

SCIENTIFIC GAMES CORP  
Form S-4/A  
April 23, 2010

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As Filed With the Securities and Exchange Commission on April 23, 2010

Registration No. 333-165490

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**Amendment No. 1  
to  
FORM S-4**

**REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933**

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**SCIENTIFIC GAMES INTERNATIONAL, INC.**

(as Issuer)

(Exact Name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**2754**  
(Primary Standard Industrial  
Classification Code Number)

**58-1943521**  
(I.R.S. Employer  
Identification Number))

**SCIENTIFIC GAMES CORPORATION**

(as guarantor)

(and the other guarantors identified in the Table of Additional Registrants below)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**7373**  
(Primary Standard Industrial  
Classification Code Number)  
**Scientific Games Corporation**  
**750 Lexington Avenue, 25th Floor**  
**New York, New York 10022**  
**(212) 754-2233**

**81-0422894**  
(I.R.S. Employer  
Identification Number))

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

**Ira H. Raphaelson, Esq.**  
**Scientific Games Corporation**  
**750 Lexington Avenue, 25th Floor**  
**New York, New York 10022**  
**(212) 754-2233**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

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Marc D. Jaffe, Esq.  
Senet S. Bischoff, Esq.  
Latham & Watkins LLP  
885 Third Avenue  
New York, New York 10022  
(212) 906-1200

**Approximate date of commencement of proposed sale to the public:**

As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a  
smaller reporting company)

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer)

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer)

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

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<b>Name of Additional Registrant</b>	<b>State of Incorporation or Formation</b>	<b>IRS Employer Identification Number</b>	<b>Commission File Number</b>
Autotote Enterprises, Inc.**	Connecticut	06-1370549	333-165490-08
Autotote Gaming, Inc.***	Nevada	88-0415955	333-165490-07
MDI Entertainment, LLC***	Delaware	58-1943521	333-165490-06
Scientific Games Products, Inc.***	Delaware	45-0565615	333-165490-05
Scientific Games Racing, LLC***	Delaware	58-1943521	333-165490-04
Scientific Games SA, Inc.***	Delaware	58-1673074	333-165490-03
SG Racing, Inc.***	Delaware	74-3141546	333-165490-02
TRACKPLAY, LLC***	Delaware	03-0398820	333-165490-01

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Addresses of Principal Executive Offices:

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600 Long Wharf Drive  
New Haven, CT 06511

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1500 Bluegrass Lakes Parkway  
Alpharetta, GA 30004

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The information in this prospectus is not complete and may be changed. We may not sell these securities or accept any offer to buy these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

**SUBJECT TO COMPLETION, DATED APRIL 23, 2010**

**PRELIMINARY PROSPECTUS**

**\$125,000,000**

**SCIENTIFIC GAMES INTERNATIONAL, INC.**

**(as Issuer)**

**SCIENTIFIC GAMES CORPORATION**

**(as Guarantor)**

**Exchange Offer for  
9.250% Senior Subordinated Notes due 2019**

**The Exchange Offer:**

Scientific Games International, Inc., referred to as the "Issuer," issued an additional \$125,000,000 in aggregate principal amount of its 9.250% Senior Subordinated Notes due 2019 on November 5, 2009 and will exchange all \$125,000,000 of the outstanding additional 9.250% senior subordinated notes due 2019, referred to as the "old notes," that are validly tendered and not validly withdrawn for an equal principal amount of 9.250% senior subordinated notes due 2019, referred to as the "new notes," that are, subject to specified conditions, freely transferable.

The exchange offer expires at 5:00 p.m., New York City time, on \_\_\_\_\_, 2010, unless extended. We do not currently intend to extend the expiration date.

You may withdraw tenders of old notes at any time prior to the expiration date of the exchange offer.

Neither Scientific Games Corporation nor the Issuer will receive any cash proceeds from the exchange offer.

**The New Notes:**

We are offering new notes to satisfy certain obligations under the registration rights agreement entered into in connection with the private offering of the old notes.

The terms of the new notes are substantially identical to the old notes, except that the new notes, subject to specified conditions, will be freely transferable.

The new notes will be guaranteed on a senior subordinated unsecured basis by Scientific Games Corporation and all of its 100%-owned domestic subsidiaries (other than the Issuer), which are referred to as the "guarantors."

We do not plan to list the new notes on a national securities exchange or automated quotation system.

**Please see "Risk Factors" beginning on page 18 of this prospectus for a discussion of certain factors that you should consider before participating in this exchange offer.**

Each broker-dealer that receives new notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of such new notes as required by applicable securities laws and regulations. The letter of transmittal states that, by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of new notes received in exchange for old notes where such old notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. We have agreed that, for a period of up to 180 days after the expiration of the exchange offer, we will make this prospectus available to any broker-dealer for use in connection with any such resale.

**None of the Securities and Exchange Commission, any state securities commission, the Nevada Gaming Commission, the Nevada State Gaming Control Board, the Mississippi Gaming Commission, the Louisiana Gaming Control Board, the Indiana Gaming Commission, the New Jersey Casino Control Commission or any other gaming authority or other regulatory agency has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

The date of this prospectus is \_\_\_\_\_, 2010.

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We have not authorized any dealer, salesperson or other person to give any information or represent anything to you other than the information contained in this prospectus. You must not rely on unauthorized information or representations.

This prospectus does not offer to sell nor ask for offers to buy any of the securities in any jurisdiction where it is unlawful, where the person making the offer is not qualified to do so, or to any person who cannot legally be offered the securities. The information in this prospectus is current only as of the date on its cover and may change after that date.

This prospectus incorporates important business and financial information about us that is not included in or delivered with this document. You may obtain information incorporated by reference, at no cost, by writing or telephoning us at the following address:

Scientific Games Corporation  
Attention: Investor Relations  
750 Lexington Avenue, 25<sup>th</sup> Floor  
New York, New York 10022  
(212) 754-2233

To obtain timely delivery, you must request the information no later than five (5) business days prior to the expiration of the exchange offer, or \_\_\_\_\_, 2010. See "Where You Can Find More Information" and "Incorporation of Certain Documents by Reference" beginning on page ii.

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**INDUSTRY AND MARKET DATA**

Certain market data and other statistical information included in this prospectus (including the documents incorporated by reference in this prospectus) are based on independent industry publications, government publications, reports by market research firms or other published independent sources. Some data is also based on our good faith estimates, which are derived from our review of internal surveys, as well as the independent sources listed above. Although we believe these sources are reliable, we have not independently verified the information and cannot guarantee its accuracy and completeness.

**BASIS OF PRESENTATION**

Unless the context indicates otherwise, references in this prospectus to Scientific Games International, Inc. and the "Issuer" refer to Scientific Games International, Inc., a Delaware corporation, the issuer of the new notes, and references to the "guarantors" refer to Scientific Games Corporation and its wholly owned domestic subsidiaries (other than the Issuer) that will guarantee the new notes. Unless the context indicates otherwise, references to "Scientific Games," "the Company," "we," "our," "ours" and "us" refer to Scientific Games Corporation and its consolidated subsidiaries, including the Issuer.

**WHERE YOU CAN FIND MORE INFORMATION**

The Issuer is not subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), pursuant to Rule 12h-5 under the Exchange Act. Scientific Games Corporation, however, is subject to the informational requirements of the Exchange Act and, accordingly, files annual, quarterly and current reports, proxy statements and other information with the United States Securities and Exchange Commission (the "SEC"). You may read and copy any document we file with the SEC at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room and its copy charges. Our SEC filings are also available to the public on the SEC's website at [www.sec.gov](http://www.sec.gov).

We have filed with the SEC a registration statement on Form S-4 under the Securities Act with respect to the exchange offer. This prospectus does not contain all of the information contained in the registration statement and the exhibits to the registration statement. Copies of our SEC filings, including the exhibits to the registration statement, are available through us or from the SEC through the SEC's website or at its facilities described above.

**INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE**

In this prospectus, we "incorporate by reference" information we file with the SEC (other than, in each case, documents or information deemed to have been furnished and not filed in accordance with the SEC rules), which means that we can disclose important information to you by referring to that information. The information incorporated by reference is considered to be an important part of this prospectus. Any statement in a document incorporated by reference in this prospectus will be deemed to be modified or superseded to the extent a statement contained in this prospectus or any other subsequently filed document that is incorporated by reference in this prospectus modifies or supersedes such statement. In addition, information contained in this prospectus shall be modified or superseded by information in any such subsequently filed documents which are incorporated by reference in this prospectus. We incorporate by reference in this prospectus the following document filed with the SEC pursuant to the Exchange Act:

Annual Report on Form 10-K for the year ended December 31, 2009, filed on March 1, 2010.

Current Reports on Form 8-K filed on February 1, 2010, February 10, 2010 and February 19, 2010.

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We also incorporate by reference any future filings made by us with the SEC (other than information furnished pursuant to Item 2.02 or Item 7.01 of Form 8-K or as otherwise permitted by the SEC's rules) under Sections 13(a), 13(c), 14, or 15(d) of the Exchange Act on or after the date of this prospectus and prior to the termination of the offering, and any reoffering, of the securities offered hereby.

References in this prospectus to this prospectus will be deemed to include the documents incorporated by reference, which are an integral part of this prospectus. You should obtain and review carefully copies of the documents incorporated by reference. Any statement contained in the documents incorporated by reference will be modified or superseded for purposes of this prospectus to the extent that a statement contained in a subsequently dated document incorporated by reference or in this prospectus modifies or supersedes the statement. Information that we file later with the SEC will automatically update the information incorporated by reference and the information in this prospectus. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

You may request a copy of these filings, at no cost, by writing or telephoning us at the address on page i of this prospectus. Exhibits to the filings will not be sent, however, unless those exhibits have been specifically incorporated by reference in this prospectus.

