

SCIENTIFIC GAMES CORP
Form DEF 14A
April 26, 2010

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

SCHEDULE 14A

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

Filed by the Registrant ☐

Filed by a Party other than the Registrant ☐

Check the appropriate box:

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

SCIENTIFIC GAMES CORPORATION

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- ☐ No fee required.
- ☐ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
 - (1) Title of each class of securities to which transaction applies:
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 - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
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- o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
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April 26, 2010

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of Scientific Games Corporation to be held at 10:30 a.m. on Tuesday, June 8, 2010, at our executive offices located at 750 Lexington Avenue, 19th Floor, New York, New York.

At the Annual Meeting, you will be asked to elect directors and to ratify the appointment of the independent auditor. These matters are described in detail in the accompanying Notice of Annual Meeting and Proxy Statement.

Whether you plan to attend in person or not, we encourage you to vote your shares so that they are represented at the Annual Meeting.

We look forward to seeing you at the Annual Meeting.

Sincerely,

A. Lorne Weil
Chairman of the Board

Michael R. Chambrello
President and Chief Executive Officer

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SCIENTIFIC GAMES CORPORATION

**750 Lexington Avenue, 25th Floor
New York, New York 10022**

**NOTICE OF ANNUAL MEETING
OF STOCKHOLDERS**

Notice is hereby given that the Annual Meeting of Stockholders of Scientific Games Corporation (the "Company") will be held at 10:30 a.m. on Tuesday, June 8, 2010, at the executive offices of the Company, 750 Lexington Avenue, 19th Floor, New York, New York, for the following purposes:

1. To elect 12 members of the Board of Directors to serve for the ensuing year and until their respective successors are duly elected and qualified.
2. To ratify the appointment of Deloitte & Touche LLP as independent auditor for the fiscal year ending December 31, 2010.
3. To consider and act upon any other matter that may properly come before the meeting or any adjournment thereof.

Only stockholders of record at the close of business on April 13, 2010 are entitled to receive notice of and to vote at the meeting and any adjournment thereof. A list of the holders will be open to the examination of stockholders for ten days prior to the date of the meeting, between the hours of 9:00 a.m. and 5:00 p.m., at the office of the Secretary of the Company at 750 Lexington Avenue, 25th Floor, New York, New York, and will be available for inspection at the meeting itself.

To obtain directions to attend the meeting and vote in person, please telephone the Company at (212) 754-2233.

Whether you plan to be personally present at the meeting or not, we encourage you to submit your vote by proxy as soon as possible.

**Important Notice Regarding the Availability of Proxy Materials for the
Annual Meeting of Stockholders to be Held on June 8, 2010:**

**The Proxy Statement and 2009 Annual Report will be available
on or about April 26, 2010 through the Investor Information link on our website at
www.scientificgames.com or through www.proxyvote.com**

By Order of the Board of Directors

Ira H. Raphaelson
*Vice President, General Counsel
and Secretary*

Dated: April 26, 2010

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SCIENTIFIC GAMES CORPORATION

**750 Lexington Avenue, 25th Floor
New York, New York 10022**

PROXY STATEMENT

GENERAL INFORMATION

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors of Scientific Games Corporation ("Scientific Games," the "Company," "we" or "us") of proxies to be voted at the Annual Meeting of Stockholders to be held at 10:30 a.m. on Tuesday, June 8, 2010, at our executive offices, 750 Lexington Avenue, 19th Floor, New York, New York, and any adjournment or postponement of the meeting, for the purposes set forth in the Notice of Annual Meeting of Stockholders.

Notice and Access to Proxy Materials

We expect our proxy materials, including this Proxy Statement and our 2009 Annual Report, to be made available to stockholders on or about April 26, 2010 through the Investor Information link on our website at www.scientificgames.com or through www.proxyvote.com. In accordance with the rules of the Securities and Exchange Commission ("SEC"), most stockholders will not receive printed copies of these proxy materials unless they request them. Instead, most stockholders will receive by mail a "Notice Regarding the Availability of Proxy Materials" that contains instructions as to how they can view our materials online, request copies be sent to them by mail or electronically by email and as to how they can vote online (the "Notice").

