SCIENTIFIC GAMES CORP
Form DEFR14A
May 08, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No. 1)

Filed by the Registrant x

Filed by a Party other than the Registrant o

Check the appropriate box:

o	Preliminary Proxy Statement
o	**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
x	Definitive Proxy Statement
o	Definitive Additional Materials
o	Soliciting Material under §240.14a-12

SCIENTIFIC GAMES CORPORATION
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x	No fee required.	
o	Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.	
	(1)	Title of each class of securities to which transaction applies:
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o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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EXPLANATORY NOTE

This amended definitive proxy statement (the Amended Proxy Statement) is being filed to amend and restate in its entirety the Definitive Proxy Statement on Schedule 14A previously filed by Scientific Games Corporation (the Company) on April 30, 2018 (the Original Filing).

On May 2, 2018, subsequent to the Original Filing, the Company announced that Barry L. Cottle will succeed Kevin M. Sheehan as President and Chief Executive Officer of the Company effective as of June 1, 2018. Mr. Cottle will be appointed to the Company s Board of Directors (the Board) also effective as of June 1, 2018. In his role as a director, Mr. Cottle will serve on the Compliance Committee and the Executive and Finance Committee of the Board in the place of Mr. Sheehan. Mr. Sheehan will remain a member of the Board and is expected to continue to provide services to the Company as senior advisor to the President and Chief Executive Officer.

This Amended Proxy Statement has been revised to include the nomination of Mr. Cottle for election to the Board at the Company s 2018 Annual Meeting of Stockholders and related disclosure. In addition, this Amended Proxy Statement includes disclosure relating to Mr. Cottle succeeding Mr. Sheehan as President and Chief Executive Officer. Except for the revisions specifically discussed above, the Amended Proxy Statement does not otherwise materially modify or update any other disclosures presented in the Original Filing.

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May 8, 2018

Dear Stockholder:

You are cordially invited to attend the annual meeting of stockholders of Scientific Games Corporation to be held at 10:00 a.m. (local time) on Wednesday, June 13, 2018, at Greenberg Traurig, LLP, 3773 Howard Hughes Parkway, Suite 400 North, Las Vegas, Nevada.

At the meeting, we will be electing fourteen (14) members of our Board of Directors and conducting an advisory vote to approve executive officer compensation. We will also be seeking the ratification of the adoption of our regulatory compliance protection rights plan designed to strengthen our ability to secure and maintain our good standing with respect to our licenses, contracts, franchises and other regulatory approvals. Finally, we will be asking our stockholders to ratify the appointment of Deloitte & Touche LLP as our independent auditor. These matters are described in detail in the accompanying Notice of Annual Meeting of Stockholders and Proxy Statement.

Even if you plan to attend the annual meeting in person, we encourage you to vote your shares right away using one of the advance voting methods described in the accompanying materials.

We look forward to seeing you at the annual meeting.

Sincerely,

Kevin M. Sheehan
President and Chief Executive Officer

The accompanying Proxy Statement is dated May 8, 2018, and is first being mailed to our stockholders about or before May 16, 2018.

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SCIENTIFIC GAMES CORPORATION

6601 Bermuda Road
Las Vegas, NV 89119

NOTICE OF ANNUAL MEETING

OF STOCKHOLDERS

Notice is hereby given that the annual meeting of stockholders of Scientific Games Corporation (the Company) will be held at 10:00 a.m. (local time) on Wednesday, June 13, 2018, at Greenberg Traurig, LLP, 3773 Howard Hughes Parkway, Suite 400 North, Las Vegas, Nevada, for the following purposes:

1. To elect fourteen (14) members of the Company s Board of Directors to serve for the ensuing year and until their respective successors are duly elected and qualified.

2. To approve, on an advisory basis, the compensation of the Company s named executive officers.

3. To ratify the adoption of the Company s regulatory compliance protection rights plan, which was previously adopted by the Board of Directors in an effort to protect stockholder value by strengthening the Company s ability to secure and maintain the Company s good standing with respect to its licenses, contracts, franchises and other regulatory approvals.

4. To ratify the appointment of Deloitte & Touche LLP as independent auditor for the fiscal year ending December 31, 2018.

5. To consider and act upon any other matter that may properly come before the meeting or any adjournment thereof.

Only stockholders of record at the close of business on April 16, 2018 are entitled to receive notice of and to vote at the meeting and any adjournment thereof. A list of the holders will be open to the examination of stockholders for ten days prior to the date of the meeting, between the hours of 9:00 a.m. and 5:00 p.m., at the office of the Corporate Secretary of the Company at 6601 Bermuda Road, Las Vegas, NV 89119 and will be available for inspection at the meeting itself.

To obtain directions to attend the meeting and vote in person, please telephone the Company at (702) 532-7663.

Whether you plan to be personally present at the meeting or not, we encourage you to submit your vote by proxy as soon as possible using one of the advance voting methods (see page 1 of the accompanying Proxy Statement for additional details).

Important Notice Regarding the Availability of Proxy Materials for the

Annual Meeting of Stockholders to be held on June 13, 2018:

The Proxy Statement and 2017 Annual Report will be available

about or before May 16, 2018 through the Investors link on our website at

www.scientificgames.com* or through *www.proxyvote.com.

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By Order of the Board of Directors

Michael A. Quartieri
Executive Vice President, Chief Financial Officer,
Treasurer and Corporate Secretary

Dated: May 8, 2018

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SCIENTIFIC GAMES CORPORATION

6601 Bermuda Road
Las Vegas, NV 89119

PROXY STATEMENT

GENERAL INFORMATION

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors (the Board) of Scientific Games Corporation (Scientific Games, the Company, we or us) of proxies to be voted at the annual meeting of stockholders to be held at 10:00 a.m. (local time) on Wednesday, June 13, 2018, at Greenberg Traurig, LLP, 3773 Howard Hughes Parkway, Suite 400 North, Las Vegas, Nevada, and any adjournment or postponement of the meeting, for the purposes set forth in the Notice of Annual Meeting of Stockholders.

Access to Proxy Materials

We expect our proxy materials, including this Proxy Statement and our 2017 Annual Report, to be made available to stockholders about or before May 16, 2018 through the Investors link on our website at *www.scientificgames.com* or through *www.proxyvote.com.*

Stockholders Entitled to Vote

All stockholders of record at the close of business on April 16, 2018 are entitled to vote at the meeting. At the close of business on April 16, 2018, 90,720,922 shares of common stock were outstanding. Each share is entitled to one vote on all matters that properly come before the meeting.

Voting Procedures

You may vote your shares by proxy without attending the meeting. You may vote your shares by proxy over the Internet or by mail or telephone pursuant to instructions provided on the proxy card. If you are voting over the Internet or by telephone, you will need to provide the control number that is printed on the proxy card that you receive.

If you are the record holder of your shares, you may also vote your shares in person at the meeting. If you are not the record holder of your shares (*i.e.*, they are held in street name by a broker, bank or other nominee), you must first obtain a proxy issued in your name from the record holder giving you the right to vote the shares at the meeting.

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Voting Matters

Stockholders are being asked to vote on the following matters at the annual meeting:

Proposal	**Board s Recommendation**
Proposal 1: Election of Directors (page 4) The Board and the Nominating and Corporate Governance Committee believe that the 14 director nominees possess a combination of qualifications, experience and judgment necessary for a well-functioning Board and the effective oversight of the Company.	FOR each Nominee
Proposal 2: Approval, on an Advisory Basis, of the Compensation of the Company s Named Executive Officers (page 51) The Company has designed its executive compensation program to attract and retain executive talent, foster excellent business performance and align compensation with the long-term interests of our stockholders. The Board and the Compensation Committee value stockholders opinions and will take into account the outcome of the advisory vote when considering future executive compensation decisions.	FOR
Proposal 3: Ratification of the Adoption of Our Regulatory Compliance Protection Rights Plan (page 53) The Board has adopted the regulatory compliance protection rights plan in an effort to protect stockholder value by strengthening the Company s ability to secure and maintain its good standing with respect to its licenses, contracts, franchises and other regulatory approvals. As a matter of good corporate practice, stockholders are being asked to ratify the Board s adoption of the regulatory compliance protection rights plan.	FOR
Proposal 4: Ratification of the Appointment of Deloitte & Touche LLP (Deloitte) as Independent Auditor (page 58) The Audit Committee has appointed Deloitte to serve as our independent auditor for the fiscal year ending December 31, 2018. As a matter of good corporate governance, stockholders are being asked to ratify the Audit Committee s appointment of Deloitte.	FOR

All valid proxies received prior to the meeting will be voted in accordance with the instructions specified by the stockholder. If a proxy card is returned without instructions, the persons named as proxy holders on your proxy card will vote in accordance with the above recommendations of the Board.

With respect to any other matter that properly comes before the meeting, the proxy holders will vote as recommended by the Board or, if no recommendation is given, in their own discretion.

Changing Your Vote

A stockholder may revoke a proxy at any time prior to its being voted by delivering written notice to the Corporate Secretary of the Company, by delivering a properly executed later-dated proxy (including over the Internet or by telephone), or by voting in person at the meeting.

Quorum

The presence, in person or by proxy (regardless of whether the proxy has authority to vote on all matters), of the holders of a majority of the shares entitled to vote at the meeting constitutes a quorum for the transaction of business.

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Vote Required

Assuming a quorum is present, directors will be elected (Proposal 1) by a plurality of the votes cast in person or by proxy at the meeting.

Each of the other proposals requires the affirmative vote of a majority of the shares entitled to vote represented at the meeting.

Effect of Withheld Votes or Abstentions

If you vote WITHHOLD in the election of directors or vote ABSTAIN (rather than vote FOR or AGAINST) with respect to any other proposal your shares will count as present for purposes of determining whether a quorum is present. A WITHHOLD vote will have no effect on the outcome of the election of directors (Proposal 1), and an ABSTAIN vote will have the effect of a negative vote on the other proposals (Proposals 2, 3 and 4).

Effect of Broker Non-Votes

A broker non-vote occurs when a broker or nominee holding shares for a beneficial owner does not vote on a particular proposal because the broker or nominee does not have discretionary voting power on that item and has not received specific instructions from the beneficial owner. If any broker non-votes occur at the meeting, the broker non-votes will count for purposes of determining whether a quorum is present but will not have an effect on any proposals presented for your vote. A broker or other nominee holding shares for a beneficial owner may not vote these shares with respect to the election of directors (Proposal 1), advisory vote on approval of named executive officer compensation (Proposal 2) or the ratification of the adoption of our regulatory compliance protection rights plan (Proposal 3) without specific instructions from the beneficial owner as to how to vote with respect to such proposals. Brokers and other nominees will have discretionary voting power to vote without instructions from the beneficial owner on the ratification of the appointment of our independent auditor (Proposal 4) and, accordingly, your shares may be voted by your broker or nominee on Proposal 4 without your instructions.