**INFORMATION REGARDING FORWARD-LOOKING STATEMENTS**

Some of the statements contained or incorporated by reference in this prospectus constitute "forward-looking statements." Forward-looking statements describe future expectations, plans, results or strategies, and can often be identified by the use of terminology such as "may," "will," "estimate," "intend," "continue," "believe," "expect," "anticipate," "could," "potential," "opportunity," or similar terminology. These statements are based upon management's current expectations, assumptions and estimates, and are not guarantees of future results or performance. Actual results may differ materially from those projected in these statements due to a variety of risks and uncertainties and other factors, including, among other things: competition; material adverse changes in economic and industry conditions; technological change; retention and renewal of existing contracts and entry into new or revised contracts; availability and adequacy of cash flow to satisfy obligations and indebtedness or future needs; protection of intellectual property; security and integrity of software and systems; laws and government regulations, including those relating to gaming licenses, permits and operations; inability to identify, complete and integrate future acquisitions; seasonality; inability to benefit from, and risks associated with, our joint ventures and strategic investments and relationships; inability to complete the proposed sale of our racing and venue management businesses; seasonality; inability to enhance and develop successful gaming concepts; dependence on suppliers and manufacturers; liability for product defects; factors associated with foreign operations; influence of certain stockholders; dependence on key personnel; failure to perform on contracts; resolution of pending or future litigation; labor matters; and stock market volatility. For a discussion of these and other factors that may affect our business, you should also read carefully the factors described in the "Risk Factors" section of this prospectus. Additional information regarding risks and uncertainties and other factors that could cause actual results to differ materially from those contemplated in forward-looking statements is included from time to time in the Company's filings with the SEC. Forward-looking statements speak only as of the date they are made and, except for the Company's ongoing obligations under the U.S. federal securities laws, the Company undertakes no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.



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**SUMMARY**

*This is only a summary of the prospectus. You should read carefully the entire prospectus, including "Risk Factors," and our consolidated financial statements and related notes as well as the documents incorporated by reference in this prospectus, before making an investment decision.*

**Our Company**

**Overview**

We were incorporated in the state of Delaware on July 2, 1984. We are a leading global supplier of products and services to lotteries, and a leading provider of gaming technology and content to other gaming operators worldwide. We also gain access to technology and pursue global expansion through strategic joint ventures and minority investments. We report our operations in three business segments: Printed Products Group; Lottery Systems Group; and Diversified Gaming Group.

***Printed Products Group***

Our Printed Products Group, which represented approximately 50% of our revenues in 2009, is primarily comprised of our instant lottery ticket business.

We believe we are the leading provider of instant lottery tickets in the world. We supply instant tickets to 43 of the 44 U.S. jurisdictions that currently sell instant lottery tickets, and we sell instant tickets and/or related services to lotteries in over 50 other countries. We operate six printing facilities across five continents and have the capacity to print in excess of 45 billion 2" x 4" standard instant ticket units annually. We believe that our extensive service offerings, coupled with our innovative products and extensive library of licensed properties, enable us to effectively support lotteries in increasing their retail sales of instant tickets.

Our instant ticket and related services businesses include ticket design and manufacturing, as well as value-added services including game design, sales and marketing support, specialty games and promotions, inventory management and warehousing and fulfillment services. Through our licensed properties business, we provide lotteries with access to some of the world's most popular entertainment brands, including Deal or No Deal®, Major League Baseball®, National Basketball Association, Harley-Davidson®, Wheel-of-Fortune®, Monopoly and World Poker Tour®. We also provide lotteries with customized partnerships, or cooperative service programs, to help them efficiently and effectively manage and support their operations to achieve greater retail sales and lower operating costs.

We also manufacture paper-based prepaid phone cards, which utilize the secure process employed by us in the production of instant lottery tickets, helping to ensure the integrity and reliability of the product. Prepaid phone cards offer consumers a cost-effective way to purchase cellular airtime, without requiring wireless service providers to extend credit or consumers to commit to contracts.

The Company has a 20% equity ownership interest in Consorzio Lotterie Nazionali ("CLN"), a consortium consisting principally of ourselves, Lottomatica Group S.p.A ("Lottomatica"), Arianna 2001, a company owned by the Federation of Italian Tobacconists, and Olivetti S.p.A. The consortium holds a concession from the Italian Monopoli di Stato to be the exclusive operator of the Italian Gratta e Vinci instant ticket lottery. The concession commenced in 2004 and expires on May 31, 2010. Under our contract with CLN, we supply instant lottery tickets, game development services, marketing support, the instant ticket management system and systems support during the term of the concession. We also participate in the profits or losses of CLN as a 20% equity owner, and assist Lottomatica in the lottery operations.

In October 2009, the members of CLN tendered for a new concession to operate the Gratta e Vinci instant ticket lottery upon the termination of CLN's existing concession. Although a maximum of four concessions could have been granted under the terms of the tender, our bidding group was the only group that submitted a bid. Under the terms of the tender, the winning bidding group would be

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responsible for upfront payments totaling €800.0 million (which upfront payments would be evenly divided in the event more than one bidding group was awarded a concession). We would be responsible for our pro rata share of these payments (which would be €160 million, assuming our bidding group was awarded the sole concession and our ownership interest in the entity that holds the new concession remains at 20%). The new concession would have an initial term of nine years (subject to a performance evaluation during the fifth year) and could be extended by the Monopoli di Stato for an additional nine years.

In November 2009, following a challenge to the tender process by another lottery operator that complained that the terms of the tender process were onerous to non-incumbent bidding groups, an administrative court in Italy voided the tender process. The ruling was appealed by the Italian regulatory authorities and CLN. On March 9, 2010, the appellate court issued an initial ruling that upheld the validity of the tender process, but struck down a term of the tender that contemplated CLN continuing to manage existing instant lottery games during a transition period through January 31, 2012. The court remanded the case to the Italian regulatory authorities for further action regarding completion of the tender process. Until the court's full opinion is made available and the Italian regulatory authorities determine the next steps in the tender process, we are unable to predict whether or to what extent the tender process will be amended or re-opened. Although we believe that our bidding group will be awarded a concession to continue to operate the instant ticket lottery following the termination of CLN's existing concession, there can be no assurance that our bidding group will be awarded such a concession or that other operators will not also be awarded a concession.

We have a 49% equity ownership interest in a joint venture that supplies instant tickets to the China Sports Lottery (the "CSL").

***Lottery Systems Group***

Our Lottery Systems Group, which represented approximately 28% of our revenues in 2009, is a leading provider of sophisticated, customized computer software, software support and equipment and data communication services to government sponsored and privately operated lotteries in the U.S. and internationally. We have contracts to operate online lottery systems with 13 of the 45 U.S. jurisdictions that operate online lotteries. We believe we are the second largest online lottery provider in Europe. Our Lottery Systems Group offering includes the provision of transaction processing software for the accounting and validation of both instant and online lottery games, point-of-sale terminals, central site computers, communications technology, and ongoing support and maintenance for these products. Central computer systems, terminals and associated software are typically provided in the U.S. through facilities management contracts, under which we deploy and operate the system on behalf of the lottery, and internationally through outright sales, which often include a service and maintenance component.

We are the exclusive instant ticket validation network provider to the CSL. In addition, we have a 50% equity ownership interest in Guard Libang, a provider of systems and services to a majority of the China Welfare Lottery jurisdictions.

***Diversified Gaming Group***

Our Diversified Gaming Group, which represented approximately 22% of our revenues in 2009, provides services and systems to private and public operators in the wide area gaming and pari-mutuel wagering industries, including server-based gaming machines, video lottery terminals ("VLTs") and sports betting systems and services.

The Diversified Gaming Group includes The Global Draw Limited and certain related companies ("Global Draw"), a leading supplier of gaming machines, central monitoring systems and game content to licensed bookmakers, primarily in betting shops in the U.K. and increasingly outside the U.K. with recent deployments in Austria, Mexico and the Caribbean. The Diversified Gaming Group also includes

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Games Media Limited ("Games Media"), a supplier of gaming terminals and content to U.K. public house ("pub") operators, and our racing and venue management businesses, which include Scientific Games Racing, a leading supplier of computerized systems for pari-mutuel wagering, and our venue management gaming operations in Connecticut, Maine and the Netherlands. We also have a 29.4% equity interest in Roberts Communications Network, LLC ("RCN"), which provides communications services to racing and non-racing customers.

On January 27, 2010, we entered into a definitive agreement to sell our racing and venue management businesses to Sportech Plc ("Sportech") for approximately \$33 million in cash at closing, 39,742,179 shares of Sportech stock (valued at approximately \$32 million as of the signing of the agreement), representing approximately 20% of the outstanding shares at closing, and \$10 million in deferred cash consideration payable in September 2013. The transaction is expected to close in the first half of 2010, subject to the satisfaction of certain conditions, including the closing of Sportech's financing arrangements, receipt of certain regulatory approvals and other customary conditions. In connection with the pending sale, we have classified the businesses as held for sale and have taken a pre-tax charge of \$54.4 million.

On January 21, 2010, we entered into a number of strategic agreements with Playtech Limited or its affiliates (collectively, "Playtech") to jointly develop and market Internet and land-based gaming products and services to regulated gaming operators. These agreements contemplate, among other things, the establishment of new joint ventures with Playtech to deliver comprehensive Internet gaming solutions to government-sponsored and other lotteries and certain other gaming operators under the brand name *Sciplay*. The joint ventures seek to capitalize on the combination of Playtech's Internet gaming software and content and our experience and relationships with government-sponsored and other gaming operators. Profits realized under these joint ventures would generally be evenly split between us and Playtech. In addition, we and Playtech have entered into strategic agreements relating to server-based gaming machines and VLTs and systems development, in which we will have access to Playtech's Videobet technology for our gaming terminal business in North America, the United Kingdom and other key jurisdictions. The agreements also contemplate Playtech leading the development of our next-generation central monitoring and control system that meets emerging industry standards and protocols.

**Company Strengths**

*Attractive industry fundamentals.* We operate in industries that we believe offer attractive fundamentals.

*Lottery Industry:* On a global basis, the lottery industry generated total retail sales of approximately \$278 billion in calendar year 2008. The lottery industry is driven by the retail sales of lottery products sold primarily by government entities and government-sponsored lottery operators. During the severe economic downturn of 2009, the lottery industry proved to be relatively recession-resistant, registering an estimated 1% growth in the U.S. compared to a decline of approximately 7% in U.S. retail sales, according to the Census Bureau. We believe that meaningful opportunities exist to partner with many of our customers to address their budget deficits by increasing sales of lottery products. We also believe that growth opportunities exist in many jurisdictions throughout the world that are currently underserved, or not served at all, by lotteries.