Stockholders Entitled to Vote

All stockholders of record at the close of business on April 13, 2010 are entitled to vote at the meeting. At the close of business on April 13, 2010, a total of 94,100,985 shares of common stock were outstanding. Each share is entitled to one vote on all matters that properly come before the meeting.

Voting Procedures

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

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

Voting of Proxies

All valid proxies received prior to the meeting will be voted in accordance with the instructions specified by the stockholder. If a proxy card is returned without instructions, the persons named as proxy

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holders on your proxy card will vote in accordance with the recommendations of the Board, which are as follows:

FOR election of the nominated directors (Proposal 1); and

FOR ratification of the appointment of the independent auditor (Proposal 2).

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

Changing Your Vote

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

Quorum

The presence, in person or by proxy, of the holders of a majority of the shares entitled to vote at the meeting constitutes a quorum for the transaction of business.

Vote Required

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

The proposal to ratify the appointment of the independent auditor requires the affirmative vote of a majority of the shares entitled to vote represented at the meeting.

Effect of Abstentions

If you vote "abstain" (rather than vote "for" or "against") with respect to a proposal, your shares will count as present for purposes of determining whether a quorum is present but will have the effect of a negative vote on matters other than the election of directors.

Effect of Broker Non-Votes

If any broker "non-votes" occur at the meeting with respect to your shares, the broker "non-votes" will count for purposes of determining whether a quorum is present but will not have an effect on any proposals presented for your vote. A broker "non-vote" occurs when a broker or nominee holding shares for a beneficial owner does not vote on a particular proposal because the broker or nominee does not have discretionary voting power on that item and has not received instructions from the owner. Please note that the rules that govern how brokers and other nominees vote shares held for a beneficial owner have changed. A broker or other nominee holding shares for a beneficial owner may no longer vote these shares with respect to Proposal 1 without specific instructions from the beneficial owner as to how to vote with respect to the election of directors, because the election of directors is no longer considered a "routine" matter under applicable rules. Brokers and other nominees continue to have discretionary voting power to vote without instructions from the beneficial owner on the ratification of the appointment of the independent auditor (Proposal 2) and, accordingly, your shares may be voted by your broker on Proposal 2.

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The Board of Directors has nominated for election to the Board the 12 persons named below to serve for a one-year term and until their successors have been duly elected and qualified or until their earlier death, resignation or removal. Four of the nominees, Messrs. Ronald O. Perelman, Barry F. Schwartz, Gerald J. Ford and J. Robert Kerrey, were designated for election to the Board by MacAndrews & Forbes Holdings Inc., our largest stockholder, pursuant to its rights under a stockholders' agreement with us (discussed more fully below). Another nominee, David L. Kennedy, is an officer of MacAndrews & Forbes Holdings Inc. All of the nominees are presently directors of the Company.

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

The name, age, business experience and certain other information regarding each of the nominees for director are set forth below.

Name	Age	Position with the Company	Director Since
A. Lorne Weil	64	Director (Chairman of the Board)	1989
Michael R. Chambrello	52	Director (Chief Executive Officer)	2009
Peter A. Cohen	63	Director (Vice Chairman)	2000
Gerald J. Ford	65	Director	2005
David L. Kennedy	63	Director (Vice Chairman)	2009
J. Robert Kerrey	66	Director	2008
Ronald O. Perelman	67	Director	2003
Michael J. Regan	68	Director	2006
Barry F. Schwartz	61	Director	2003
Frances F. Townsend	48	Director	2010
Eric M. Turner	54	Director	2002
Joseph R. Wright	71	Director	2004

A. Lorne Weil has been Chairman of our Board since October 1991. Mr. Weil served as our Chief Executive Officer from April 1992 to December 2008. Mr. Weil also served as our President from August 1997 to June 2005. Mr. Weil was President of Lorne Weil, Inc., a firm providing strategic planning and corporate development services to high technology industries, from 1979 to November 1992. Previously, Mr. Weil was Vice President of Corporate Development at General Instrument Corporation, working with wagering and cable systems.