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PROPOSAL 1

ELECTION OF DIRECTORS

The Board is elected by our stockholders to oversee the management of the business and affairs of the Company. The Board serves as the ultimate decision-making body of the Company, except for those matters reserved for or shared with stockholders. The Board appoints our executives, who are charged with conducting the business and affairs of the Company, subject to oversight by the Board.

Nominees for Election

The Board has nominated for election as a director to the Board the fourteen (14) persons named below to serve for a one-year term until the next annual meeting of stockholders of the Company and until their successors have been duly elected and qualified or until their earlier death, resignation or removal. On May 2, 2018, the Company announced that Barry L. Cottle will succeed Kevin M. Sheehan as President and Chief Executive Officer of the Company effective as of June 1, 2018. Mr. Cottle will be appointed to the Board also effective as of June 1, 2018. In his role as a director, Mr. Cottle will serve on the Compliance Committee and the Executive and Finance Committee of the Board in the place of Mr. Sheehan. Mr. Sheehan will remain a member of the Board and is expected to continue to provide services to the Company as senior advisor to the President and Chief Executive Officer.

Except for Mr. Cottle, each of the director nominees served as a director during 2017 and was previously elected to the Board by our stockholders. Four of the nominees (Messrs. Perelman, Meister and Schwartz and Ms. Townsend) were designated for election to the Board by MacAndrews & Forbes Incorporated, our largest stockholder, pursuant to its rights under a stockholders agreement with us (discussed more fully below). Pursuant to its rights under a stockholders agreement, MacAndrews & Forbes Incorporated has the right to designate four nominees for election to the Board.

The Board recommends that you vote in favor of the election of each of the nominees named below as directors of the Company for the ensuing year, and the persons named as proxies on the enclosed proxy card will vote the proxies received by them for the election of each of the nominees unless otherwise specified on those proxy cards. All of the nominees have indicated a willingness to serve as directors. However, if any nominee becomes unavailable to serve before the election, proxies may be voted for a substitute nominee selected by the Board, or the Board may decide to reduce the number of directors.

The name, age (as of April 6, 2018), business experience and certain other information regarding each of the nominees for director are set forth below.

Name	Age	Position with the Company	Director Since
Ronald O. Perelman	75	Director (Chairman)	2003
Barry L. Cottle	56	Director; President and Chief Executive Officer(1)	2018
Peter A. Cohen	71	Director (Vice Chairman)	2000
Richard M. Haddrill	64	Director (Vice Chairman)	2014
M. Gavin Isaacs	53	Director (Vice Chairman)	2014

Viet D. Dinh	50	Director	2017
Gerald J. Ford	73	Director	2005
David L. Kennedy	71	Director	2009
Judge Gabrielle K. McDonald	75	Director	2014
Paul M. Meister	65	Director	2012
Michael J. Regan	75	Director	2006
Barry F. Schwartz	68	Director	2003
Kevin M. Sheehan	64	Director	2016
Frances F. Townsend	56	Director	2010

(1) Mr. Cottle s positions as Director and President and Chief Executive Officer are effective as of June 1, 2018.

Ronald O. Perelman was named Chairman of the Board in November 2013. Mr. Perelman has been Chairman of the Board and Chief Executive Officer of MacAndrews & Forbes Incorporated, a diversified holding company with interests in a diversified portfolio of public and private companies and various affiliates since 1980. Mr. Perelman is also Chairman of the Board of Revlon, Inc. and Revlon Consumer Products Corporation.

Barry L. Cottle was appointed President and Chief Executive Officer of the Company effective as of June 1, 2018. Mr. Cottle joined the Company as Chief Executive, SG Interactive, in August 2015 to lead the strategy and growth plans of the Interactive group. Before joining the Company, Mr. Cottle served as Vice Chairman of Deluxe Entertainment Services Group Inc. while concurrently serving as Senior Vice President of Technology at MacAndrews & Forbes Incorporated where he helped drive digital innovation. Prior to that, he was the Chief Revenue Officer and Executive Vice President Games for Zynga Inc., where he led corporate and business development, strategic partnerships, distribution, marketing and advertising. Previously, Mr. Cottle served as the Executive Vice President Interactive for Electronic Arts Inc. for five years. Earlier in his career, Mr. Cottle served as the Founder/Chief Executive Officer of Quickoffice, Inc.; Chief Operating Officer of Palm, Inc.; and Senior Vice President of Disney TeleVentures, a division of The Walt Disney Company dedicated to creating interactive online/TV experiences.

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Peter A. Cohen has served as Vice Chairman of the Board since September 2004. Mr. Cohen is Chairman of Cowen Inc. (formerly known as Cowen Group, Inc.), a diversified financial services company, and served as Chairman and Chief Executive Officer from 2009 through December 2017. Mr. Cohen was a founding partner and principal of Ramius LLC, a private investment management firm formed in 1994 that was combined with Cowen in late 2009. Mr. Cohen served as a member of the board of directors of Chart Acquisition Corp. (which, as a result of a business combination, is now known as Tempus Applied Solutions Holdings, Inc.) from 2013 to 2015. From November 1992 to May 1994, Mr. Cohen was Vice Chairman of the Board and a director of Republic New York Corporation, as well as a member of its executive management committee. Mr. Cohen was Chairman and Chief Executive Officer of Shearson Lehman Brothers from 1983 to 1990.

Richard M. Haddrill has served as Vice Chairman of the Board since February 2018. Mr. Haddrill was employed as Executive Vice Chairman starting in December 2014, following the Company s acquisition of Bally Technologies, Inc. (Bally) in November 2014 (the Bally Acquisition). Mr. Haddrill is the founder and manager of The Groop, LLC, a private investment and advisory company formed in January 2018. Previously, Mr. Haddrill served as Chief Executive Officer of Bally from 2004 to 2012 and from May 2014 until the Bally Acquisition, and he served on Bally s board of directors from 2003 until the Bally Acquisition, including serving as Chairman of the Bally board from 2012 to 2014. Prior to joining Bally, Mr. Haddrill served as Chief Executive Officer and as a member of the board of directors of Manhattan Associates, Inc., a global leader in software solutions to the supply-chain industry. Prior to that, he served as President and Chief Executive Officer of Powerhouse Technologies, Inc., a technology and gaming company involved in the video lottery industry and online lottery and pari-mutuel wagering systems. Mr. Haddrill also served on the board of directors of JDA Software Group, Inc., a leading provider of end-to-end integrated retail and supply chain planning and execution solutions, through 2012.

M. Gavin Isaacs was appointed Vice Chairman of the Board in August 2016. He previously served as President and Chief Executive Officer of the Company from June 2014 until August 2016. Mr. Isaacs is an accomplished gaming industry executive with more than 15 years of leadership experience. He served as Chief Executive Officer of SHFL entertainment, Inc. from April 2011 through November 2013 when the company was acquired by Bally. Prior to joining SHFL entertainment, Inc., Mr. Isaacs served as Executive Vice President and Chief Operating Officer of Bally from 2006 through 2011. Prior to joining Bally, he held senior roles at Aristocrat Leisure Limited, including Head of Global Marketing and Business Development, Managing Director of Aristocrat s London-based European subsidiary and President of Aristocrat Technologies, Inc., Aristocrat s Las Vegas-based subsidiary. Mr. Isaacs previously served as a Trustee and the President of the International Association of Gaming Advisors, and as Vice Chairman of the board of directors of the American Gaming Association.

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Viet D. Dinh is a partner at Kirkland & Ellis LLP, an international law firm providing legal advice in the areas of complex litigation, corporate and tax law, intellectual property, restructuring and other general counseling matters. Mr. Dinh has also served as a Professional Lecturer in Law focusing on corporations and constitutional law at Georgetown University since 2014. Previously, he served as a tenured law professor at Georgetown University from 1996 to 2014. Prior to joining Kirkland & Ellis in 2016, Mr. Dinh was a partner at Bancroft PLLC, a law and strategic consulting firm which he founded in 2003. From 2001 to 2003, Mr. Dinh served as Assistant Attorney General for Legal Policy at the U.S. Department of Justice, where he played a key role in developing legal policy initiatives to combat terrorism, including the USA Patriot Act. Mr. Dinh has served on the boards of directors of the following publicly traded companies within the last five years: Twenty-First Century Fox, Inc. (since 2013); LPL Financial Holdings, Inc. (since 2015); Revlon, Inc. and Revlon Consumer Products Corporation (from 2012 to May 2017); and News Corporation (from 2004 to 2013).

Gerald J. Ford has been a financial institutions entrepreneur and private investor involved in numerous mergers and acquisitions of private and public sector financial institutions over the past 42 years. Mr. Ford has served as a director of Hilltop Holdings Inc., a Texas-based, publicly traded, diversified financial holding company, since 2005, and as Chairman since 2007, and has served as a director of Freeport-McMoRan Inc., an international mining company with headquarters in Phoenix, Arizona, since 2000, and as Chairman since January 2016. Mr. Ford also is the Co-Managing Member of Ford Financial Fund II, L.P., a private equity fund that owns the controlling interest of Mechanics Bank. During the past five years, Mr. Ford has also served as Chairman of the board of directors of Pacific Capital Bancorp (from 2010 to December 2012) and as a director of McMoRan Exploration Company (from 1998 to June 2013) and SWS Group, Inc. (from 2011 to 2015).

David L. Kennedy served as a Vice Chairman of the Board from 2009 through 2016. Mr. D. Kennedy has previously been an employee of the Company, most recently serving as Executive Vice Chairman from June 2014 to August 2014. Previously, he served as the Company s President and Chief Executive Officer from November 2013 to June 2014, and as Chief Administrative Officer from April 2011 until March 2012. During his 45-year business career, Mr. D. Kennedy held senior executive positions with Revlon, Inc. and The Coca-Cola Company and affiliates. In June 2016, he retired from his role as Senior Executive Vice President of MacAndrews & Forbes Incorporated and from the boards of Revlon, Inc., where he had served as Vice Chairman since 2009 (including serving in that capacity as an executive officer until November 2013) and as a director since 2006, and Revlon Consumer Products Corporation, where he had served as a director since 2006.

Judge Gabrielle K. McDonald is a former U.S. District Court judge. From 2001 until 2013, Judge McDonald served as a judge on the Iran-United States Claims Tribunal, The Hague, The Netherlands. Judge McDonald served as a judge on the International Criminal Tribunal for the former Yugoslavia in The Hague for six years, and was President of the Tribunal from 1997 until 1999. Judge McDonald is a member of the Council on Foreign Relations. During the past five years, Judge McDonald has also served as a director of Freeport-McMoRan Inc. and the American Arbitration Association.