*Gaming Industry:* We believe the gaming industry, particularly wide area gaming, where we focus, has substantial growth potential due to greater acceptance of gaming, easier access to gaming venues and increasing interest of governments in generating revenue from gaming. For example, in 2009, our server-based gaming business in U.K. licensed betting shops experienced 0.9% growth in gross win per day per machine (*i.e.*, cash retained per day per machine after payout) and 4.5% growth in local currency revenues. We believe that this

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compares favorably to destination-based gaming jurisdictions, such as Las Vegas and Atlantic City, which reportedly experienced declines in gross gaming revenue of 9.4% and 13.2%, respectively, during 2009. In addition, as a result of the current economic environment, we believe there is potential for further liberalization and favorable regulatory changes in the wide area gaming industry, as governments seek enhanced revenues from gaming.

*Leading industry positions.* We are a leading, global provider of products and services to lotteries and a leading supplier of content, entertainment and interactive media. We attribute our leadership position in our businesses primarily to our well-established customer relationships and brand identities, our technological and marketing expertise, our ability to offer a broad array of content-driven products and value-added services, and our commitment to, and reputation for, rigorous compliance standards within the regulated gaming industry. We have invested heavily in security technologies, marketing information systems and branding initiatives that have allowed us to maintain our leadership positions.

*Printed Products:* We believe we are the world's leading supplier of instant tickets. We supply instant tickets to 43 of the 44 U.S. jurisdictions that currently sell instant lottery tickets, and we sell instant tickets and/or related services to lotteries in over 50 other countries. For the majority our U.S. instant ticket contracts, we are the primary supplier of instant lottery tickets. We operate six instant ticket production facilities across five continents and have annual production capacity in excess of 45 billion standard instant ticket units. We believe the efficiency and geographic and technological diversity of our printing facilities allow us to be a cost leader in the instant ticket industry. We also believe we maintain the largest portfolio of licensed properties in the industry.

*Lottery Systems:* We have contracts to operate online lotteries for 13 of the 45 U.S. jurisdictions that currently operate online lotteries, and we believe that we are the second largest online lottery systems provider in Europe. We also operate central monitoring systems linked to over 96,500 VLTs globally.

*Diversified Gaming:* We are a leading supplier of wide area gaming systems and terminals with approximately 14,500 terminals or gaming systems in licensed betting shops in the U.K. and approximately 2,800 terminals and gaming systems outside of the U.K. In addition, we have approximately 2,400 terminals located in U.K. pubs.

*Recurring revenue model.* We typically provide our lottery and diversified gaming services pursuant to long-term contracts. U.S. instant ticket lottery contracts typically have an initial term of three years and frequently include multiple renewal options held by the lotteries ranging from one to five years. Historically, we have experienced a high success rate on our re-bidding efforts for existing contracts. Under contracts in our instant lottery business, we typically receive either a fixed price for printing tickets for our customers or are compensated based on the retail sales of the products. Our U.S. online lottery contracts typically have a minimum initial term of five years, with additional renewal options held by the lotteries, with compensation to us based on a percentage of the retail sales generated by the lottery. Contracts in the wide area gaming industry are typically for an initial term of two to four years and we are typically paid a fee equal to a percentage of our customer's revenues generated from wagers on each terminal. For the year ended December 31, 2009, we estimate that approximately 93% of our revenues were recurring in nature.

*Superior technology.* We believe that we are a technology leader in our businesses. The increased application of computer-based technologies to the manufacturing and service of instant lottery tickets continues to separate the printing of instant lottery tickets from conventional forms of printing. We believe we are generally recognized within the lottery business as a leader in applying these technologies to the manufacture and sale of instant lottery tickets. In the

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Diversified Gaming Group, we believe that we are a technology leader in computerized wagering systems and related equipment. In our Global Draw business unit, we provide customers with a turnkey offering that includes remote management of game content and wagering terminals, central computer systems and data communications. We believe our strategic agreements with Playtech will provide us with access to leading technology that will expand the capabilities of our server-based gaming business and enable us to pursue Internet gaming opportunities where legally permitted. We intend to continue to explore joint ventures and other strategic relationships as a cost effective way to gain access to critical technology where we determine internal development to be uneconomical or infeasible.

*Well-positioned to capitalize on growth opportunities.* We believe that we are well-positioned to capitalize on trends and growth opportunities that we see in the lottery and gaming industries. Although the extent and timing is uncertain, we believe new growth opportunities will emerge as jurisdictions consider gaming revenues as a way to address significant budget shortfalls and fund public programs. In the lottery systems business, U.S. lotteries recently agreed to begin cross-selling Powerball® and Mega Millions lottery games, enabling players in all lottery states to play a large jackpot game four days a week. We believe this cross-selling will grow the online lottery business by exposing a larger population to these games (thereby increasing jackpots), and may only be the first step in expanding and differentiating the products offered by lotteries. In our instant ticket business, we see opportunities to expand the global footprint of instant tickets, as we believe instant ticket sales represent less than 20% of lottery sales outside of the U.S. We also expect continued growth in our existing instant ticket business from retailer expansion and growth in average selling price points. In addition, we believe there are opportunities to expand our services by supporting Internet-based lottery initiatives such as second chance drawings, player loyalty clubs and prize drawings. In wide area gaming, we believe growth opportunities exist in land-based venues, such as bars, restaurants, betting shops, racetracks and other easily accessible venues, as well as the Internet and other new media. We believe we can exploit these opportunities, particularly with our recently gained access to Playtech's leading terminal and Internet gaming technology.

*Improving financial profile.* During 2009, we increased our focus on cash flow generation and took a number of steps to improve our cost structure, as discussed in more detail below under " Business Strategies Maintain Financial Discipline." During the last year, we completed a number of financing transactions that have extended the weighted average maturity of our debt from approximately 3.1 years to approximately 5.2 years. We also managed liquidity concerns related to our convertible debentures and the earn-out payable in connection with our 2006 acquisition of Global Draw. As of the end of 2009, we had approximately \$260 million of cash and cash equivalents and \$168 million of capacity under our revolving credit facility. We believe these steps have improved our financial profile and position us to pursue growth opportunities.

**Business Strategies**

Our goal is to deliver sustainable, profitable growth and thereby create value for our stockholders. The following are the four primary elements of our strategy to accomplish this goal:

*Build and Expand Our Core Businesses*

We believe we have significant growth potential around the world, and our focus is on bringing new products, services and technology solutions to existing and new customers across geographies. We believe we can drive core business growth in our lottery and wide area gaming businesses in the following ways:

*Lottery* We believe new growth opportunities are likely to emerge in our core instant and online lottery business as jurisdictions seek to address significant budget shortfalls and fund public programs without raising taxes. In the U.S., we believe there is

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potential to increase instant ticket sales by expanding distribution to "big box" retail stores and other outlets. We also seek to grow our instant ticket business by bundling with our core instant ticket offering value-added products and services such as our recently-launched Properties Plus offerings relating to player tracking, second chance drawings, player loyalty programs and other programs. Outside the U.S., we are focused on expanding instant ticket penetration in both existing and new jurisdictions, particularly those undergoing technological and regulatory change. We believe that instant ticket penetration currently represents approximately 18% of lottery sales outside of the U.S., compared to approximately 57% of lottery sales in the U.S., and that this under-penetration presents us with growth opportunities.

*Wide Area Gaming* We believe many of the growth opportunities in the gaming industry will be in wide area gaming venues such as pubs, bars, restaurants, truck stops, betting shops and other easily accessible land-based venues, as well as via the Internet and other new media. We seek to expand our leadership position in server-based gaming machines in the U.K. to the U.S. and other jurisdictions, such as Mexico, the Caribbean and Austria (where permitted by law). We are also seeking to expand our growing gaming machine presence in U.K. pubs. We anticipate that our recently announced strategic relationship with Playtech will enable us to enhance and upgrade our gaming machine technology platform, providing a highly cost-effective way of delivering leading gaming content to land-based venues.

*Pursue Strategic Initiatives and Focus the Portfolio on Growth*

Beyond core business growth, we believe that joint ventures and other strategic relationships, such as those with Playtech, can offer us access to new and tactically important geographies, business opportunities and technological expertise, while simultaneously offering the potential for reducing capital requirements. In addition, we believe there is significant strategic value to focusing our portfolio on our core gaming and lottery businesses and divesting assets whose value can be best maximized by another entity (and, where appropriate, maintaining an ownership interest to share in any potential upside). We believe that the proposed sale of our racing and venue management businesses is an example of this component of our strategy.

*Evolve our Business Model to Capitalize on Global Convergence Trends*

We believe the global gaming industry is undergoing significant change, as players want the ability to play anytime and anywhere with one common electronic wallet, or account, to facilitate payment. As such, we believe the industry will be increasingly characterized by convergence, or the interlinking of land-based and virtual (e.g., Internet) gaming technologies, networks and content. We also expect that regulators will play an increasingly important role in this convergence (often as sponsors and not just regulators) and that we will be well-positioned to capitalize on this trend in light of our deep and longstanding relationships with government-sponsored gaming entities. We believe that our recently announced Internet-focused joint ventures with Playtech, known as *Scisplay*, bring together a unique combination of experience, government relationships, content and technological expertise that has the potential to capitalize on these trends.

*Maintain Financial Discipline*

We believe that the long-term success of our strategy requires that we maintain strong financial discipline, continue to focus on enhancing operating efficiencies and make resource allocation decisions that focus on maximizing our return on investment.

*Improving our Cost Structure* We believe that building and maintaining a culture of disciplined cost management across the entire organization is critical to improving our



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margins. In 2009, we implemented a Profitability Improvement Program resulting in approximately \$24 million of cost savings for 2009, which exceeded our goal of \$15 to \$20 million of savings. We have also commenced a global procurement initiative designed to optimize our purchasing efficiency by aggregating our purchasing power, ensuring competitive bids for large expenditures and outsourcing where appropriate. We have hired a chief procurement officer to oversee our efforts in this area.

*Maximizing Cash Flow and Return on Investment* We are focused on maximizing our cash flow and returns on invested capital, and we have implemented a rigorous process around capital allocation decisions. As a result, in 2009 we were able to reduce our capital expenditures by more than \$118.0 million compared to 2008, which drove a meaningful improvement in cash flow for the year. We expect to continue to selectively bid on contracts on a basis that is consistent with our internal rate of return requirements. In addition, where appropriate, we expect to continue to pursue investment structures such as joint ventures that diversify and minimize our required capital investments and drive higher returns.

*Strengthening our Balance Sheet and Improving our Liquidity* We remain committed to strengthening our balance sheet and liquidity profile, building on the progress we made in 2009.