Michael R. Chambrello became our President and Chief Executive Officer in January 2010. Prior to that, Mr. Chambrello served as our President and Chief Operating Officer from July 2005 to December 2009. From November 2000 to June 2005, Mr. Chambrello was President and Chief Executive Officer of Environmental Systems Products Holdings, Inc. ("ESP"), which provides vehicle emissions testing systems and services to government agencies. Prior to ESP, Mr. Chambrello was Chief Executive Officer of Transmedia Asia Pacific, Inc. and Transmedia Europe Inc., which provide membership-based consumer and business services. Mr. Chambrello has approximately 20 years of lottery industry experience, having served as President of GTECH Corporation and Executive Vice President of GTECH Holdings Corporation.

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Peter A. Cohen serves as Chief Executive Officer and Chairman of the board of directors of Cowen Group, Inc., a diversified financial services company. Mr. Cohen is a founding partner and principal of Ramius LLC, a private investment management firm formed in 1994 that was combined with Cowen in late 2009. From November 1992 to May 1994, Mr. Cohen was Vice Chairman and a director of Republic New York Corporation, as well as a member of its executive management committee. Mr. Cohen was also Chairman of Republic's subsidiary, Republic New York Securities Corporation. Mr. Cohen was Chairman of the Board and Chief Executive Officer of Shearson Lehman Brothers from 1983 to 1990. During the past five years, Mr. Cohen has served as a director of Titan Corporation, L-3 Communications Holdings, Inc. and Portfolio Recovery Associates.

Gerald J. Ford has been a financial institutions entrepreneur and private investor involved in numerous mergers and acquisitions of private and public sector financial institutions over the past 30 years. Mr. Ford served as Chairman of the Board and Chief Executive Officer of Golden State Bancorp Inc. from September 1998 until its merger with Citigroup Inc. in November 2002. Mr. Ford is Chairman of the Board of First Acceptance Corporation and Hilltop Holdings Inc., and a director of Freeport-McMoRan Copper & Gold Inc. and McMoRan Exploration Co. During the past five years, Mr. Ford also served as a director of Affordable Residential Communities, Inc.

David L. Kennedy is Senior Executive Vice President of MacAndrews & Forbes Holdings Inc. and Vice Chairman of Revlon, Inc. Mr. Kennedy served as the President and Chief Executive Officer of Revlon from September 2006 through May 2009 and has held various senior management and senior financial positions with Revlon and The Coca-Cola Company during his 38-year business career. Mr. Kennedy is a director of Revlon, Inc. and Revlon Consumer Products Corporation.

J. Robert Kerrey has served as the President of The New School in New York City since January 2001. From 1988 to 2000, he served as United States Senator from Nebraska. During that period, he was a member of numerous congressionally-chartered commissions and Senate committees, including the Senate Finance and Appropriations Committees and the Senate Select Committee on Intelligence. Prior to that time, he served as Governor of Nebraska from 1982 to 1987. Mr. Kerrey is a director of Jones Apparel Group, Inc., Tenet Healthcare Corporation and Genworth Financial, Inc.

Ronald O. Perelman has been Chairman of the Board and Chief Executive Officer of MacAndrews & Forbes Holdings Inc., a diversified holding company, and various affiliates since 1980. Mr. Perelman is also Chairman of the Board of M & F Worldwide Corp., Revlon Consumer Products Corporation and Revlon, Inc. During the past five years, Mr. Perelman also served as a director of Panavision, Inc. and a member of the board of managers of Allied Security Holdings LLC and REV Holdings LLC.

Michael J. Regan is a former Vice Chairman and Chief Administrative Officer of KPMG LLP and was the lead audit partner for many Fortune 500 companies during his 40-year tenure with KPMG. Mr. Regan is a director of Citadel Broadcasting Corporation. During the past five years, Mr. Regan also served as a member of the board of directors of Eyetech Pharmaceuticals, Inc. and the board of managers of Allied Security Holdings LLC.