Paul M. Meister has served as President of MacAndrews & Forbes Incorporated since 2014. Mr. Meister was appointed Executive Vice Chairman of Revlon, Inc. in January 2018. He is also co-founder and, since 2008, Chief Executive Officer of Liberty Lane Partners, LLC, a private investment company with diverse investments in healthcare, technology and distribution-related industries. Mr. Meister previously served as Chairman and Chief Executive Officer of inVentiv Health, Inc., a provider of commercial, consulting and clinical research services to the pharmaceutical and biotech industries, from 2010 until 2015. Mr. Meister was Chairman of Thermo Fisher Scientific Inc. (Thermo Fisher), a scientific instruments equipment and supplies company, from November 2006 until April 2007. He was previously Vice Chairman of Fisher Scientific International, Inc. (Fisher Scientific), a predecessor to Thermo Fisher, from March 2001 to November 2006, and Vice Chairman and Chief Financial Officer of Fisher Scientific from March 1991 to March 2001. Prior to Fisher Scientific, Mr. Meister held executive positions with the Henley Group, Wheelabrator Technologies and Abex, Inc. Mr. Meister has served as a director of Revlon, Inc. since June 2016; LKQ Corporation, a distributor of vehicle products, since February 1999; Quanterix Corporation, a developer of ground-breaking tools in high definition diagnostics, since September 2013; and vTv Therapeutics Inc., a clinical-stage bio pharmaceutical company, since July 2015.

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Michael J. Regan is a former Vice Chairman and Chief Administrative Officer of KPMG LLP and was the lead audit partner for many Fortune 500 companies during his 40-year tenure with KPMG. Mr. Regan has been a member of the board of directors of Lifetime Brands, Inc., a global provider of kitchenware, tableware and other home products, since 2012. During the past five years, Mr. Regan has also served as a member of the board of directors of DynaVox Inc. (from 2011 to January 2015).

Barry F. Schwartz has been Vice Chairman of MacAndrews & Forbes Incorporated and various affiliates since December 2015. Mr. Schwartz was Executive Vice Chairman of MacAndrews & Forbes Incorporated and various affiliates from October 2007 to December 2015. Prior to that, he was Executive Vice President and General Counsel of MacAndrews & Forbes Incorporated and various affiliates since 1993 and Senior Vice President of MacAndrews & Forbes Incorporated and various affiliates from 1989 to 1993. Mr. Schwartz has been a director of Revlon, Inc. since November 2007 and Revlon Consumer Products Corporation since March 2004. Mr. Schwartz has also been a director of Gaming and Leisure Properties, Inc., a Pennsylvania real estate investment trust company, since May 2017. During the past five years, Mr. Schwartz has also served as a director of Harland Clarke Holdings Corp. (from 2005 to 2014).

Kevin M. Sheehan began serving as our President and Chief Executive Officer in August 2016 and will be succeeded in such position by Mr. Cottle effective as of June 1, 2018. Mr. Sheehan served as Chief Executive Officer of NCL Corporation Ltd., a leading global cruise line operator (Norwegian Cruise Line), from November 2008 through January 2015 and as President of Norwegian Cruise Line from August 2010 through January 2015 (and previously from August 2008 through March 2009). Mr. Sheehan also served as Chief Financial Officer of Norwegian Cruise Line from November 2007 until September 2010. Before joining Norwegian Cruise Line, Mr. Sheehan served as a consultant to private equity firms, including Cerberus Capital Management LP and Clayton Dubilier & Rice. From 2001 to 2005, Mr. Sheehan held various senior executive roles at Cendant Corporation, including Chairman and Chief Executive Officer of the corporation s Vehicle Services Division (which included global responsibilities of Avis, Budget, PHH Vehicle Management Services and Wright Express) from January 2003 through May 2005 and Chief Financial Officer from March 2001 through May 2003. Earlier in his career, Mr. Sheehan served as President of STT Video Partners (Sega Channel) and was instrumental in the creation and launch of Telemundo. Mr. Sheehan served on the board of directors of Bob Evans Farms, Inc. from 2014 to August 2017. From 2015 through August 2016, Mr. Sheehan served as the John J. Phelan, Jr. Distinguished Professor at the Robert B. Willumstad School of Business at Adelphi University and, from August 2005 to January 2008, Mr. Sheehan served on the faculty of Adelphi University as a Distinguished Visiting Professor of accounting, finance and economics. Mr. Sheehan currently serves on the boards of directors of Dave & Buster s Entertainment, Inc., operator of venues that combine entertainment and dining in North America for adults and families, where he has served since 2011, and New Media Investment Group Inc. and its predecessor, a diversified portfolio of local media assets and a digital marketing services business, where he has served since 2006.

Frances F. Townsend is Executive Vice President of Worldwide Government, Legal and Business Affairs of MacAndrews & Forbes Incorporated. She has been with MacAndrews & Forbes Incorporated since October 2010. Ms. Townsend was a corporate partner at the law firm of Baker Botts LLP from April 2009 to October 2010. Prior to that, she was Assistant to President George W. Bush for Homeland Security and Counterterrorism and chaired the Homeland Security Council from May 2004 until January 2008. Prior to serving the President, Ms. Townsend was the first Assistant Commandant for Intelligence for the U.S. Coast Guard and spent 13 years at the U.S. Department of Justice in various senior positions. She also serves on numerous governmental advisory and nonprofit boards. Ms. Townsend is a trustee on the board of the New York City Police Foundation and the Intrepid Sea, Air & Space Museum. She is also a member of the Council on Foreign Relations and the Trilateral Commission. Ms. Townsend has been a director of The Western Union Company since 2013, and Freeport-McMoRan Inc., an international mining company with headquarters in Phoenix, Arizona, since 2013. During the past five years, Ms. Townsend has also served as a director of SIGA Technologies, Inc. (from 2011 to 2014).

Designees of MacAndrews & Forbes Incorporated

Messrs. Perelman, Meister and Schwartz and Ms. Townsend were designated for election to the Board by MacAndrews & Forbes Incorporated pursuant to its rights under a stockholders agreement with us dated September 6, 2000, as supplemented by agreements dated June 26, 2002, October 10, 2003 and February 15, 2007. The stockholders agreement was originally entered into with holders of our Series A Convertible Preferred Stock in connection with the initial issuance of such preferred stock and provides for, among other things, the right of the holders to designate up to four members of our Board based on their ownership of preferred stock or the common stock issued upon conversion thereof. All of the preferred stock was converted into common stock in August 2004. MacAndrews & Forbes Incorporated, which owned approximately 92% of the preferred stock prior to conversion and currently owns approximately 38.11% of our outstanding common stock, currently has the right to designate up to four directors based on its level of share ownership. The percentages that must be maintained in order to designate directors are as follows: (a) 20% to designate four directors; (b) 16% to designate three directors; (c) 9% to designate two directors; and (d) 4.6% to designate one director. Such percentages, in each case, are to be determined based on our fully diluted common stock subject to certain exclusions of common stock or other securities that may be issued in the future.

Qualifications of Directors

Our directors are responsible for overseeing the management of the Company s business and affairs, which requires highly skilled and experienced individuals. The Nominating and Corporate Governance Committee is responsible for evaluating and making recommendations to the Board concerning the appropriate size and needs of the Board with the objective of maintaining the necessary experience, skills and independence on the Board. The Nominating and Corporate Governance Committee and the Board believe that there are general qualifications that are applicable to all directors and other skills and

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experience that should be represented on the Board as a whole, but not necessarily by each director. The Nominating and Corporate Governance Committee and the Board consider the experience and qualifications of prospective directors individually and in the context of the Board s overall composition.

In its assessment of prospective directors, the Nominating and Corporate Governance Committee and the Board generally consider, among other factors, the individual s character and integrity, experience, judgment, independence and ability to work collegially, as well as the ability of a potential nominee to devote the time and effort necessary to fulfill his or her responsibilities as a director. The Nominating and Corporate Governance Committee and the Board also assess particular qualifications, attributes, skills and experience that they believe are important to be represented on the Board as a whole, in light of the Company s business. These include a high level of financial literacy, relevant chief executive officer or similar leadership experience, gaming, lottery and interactive gaming industry experience, experience with global operations, exposure to the development and marketing of technology and consumer products, and legal and regulatory experience.

As a matter of practice, the Nominating and Corporate Governance Committee and the Board also consider the diversity of the backgrounds and experience of prospective directors as well as their personal characteristics (*e.g.*, gender, ethnicity, age) in evaluating, and making decisions regarding, Board composition, in order to facilitate Board deliberations that reflect a broad range of perspectives. The Nominating and Corporate Governance Committee and the Board believe that the Board is comprised of a diverse group of individuals.

The Nominating and Corporate Governance Committee and the Board believe that each nominee has valuable individual skills and experiences that, taken together, provide the variety and depth of knowledge, judgment and vision necessary for the effective oversight of the Company. As indicated in the foregoing biographies, the nominees have extensive experience in a variety of fields, including gaming, lottery and interactive gaming (Messrs. Cottle, Haddrill, Isaacs and a number of our other long-serving directors), global operations (all directors), technology (Messrs. Cottle, Haddrill, Isaacs, D. Kennedy and Meister), consumer products and marketing (Messrs. Perelman, Cottle, Haddrill, Isaacs, D. Kennedy, Schwartz and Sheehan), legal and regulatory (Messrs. Isaacs, Dinh and Schwartz and Madams McDonald and Townsend), investment and financial services (Messrs. Perelman, Cohen, Ford, D. Kennedy, Meister and Schwartz) and public accounting (Mr. Regan), each of which the Board believes provides valuable knowledge about important elements of our business. Most of our nominees have leadership experience at major companies or organizations that operate inside and outside the United States and/or experience on other companies boards, which provides an understanding of ways other companies address various business matters, strategies, corporate governance and other issues. As indicated in the foregoing biographies, the nominees have each demonstrated significant leadership skills, including as a chief executive officer (Messrs. Perelman, Cottle, Cohen, Haddrill, Isaacs, Ford, D. Kennedy, Meister, Schwartz and Sheehan), as a chief administrative officer of a major accounting firm (Mr. Regan), as chair of the Homeland Security Council and an officer in the U.S. Coast Guard (Ms. Townsend) and as a judge on an international criminal tribunal (Judge McDonald). Mr. Dinh and Ms. Townsend have extensive public policy, government or regulatory experience, which can provide valuable insight into issues faced by companies in regulated industries such as that of the Company. Messrs. Cottle and Isaacs have served as senior executives and directors of other gaming and entertainment companies, which service has given them deep knowledge of the Company and its businesses and directly relevant management experience. Mr. Sheehan has experience in the travel and leisure industry, providing him with insight into issues facing our customers. The Nominating and Corporate Governance Committee and the Board believe that these skills and experiences, together with their other qualities, qualify each nominee to serve as a director of the Company.