**Corporate Information**

Our principal executive offices are located at 750 Lexington Avenue, 25th Floor, New York, New York 10022 and our telephone number is (212) 754-2233. We maintain a website on the Internet at <http://www.scientificgames.com>. Our website and the information it contains are not a part of this registration statement.

The Issuer is a direct wholly owned subsidiary of Scientific Games Corporation. The Issuer's principal executive offices are located at 1500 Bluegrass Lakes Parkway, Alpharetta, Georgia 30004, and its telephone number is (770) 664-3700. The Issuer is our primary domestic operating company.



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**The Exchange Offer**

*The following summary contains basic information about the exchange offer and the new notes. It does not contain all the information that is important to you. For a more complete understanding of the new notes, please refer to the sections of this prospectus entitled "The Exchange Offer" and "Description of Notes."*

On November 5, 2009, the Issuer issued an additional \$125.0 million in aggregate original principal amount of its 9.250% senior subordinated notes due 2019 (the old notes) in a private offering to a group of initial purchasers in reliance on exemptions from, or in transactions not subject to, the registration requirements of the Securities Act and applicable state securities laws. The old notes were, and the new notes will be, equal in right of payment with, of the same series as, and voted as a single class on any matter submitted to the holders of, the Issuer's \$225.0 million aggregate principal amount of 9.250% senior subordinated notes due 2019 issued pursuant to an Indenture dated May 21, 2009 (the original 2019 notes). We refer to the old notes, the new notes and the original 2019 notes collectively herein as the "notes." The notes are unconditionally guaranteed, jointly and severally, on a senior subordinated unsecured basis, by the guarantors.

The Exchange Offer

The Issuer is offering to exchange an aggregate of \$125.0 million principal amount of new notes for \$125.0 million principal amount of the old notes.

To exchange your old notes, you must properly tender them, and the Issuer must accept them. You may tender outstanding old notes only in denominations of the principal amount of \$2,000 and integral multiples of \$1,000 in excess thereof. The Issuer will exchange all old notes that you validly tender and do not validly withdraw. The Issuer will issue registered new notes promptly after the expiration of the exchange offer.

The form and terms of the new notes will be substantially identical to those of the old notes except that the new notes will have been registered under the Securities Act. Therefore, the new notes will not be subject to certain contractual transfer restrictions, registration rights and certain additional interest provisions applicable to the old notes prior to consummation of the exchange offer.

Resale of New Notes

We believe that, if you are not a broker-dealer, you may offer new notes (together with the guarantees thereof) for resale, resell and otherwise transfer the new notes (and the related guarantees) without complying with the registration and prospectus delivery requirements of the Securities Act if you:

- acquired the new notes in the ordinary course of business;
- are not engaged in, do not intend to engage in and have no arrangement or understanding with any person to participate in a "distribution" (as defined under the Securities Act) of the new notes; and
- are not an "affiliate" (as defined under Rule 405 of the Securities Act) of the Issuer or any guarantor.

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If any of these conditions are not satisfied, you must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction. Our belief that transfers of new notes would be permitted without registration or prospectus delivery under the conditions described above is based on the interpretations of the SEC given to other, unrelated issuers in transactions similar to the exchange offer. We cannot assure you that the SEC would take the same position with respect to the exchange offer. Each broker-dealer that receives new notes for its own account in exchange for old notes, where the old notes were acquired by it as a result of market-making activities or other trading activities, may be deemed to be an "underwriter" within the meaning of the Securities Act and must acknowledge that it will deliver a prospectus that meets the requirements of the Securities Act in connection with any resale of the new notes. However, by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

Expiration Date	The exchange offer will expire at 5:00 p.m., New York City time, on _____, 2010, unless we extend it.
Withdrawal	You may withdraw your tender of old notes under the exchange offer at any time before the exchange offer expires. Any withdrawal must be in accordance with the procedures described in "The Exchange Offer Withdrawal Rights."
Procedures for Tendering Old Notes	Each holder of old notes that wishes to tender old notes for new notes pursuant to the exchange offer must, before the exchange offer expires, either: transmit a properly completed and duly executed letter of transmittal, together with all other documents required by the letter of transmittal, including the old notes, to the exchange agent, or if old notes are tendered in accordance with book-entry procedures, arrange with The Depository Trust Company ("DTC"), to cause to be transmitted to the exchange agent an agent's message indicating, among other things, the holder's agreement to be bound by the letter of transmittal, or comply with the procedures described below under " Guaranteed Delivery." A holder of old notes that tenders old notes in the exchange offer must represent, among other things, that: the holder is not an "affiliate" of the Issuer or any guarantor as defined under Rule 405 of the Securities Act;

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the holder is acquiring the new notes in its ordinary course of business;  
the holder is not engaged in, does not intend to engage in and has no arrangement or understanding with any person to participate in a distribution of the new notes within the meaning of the Securities Act;

if the holder is a broker-dealer that will receive new notes for its own account in exchange for outstanding notes that were acquired as a result of market-making or other trading activities, then the holder will deliver a prospectus in connection with any resale of the new notes; and  
the holder is not acting on behalf of any person who could not truthfully make the foregoing representations.

Do not send letters of transmittal, certificates representing old notes or other documents to us or DTC. Send these documents only to the exchange agent at the address given in this prospectus and in the letter of transmittal.

Special Procedures for Tenders by Beneficial Owners of Old Notes

If

you beneficially own old notes,  
those old notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee or custodian, and

you wish to tender your old notes in the exchange offer,  
you should contact the registered holder as soon as possible and instruct it to tender the old notes on your behalf and comply with the instructions set forth in this prospectus and the letter of transmittal.

Guaranteed Delivery

If you hold old notes in certificated form or if you own old notes in the form of a book-entry interest in a global note deposited with the trustee, as custodian for DTC, and you wish to tender those old notes but

the certificates for your old notes are not immediately available or all required documents are unlikely to reach the exchange agent before the exchange offer expires, or

you cannot complete the procedure for book-entry transfer on time,  
you may tender your old notes in accordance with the procedures described in "The Exchange Offer Procedures for Tendering Old Notes Guaranteed Delivery."

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Consequences of Not Exchanging Old Notes	If you do not tender your old notes or we reject your tender, your old notes will remain outstanding and will continue to be subject to the provisions in the indenture regarding the transfer and exchange of the old notes and the existing restrictions on transfer set forth in the legends on the old notes. In general, the old notes may not be offered or sold unless registered under the Securities Act, except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. Holders of old notes will not be entitled to any further registration rights under the registration rights agreement. We do not currently plan to register the old notes under the Securities Act.
Material U.S. Federal Income Tax Considerations	You do not have any appraisal or dissenters' rights in connection with the exchange offer. Your exchange of old notes for new notes will not be treated as a taxable exchange for U.S. federal income tax purposes. See "Material U.S. Federal Income Tax Considerations."
Conditions to the Exchange Offer	The exchange offer is subject to the conditions that it not violate applicable law or any applicable interpretation of the staff of the SEC. The exchange offer is not conditioned upon any minimum principal amount of old notes being tendered for exchange.
Use of Proceeds	We will not receive any cash proceeds from the exchange offer.
Acceptance of Old Notes and Delivery of New Notes	Subject to the satisfaction or waiver of the conditions to the exchange offer, we will accept for exchange any and all old notes properly tendered prior to the expiration of the exchange offer. We will complete the exchange offer and issue the new notes promptly after the expiration of the exchange offer.
Exchange Agent	The Bank of Nova Scotia Trust Company of New York is serving as exchange agent for the exchange offer. The address and the facsimile and telephone numbers of the exchange agent are provided in this prospectus under "The Exchange Offer Exchange Agent" and in the letter of transmittal.

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**The New Notes**

The exchange offer applies to the \$125.0 million principal amount of the old notes outstanding as of the date hereof. The form and the terms of the new notes will be identical in all material respects to the form and the terms of the old notes except that the new notes:

will have been registered under the Securities Act;

will not be subject to restrictions on transfer under the Securities Act;

will not be entitled to the registration rights that apply to the old notes; and

will not be subject to any increase in annual interest rate as described below under "Description of Notes Registration Rights."

The new notes evidence the same debt as the old notes exchanged for the new notes and will be entitled to the benefits of the same indenture under which the old notes, and the original 2019 notes, were issued, which is governed by New York law. The old notes are, and the new notes will be, equal in right of payment with, of the same series as, and vote on any matter submitted to holders of the original 2019 notes. Following the exchange offer, the new notes will trade as a single class of notes with the original 2019 notes. See "Description of Notes."

Issuer	Scientific Games International, Inc., a Delaware corporation and a direct wholly owned subsidiary of Scientific Games Corporation.
Securities Offered	\$125.0 million in principal amount of 9.250% Senior Subordinated Notes due 2019.
Maturity Date	The notes will mature on June 15, 2019.
Interest Payment Dates	June 15 and December 15 of each year, commencing December 15, 2009.
Optional Redemption	The Issuer may redeem some or all of the notes at any time prior to June 15, 2014 at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest, if any, to the date of redemption plus a "make-whole" premium. The Issuer may redeem some or all of the notes on or after June 15, 2014 at the redemption prices listed under "Description of Notes Redemption Optional Redemption," plus accrued and unpaid interest, if any, to the date of redemption. In addition, at any time prior to June 15, 2012, the Issuer may redeem up to 35% of the initially outstanding aggregate principal amount of the notes at a redemption price of 109.25% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of redemption, with the net cash proceeds contributed to the capital of the Issuer from one or more equity offerings of the Company. See "Description of Notes Redemption Optional redemption upon equity offering."
Regulatory Redemption	The notes are subject to redemption requirements imposed by gaming laws and regulations of gaming authorities in jurisdictions in which we conduct gaming operations. See "Description of Notes Redemption Regulatory redemption."

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Guarantees

The old notes are, and the new notes will be, fully and unconditionally guaranteed on a senior subordinated basis, jointly and severally, by the Company and each of its wholly owned domestic subsidiaries (other than the Issuer).

Ranking

The new notes will be the Issuer's unsecured senior subordinated obligations and will rank:  
junior in right of payment to all of the Issuer's existing and future senior indebtedness, including its indebtedness under our credit facilities;

equal in right of payment with the Issuer's existing and future senior subordinated indebtedness, including the old notes, the original 2019 notes, its 7.875% senior subordinated notes due 2016 (referred to as the "2016 notes"), its guarantee of the Company's 6.25% senior subordinated notes due 2012 (referred to as the "2012 notes" and, together with the 2016 notes, the "existing notes") and its guarantee of the Company's 0.75% convertible senior subordinated debentures due 2024 (referred to as the "convertible debentures") ;

senior in right of payment to any of the Issuer's future indebtedness that is expressly subordinated in right of payment to the new notes; and

structurally junior in right of payment to all of the liabilities of any of the Company's other subsidiaries that do not guarantee the new notes.