Barry F. Schwartz has been Executive Vice Chairman and Chief Administrative Officer of MacAndrews & Forbes Holdings Inc. and various affiliates since October 2007. Prior to that, he was Executive Vice President and General Counsel of MacAndrews & Forbes and various affiliates since 1993 and was Senior Vice President of MacAndrews & Forbes and various affiliates from 1989 to 1993. Mr. Schwartz has also served as President and Chief Executive Officer of M & F Worldwide Corp. since September 2007. Mr. Schwartz is also a director of Harland Clarke Holdings Corp., M & F Worldwide Corp., Revlon Consumer Products Corporation and Revlon, Inc. During the past five years, Mr. Schwartz also served as a member of the board of managers of REV Holdings LLC.

Frances F. Townsend has been a partner at the law firm of Baker Botts L.L.P. since April 2009 where she provides legal and strategic business advice. From January 2008 until April 2009, Ms. Townsend

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provided consulting services and advice to corporate clients on business development, crisis and contingency planning and compliance and international relations. Prior to that, she served as Assistant to President George W. Bush for Homeland Security and Counterterrorism and chaired the Homeland Security Council from May 2004 until January 2008. She previously served as Deputy Assistant to the President and Deputy National Security Advisor for Combating Terrorism from May 2003 to May 2004. Prior to that, Ms. Townsend served as the first Assistant Commandant for Intelligence for the U. S. Coast Guard and spent 13 years at the U. S. Department of Justice in various senior positions.

Eric M. Turner has been an independent management consultant and private investor since 2003. Mr. Turner served as Senior Vice President of State Street Corporation, a financial services company, from 1996 to 2003. Mr. Turner was the Executive Director of the Massachusetts State Lottery Commission from 1992 to 1995. During his time at the Lottery Commission, Mr. Turner was elected to positions of Treasurer and Secretary of the North American Association of State and Provincial Lotteries, a professional association of North American lotteries. In 1991, Mr. Turner served as Deputy Treasurer of the Commonwealth of Massachusetts. Prior to that, he was employed with Drexel Burnham Lambert for approximately six years, last serving as a Vice President in Municipal Finance, from 1989 to 1990.

Joseph R. Wright is a Senior Advisor to The Chart Group, L.P., a merchant banking firm, and a member of the Strategic Advisory Board of The Comvest Group, a private investment firm. Mr. Wright served as the Company's Chief Executive Officer during 2009 and has been a member of our Board since 2004, having served as Vice Chairman from May 2008 until October 2009. From July 2006 through April 2008, Mr. Wright served as Chairman of Intelsat, Ltd., a provider of satellite services, and as Chief Executive Officer of PanAmSat Corporation from August 2001 until it was combined with Intelsat in July 2006 (during which time he also served as a director). Mr. Wright was the Chairman of GRC International, Inc. from 1996 to March 2000 and was Executive Vice President and Vice Chairman of W.R. Grace & Co. from 1989 to 1994. Mr. Wright was a member of President Reagan's Cabinet, was Director and Deputy Director of the White House Office of Management and Budget from 1982 to 1989 and was Deputy Secretary of the Department of Commerce from 1981 to 1982. He received the Distinguished Citizens Award from President Reagan in 1988. Mr. Wright is currently a member of the Defense Business Board in Washington, D.C. Mr. Wright is a director of Cowen Group, Inc., Terremark Worldwide, Inc. and Federal Signal Corporation.

Designees of MacAndrews & Forbes Holdings Inc.