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THE BOARD RECOMMENDS A VOTE FOR EACH OF THE FOURTEEN (14) NOMINEES

Corporate Governance

Overview. The Company is committed to good corporate governance, which we believe promotes the long-term interests of our stockholders and strengthens Board and management accountability. Highlights of our corporate governance structure and policies include:

Corporate Governance Highlights

- Annual election of all directors
- Ten independent director nominees
- Entirely independent Board committees (other than Executive and Finance Committee and Compliance Committee)
- Regular executive sessions of independent directors
- Separate Chairman and Chief Executive Officer roles
- Regular Board and committee self-evaluations
- Director and officer stock ownership guidelines
- Risk management oversight by the Board and committees
- Cash and equity compensation clawback policy
- Anti-hedging policy
- Executive compensation based on pay-for-performance philosophy
- Code of Business Conduct (and related training)
- Stockholder right to call special meetings
- Stockholder right to act by written consent
- Absence of an anti-takeover rights plan and other anti-takeover provisions

Director Independence. The Board has adopted Director Independence Guidelines as a basis for determining that individual directors are independent under the standards of the NASDAQ Stock Market. This determination, which is made annually, helps assure the quality of the Board s oversight of management and reduces the possibility of damaging conflicts of interest. Under these standards, a director will not qualify as independent if:

(1) the director has been employed by the Company (or any subsidiary) at any time within the past three years, other than service as an interim executive officer for a period of less than one year;

(2) the director has an immediate family member who has been employed as an executive officer of the Company (or any subsidiary) at any time within the past three years;

(3) the director or an immediate family member of the director has accepted any compensation (including any political contribution to a director or family member) from the Company (or any subsidiary) in excess of $120,000 during any period of 12 consecutive months within the past three years other than (a) for Board or Board committee service, (b) in the case of the family member, as compensation for employment other than as an executive officer, (c) benefits under a tax-qualified retirement plan or non-discretionary compensation, or (d) compensation for service as an interim executive officer for a period of less than one year;

(4) the director or an immediate family member of the director is a partner, controlling shareholder or executive officer of an organization (including a charitable organization) that made payments to, or received payments from, the Company for property or services in the current year or in any of the past three years that exceed the greater of 5% of the recipient s consolidated gross revenues or $200,000, other than (a) payments arising solely from investments in the Company s securities or (b) payments under non-discretionary charitable contribution matching programs;

(5) the director or an immediate family member of the director is employed as an executive officer of another entity where at any time during the past three years any of the executive officers of the Company served on the compensation committee of such other entity; or

(6) the director or an immediate family member of the director is a current partner of the Company s outside auditor, or was a partner or employee of the Company s outside auditor who worked on the Company s audit at any time during any of the past three years.

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In applying these standards, the Board determined that each of Messrs. Cohen, Dinh, Ford, D. Kennedy, Meister, Perelman, Regan and Schwartz, and Madams Townsend and McDonald, qualify as independent directors, and none has a business or other relationship that would interfere with the director s exercise of independent judgment. In connection with their analysis, the Board considered the fact that the Company has engaged Kirkland & Ellis, LLP, although not Mr. Dinh, who is a partner at Kirkland & Ellis LLP, on certain legal matters and determined that this existing relationship would not interfere with Mr. Dinh s exercise of independent judgment. Messrs. Cottle, Isaacs, Haddrill and Sheehan do not qualify as independent directors.

The full text of the Board s Director Independence Guidelines, including information on the additional independence requirements applicable to Board committee members, can be accessed through the Investors Corporate Governance link on our website at *www.scientificgames.com*.

Corporate Governance Guidelines. The Board has adopted Corporate Governance Guidelines that outline the structure, role and functioning of the Board and address various governance matters including director independence, the Board selection process, length of Board service, Board meetings and executive sessions of independent directors, Board and committee performance evaluations and management succession planning. The full text of these guidelines can be accessed through the Investors Corporate Governance link on our website at *www.scientificgames.com*.

Board Leadership Structure. As described above, all of the director nominees qualify as independent directors, other than Mr. Cottle, our President and Chief Executive Officer effective as of June 1, 2018, Mr. Sheehan, our President and Chief Executive Officer from August 2016 until being succeeded in such position by Mr. Cottle effective as of June 1, 2018, Mr. Isaacs, our former President and Chief Executive Officer from 2014 to 2016, and Mr. Haddrill, our former Executive Vice Chairman from 2014 through February 2018. The Audit, Compensation, and Nominating and Corporate Governance Committees are comprised entirely of independent directors. The Executive and Finance Committee is comprised of independent directors and non-independent directors, and the Compliance Committee is comprised of independent directors, a non-independent director and an industry consultant. The Board has the flexibility to select the leadership structure that is most appropriate for the Company and its stockholders and has determined that the Company and its stockholders are best served by not having a formal policy regarding whether the same individual should serve as both Chairman of the Board and Chief Executive Officer. This approach allows the Board to elect the most qualified director as Chairman of the Board, while maintaining the ability to separate the Chairman of the Board and Chief Executive Officer roles when deemed appropriate. The Chairman of the Board and Chief Executive Officer roles are currently held by two different individuals.

Messrs. Cohen, Haddrill and Isaacs serve as Vice Chairmen of the Board, and the Board has also designated Mr. Cohen as the lead independent director. When the positions of Chairman of the Board and Chief Executive Officer are held by the same individual, Mr. Cohen s lead independent director responsibilities include presiding over regularly held executive sessions of independent directors, facilitating communication between the independent directors and the Chief Executive Officer, and coordinating the activities of the independent directors. Mr. Cohen also provides assistance to the Board and the committees of the Board in their evaluations of management s performance, and he carries out other duties that the Board assigns to him from time to time in areas of governance and oversight.

The Executive and Finance Committee, which, effective as of June 1, 2018, includes four independent directors (Messrs. Meister, Perelman, Cohen and Schwartz) as well as three non-independent directors (Messrs. Cottle, Haddrill and Isaacs), meets as needed to support the Board in the performance of its duties between regularly scheduled Board meetings, to implement the policy decisions of the Board and to provide strategic guidance and oversight to the Company.

The Board believes its current leadership structure is appropriate because it effectively allocates authority, responsibility and oversight between management and the independent members of the Board.

Board s Role in Risk Oversight. The Board is responsible for overseeing management in the execution of its responsibilities and for assessing the Company s approach to risk management. The Board exercises these responsibilities on an ongoing basis as part of its meetings and through the Board s committees, each of which examines various components of

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enterprise risk as part of its responsibilities. An overall review of risk is inherent in the Board s consideration of the Company s strategies and other matters presented to the Board, including financial matters, investments, acquisitions and divestitures. The Board s role in risk oversight is consistent with the Company s leadership structure, with the Chief Executive Officer and other members of senior management having responsibility for managing the Company s risk exposure, and the Board and its committees providing oversight of those efforts.

The Company has implemented internal processes and controls to identify and manage risks and to communicate with the Board regarding risk management. These include an enterprise risk management program, regular internal management meetings that identify risks and discuss risk management, a Code of Business Conduct (the Code) (and related training), a strong ethics and compliance function that includes suitability reviews of customers, partners, vendors and other persons/entities with which the Company does business, an internal and external audit process, internal approval and signature authority processes and legal department review of contracts. In connection with these processes and controls, management regularly communicates with the Board, Board committees and individual directors regarding identified risks and the management of these risks. Individual directors often communicate directly with senior management on matters relating to risk management. In particular, the Board committee chairmen regularly communicate with members of senior management, including the Chief Executive Officer, to discuss potential risks in connection with accounting and audit matters, compensation matters, compliance matters and financing-related matters.

The Board committees, which meet regularly and report to the full Board, play significant roles in carrying out the Board s risk oversight function. In particular, the Audit Committee oversees risks related to the Company s financial statements, the financial reporting process, accounting and certain legal matters. The Audit Committee also oversees the internal audit function and regularly meets in private with both the Vice President of Internal Audit (who reports functionally to the Chief Financial Officer and has a direct reporting line to the Audit Committee) and representatives of the Company s independent auditing firm. The Compensation Committee evaluates risks associated with the Company s compensation programs and discusses with management procedures to identify and mitigate such risks. See Executive Compensation Compensation Discussion and Analysis Compensation Program as it Relates to Risk below. The Compliance Committee is active in overseeing the Company s program with respect to compliance with the laws applicable to the Company s business, including gaming laws, as well as compliance with the Code and related policies by employees, officers, directors and other representatives of the Company. In addition, the Compliance Committee oversees a compliance review process, which is designed to ensure that the vendors, consultants, customers and business partners of the Company are suitable or qualified as those terms are used by applicable gaming and lottery authorities, and regularly meets separately with the Senior Vice President, Chief Compliance Officer and Corporate Director of Security (who reports functionally to the Chief Executive Officer and has a direct reporting line to the Compliance Committee).

Board Meetings. The Board held a total of eight meetings during 2017, including three at which executive sessions were held with no members of management present. During 2017, all incumbent directors attended at least 75% of the total number of meetings of the Board and committees of the Board on which they served, except for Mr. Dinh, who attended 67% of the total number of meetings he was eligible to attend following his election to the Board in June 2017. Mr. Dinh was excused from one Board meeting and one Nominating and Corporate Governance Committee meeting, both held on the same day in October 2017, due to a death in the family. Excluding this one-day absence, Mr. Dinh attended 100% of the scheduled meetings following his election to the Board.

Board Committees. The Board has five committees: the Audit Committee; the Compensation Committee; the Compliance Committee; the Executive and Finance Committee; and the Nominating and Corporate Governance Committee. All committees are comprised solely of independent directors with the exception of the Executive and Finance Committee, which, effective as of June 1, 2018, is comprised of four independent directors as well as Messrs. Cottle, Haddrill and Isaacs, and the Compliance Committee, which, effective as of June 1, 2018, is comprised of three independent directors, as well as Mr. Cottle, and Patricia Becker, a gaming industry consultant. The Board has approved charters for each Board committee, which can be accessed

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through the Investors Corporate Governance link on our website at *www.scientificgames.com*. Following Mr. Cottle s appointment to the Board, the membership of each committee will be as shown in the table below.