Similarly, the guarantee of each guarantor of the new notes will rank:

junior in right of payment to all of such guarantor's existing and future senior indebtedness, including its guarantee of borrowings under our credit facilities;

equal in right of payment with any existing and future senior subordinated indebtedness of such guarantor, including (in the case of the Company) the 2012 notes, the convertible debentures and its guarantee of the old notes, the original 2019 notes and the 2016 notes and (in the case of each of the other guarantors) its guarantee of the old notes, the original 2019 notes, the existing notes and the convertible debentures;

senior in right of payment to any future indebtedness of such guarantor that is expressly subordinated in right of payment to its guarantee of the new notes; and

structurally junior in right of payment to all of the liabilities of any subsidiary of such guarantor if that subsidiary does not guarantee the new notes.

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As of December 31, 2009:

the Issuer had \$622.4 million of senior indebtedness, including \$82.1 million of outstanding and undrawn letters of credit, all of which was secured senior indebtedness under our credit facilities, with \$167.9 million of additional availability under our credit facilities (all of which would be secured) (excluding the Issuer's obligations as a guarantor of the promissory notes with an aggregate principal amount of approximately £28.1 million, or approximately \$45.5 million (based on the exchange rate used in our consolidated balance sheet as of December 31, 2009), issued in connection with the deferral of a portion of the earn-out and contingent bonuses that were payable in connection with our 2006 acquisition of Global Draw, referred to as the "Global Draw promissory notes");

the Company and the other guarantors of the new notes had \$195.7 million of senior indebtedness in the form of outstanding surety bonds (excluding their obligations as guarantors of (1) the Issuer's obligations under our credit facilities and (2) the Global Draw promissory notes);

the Issuer and the guarantors had \$747.0 million of senior subordinated indebtedness outstanding, consisting entirely of the old notes, the original 2019 notes, the existing notes and the convertible debentures (or guarantees thereof); and

our subsidiaries which are not guaranteeing the new notes had outstanding third-party liabilities of approximately \$226.6 million, including the Global Draw promissory notes and trade payables.

Change of Control

If we experience a change of control, the Issuer will be required to repurchase the notes at a price equal to 101% of the principal amount thereof, plus accrued and unpaid interest to the purchase date. See "Description of Notes Change of Control."

Certain Covenants

The indenture governing the notes contains certain covenants which will, among other things, limit our ability and the ability of our restricted subsidiaries to:

- incur indebtedness;
- pay dividends or make distributions in respect of capital stock or make certain other restricted payments or investments;
- sell assets, including capital stock of our restricted subsidiaries;
- agree to payment restrictions affecting restricted subsidiaries;

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	enter into transactions with our affiliates; and merge, consolidate or sell all or substantially all of the Company's assets. These covenants are subject to important exceptions and qualifications described under the heading "Description of Notes - Covenants."
No Public Market	The new notes are new securities and there is currently no established trading market for the new notes. The initial purchasers have advised us that they presently intend to make a market in the new notes. However, you should be aware that they are not obligated to make a market in the new notes and may discontinue their market-making activities at any time without notice. As a result, a liquid market for the new notes may not be available if you try to sell your new notes. We do not intend to apply for a listing of the new notes on any securities exchange or any automated dealer quotation system.
Use of proceeds	We will not receive any proceeds from the exchange offer. See "Use of Proceeds."
<b>Risk Factors</b>	

Investment in the notes involves certain risks. You should carefully consider the information under "Risk Factors" and all other information included or incorporated by reference in this prospectus before investing in the notes.



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The following table sets forth our summary historical financial data as of and for the periods indicated. The summary statement of operations data for the years ended December 31, 2007, 2008 and 2009 and the summary balance sheet data as of December 31, 2008 and 2009 have been derived from and should be read in conjunction with our audited consolidated financial statements, the notes thereto and the related "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our Annual Report on Form 10-K filed on March 1, 2010, which report is incorporated herein by reference. The summary balance sheet data as of December 31, 2007 has been derived from our audited consolidated financial statements for the year then ended.

	Years Ended December 31,		
	2007	2008	2009
(in thousands, except per share amounts)			
<b>Statement of operations data:</b>			
Operating revenues:			
Instant ticket revenue	\$ 498,179	\$ 548,308	\$ 453,238
Services	424,236	451,664	410,014
Sales	124,289	118,857	64,497
Total revenues	\$ 1,046,704	\$ 1,118,829	\$ 927,749
Cost of instant ticket revenue (exclusive of depreciation and amortization)	283,924	331,501	270,836
Cost of services (exclusive of depreciation and amortization)	237,509	263,284	234,093
Cost of sales (exclusive of depreciation and amortization)	90,347	85,856	44,539
Selling, general and administrative expenses	165,080	184,213	168,248
Write-down of assets held for sale			54,356
Employee termination costs	3,642	13,695	3,920
Depreciation and amortization	160,366	218,643	151,784
Operating income (loss)	\$ 105,836	\$ 21,637	\$ (27)
Net income (loss) available to common stockholders	\$ 53,155	\$ (4,485)	\$ (39,879)
Basic net income (loss) available to common stockholders per share	\$ 0.57	\$ (0.05)	\$ (0.43)
Diluted net income (loss) available to common stockholders per share	\$ 0.55	\$ (0.05)	\$ (0.43)

	As of December 31,		
	2007	2008	2009
<b>Balance sheet data:</b>			
Cash and cash equivalents	\$ 29,403	\$ 140,639	\$ 260,131
Total assets	2,098,786	2,182,453	2,291,792
Total long-term debt (including current installments)	1,043,938	1,239,467	1,367,063
Total stockholders' equity	693,591	595,829	619,758

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The following table sets forth our ratio of earnings to fixed charges for the years ended December 31, 2005, 2006, 2007, 2008 and 2009. For the purpose of determining the ratio of earnings to fixed charges, "earnings" consist of earnings (loss) before income tax expense (benefit) plus fixed charges, and "fixed charges" consist of interest expense, including amortization of deferred financing costs, plus one-third of rental expense (this portion is considered to be representative of the interest factor).

	Year Ended December 31,				
	2005	2006	2007	2008	2009
Ratio of earnings to fixed charges	3.3x	2.2x	1.5x	0.4x	0.1x

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**RISK FACTORS**

*Before making any decision to participate in the exchange offer, you should carefully consider the following risk factors in addition to the other information contained in this prospectus and incorporated by reference in this prospectus, although the risk factors (other than those dealing specifically with the new notes) are generally applicable to the old notes as well as the new notes. Any of the following risks could materially and adversely affect our business, financial condition or results of operations. The risks described below are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect our business, financial condition or results of operations. In the following discussion of risk factors, when we refer to the term "note" or "notes," we are referring to both the old notes and the new notes to be issued in the exchange offer.*

**Risks Relating to Our Business**

*We operate in highly competitive industries and our success depends on our ability to effectively compete with numerous domestic and foreign businesses.*

We face competition from a number of domestic and foreign businesses, some of which have substantially greater financial resources than we do, which could impact our ability to win new contracts and renew existing contracts. We continue to operate in a period of intense price-based competition, which could affect the number and the profitability of the contracts we win.

Contract awards by lottery authorities are sometimes challenged by unsuccessful bidders, which can result in costly and protracted legal proceedings that can result in delayed implementation or cancellation of the award. In addition, the domestic lottery industry has matured such that the number of states conducting lotteries is unlikely to increase materially in the near-term.

We believe our principal competitors in the instant ticket lottery business are increasing their production capacity, which could increase pricing pressures in the instant ticket business and adversely affect our ability to win or renew instant ticket contracts or reduce the profitability of instant ticket contracts that we do win. Our domestic instant ticket business could also be adversely affected should additional foreign competitors in Canada or Mexico export their lottery products to the U.S. or should other foreign competitors establish printing facilities in the U.S., Canada or Mexico to supply the U.S.

We also face increased price competition in the online lottery business from our two principal competitors. Since late 2007, the lottery authorities in South Carolina, West Virginia, South Dakota, New Hampshire and Vermont awarded new online lottery contracts to our competitors. Our online lottery contracts with South Carolina, West Virginia and South Dakota terminated on November 15, 2008, June 27, 2009 and August 2, 2009, respectively, and our online lottery contracts with New Hampshire and Vermont each terminate on June 30, 2010. We also compete in the international instant ticket lottery business with low-price, low-quality printers in a regulated environment where laws are being reinterpreted so as to create competition from non-traditional lottery vendors and products.

Pricing pressures and potential privatization of some lotteries may also change the manner in which online and instant ticket contracts are awarded and the profitability of those contracts. Any future success of our lottery business will also depend, in part, on the success of the lottery industry in attracting and retaining players in the face of increased competition for these players' entertainment dollars, as well as our own success in developing innovative products and systems to achieve this goal. Our failure to achieve this goal could reduce revenues from our lottery operations. As a result of pressures on state and other government budgets, other forms of gaming may be legalized, which could adversely impact our business.

We also operate in competitive markets in other parts of our business. Our pari-mutuel business faces competition from other operators, other gaming venues such as casinos and state-sponsored lotteries and other forms of legal and illegal gaming. The market for pari-mutuel wagering has seen

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declines over a period of years and the continuing popularity of horse and dog racing is important to the operating results of our pari-mutuel business. Our other gaming-related businesses face competition from other vendors and illegal operators, as well as changes in law and regulation that can affect our future profitability. In our prepaid phone card business, we are operating in a period of intense price-based competition, which may continue to negatively affect our revenues and operating margins. Moreover, the cellular telephone industry is undergoing technological changes such that other technologies, including electronic commerce, could impact our growth opportunities and our customer relationships in connection with our prepaid phone card business.

***Unfavorable economic conditions may adversely affect our business and financial condition.***

Unfavorable general economic conditions have had and may continue to have a negative effect on our business and results of operations. We cannot fully predict the effects that the current economic slowdown will have on us as it also impacts our customers, vendors and business partners. However, we believe that the difficult economic conditions have contributed to reductions in spending on marketing by our customers and, in certain instances, less favorable terms under our contracts, as many of our customers face significant budget shortfalls.

