses, claims and judgments incurred or sustained by Executive in connection with any action, suit or proceeding to which Executive may be made a party by reason of being, or agreeing to be, an officer, director or employee of the Company or any subsidiary or affiliate of the Company. The Company shall provide directors and officers insurance for Executive in reasonable amounts. The Board shall determine, in its sole discretion, the availability of insurance upon reasonable terms and the amount of such insurance coverage.

7.2 Tax Matters.

(a) Section 409A. It is intended that any right to receive installment payments pursuant to this Agreement will be treated as a right to receive a series of separate and distinct payments for purposes of Section 409A of the Code. It is further intended that all payments and benefits hereunder satisfy, to the greatest extent possible, the exemption from the application of Section 409A of the Code (and any state law of similar effect) provided under Treasury Regulation Section 1.409A-1(b)(4) (as a "***short-term deferral***") and are otherwise exempt from or comply with Section 409A of the Code. Accordingly, to the maximum extent permitted, this Agreement will be interpreted in accordance with such intent. To the extent necessary to comply with Section 409A of the Code, if the designated payment period for any payment under this Agreement begins in one taxable year and ends in the next taxable year, the payment will commence or otherwise be made in the later taxable year. For purposes of

Section 409A of the Code, if the Company determines that Executive is a "specified employee" under Section 409A(a)(2)(B)(i) of the Code at the time of Executive's separation from service, then to the extent delayed commencement of any portion of the payments or benefits to which Executive is entitled pursuant to this Agreement is required in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code, such portion will not be provided until the earlier (i) the expiration of the six-month period measured from Executive's separation from service or (ii) the date of Executive's death. As soon as administratively practicable following the expiration of the applicable Section 409A(2)(B)(i) period, all payments deferred pursuant to the preceding sentence will be paid in a lump-sum to Executive and any remaining payments due pursuant to this Agreement will be paid as otherwise provided herein.

(b) Expense Reimbursement. To the extent that any reimbursements payable to Executive pursuant to this Agreement are subject to the provisions of Section 409A of the Code, such reimbursement will be paid to Executive no later than December 31st of the year following the year in which such expense was incurred. The amount of expenses reimbursed in one year will not affect the amount eligible for reimbursement in any subsequent year and Executive's right to reimbursement under this Agreement will not be subject to liquidation or exchange for another benefit.

(c) Withholding. All amounts and benefits payable under this Agreement are subject to deduction and withholding to the extent required by applicable law.

7.3 At-Will Employment. Executive's employment relationship with the Company is at-will. Either Executive or the Company may terminate Executive's employment or service at any time for any or no reason, with or without cause.

7.4 Compensation Recoupment. All amounts payable to Executive pursuant to this Agreement shall be subject to recoupment pursuant to any compensation recoupment policy that is applicable generally to executive officers of the Company and in effect from time to time.

7.5 Notice. Any notices provided hereunder must be in writing and shall be deemed effective upon the earlier of personal delivery (including personal delivery by facsimile) or the third day after mailing by first class mail, to the Company at its primary office location and to Executive at Executive's address as listed on the Company payroll.

7.6 Severability. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity or unenforceability will not affect any other provision or any other jurisdiction, but this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid or unenforceable provisions had never been contained herein.

7.7 Choice of Law. All questions concerning the construction, validity and interpretation of this Agreement will be governed by the law of the State of Illinois without regard to the conflicts of law provisions.

7.8 Dispute Resolution; Arbitration. Unless otherwise prohibited by law or specified below, all disputes, claims and causes of action, in law or equity, arising from or relating to this Agreement or its enforcement, performance, breach, or interpretation will be resolved solely and exclusively by final and binding arbitration in Cook County, Illinois through Judicial Arbitration and Mediation Services/Endispute ("***JAMS***") before a single neutral arbitrator, in accordance with the JAMS employment arbitration rules then in effect. THE PARTIES

HEREBY WAIVE ANY RIGHTS THEY MAY HAVE TO TRIAL BY JURY IN REGARD TO ARBITRABLE CLAIMS. The JAMS rules may be found and reviewed at http://www.jamsadr.com/rules-employment-arbitration. The arbitrator will issue a written decision that contains the essential findings and conclusions on which the decision is based.

7.9 Entire Agreement. This Agreement constitutes the entire agreement between Executive and the Company with respect to the subject matter hereof, and supersedes all prior or contemporaneous offers, negotiations and agreements, whether written or oral, relating to such subject matter, including the Prior Agreement and the Offer Letter. This Agreement is entered into without reliance on any promise or representation other than those expressly contained herein or therein and may not be modified or amended except in a writing signed by an officer of the Company and Executive.

(Signature Page Follows)

In Witness Whereof, the parties have executed this Agreement as of the date first written above.

ACCEL ENTERTAINMENT, INC.

By: */s/ Andrew H. Rubenstein*
Name: Andrew H. Rubenstein
Title: President and CEO

ACCEPTED AND AGREED:

/s/ Mathew Ellis
Mathew Ellis

Exhibit 31.1

Certification of Principal Executive Officer

I, Andrew Rubenstein, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Accel Entertainment, Inc.;

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

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

4. The registrant's other certifying officer(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 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: May 4, 2022

/s/ *Andrew Rubenstein*

Andrew Rubenstein
Chief Executive Officer (Principal Executive Officer)

Exhibit 31.2

Certification of Principal Financial Officer

I, Mathew Ellis, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Accel Entertainment, Inc.;

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

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

4. The registrant's other certifying officer(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 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: May 4, 2022

/s/ Mathew Ellis

Mathew Ellis
Chief Financial Officer (Principal Financial Officer)

Exhibit 32.1

Section 1350 Certification of Principal Executive Officer

In connection with the Quarterly Report on Form 10-Q of Accel Entertainment, Inc. (the "Company") for the three months ended March 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Andrew Rubenstein, Chief Executive Officer of the Company, certify, to the best of my knowledge and belief, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ *Andrew Rubenstein*

Andrew Rubenstein
Chief Executive Officer (Principal Executive Officer)

Date: May 4, 2022

This certification accompanies the Quarterly Report on Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Accel Entertainment, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Quarterly Report on Form 10-Q), irrespective of any general incorporation language contained in such filing.

Exhibit 32.2

Section 1350 Certification of Principal Financial Officer

In connection with the Quarterly Report on Form 10-Q of Accel Entertainment, Inc. (the "Company") for the three months ended March 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mathew Ellis, Chief Financial Officer of the Company, certify, to the best of my knowledge and belief, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Mathew Ellis

Mathew Ellis
Chief Financial Officer (Principal Financial Officer)

Date: May 4, 2022

This certification accompanies the Quarterly Report on Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Accel Entertainment, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Quarterly Report on Form 10-Q), irrespective of any general incorporation language contained in such filing.