Audit Committee	Compensation Committee	Compliance Committee	Executive and Finance Committee	Nominating and Corporate Governance Committee
Michael J. Regan (Chair)	Peter A. Cohen (Chair)	Frances F. Townsend (Chair)	Paul M. Meister (Chair)	Gerald J. Ford (Chair)
Peter A. Cohen	Paul M. Meister	Barry L. Cottle	Ronald O. Perelman	Viet D. Dinh
Gerald J. Ford	Barry F. Schwartz	Gabrielle K. McDonald	Barry L. Cottle	Michael J. Regan
		Barry F. Schwartz	Peter A. Cohen	Frances F. Townsend
		Patricia Becker	Richard M. Haddrill	
			M. Gavin Isaacs	
			Barry F. Schwartz	

Audit Committee. The Audit Committee is responsible for hiring the Company s independent auditor and for overseeing the accounting, auditing and financial reporting processes of the Company. In the course of performing its functions, the Audit Committee reviews, with management and the independent auditor, the Company s internal accounting controls, the financial statements, the report and recommendations of the independent auditor, the scope of the audit, and the qualifications and independence of the auditor. The Audit Committee also oversees the Company s internal audit function. The Board has determined that each member of the Audit Committee is independent under the listing standards of the NASDAQ Stock Market, the independence standards under the Exchange Act, and the Company s Director Independence Guidelines, and that Mr. Regan qualifies as an audit committee financial expert within the meaning of Item 407(d)(5) of Regulation S-K of the rules of the Securities and Exchange Commission (the SEC). The Audit Committee held seven meetings during 2017.

Compensation Committee. The Compensation Committee sets the compensation of the President and Chief Executive Officer and other senior executives of the Company, administers the equity incentive plans and executive compensation programs of the Company, determines eligibility for, and awards under, such plans and programs, and makes recommendations to the Board with regard to the adoption of new employee benefit plans and equity incentive plans and with respect to the compensation program for non-employee directors. The Board has determined that each member of the Compensation Committee is independent under the listing standards of the NASDAQ Stock Market. The Compensation Committee held four meetings during 2017.

Compliance Committee. The Compliance Committee is responsible for providing oversight of the Company s program with respect to compliance with laws and regulations applicable to the business of the Company, including gaming and anticorruption laws, and with respect to compliance with the Code by employees, officers, directors and other representatives of the Company. The Compliance Committee held six meetings during 2017.

Executive and Finance Committee. The Executive and Finance Committee has broad authority to act on behalf of the Board in the oversight of the business and affairs of the Company and assists the Board in implementing Board policy decisions as requested by the Board from time to time. The Executive and Finance Committee did not hold any meetings during 2017.

Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee is responsible for identifying individuals who are qualified to become directors, recommending nominees for membership on the Board and on committees of the Board, reviewing and recommending corporate governance principles, procedures and practices and overseeing the annual self-assessments of the Board and its committees. The Board has determined that each member of the Nominating and Corporate Governance Committee is independent under the listing standards of the NASDAQ Stock Market. The Nominating and Corporate Governance Committee held five meetings during 2017.

The Nominating and Corporate Governance Committee does not have specific qualifications that must be met by a candidate for director and will consider individuals suggested as candidates by our stockholders in accordance with the provisions contained in our Amended and Restated Bylaws. Each notice of nomination submitted in this manner must contain the information specified in our Amended and Restated Bylaws, including, but not limited to, information with respect to the beneficial ownership

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of our common stock held by the proposing stockholder and any voting or similar agreement the proposing stockholder has entered into with respect to our common stock. To be timely, the notice must be received at our principal executive offices not less than 90 days nor more than 120 days prior to the first anniversary of the date of the prior year s annual meeting of stockholders. If the annual meeting of stockholders is advanced by more than 30 days, or delayed by more than 60 days, from the anniversary of the preceding year s annual meeting of stockholders, notice by the stockholder, to be timely, must be received no earlier than the 120th day prior to the annual meeting of stockholders and no later than the later of (i) the 90th day prior to the annual meeting of stockholders or (ii) the tenth day following the day on which we publicly announce the date of the annual meeting of stockholders if the first public announcement of the date of such annual meeting is less than 100 days prior to the date of such annual meeting.

Each notice of nomination should include the nominee s qualifications and other relevant biographical information and provide confirmation of the nominee s consent to serve as a director. The Nominating and Corporate Governance Committee will review the candidate s background, experience and abilities, and the contributions the candidate can be expected to make to the collective functioning of the Board and the needs of the Board at the time. In prior years, candidates have been identified through recommendations made by directors, the President and Chief Executive Officer and other third parties. The Nominating and Corporate Governance Committee anticipates that it would use these sources as well as stockholder recommendations to identify candidates in the future.

Stockholder Communications with Directors. Stockholders may communicate with the Board or an individual director by sending a letter to the Board or to a director s attention care of the Corporate Secretary of the Company at Scientific Games Corporation, 6601 Bermuda Road, Las Vegas, NV 89119. The Corporate Secretary will open, log and deliver all such correspondence (other than advertisements, solicitations or communications that contain offensive or abusive content) to directors on a periodic basis, generally in advance of each Board meeting.

Attendance at Stockholders Meetings. The Company encourages directors to attend the annual stockholders meeting. Last year, ten of the twelve directors then serving attended the annual meeting.

Compensation Committee Interlocks and Insider Participation. None of the Compensation Committee members (i) has ever been an officer or employee of the Company or (ii) was a participant in a Related Person Transaction (as defined in Certain Relationships and Related Person Transactions) in 2017. None of the Company s executive officers serves, or in 2017 served, as a member of the board of directors or compensation committee of any entity that has one or more of its executive officers serving as a member of the Company s Board of Directors or the Compensation Committee.

Code of Ethics. The Board has adopted a Code of Business Conduct, or the Code, that applies to all of our officers, directors and employees. The Code sets forth fundamental principles of integrity and business ethics and is intended to ensure ethical decision making in the conduct of professional responsibilities. Among the areas addressed by the Code are standards concerning conflicts of interest, confidential information and compliance with laws, regulations and policies. The full text of the Code can be accessed through the Investors Corporate Governance link on our website at *www.scientificgames.com.*

Director Compensation

Non-Employee Director Compensation. The compensation program for Eligible Directors (as defined below) consists of annual retainers and equity awards (the Eligible Director compensation program). Under the Eligible Director compensation program, in 2017, Eligible Directors were entitled to receive:

(1) an annual retainer for service on the Board of $75,000;

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(2) an annual committee retainer (in lieu of fees per committee meeting) of $10,000 ($15,000, in the case of the Audit Committee) for service on a committee (excluding for service on the Executive and Finance Committee);

(3) an annual retainer for the chairs of the Compliance Committee and the Nominating and Corporate Governance Committee of $20,000 (and an annual retainer for the chair of the Audit Committee of $35,000); and

(4) an annual grant of restricted stock units (RSUs) with a grant date value of $160,000 and a four-year vesting schedule, provided such Eligible Director satisfied the Board s attendance requirement for the prior calendar year, as discussed below.

New Eligible Directors generally receive stock options for 10,000 shares of our common stock (with a four-year vesting schedule) upon joining the Board. For 2017, Eligible Directors consisted of all directors other than Messrs. Sheehan, Haddrill and Isaacs and, prior to March 2017 only, Mr. Cohen. Messrs. Sheehan, Haddrill and Isaacs were instead compensated based on their employment or consulting agreement with the Company, as applicable, and, prior to March 2017, Mr. Cohen received the Vice Chairman compensation described below. Mr. Sheehan s compensation is discussed in the section entitled Executive Compensation .

The elements of the Eligible Director compensation program are evaluated and determined by the Compensation Committee, which takes into account competitive director compensation data provided by Compensation Advisory Partners, LLC, or CAP, for companies in a peer group of comparably sized companies in related industries as well as a general industry group of comparably sized companies. The Compensation Committee uses the comparative data provided by CAP as a general indicator of relevant market conditions, but does not set specific benchmark targets for total director compensation or for individual elements of the Eligible Director compensation program. No changes were made to the Eligible Director compensation program for 2017.

Awards of stock options and RSUs are subject to forfeiture if an Eligible Director leaves the Board prior to the scheduled vesting date for any reason, except that the vesting of such awards would accelerate in full upon an Eligible Director ceasing to serve on the Board due to death or disability.

The number of RSUs awarded in 2017 was determined by dividing the grant date value of $160,000 by the average of the high and low sales price of our common stock on the trading day immediately prior to the grant date and rounding down to the nearest whole number. As a result, 6,219 RSUs were awarded to each Eligible Director in 2017.

Eligible Directors with unexcused absences exceeding 25% of the meetings held by the Board and committees on which they served in the prior year are not eligible to receive an annual award of RSUs except that new Eligible Directors with less than six months of service in the prior year are not subject to such threshold with respect to the first grant made after becoming a director. All Eligible Directors serving at the time of grant (June 2017) satisfied the attendance requirements applicable for the 2017 awards.

Compensation Arrangements with non-Eligible Directors. Prior to March 2017, in lieu of participating in the Eligible Director compensation program set forth above, Mr. Cohen received a retainer of $250,000 per year for his service as a Vice Chairman of the Board and an annual grant of RSUs, with the same value and terms and conditions as the RSUs granted under the Eligible Director compensation program. For the remainder of the year, Mr. Cohen was compensated pursuant to the Eligible Director compensation program, including the 2017 annual grant of RSUs described above but with all cash compensation pro-rated. During 2017, in lieu of participating in the Eligible Director compensation program, Messrs. Isaacs and Haddrill were compensated for their service as Vice Chairman and Executive Vice Chairman, respectively, pursuant to agreements with the Company.

Under Mr. Haddrill s employment agreement, as Executive Vice Chairman, Mr. Haddrill received (i) an annual base salary of $1,500,000 and (ii) a target annual incentive (the Target Incentive) in an amount determined by the Compensation Committee in accordance with the then applicable annual incentive plan, with the Target Incentive with respect to 2017 being set

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at $700,000 with a maximum annual incentive opportunity equal to 200% of the Target Incentive. Mr. Haddrill s employment agreement expired on December 31, 2017 and Mr. Haddrill remained employed by the Company at the same salary through February 25, 2018.

In accordance with Mr. Haddrill s employment agreement, following its expiration, Mr. Haddrill and the Company entered into a consulting agreement, effective as of February 26, 2018. Mr. Haddrill s consulting agreement provides that in exchange for certain consulting services, including his continued service as Vice Chairman of the Board, from February 26, 2018 through December 31, 2018, subject to extension upon agreement by Mr. Haddrill and the Company, Mr. Haddrill will receive consulting fees of $125,000 per month, pro-rated for any partial month.

Mr. Isaacs entered into a consulting agreement with the Company, effective January 1, 2017, upon the expiration of his employment agreement on December 31, 2016. Under his consulting agreement, Mr. Isaacs is entitled to a monthly consulting fee of $83,333.33 and certain continued medical benefits in exchange for certain consulting services, including his continued service as Vice Chairman of the Board, through June 30, 2018, subject to extension upon agreement by Mr. Isaacs and the Company. In addition, under the terms of Mr. Isaacs consulting agreement, any unvested equity awards held by Mr. Isaacs as of the commencement of his consultancy, January 1, 2017, remained outstanding and have continued to vest in accordance with their original vesting schedule, subject to Mr. Isaacs continued service and achievement of any applicable performance criteria, provided that any such equity awards that remain outstanding on June 30, 2018 will immediately vest as of such date if Mr. Isaacs is still providing services to the Company as of such date, subject to achievement of any applicable performance criteria.