We believe that the lottery and wide area gaming businesses are less susceptible to reductions in consumer spending than the destination gaming business (*e.g.*, resort/casino venues, which are typically less accessible than lottery and wide area gaming retail outlets) and other parts of the consumer sector. However, we believe that declines in consumer spending have adversely impacted the lottery and wide area gaming businesses to some extent, and further declines will likely exasperate these negative effects.

***We have foreign operations, which subjects us to additional risks.***

We are a global business and derive a substantial and growing portion of our revenue and profits from operations outside the U.S. In fiscal year ended December 31, 2009, we derived approximately 50% of our total revenues from our operations outside of the U.S. Our operations in foreign markets subject us to risks customarily associated with such operations, including:

the complexity of foreign laws, regulations and markets;

the impact of foreign labor laws and disputes;

other economic, tax and regulatory policies of local governments; and

the ability to attract and retain key personnel in foreign jurisdictions.

Additionally, foreign taxes paid by our foreign subsidiaries and joint venture interests on their earnings may not be recovered against our U.S. tax liability. At December 31, 2009, we had a deferred tax asset for our foreign tax credit ("FTC") carry forward of approximately \$54.8 million. Although we will continue to explore tax planning strategies to use all of our FTC, at December 31, 2009, we established a valuation allowance of approximately \$43.7 million against the FTC deferred tax asset to reduce the asset to the net amount our management estimates is "more likely than not" to be realized.

Our consolidated financial results are significantly affected by foreign currency exchange rate fluctuations. Foreign currency exchange rate exposures arise from current transactions and anticipated transactions denominated in currencies other than U.S. dollars and from the translation of foreign currency balance sheet accounts into U.S. dollar-denominated balance sheet accounts. We are exposed to currency exchange rate fluctuations because a significant portion of our revenues is denominated in currencies other than the U.S. dollar, particularly the British pound sterling and the Euro. Exchange rate fluctuations have in the past adversely affected our operating results and cash flows and may adversely affect our results of operations and cash flows and the value of our assets outside the U.S. in the future.

In addition, our ability to expand successfully in foreign jurisdictions involves other risks, including difficulties in integrating our foreign operations, risks associated with entering jurisdictions in which we



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may have little experience and the day-to-day management of a growing and increasingly geographically diverse company. Our investment in foreign jurisdictions often entails entering into joint ventures or other business relationships with locally based entities, which can involve additional risks arising from our lack of sole decision-making authority, our reliance on a partner's financial condition, inconsistency between our business interests or goals and those of our partners and disputes between us and our partners. In particular, our investment in CLN is a minority investment in an Italian consortium whose largest equity holder is Lottomatica, an Italian entity, and we do not control decisions relating to the governance of the consortium, including with respect to the distribution of its cash earnings.

Through our joint ventures and wholly owned foreign enterprises, we have lottery-related investments and business operations in China, from which we expect to derive a growing portion of income. Our business and results of operations in China are subject to a number of risks, including risks relating to our ability to finance our operations in China, the complex regulatory environment in China, the political climate in China, the Chinese economy and our joint venture and other business partners in China. Two of our joint ventures are with locally based state-owned enterprises, which can potentially heighten the joint venture-related risks described above relating to inconsistency of business interests and disputes.

We anticipate that continued lottery-related growth in China depends in part on sustained demand for lottery tickets at higher price points, as well as continued expansion of the retailer network and further optimization of retailer inventories. During 2009, we observed that retailers on occasion ran out of the most desirable and highest priced games and that retail sales declined in certain provinces after they had met their 2009 sales targets set by the CSL well in advance of the end of the year, notwithstanding continued product demand. In 2010, we understand that sales targets were adjusted to be more in line with product demand on a province by province basis. There can be no assurance that lottery ticket demand will be sustained at higher price points, and we cannot predict the rate of retailer expansion or the extent of inventory optimization.

We believe that our operations in China are in compliance with all applicable legal and regulatory requirements. However, there can be no assurance that legal and regulatory requirements in China will not change or that China's central or local governments will not impose new, stricter regulations or interpretations of existing regulations that would impose additional costs on our operations in China or even restrict or prohibit such operations. For example, comprehensive legislation regulating competition took effect in August 1, 2008. This law, among other things, prohibits certain types of agreements (unless they fall within specified exemptions) and certain behavior classified as abuse of dominant market position or intellectual property rights. Additionally, new lottery regulations providing for enhanced supervision of the lottery industry in China became effective on July 1, 2009. Although we do not believe these laws and regulations will have a material adverse effect on our results of operations, we cannot predict with certainty what impact such laws and regulations (or implementing rules or enforcement policy) will have on our business in China.

We may not realize the operating efficiencies, competitive position or financial results that we anticipate from our investments in foreign jurisdictions and our failure to effectively manage the foregoing risks associated with our operations in foreign jurisdictions could have a material adverse effect on our results of operations, business or prospects.

***Our business is subject to evolving technology.***

The markets for all of our products and services are affected by changing technology, new legislation and evolving industry standards. Our ability to anticipate or respond to such changes and to develop and introduce new and enhanced products and services on a timely basis will be a significant factor in our ability to expand, remain competitive, attract new customers and retain existing contracts.

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We can give no assurance that we will achieve the necessary technological advances or have the financial resources needed to introduce new products or services on a timely basis or that we will otherwise have the ability to compete effectively in the markets we serve.

***We are heavily dependent on our ability to renew our long-term contracts with our customers and we could lose substantial revenue and profits if we are unable to renew certain of our contracts.***

Generally, our contracts are for initial terms of one to five years, with optional renewal periods held by the customer. Upon the expiration of a contract, including any extensions thereof, new contracts may be awarded through a competitive bidding process. Since late 2007, the lottery authorities in South Carolina, West Virginia, South Dakota, New Hampshire and Vermont awarded new online lottery contracts to our competitors. Our revenues from our online contracts in these states represented approximately \$23.0 million, or approximately 2%, of our total 2008 revenues.

In addition, CLN's existing concession from the Italian Monopoli di Stato under which CLN is the exclusive operator of the Italian Gratta e Vinci instant ticket lottery, and our contract to supply instant lottery tickets and other services to CLN, our largest customer, are scheduled to expire on May 31, 2010.

In October 2009, the members of CLN tendered for a new concession to operate the Gratta e Vinci instant ticket lottery upon the termination of CLN's existing concession. Although a maximum of four concessions could have been granted under the terms of the tender, our bidding group was the only group that submitted a bid. Under the terms of the tender, the winning bidding group would be responsible for upfront payments totaling €800.0 million (which upfront payments would be evenly divided in the event more than one bidding group was awarded a concession). We would be responsible for our pro rata share of these payments (which would be €160.0 million assuming our bidding group was awarded the sole concession and our ownership interest in the entity that holds the new concession remains at 20%). The new concession would have an initial term of nine years (subject to a performance evaluation during the fifth year) and could be extended by the Monopoli di Stato for an additional nine years.

In November 2009, following a challenge to the tender process by another lottery operator that complained that the terms of the tender process were onerous to non-incumbent bidding groups, an administrative court in Italy voided the tender process. The ruling was appealed by the Italian regulatory authorities and CLN. On March 9, 2010, the appellate court issued an initial ruling that upheld the validity of the tender process, but struck down a term of the tender that contemplated CLN continuing to manage existing instant lottery games during a transition period through January 31, 2012. The court remanded the case to the Italian regulatory authorities for further action regarding completion of the tender process. Until the court's full opinion is made available and the Italian regulatory authorities determine the next steps in the tender process, we are unable to predict whether or to what extent the tender process will be amended or re-opened. Although we believe that our bidding group will be awarded a concession to continue to operate the instant ticket lottery following the termination of CLN's existing concession, there can be no assurance that our bidding group will be awarded such a concession or that other operators will not also be awarded a concession.

In the event that our bidding group is awarded a new concession, we anticipate that our bidding group will form and capitalize a new vehicle to hold the concession consistent with the tender requirements. We have entered into a memorandum of understanding with our current CLN partners with respect to the formation and governance of any new concession vehicle on terms substantially similar to the terms governing CLN. However, we cannot guarantee that we will be able to enter into definitive governing agreements, nor can we predict the final terms of any such definitive agreements (including terms relating to the structure of the vehicle and governance rights).

We believe that the uncertainty related to the results of the tender process has reduced the rate of instant ticket orders CLN has recently received from the Italian lottery authority, which may have an

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adverse effect on CLN's results of operations for at least a portion of 2010. In addition, we expect that the capitalization and amortization of the significant upfront payments that would be payable by our joint venture if it were to be awarded a new concession will negatively impact the earnings from our share of the joint venture. We also anticipate that increased competition from the proliferation of other forms of gaming in Italy may put pressure on the results of operations of CLN (or the successor joint venture vehicle).

We are also required by certain of our lottery customers to provide surety or performance bonds in connection with our contracts. There can be no assurance that we will continue to be able to obtain surety or performance bonds on commercially reasonable terms or at all. Our inability to provide such bonds would materially and adversely affect our ability to renew existing, or obtain new, lottery contracts.

There can be no assurance that our current contracts will be extended or that we will be awarded new contracts as a result of competitive bidding processes in the future. The termination, expiration or failure to renew one or more of our contracts could cause us to lose substantial revenues and profits, which could have an adverse effect on our ability to win or renew other contracts or pursue acquisitions or other growth initiatives.

***We may not have sufficient cash flows from operating activities, cash on hand and available borrowings under our credit facilities to finance required capital expenditures under new contracts, service our indebtedness and meet our other cash needs. These obligations require a significant amount of cash.***

As indicated above, in the event our bidding group is the sole bidder to be awarded a new concession to operate the Gratta e Vinci instant ticket lottery in Italy, we expect that we would be required to make our pro rata share of the significant upfront payments that would be required of our bidding group, which would total €160.0 million assuming our ownership interest in the joint venture entity that holds the new concession remains at 20%. During 2009, we have taken steps in anticipation of any such award, including incurring additional debt, that provide us with sufficient liquidity as of the date hereof to make these payments. However, there can be no assurance as to our available liquidity at the time these payments may be due.