In the event that the Company terminates Mr. Isaacs consulting agreement prior to June 30, 2018 without cause, Mr. Isaacs would be entitled to receive the monthly consulting fee through June 30, 2018, and Mr. Isaacs equity awards will be treated as if he had continued providing services to the Company through June 30, 2018.

Director Compensation for 2017. The table below shows the compensation earned by each of our directors for 2017; other than Mr. Sheehan, whose compensation as an executive is reflected in the Summary Compensation Table below.

Name	**Fees Earned or Paid in Cash ($)**	**Stock Awards ($)(1)**	**Option Awards ($)(2)**	**Non-equity Incentive Plan Compensation ($)(3)**	**All Other Compensation ($)(4)**	**Total ($)**
Ronald O. Perelman	75,000(5)	160,015				235,015
Peter A. Cohen	145,833(5)	160,015				305,848
Richard M. Haddrill	1,500,000(6)			699,300	9,450	2,208,750
M. Gavin Isaacs	1,000,000(7)				3,267	1,003,267
Viet Dinh	42,500(5)	160,015	130,000			332,515
Gerald J. Ford	110,000(5)	160,015				270,015
David L. Kennedy	75,000(5)	160,015				235,015
Judge Gabrielle K. McDonald	85,000(5)	160,015				245,015
Paul M. Meister	85,000(5)	160,015				245,015
Michael J. Regan	120,000(5)	160,015				280,015
Barry F. Schwartz	105,000(5)	160,015				265,015
Frances F. Townsend	95,000(5)	160,015				255,015

(1) Reflects the grant date fair value of RSUs awarded during 2017 to all Eligible Directors and Mr. Cohen, computed in accordance with Financial Accounting Standards Board Accounting Standards Codification

Topic 718, Compensation Stock Compensation (FASB ASC Topic 718). The grant date fair value of the RSUs was determined by multiplying the number of shares subject to the award by the average of the high and low sales prices of

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our common stock on the trading day immediately prior to the grant date. For additional information, see Note 18 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2017.

(2) Reflects the grant date fair value of stock options awarded to Mr. Dinh in connection with his appointment to the Board during 2017, computed in accordance with FASB ASC Topic 718. The fair value of the stock options is estimated on the date of grant using the Black-Scholes option pricing model. For a discussion of valuation assumptions, see Note 18 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2017.

(3) Reflects Mr. Haddrill s incentive bonus payment under his employment agreement described above.

(4) Reflects Company contributions to the Company s 401(k) plan for Messrs. Haddrill and Isaacs.

(5) Reflects annual retainers earned by Eligible Directors for 2017, except, in the case of Mr. Cohen, reflects a pro-rated annual cash retainer for his service as a Vice Chairman for January and February 2017 and the pro-rated Eligible Director compensation program for the remainder of the year, as described above, and, in the case of Mr. Dinh, reflects the pro-rated Eligible Director compensation program following his appointment to the Board in June 2017.

(6) Reflects Ms. Haddrill s base salary paid under his employment agreement described above.

(7) Reflects fees paid to Mr. Isaacs under his consulting agreement described above.

The table below shows the number of stock options and unvested RSUs held by each of our directors as of December 31, 2017; except for Mr. Sheehan, whose stock options and unvested RSUs are reflected in the Outstanding Equity Awards at Fiscal Year-End Table below:

Name	**Stock Options (in shares)**	**RSUs**
Ronald O. Perelman		27,698**(1)**
Peter A. Cohen		27,698**(1)**
Richard M. Haddrill		233,840**(2)**
M. Gavin Isaacs	452,660**(3)**	257,037**(3)**
Viet Dinh	10,000**(4)**	6,219**(1)**

Gerald J. Ford		27,698(1)
David L. Kennedy		24,203(1)
Judge Gabrielle K. McDonald	10,000(4)	24,203(1)
Paul M. Meister	10,000(4)	27,698(1)
Michael J. Regan		27,698(1)
Barry F. Schwartz		27,698(1)
Frances F. Townsend		27,698(1)

(1) Reflects, for Eligible Directors on the applicable grant date, RSUs as described in more detail below:

Grant Date	Unvested Quantity	Vesting Schedule
June 11, 2014	3,495	Four-year vesting; 3,495 shares to vest on June 11, 2018
June 10, 2015	4,969	Four-year vesting; 2,484 and 2,485 shares to vest on June 10, 2018 and 2019, respectively
June 15, 2016	13,015	Four-year vesting; 4,338, 4,338 and 4,339 shares to vest on June 15, 2018, 2019 and 2020, respectively
June 19, 2017	6,219	Four-year vesting; 1,554, 1,555, 1,555 and 1,555 shares to vest on June 19, 2018, 2019, 2020 and 2021, respectively

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(2) For Mr. Haddrill, reflects (i) 226,244 performance-conditioned RSUs (at target level) that were granted on January 5, 2015 and vested on March 15, 2018, subject to the achievement of certain performance criteria (which vested on March 15, 2018 at the target level), and (ii) one quarter of an award of RSUs (7,596 RSUs) granted on December 8, 2014 (which vested on March 22, 2018 following termination of Mr. Haddrill s employment with the Company).

(3) For Mr. Isaacs, reflects stock options and RSUs, as described in more detail below:

Grant Type	**Grant Date**	**Unvested Quantity**		**Exercise Price**	**Vesting Schedule**
Stock Options	June 9, 2014	40,296	$	8.73	Four-year vesting; options to acquire 40,296 shares to vest on June 9, 2018
Stock Options	April 27, 2015	104,986	$	12.83	Four-year vesting; options to acquire 52,493 shares to vest on each of April 27, 2018 and June 30, 2018
Stock Options	June 21, 2016	153,689	$	9.65	Four-year vesting; options to acquire 51,230 shares vested on March 20, 2018 and options to acquire 102,459 shares to vest on June 30, 2018
Performance Stock Options	June 21, 2016	153,689	$	9.65	Four-year vesting; performance contingency has been met; options to acquire 51,230 shares vested on March 20, 2018 and options to acquire 102,459 shares to vest on June 30, 2018
RSUs	June 9, 2014	21,484		n/a	Four-year vesting; 21,484 shares to vest on June 9, 2018
RSUs	April 27, 2015	52,611		n/a	Four-year vesting; 26,305 and 25,306 shares to vest on April 27, 2018 and June 30, 2018, respectively
RSUs	June 21, 2016	77,720		n/a	Four-year vesting; 25,907 shares vested on March 20, 2018 and 51,813 shares to vest on June 30, 2018
Performance RSUs	April 27, 2015	105,222		n/a	Three year performance contingency, which was achieved at the 84.5% level, and therefore 88,912 shares vested on March 15, 2018

(4) Reflects stock options granted to Mr. Dinh, Judge McDonald and Mr. Meister on June 19, 2017, October 30, 2014 and March 20, 2012, respectively, upon the applicable director s joining the Board, each with a four-year vesting schedule and an exercise price of $26.05, $9.65 and $11.10, respectively. Mr. Dinh s stock options will vest and become exercisable on the first four anniversaries of the date of grant. The first, second and third installments of Judge McDonald s stock options became exercisable on the first three anniversaries of the date of grant, and the balance is scheduled to vest and become exercisable on the fourth anniversary of the date of grant. Mr. Meister s stock options vested and became exercisable on the first four anniversaries of the date of grant.

Director Stock Ownership Guidelines

The stock ownership guidelines are intended to align the financial interests of our officers and directors with the interests of our stockholders. Under the guidelines, directors, other than our President and Chief Executive Officer who is subject to the officer requirements, are required to own the lesser of (i) the number of shares of our common stock equal to five times the director s annual retainer divided by the preceding 200-day average closing price of such shares and (ii) 15,000 shares of our common stock. Shares of our common stock held directly or indirectly, including shares acquired upon the exercise of stock options, shares held within retirement and deferred compensation plans, time-vesting RSUs and shares owned by immediate family members will count for purposes of the policy, whereas outstanding (vested or unvested) stock options and performance-conditioned RSUs will not count. Each covered director has five years to comply from the later of the effective date of the policy and the date the director became subject to the policy. At present, all of our covered directors are in compliance with the ownership guidelines. Mr. Dinh joined the Board in June 2017 and will have until June 2021 to satisfy the required level of ownership.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended (the Exchange Act), requires our officers and directors, and persons who beneficially own more than ten percent of our common stock, to file initial reports of ownership and reports of changes in their ownership with the SEC. Based on a review of the copies of the reports that our directors, officers and

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ten percent holders filed with the SEC and on the representations made by such persons, we believe all applicable filing requirements were met during 2017.

SECURITY OWNERSHIP

The following table sets forth certain information as to the security ownership of each person known to us to be the beneficial owner of more than five percent of the outstanding shares of our common stock, each of our directors and director nominees, each of our named executive officers, and all of our directors and executive officers as a group. The number of shares and the percentages of beneficial ownership set forth below are calculated as of March 30, 2018 based on outstanding shares of 90,717,267. Except as otherwise indicated, the stockholders listed in the table below have sole voting and investment power with respect to the shares indicated.

	Shares of Common Stock	
Name and Address of Beneficial Owner	**Number(1)**	**Percent(1)**
MacAndrews & Forbes Incorporated 35 East 62nd Street New York, New York 10065	34,575,736(2)	38.11%
Sylebra HK Company Limited Floor 20, 28 Hennessy Road Wan Chai, Hong Kong	8,619,044(3)	9.50%
BlackRock, Inc. 55 East 52nd Street New York, New York 10055	6,609,383(4)	7.29%
The Vanguard Group 100 Vanguard Blvd Malvern, PA 19355	5,602,892(5)	6.18%
Ronald O. Perelman	34,651,897(6)	38.20%
Barry L. Cottle	66,287	*
Peter A. Cohen	248,986	*
Richard M. Haddrill	311,638	*
M. Gavin Isaacs	189,149	*
Viet D. Dinh		*
Gerald J. Ford	371,415	*
David L. Kennedy	63,551	*
Judge Gabrielle K. McDonald	14,673	*
Paul M. Meister	46,173	*
Michael J. Regan	53,633	*
Barry F. Schwartz	84,981	*
Kevin M. Sheehan	232,854	*
Frances F. Townsend	49,279	*

Michael A. Quartieri	85,849	*
James C. Kennedy	131,811	*
David W. Smail	105,403	*
Derik J. Mooberry	129,098	*
Karin-Joyce Tjon Sien Fat(7)		*
All current directors and executive officers as a group (consisting of 19 persons)(8)	37,030,735	40.48%

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* Represents less than 1% of the outstanding shares of common stock.

(1) In accordance with SEC rules, this column includes shares that a person has a right to acquire within 60 days of March 30, 2018 through the exercise or conversion of stock options, RSUs or other securities. Such securities are deemed to be outstanding for the purpose of calculating the percentage of outstanding securities owned by such person but are not deemed to be outstanding for the purpose of calculating the percentage owned by any other person. The securities reported for the directors and named executive officers listed in the table above include shares subject to the following awards as to which the equivalent number of underlying shares may be acquired through exercise or conversion within 60 days of March 30, 2018:

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Mr. Isaacs 26,305 RSUs and 104,353 stock options; Judge McDonald 7,500 stock options; Mr. Meister 10,000 stock options; Mr. Sheehan 202,334 stock options; Mr. Quartieri 62,664 stock options; Mr. J. Kennedy 5,480 RSUs and 61,083 stock options; Mr. Smail 79,198 stock options; and Mr. Mooberry 4,465 RSUs and 84,174 stock options.

(2) Includes shares held by SGMS Acquisition Corporation, RLX Holdings Two LLC, SGMS Acquisition Two LLC and SGMS Acquisition Three LLC, which are holding companies owned by MacAndrews & Forbes Incorporated, whose Chairman, Chief Executive Officer and sole stockholder is Mr. Perelman. MacAndrews & Forbes Incorporated has sole voting and dispositive power with respect to 34,575,736 shares, SGMS Acquisition Corporation has sole voting and dispositive power with respect to 26,385,736 shares, RLX Holdings Two LLC has sole voting and dispositive power with respect to 3,125,000 shares, SGMS Acquisition Two LLC has sole voting and dispositive power with respect to 3,495,000 shares and SGMS Acquisition Three LLC has sole voting and dispositive power with respect to 1,570,000 shares. The shares so owned are, or may from time to time be, pledged to secure obligations of MacAndrews & Forbes Incorporated or its affiliates.

(3) Based on an amendment to Schedule 13G filed with the SEC on February 15, 2018 by Sylebra HK Company Limited, Sylebra Capital Management, Mr. Jeffrey Richard Fieler and Mr. Daniel Patrick Gibson, reporting beneficial ownership as of December 31, 2017. The Schedule 13G states that each such person has shared voting power and shared dispositive power with respect to 8,619,044 shares.

(4) Based on an amendment to Schedule 13G filed with the SEC on January 23, 2018 by BlackRock, Inc., reporting beneficial ownership as of December 31, 2017. The Schedule 13G states that BlackRock, Inc. has sole voting power with respect to 6,491,288 shares and sole dispositive power with respect to 6,609,383 shares.

(5) Based on a Schedule 13G filed with the SEC on February 9, 2018 by The Vanguard Group, reporting beneficial ownership as of December 31, 2017. The Schedule 13G states that The Vanguard Group has sole voting power with respect to 103,542 shares, shared voting power with respect to 11,386 shares, sole dispositive power with respect to 5,492,564 shares and shared dispositive power with respect to 110,328 shares.

(6) Includes the 34,575,736 shares reported in footnote 2 above, which may be deemed to be beneficially owned by Mr. Perelman, the Chairman, Chief Executive Officer and sole stockholder of MacAndrews & Forbes Incorporated. Mr. Perelman s address is 35 East 62nd Street, New York, New York 10065.

(7) Ms. Tjon Sien Fat served as Chief Operating Officer from February 13, 2017 through August 2, 2017.

(8) Includes 723,456 shares issuable upon exercise of stock options and 40,878 shares issuable upon vesting of RSUs as to which the equivalent number of underlying shares may be acquired through exercise or conversion within 60 days of March 30, 2018.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Introduction

This Compensation Discussion and Analysis provides a detailed description of our executive compensation philosophy and program, the compensation decisions made by the Compensation Committee and the matters considered in making such decisions. The Company s executive compensation program is administered by the Compensation Committee, referred to in this section as the Committee. The Committee is responsible for determining the compensation of the Company s President and Chief Executive Officer and other executive officers of the Company, and for overseeing the Company s executive compensation program.

Our executive compensation program is designed to attract, reward and retain our executive officers. This Compensation Discussion and Analysis focuses on the compensation of our named executive officers for the fiscal year ended December 31, 2017, who were:

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Executive	Position
Kevin M. Sheehan	President and Chief Executive Officer(1)
Michael A. Quartieri	Executive Vice President, Chief Financial Officer, Treasurer and Corporate Secretary
James C. Kennedy	Executive Vice President and Group Chief Executive of Lottery
David W. Smail	Executive Vice President and Chief Legal Officer
Derik J. Mooberry	Executive Vice President and Group Chief Executive of Gaming
Karin-Joyce Tjon Sien Fat	Former Chief Operating Officer

(1) On May 2, 2018, the Company announced that Mr. Cottle will succeed Mr. Sheehan as President and Chief Executive Officer, effective as of June 1, 2018.

As used in this Compensation Discussion and Analysis and the tables and narratives that follow, (i) SGICP refers to our management incentive compensation program and (ii) Target Compensation refers to the sum of an executive s salary, target annual cash opportunity under the SGICP and target annual equity incentive compensation opportunity.

Executive Summary

Scientific Games is a leading developer of technology-based products and services and associated content for the worldwide gaming, lottery and interactive gaming industries. Our portfolio includes gaming machines and game content, casino-management systems, table game products and services, instant and draw-based lottery games, lottery systems, lottery content and services, interactive gaming (including sports betting technology) and social casino solutions and other products and services. We also gain access to technologies and pursue global expansion through strategic acquisitions and equity investments.

On January 5, 2018, we successfully completed the acquisition of NYX Gaming Group Limited, a Guernsey company and leading digital gaming software supplier for interactive, social and mobile gaming worldwide. At the end of fiscal 2017, we reported our operations in three business segments - Gaming, Lottery and Interactive. As a result of the NYX acquisition and starting with the first quarter 2018 reporting period, we will report our operations in four business segments, representing our different products and services: Gaming, Lottery, Social and Digital.

Our 2017 executive compensation program reflected key business priorities relating to operational and financial considerations, including the realization of ongoing cost savings, the creation of cash flow and continued innovation to provide best in class content and systems for our gaming, lottery and interactive product lines worldwide.

Financial performance in 2017 improved in all key areas relevant to management incentives: revenues for SGICP purposes (herein referred to as SGICP Revenue, a non-GAAP financial measure, with reconciliation provided to revenue in Appendix A) grew $187.9 million compared to 2016, EBITDA for SGICP purposes (herein referred to as SGICP EBITDA, a non-GAAP financial measure, with reconciliation provided to net loss in Appendix A) grew $143.2 million compared to 2016, and SGICP EBITDA minus capital expenditures (CapEx) grew by $97.0 million compared to 2016 due in part to reduced capital expenses. As a result of our improved performance in these areas, overall bonus levels across all business segments increased, and bonus levels in some business segments exceeded target levels.

On May 2, 2018, we announced that Mr. Cottle will succeed Mr. Sheehan as President and Chief Executive Officer, effective as of June 1, 2018. In connection with Mr. Cottle s appointment as President and Chief Executive Officer, effective as of June 1, 2018, we entered into an employment agreement with Mr. Cottle (the Cottle Employment Agreement), the details of which are described below. The term of the Cottle Employment Agreement begins on June 1, 2018 and extends through May 31, 2021, subject to automatic extension for an additional year at the end of the term and each anniversary thereof unless timely notice of non-renewal is given by either the Company or Mr. Cottle.

Compensation Program Highlights for 2017

The following is a summary of the highlights of the Company s executive compensation program:

- Executive pay is substantially at risk because it largely consists of one or more types of performance-based compensation that vary in value based on our stock price, or that can only be earned upon achievement of pre-approved financial targets. The amount of target at-risk pay as a percentage of Target Compensation of our President and Chief Executive Officer and the average of the other named executive officers is shown below (excluding former employee, Ms. Tjon Sien Fat):

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Executive	Target At-Risk Pay (as a % of Target Compensation)
Mr. Sheehan	78%
Other Named Executive Officers (excluding former employee, Ms. Tjon Sien Fat)	66%

• 2017 SGICP annual cash bonuses to our named executive officers (excluding former employee, Ms. Tjon Sien Fat) paid out between 93.9% and 99.9% of target based on achievement of SGICP Revenue, SGICP EBITDA and SGICP EBITDA minus CapEx goals and the Committee s assessment of other relevant factors.

• SGICP annual cash bonuses have varied with the Company s performance over the past five years as follows:

Actual SGICP Annual Cash Bonus as a % of Target Bonus Opportunity Employees with Company-wide Responsibilities				
2013	2014	2015	2016	2017
58%	12%	36%	73%	99.9%

• In order to appropriately motivate and retain management, the Committee approved 2017 annual equity awards at the full target opportunity for named executive officers. 2016 and 2015 annual equity awards were also made at the full target opportunity. Providing competitive equity award opportunities in recent years was a priority after prior year reductions to annual equity award values in order to manage potential dilution and share usage under the Company s 2003 Incentive Compensation Plan, as amended (the 2003 Plan).

• 2017 annual equity awards for named executive officers included the use of performance-conditioned stock options that vest over time, but only if the 60-trading day average closing stock price of our common stock meets or exceeds 130% of the strike price of the stock options, or $28.00 per share (the 130% Performance Goal), vesting on the later of (i) the scheduled vesting date per the time-vesting schedule described below and (ii) the date upon which the 130% Performance Goal is achieved. Those performance-conditioned stock options would be forfeited if the 130% Performance Goal was not achieved by March 20, 2021 and comprised one-third of the 2017 annual equity grant; time-vesting stock options and time-vesting RSUs each also comprised one-third of the grant, respectively. The 130% Performance Goal was achieved on August 11, 2017, and, therefore, the performance-conditioned stock options will vest in accordance with the time-vesting schedule as follows: 25% of the stock options will vest per year on each of the first four anniversaries of March 20, 2017.

Commitment to Good Governance and Best Practices

As part of its ongoing review of our executive compensation program, the Committee considers the results of our last say on pay proposal (approved by approximately 99.6% of the votes cast at the 2017 annual meeting of stockholders). To ensure its commitment to good governance of our executive compensation program, the Committee has taken a number of actions in recent years that it believes should be viewed favorably by our stockholders. Those actions include the following:

- *No guaranteed salary increases.* Our named executive officers are not entitled to contractual inflation-based salary increases.

- *Challenging financial objectives for annual cash bonus and performance-conditioned equity awards.* Performance metrics support important business priorities. No portion of the 2017 SGICP cash bonus attributable to a particular financial metric was payable unless at least 95% of the targeted amount was achieved, and the payout percentage at this minimum threshold level was 50% of an executive s target bonus opportunity.

- *Inclusion of performance-conditioned stock options in 2017.* As mentioned above, vesting of certain stock option awards was contingent on a challenging stock price target of attaining the 130% Performance Goal, which was achieved on August 11, 2017.