In addition, our online lottery, wide area gaming and pari-mutuel contracts generally require significant up-front capital expenditures for terminal assembly, software customization and implementation, systems and equipment installation and telecommunications configuration. Historically, we have funded these up-front costs through cash flows generated from operations, available cash on hand and borrowings under our credit facilities. Our ability to continue to procure new contracts will depend on, among other things, our then present liquidity levels or our ability to obtain additional financing on commercially reasonable terms. If we do not have adequate liquidity or are unable to obtain financing for these up-front costs on favorable terms or at all, we may not be able to bid on certain contracts, which could restrict our ability to grow and have a material adverse effect on our results of operations.

Moreover, we may not realize the return on investment that we anticipate on new contracts due to a variety of factors, including lower than anticipated retail sales and unanticipated regulatory developments or litigation.

As of December 31, 2009, we had total indebtedness of approximately \$1,367.1 million, or approximately 68.8% of our total capitalization, consisting primarily of senior secured term loan and revolving credit facilities under our credit agreement, the old notes, the original 2019 notes, and the existing notes. Our ability to make payments on and to refinance our indebtedness will depend on our ability to generate cash in the future. This, to some extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

If we are unable to generate sufficient cash flow from operations in the future to meet our commitments, we will be required to adopt one or more alternatives, such as refinancing or



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restructuring our indebtedness, selling material assets or operations or seeking to raise additional debt or equity capital. There can be no assurance that any of these actions could be completed on a timely basis or on satisfactory terms or at all, or that these actions would enable us to continue to satisfy our capital requirements. Moreover, our existing or future debt agreements contain restrictive covenants that may prohibit us from adopting these alternatives. Our failure to comply with these covenants could result in an event of default which, if not cured or waived, could result in the acceleration of all of our debt.

On October 29, 2009, the Issuer entered into a commitment letter with J.P. Morgan Securities Inc. and JPMorgan Chase Bank, N.A. ("JPMorgan"), pursuant to which JPMorgan has committed, subject to certain conditions, to provide up to \$75.0 million of senior secured term loans under one or more incremental term loan facilities pursuant to our credit agreement. Any proceeds from borrowings under these incremental term loan facilities would be available to be applied for general corporate purposes, which may include the payment of a portion of potential upfront payment or other obligations in connection with an award of a new Italian instant ticket lottery concession. The Issuer is not obligated to utilize this commitment or to borrow any amounts thereunder. This commitment expires on June 30, 2010.

Under the terms of the convertible debentures, the holders of the convertible debentures may require us to repurchase some or all of their debentures for cash on June 1, 2010 at a repurchase price equal to 100% of the principal amount of the debentures being repurchased, plus accrued and unpaid interest. As of December 31, 2009, there was approximately \$9.9 million in aggregate principal amount of the convertible debentures outstanding. We expect to have enough available liquidity to retire all of the outstanding convertible debentures on June 1, 2010 if need be.

In addition, a substantial portion of our long-term indebtedness may accelerate and become due in early 2011 unless the Global Draw promissory notes are no longer outstanding on February 7, 2011 or our available liquidity exceeds the aggregate principal amount of such notes then outstanding plus \$50.0 million. Although we expect that we will be able to satisfy this condition and thereby prevent the acceleration of such indebtedness, there can be no assurance that we will be able to do so. See "Risks Relating to the Notes" The Global Draw promissory notes will mature in May and June 2011, and the 2012 notes will mature in December 2012. The maturity of borrowings under our credit facilities will be accelerated to February 2011 or September 2012, respectively, if certain conditions related to the Global Draw promissory notes or 2012 notes, as applicable, are not satisfied."

***Our business depends on the protection of our intellectual property and proprietary information.***

We believe that our success depends, in part, on protecting our intellectual property in the U.S. and in foreign countries. Our intellectual property includes certain patents and trademarks relating to our instant ticket games and wagering systems, as well as proprietary or confidential information that is not subject to patent or similar protection. Our intellectual property protects the integrity of our games, systems, products and services, which is a core value of the industries in which we operate. For example, our intellectual property is designed to ensure the security of the printing of our instant lottery tickets and prepaid phone cards and provide simple and secure validation of our lottery tickets. Competitors may independently develop similar or superior products, software, systems or business models. In cases where our intellectual property is not protected by an enforceable patent, such independent development may result in a significant diminution in the value of our intellectual property.

There can be no assurance that we will be able to protect our intellectual property. We enter into confidentiality or license agreements with our employees, vendors, consultants, and, to the extent legally permissible, our customers, and generally control access to, and the distribution of, our game designs, systems and other software documentation and other proprietary information, as well as the designs, systems and other software documentation and other information we license from others. Despite our

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efforts to protect these proprietary rights, unauthorized parties may try to copy our gaming products, business models or systems, use certain of our confidential information to develop competing products, or develop independently or otherwise obtain and use our gaming products or technology, any of which could have a material adverse effect on our business. Policing unauthorized use of our technology is difficult and expensive, particularly because of the global nature of our operations. The laws of other countries may not adequately protect our intellectual property.

There can be no assurance that our business activities, games, products and systems will not infringe upon the proprietary rights of others, or that other parties will not assert infringement claims against us. Any such claim and any resulting litigation, should it occur, could subject us to significant liability for damages and could result in invalidation of our proprietary rights, distract management, and/or require us to enter into costly and burdensome royalty and licensing agreements. Such royalty and licensing agreements, if required, may not be available on terms acceptable to us, or may not be available at all. In the future, we may also need to file lawsuits to defend the validity of our intellectual property rights and trade secrets, or to determine the validity and scope of the proprietary rights of others. Such litigation, whether successful or unsuccessful, could result in substantial costs and diversion of resources.

We rely on products and technologies that we license from third parties. There can be no assurance that these third-party licenses, or the support for such licenses, will continue to be available to us on commercially reasonable terms, if at all.

***Our business competes on the basis of the security and integrity of our systems and products.***

We believe that our success depends, in part, on providing secure products and systems to our vendors and customers. Attempts to penetrate security measures may come from various combinations of customers, retailers, vendors, employees and others. Our ability to monitor and ensure quality of our products is periodically reviewed and enhanced. Similarly, we constantly assess the adequacy of our security systems to protect against any material loss to any of our customers and the integrity of the product to end-users. There can be no assurance that our business will not be affected by a security breach or lapse, which could have a material adverse impact on our results of operations, business or prospects.

***Our industry is subject to strict government regulations that may limit our existing operations and have a negative impact on our ability to grow.***

In the U.S. and many other countries, lotteries, pari-mutuel and other forms of wagering must be expressly authorized by law. Once authorized, such activities are subject to extensive and evolving governmental regulation. Moreover, such gaming regulatory requirements vary from jurisdiction to jurisdiction. Therefore, we are subject to a wide range of complex gaming laws and regulations in the jurisdictions in which we are licensed. Most jurisdictions require that we be licensed, that our key personnel and certain of our security holders be found suitable or be licensed, and that our products be reviewed and approved before placement. If a license, approval or finding of suitability is required by a regulatory authority and we fail to seek or do not receive the necessary approval, license or finding of suitability, then we may be prohibited from distributing our products for use in the particular jurisdiction. While in the past we have been the subject of enforcement proceedings instituted by one or more regulatory bodies, we have been able to consensually resolve any such proceedings upon the implementation of remedial measures and/or the payment of settlements or monetary fines to such bodies. However, there can be no assurance that similar proceedings in the future will be similarly resolved, or that such proceedings will not have a material adverse impact on our ability to retain and renew existing licenses or to obtain new licenses in other jurisdictions.

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The regulatory environment in any particular jurisdiction may change in the future, and any such change could have a material adverse effect on our results of operations, business or prospects. Moreover, there can be no assurance that the operation of lotteries, pari-mutuel wagering facilities, video gaming machines, Internet gaming or other forms of lottery or wagering systems will be approved by additional jurisdictions or that those jurisdictions in which these activities are currently permitted will continue to permit such activities. Although we believe that we have developed procedures and policies designed to comply with the requirements of evolving laws, there can be no assurance that law enforcement or gaming regulatory authorities will not seek to restrict our business in their jurisdictions or even institute enforcement proceedings.

Moreover, in addition to the risk of an enforcement action, we also potentially risk an impact on our reputation in the event of any potential legal or regulatory investigation whether or not we are ultimately accused of or found to have committed any violation. We are required to obtain and maintain licenses from various state and local jurisdictions in order to operate certain aspects of our pari-mutuel business and we are subject to extensive background investigations and suitability standards in our lottery business. We also will become subject to regulation in any other jurisdiction where our customers operate in the future. There can be no assurance that we will be able to obtain new licenses or renew any of our existing licenses, or that if such licenses are obtained, that such licenses will not be conditioned, suspended or revoked, and the loss, denial or non-renewal of any of our licenses could have a material adverse effect on our results of operations, business or prospects. Lottery authorities generally conduct background investigations of the winning vendor and its employees prior to and after the award of a lottery contract. Generally, regulatory authorities have broad discretion when granting, renewing or revoking these approvals and licenses. Lottery authorities with which we do business may require the removal of any of our employees deemed to be unsuitable and are generally empowered to disqualify us from receiving a lottery contract or operating a lottery system as a result of any such investigation. Our failure, or the failure of any of our key personnel, systems or machines, in obtaining or retaining a required license or approval in one jurisdiction could negatively impact our ability (or the ability of any of our key personnel, systems or gaming machines) to obtain or retain required licenses and approvals in other jurisdictions. The failure to obtain or retain a required license or approval in any jurisdiction would decrease the geographic areas where we may operate and generate revenues, decrease our share in the gaming industry and put us at a disadvantage compared with our competitors.

Some jurisdictions also require extensive personal and financial disclosure and background checks from persons and entities beneficially owning a specified percentage (typically 5% or more) of our equity securities. The failure of these beneficial owners to submit to such background checks and provide required disclosure could jeopardize the award of a lottery contract to us or provide grounds for termination of an existing lottery contract. Additional restrictions are often imposed by international jurisdictions in which we market our lottery systems on foreign corporations, such as us, seeking to do business in such jurisdictions. In light of these regulations and the potential impact on our business, in 2007, our Board of Directors and our stockholders adopted an amendment to our restated certificate of incorporation that allows for the restriction of stock ownership by persons or entities who fail to comply with informational or other regulatory requirements under applicable gaming law, who are found unsuitable to hold our stock by gaming authorities or whose stock ownership adversely affect our ability to obtain, maintain, renew or qualify for a license, contract, franchise or other regulatory approval from a gaming authority. The licensing procedures and background investigations of the authorities that regulate our businesses and the amendment may inhibit potential investors from becoming significant stockholders or inhibit existing shareholders from retaining or increasing their ownership.