- *Stock ownership guidelines.* The Company s stock ownership guidelines apply to our directors, President and Chief Executive Officer and executive officers who report directly to our President and Chief Executive Officer. The guidelines encourage a long-term perspective in managing the Company and further align the interests of our executive officers and directors with the interests of stockholders. See - Corporate Governance Policies - Stock Ownership Guidelines below for additional information.

- *Clawback policy.* The Company s clawback policy subjects cash and equity incentive compensation paid to senior executives (including the named executive officers) to recovery in the event that the Company s financial statements are restated due to fraud or gross misconduct by the applicable executives. See - Corporate Governance Policies - Clawback Policy below for additional information.

- *No hedging policy.* The Company prohibits employees and directors from engaging in hedging transactions. See - Corporate Governance Policies - No Hedging Policy below for additional information.

- *Independent compensation consulting firm.* The Committee benefits from its use of an independent compensation consulting firm, Compensation Advisory Partners, LLC, or CAP, which provides no other services to the Company.

- *Periodic risk assessment.* The Committee has concluded that our executive compensation program does not encourage behaviors that would create risks reasonably likely to have a material adverse effect on the Company.

- *No excise tax gross-ups.* We do not agree to pay excise tax gross-ups.

- *No above-market returns.* We do not offer preferential or above-market returns on compensation deferred by our executive officers.

- *No loans to executive officers.* We do not make personal loans to our executive officers.

Objectives and Components of Compensation Program

The objectives of our executive compensation program are to attract and retain executive talent, to encourage and reward excellent performance by executives whose contributions drive the success of the Company and create value for our stockholders. The program is structured to provide compensation packages that are competitive with the marketplace and to reward executives based on both Company and, in certain circumstances, individual performance, to encourage long-term service and to align the interests of management and stockholders through incentives that encourage annual and long-term results.

The principal components of the Company s executive compensation program consist of base salaries, annual performance-based incentive compensation and long-term incentive compensation. The Company also has employment agreements with named executive officers that include severance and change of control arrangements. The following is a description of the Company s compensation elements and the objectives they are designed to support:

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Element of Compensation	Rationale	Linkage to Compensation Objective
Base Salary	• Provides fixed level of compensation	• Attracts and retains executive talent
Annual Incentive Compensation (cash bonuses)	• Target level of annual incentive compensation provides an attractive total cash opportunity that incentivizes achievement of the Company s financial goals by tying payouts to Company financial performance, with actual annual incentive compensation payouts depending upon Company and, in certain circumstances, individual performance	• Fosters excellent business performance • Aligns executive and stockholder interests by linking all or a portion of compensation to the annual performance of the Company • Attracts and retains executive talent
Long-Term Incentive Compensation (stock options, performance-conditioned equity awards and time-vesting RSUs)	• Target level of long-term incentive compensation provides a market-competitive equity opportunity • Conditioning certain equity awards upon achievement of multi-year financial performance targets and defined levels of share price appreciation aligns executive pay with stockholder interests • Time-vesting RSUs promote executive retention	• Aligns executive and stockholder interests by linking a portion of compensation to long-term Company performance • Fosters excellent business performance that creates value for stockholders • Attracts and retains executive talent • Encourages long-term service
Employment Agreements with Severance Provisions and Employment Agreements and Equity Incentive Plans with Change of Control Provisions	• Severance provisions under employment agreements provide benefits to ease an employee s transition in the event of an unexpected employment termination by the Company due to changes in the Company s employment needs	• Attracts and retains executive talent • Encourages long-term service

- Change in control provisions under employment agreements and equity incentive plans encourage employees to remain focused on the best interests of the Company in the event of rumored or actual fundamental corporate changes

Base Salary

The base salaries of the Company s executive officers are reviewed on an annual basis in light of the competitive marketplace, the executive officer s responsibilities, experience and contributions and internal equity considerations. Internal equity in this context means ensuring that executives in comparable positions are rewarded comparably. There were no changes to the named executive officers base salaries in 2017. The Cottle Employment Agreement provides that Mr. Cottle, our new President and Chief Executive Officer effective as of June 1, 2018, will receive an annual base salary of $1,750,000, starting June 1, 2018.

Annual Incentive Compensation

Annual cash bonuses under the SGICP are based upon (i) the Company s performance relative to the achievement of financial targets, (ii) each business unit s performance relative to the achievement of financial targets for executives directly involved with the operation of those units, as well as (iii) for certain executives, an assessment of the executive s performance and contribution, including factors not quantitatively measurable by financial results. If the applicable financial performance targets are met or exceeded, participants are eligible to receive SGICP cash bonuses based on a pre-established target percentage of their base salaries, which target percentages for the named executive officers ranged from 75.0% to 100.0% of their base salaries.

The Company s annual incentive compensation program is designed to align the executives bonus opportunities with the Company s growth objectives, including the generation of free cash flow to pay down debt. For 2017, the annual incentive compensation program for executive officers included an initial funding feature intended to allow the awards to executive officers to meet the requirements for tax deductibility under Section 162(m) of the Internal Revenue Code of 1986, as amended (the

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Internal Revenue Code). A pool equal to the aggregate of the maximum bonus amounts for our executive officers is funded if the Company financial performance meets or exceeds an Attributable EBITDA goal set by our Committee, which was achieved for 2017. The Committee uses its discretion to reduce the executive officer bonuses based on the Company s or the applicable business unit s (i) SGICP Revenue, (ii) SGICP EBITDA, (iii) SGICP EBITDA minus CapEx, each measured relative to pre-approved performance targets, and (iv) for certain executives, the executive s performance and contribution.

Although we disclose Attributable EBITDA in our quarterly earnings releases, we use a definition with certain adjustments to Attributable EBITDA for compensation measures, referred to herein as SGICP EBITDA for our SGICP targets. Attributable EBITDA (as defined in our earnings release filed with the Company s Current Report on Form 8-K on February 28, 2018) includes adjustments for: (1) restructuring and other, which includes charges or expenses attributable to: (i) employee severance; (ii) management changes; (iii) restructuring and integration; (iv) M&A and other, which includes: (a) M&A transaction costs, (b) purchase accounting, (c) unusual items (including certain legal settlements) and (d) other non-cash items; and (v) cost savings initiatives; (2) depreciation and amortization expense and impairment charges (including goodwill impairment charges); (3) change in fair value of investments (included in other expense, net); (4) interest expense; (5) income taxes (benefit) provision; (6) stock-based compensation; and (7) loss (gain) on debt financing transactions. In addition to the preceding adjustments, we exclude earnings from equity method investments and add (without duplication) our pro-rata share of the EBITDA of our equity investments.

The Committee reviews the design of the annual incentive compensation plan each year with a view to realizing desired corporate objectives and in light of management s recommendation as to financial targets and payout structure. In recent years, this review has focused on structuring an annual cash bonus payout scale that the Committee deems appropriate in light of our growth objectives and our interest in managing incentive compensation costs. For 2017, the Committee approved an annual cash bonus payout structure under which achievement of targeted financial performance would result in the payout of 100% of a named executive officer s target bonus opportunity. The payout structure was approved based on the recommendation of our President and Chief Executive Officer (other than with respect to his own payout) and in order to competitively reward executives for the achievement of targeted goals.

No portion of the 2017 SGICP cash bonus attributable to a particular financial metric was payable unless at least 95% of the targeted amount was achieved, and the payout percentage at this minimum threshold level was 50% of an executive s target bonus opportunity. Bonuses in excess of an executive s target bonus opportunity were payable only if the financial results exceeded 100% of the targeted amount for the applicable financial metric. Had the Company achieved 110% or greater of the targeted amount for each financial metric, the calculated annual cash bonus for each of the named executive officers with Company-wide responsibilities would have been multiplied by 200%. The multiplier is applied ratably for achievement between performance levels.

The SGICP Revenue, SGICP EBITDA and SGICP EBITDA minus CapEx targets set at the beginning of 2017 for consolidated financial performance are shown below.

		Annual Cash Bonus Payout as Percentage of Target Award			
		50%	**100%**	**150%**	**200%**
SGICP Revenue	Target ($ millions)	$ 2,896	$ 3,048	$ 3,201	$ 3,353
	% of Target	95%	100%	105%	110%
SGICP EBITDA	Target ($ millions)	$ 1,048	$ 1,103	$ 1,158	$ 1,213
	% of Target	95%	100%	105%	110%
SGICP EBITDA minus CapEx	Target ($ millions)	$ 745	$ 784	$ 823	$ 862
	% of Target	95%	100%	105%	110%

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The 2017 annual cash bonus amounts for the eligible named executive officers with Company-wide responsibilities, were determined based on attainment of the consolidated financial performance targets for three equally weighted metrics: SGICP Revenue, SGICP EBITDA and SGICP EBITDA minus CapEx. The annual cash bonus amounts for the named executive officers directly managing the operation of a business unit were determined based on the same metrics with the same relative weightings, except the outcomes were determined based on a combination of 50% consolidated results and 50% business unit results. The weightings of metrics were calculated as follows for our executive officers with Company-wide responsibilities who participated in the SGICP, which included Messrs. Sheehan, Quartieri and Smail and Ms. Tjon Sien Fat:

Performance Measure	Level Weighting		Metric Weighting		Overall Weighting
Consolidated					
SGICP Revenue	100%	×	33.3%	=	33.3%
SGICP EBITDA	100%	×	33.3%	=	33.3%
SGICP EBITDA minus CapEx	100%	×	33.3%	=	33.3%

The weightings of metrics were calculated as follows for our executive officers who directly managed the operation of a business unit, including Mr. J. Kennedy, the head of the global Lottery business unit, and Mr. Mooberry, the head of the global Gaming business unit:

Performance Measure	Level Weighting		Metric Weighting		Overall Weighting
Consolidated					
SGICP Revenue	50%	×	33.3%	=	16.6%
SGICP EBITDA	50%	×	33.3%	=	16.6%
SGICP EBITDA minus CapEx	50%	×	33.3%	=	16.6%
Business Unit(1)					
SGICP Revenue	50%	×	33.3%	=	16.6%
SGICP EBITDA	50%	×	33.3%	=	16.6%
SGICP EBITDA minus CapEx	50%	×	33.3%	=	16.6%

(1) For Mr. J. Kennedy, the global Lottery business unit and, for Mr. Mooberry, the global Gaming business unit.

Based on the 2017 annual cash bonus payout structure, the named executive officers had the following bonus opportunities:

Executive	Threshold Annual Bonus Opportunity (% of Base Salary)	Target Annual Bonus Opportunity (% of Base Salary)	Maximum Annual Bonus Opportunity (% of Base Salary)
Mr. Sheehan	50.0%	100.0%	200.0%
Mr. Quartieri	37.5%	75.0%	150.0