We have developed and implemented an internal compliance program in an effort to ensure that we comply with legal requirements imposed in connection with our wagering-related activities, as well

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as legal requirements generally applicable to all publicly traded corporations. The compliance program is run on a day-to-day basis by our Chief Compliance Officer with legal advice provided by our General Counsel and outside experts. The compliance program is overseen by the Compliance Committee of our Board of Directors, consisting of three outside directors. While we are firmly committed to full compliance with all applicable laws, there can be no assurance that such steps will prevent the violation of one or more laws or regulations, or that a violation by us or an employee will not result in the imposition of a monetary fine or suspension or revocation of one or more of our licenses.

The U.K. revenue and customs department has proposed to reclassify Skill With Prize ("SWP") machines as amusement machines subject to the amusement machine license duty. An April 1, 2010 deadline has been set for the filing of applications for new licenses for these machines that will make them subject to the same taxes as paid on SWPs, in the absence of which retroactive tax and penalties may be assessed with respect to such machines. If the proposed rate of tax remains unchanged, and to the extent it is found to be applicable to Games Media's SWP business, this will adversely affect the SWP component of Game Media's digital product offering to pub operators. It is unclear whether the U.K. Gambling Commission will require the provisions of the U.K. Gambling Act to also apply to such machines reclassified for tax purposes.

***We may not succeed in realizing the anticipated benefits of our joint ventures and strategic investments and relationships.***

Part of our corporate strategy is to pursue growth through joint ventures and strategic investments as a means to, among other things, gain access to new and tactically important geographies, business opportunities and technical expertise, while simultaneously offering the potential for reducing capital requirements.

These joint ventures and strategic investments currently include our CLN joint venture, our joint ventures in China and our minority interest in RCN, as well as our recently-announced joint ventures with Playtech to deliver Internet gaming solutions to government-sponsored and other lotteries and certain other gaming operators under the brand name *Sciplay*. In addition, we have entered into other strategic agreements with Playtech relating to gaming machines, VLTs and systems development that contemplate our use of and reliance on Playtech's technology. We cannot assure you that we will be able to successfully develop and market Internet and land-based gaming products under our agreements with Playtech.

We may not realize the anticipated benefits of these joint ventures, investments and other strategic relationships or others that we may enter into, or may not realize them in the timeframe expected. These arrangements pose significant risks that could have a negative effect on our operations, including: the potential diversion of our management's attention from our core business to, for example, integrate technologies; the potential failure to realize anticipated synergies, economies of scale or other value associated with the arrangements; unanticipated costs and other unanticipated events or circumstances; possible adverse effects on our operating results during any integration process; impairment charges if joint ventures, or strategic investments or relationships are not as successful as we originally anticipate; and our possible inability to achieve the intended objectives of the arrangements.

Furthermore, our joint ventures and other strategic relationships pose risks arising from our lack of sole decision-making authority, which may give rise to disputes between us and our joint venture and other strategic partners. Our joint venture and other strategic partners may have economic or business interests or goals that are inconsistent with our interests and goals, take actions contrary to our objectives or policies, undergo a change of control, experience financial and other difficulties or be unable or unwilling to fulfill their obligations under our arrangements.

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The failure to avoid the risks described above or other risks associated with such arrangements could have a material adverse effect on our business, financial condition and results of operation.

***We may not be able to successfully complete the proposed sale of our racing and venue management businesses.***

In January 2010, we entered into a definitive agreement to sell our racing and venue management businesses to Sportech for approximately \$33 million in cash at closing, 39,742,179 shares of Sportech stock (valued at approximately \$32 million as of the signing of the agreement), representing approximately 20% of the outstanding shares at closing, and \$10 million in deferred cash consideration payable in September 2013. The closing of the transaction is conditioned upon, among other things, the closing of Sportech's financing arrangements, the receipt of certain regulatory approvals and other customary closing conditions. Subject to the satisfaction of these conditions, the transaction is expected to close in the first half of 2010. There can be no assurance that all of these conditions will be satisfied. If these conditions are not satisfied or waived, we may be unable to complete the transaction. If we fail to complete the transaction, it could have a material adverse effect on our business, financial condition or results of operation. In connection with the pending sale, we have classified the businesses as held for sale and have taken a pre-tax charge of \$54.4 million.

***We may be required to recognize additional impairment charges.***

We assess our goodwill and other intangible assets and our long-lived assets as and when required by accounting principles generally accepted in the U.S. to determine whether they are impaired. In 2009, we recorded asset impairment charges of approximately \$24.7 million primarily related to underperforming lottery systems contracts in Connecticut and Maryland. In 2008, we recorded approximately \$76.2 million in impairment charges primarily related to the impairment of certain hardware and software assets and underperforming lottery systems contracts in Mexico and Oklahoma. In 2007, approximately \$26.3 million in impairment charges were recorded related to the rationalization of our Printed Products Group operations. Refer to the heading "Critical Accounting Policies Valuation of long-lived and intangible assets and goodwill" of "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 1 (Description of the Business and Summary of Significant Accounting Policies) and Note 4 (Property and Equipment) included in the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K filed on March 1, 2010, which report is incorporated herein by reference, for additional discussion of impairment charges.

***Our ability to complete future acquisitions of gaming and related businesses and integrate those businesses successfully could limit our future growth.***

Part of our corporate strategy is to continue to pursue expansion and acquisition opportunities in gaming and related businesses. In connection with any such acquisitions, we could face significant challenges in managing and integrating the expanded or combined operations, including acquired assets, operations and personnel. There can be no assurance that acquisition opportunities will be available on acceptable terms or at all or that we will be able to obtain necessary financing or regulatory approvals to complete potential acquisitions. Our ability to succeed in implementing our strategy will depend to some degree upon the ability of our management to identify, complete and successfully integrate commercially viable acquisitions. Acquisition transactions may disrupt our ongoing business and distract management from other responsibilities.

***Gaming opponents persist in their efforts to curtail the expansion of legalized gaming, which, if successful, could limit our existing operations.***

Legalized gaming is subject to opposition from gaming opponents. There can be no assurance that this opposition will not succeed in preventing the legalization of gaming in jurisdictions where these

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activities are presently prohibited or prohibiting or limiting the expansion of gaming where it is currently permitted, in either case to the detriment of our business, financial condition, results and prospects.

***Our revenues fluctuate due to seasonality and timing of equipment sales and, therefore, our periodic operating results are not guarantees of future performance.***

Our pari-mutuel service revenues are subject to seasonality related to weather variations. The first and fourth quarters of the calendar year traditionally comprise the weakest period for our pari-mutuel wagering service revenue. As a result of inclement weather during the winter months, a number of racetracks do not operate and those that do operate often experience missed racing days. Additionally, the fourth quarter is typically the weakest quarter for Global Draw due to reduced wagering during the holiday season. This adversely affects the amounts wagered and our corresponding service revenues. In addition, our revenues in our Lottery Systems Group can be somewhat dependent on the size of jackpots of lottery games such as Powerball® and Mega Millions during the relevant period.

Lottery and wagering equipment sales and software license revenues usually reflect a limited number of large transactions, which may not recur on an annual basis. Consequently, revenues and operating margins can vary substantially from period to period as a result of the timing and magnitude of major equipment sales and software license revenue. As a general matter, lottery and wagering equipment sales generate lower operating margins than revenue from other aspects of our business. In addition, instant ticket and prepaid phone card sales may vary depending on the season and timing of contract awards, changes in customer budgets, ticket inventory levels, lottery retail sales and general economic conditions.

Our business could also be impacted by natural or man-made disasters such as Hurricane Katrina or the terrorist attack in New York on September 11, 2001. Although we have taken steps to have disaster recovery plans in place and maintain business interruption insurance, there can be no assurance that such an event would not have a significant impact on our business.

***Our success depends in part on our ability to develop, enhance and/or introduce successful gaming concepts and game content.***

In the Diversified Gaming Group, our Global Draw and Games Media businesses develop and source game content both internally and through third party suppliers. Games Media also seeks to secure third party brands for incorporation into its game content. We believe creative and appealing game content produces more revenue and net win for the gaming machine customers of these businesses and provides them with a competitive advantage, which in turn enhances the revenues of Global Draw and Games Media and their ability to attract new business or to retain existing business. In our lottery business, we believe that innovative gaming concepts and game content, such as multiplier games for our Lottery Systems Group and licensed brand game content for our Printed Products Group, can enhance the revenue of our lottery customers and distinguish us from our competitors. There can be no assurance that we will be able to sustain the success of our existing game content or effectively develop or obtain from third parties new and enhanced game content that will be widely accepted both by our customers and their end users.

***We are dependent on our suppliers and contract manufacturers, and any failure of these parties to meet our performance and quality standards or requirements could cause us to incur additional costs or lose customers.***

Our production of instant lottery tickets and prepaid phone cards, in particular, depends upon a continuous supply of raw materials, supplies, power and natural resources. Our operating results could be adversely affected by an interruption or cessation in the supply of these items or a serious quality assurance lapse.

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We transmit certain wagering data utilizing satellite transponders, generally pursuant to long-term contracts. The technical failure of any of these satellites would require us to obtain other communication services, including other satellite access. In some cases, we employ backup systems to limit our exposure in the event of such a failure. There can be no assurance of access to such other satellites or, if available, the ability to obtain the use of such other satellites on favorable terms or in a timely manner. While satellite failures are infrequent, the operation of satellites is outside of our control.

Our contracts for the broadcast of signals are usually one-year contracts. Because of competitive and other factors, we cannot provide assurance that these broadcast contracts will be renewed. Elimination of our access to racing broadcast signals could have a material adverse effect on racing revenue as well as our ability to expand the business into new markets.

In addition, Global Draw has entered into a number of significant contracts whose performance depends upon our third party suppliers delivering equipment on schedule for Global Draw to meet its contract commitments. Failure of the suppliers to meet their delivery commitments could result in Global Draw being in breach of and subsequently losing those contracts, which loss could have a material adverse effect on our results of operations.

***We may be liable for product defects or other claims relating to our products.***

Our products could be defective, fail to perform as designed or otherwise cause harm to our customers, their equipment or their products. If any of our products are defective, we may be required to recall the products and/or repair or replace them, which could result in substantial expenses and affect our profitability. Any problems with