Messrs. Perelman, Schwartz, Ford and Kerrey were designated for election to the Board by MacAndrews & Forbes Holdings Inc. pursuant to its rights under a stockholders' agreement with us dated September 6, 2000, as supplemented by an agreement dated June 26, 2002, a letter agreement dated October 10, 2003 and a letter agreement dated February 15, 2007. The stockholders' agreement was originally entered into with holders of our Series A Convertible Preferred Stock in connection with the initial issuance of such Preferred Stock and provides for, among other things, the right of the holders to designate up to four members of our Board based on their ownership of Preferred Stock or the common stock issued upon conversion thereof. All of the Preferred Stock was converted into common stock in August 2004. MacAndrews & Forbes, which owned approximately 92% of the Preferred Stock prior to conversion and approximately 25% of our outstanding common stock following conversion, has the right to designate up to four directors based on its level of share ownership. The percentages that must be maintained in order to designate directors are as follows: (a) 20% to designate four directors; (b) 16% to designate three directors; (c) 9% to designate two directors; and (d) 4.6% to designate one director. Such percentages, in each case, are to be determined based on our fully diluted common stock subject to certain exclusions of common stock or other securities that may be issued in the future.

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Qualifications of Directors

The Nominating and Corporate Governance Committee is responsible for evaluating and making recommendations to the Board concerning the appropriate size and needs of the Board with the objective of maintaining the necessary experience, skills and independence on the Board. The Committee and the Board believe that experience as a leader of a business or institution, sound judgment, effective interpersonal and communication skills, strong character and integrity, and expertise in areas relevant to the Company's business are important attributes in maintaining the effectiveness of the Board. As a matter of practice, the Committee and the Board consider the diversity of the backgrounds and experience of prospective directors as well as their personal characteristics (*e.g.*, gender, ethnicity, age) in evaluating, and making decisions regarding, Board composition, in order to facilitate Board deliberations that reflect a broad range of perspectives. The Committee and the Board believe that the Board is comprised of a diverse group of individuals.

The Nominating and Corporate Governance Committee and the Board believe that each nominee has valuable individual skills and experiences that, taken together, provide the variety and depth of knowledge, judgment and vision necessary for the effective oversight of the Company. As indicated in the foregoing biographies, the nominees have extensive experience in a variety of fields, including lottery and gaming (Messrs. Weil, Chambrello, Turner and Wright), technology (Messrs. Weil, Chambrello and Wright), consumer products and marketing (Messrs. Kennedy, Perelman and Schwartz), government (Ms. Townsend and Messrs. Kerrey, Turner and Wright), investment and financial services (Messrs. Cohen, Ford, Kennedy, Perelman and Schwartz), law (Ms. Townsend and Mr. Schwartz) and public accounting (Mr. Regan), each of which the Board believes provides valuable knowledge about important elements of our business. Most of our nominees have leadership experience at major companies or firms with operations inside and outside the United States and/or experience on other companies' boards, which provides an understanding of ways other companies address various business matters, strategies and issues. As indicated in the foregoing biographies, the nominees have each demonstrated significant leadership skills, including as a chief executive officer (Messrs. Weil, Chambrello, Cohen, Ford, Kennedy, Perelman, Schwartz and Wright), as an executive director of a leading lottery (Mr. Turner), as a chief administrative officer of a major accounting firm (Mr. Regan) and as a president of an academic institution (Mr. Kerrey). A number of the nominees have extensive public policy, government or regulatory experience, including Executive Office, Congressional and Cabinet service (Ms. Townsend and Messrs. Kerrey, Turner and Wright), which can provide valuable insight into issues faced by companies in regulated industries such as the Company. Three of the nominees (Messrs. Weil, Wright and Chambrello) have either served or are currently serving as the Chief Executive Officer of the Company, which service has given them a deep knowledge of the Company and its businesses and directly relevant management experience. The Committee and the Board believe that these skills and experiences qualify each nominee to serve as a director of the Company.

THE BOARD RECOMMENDS A VOTE "FOR" EACH OF THE TWELVE NOMINEES

Information about the Board of Directors and Committees

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

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

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- (3) the director or an immediate family member of the director has accepted any compensation from the Company (or any subsidiary) in excess of \$120,000 during any period of 12 consecutive months within the past three years other than (a) for Board or Board committee service, (b) in the case of the family member, as compensation for employment other than as an executive officer or (c) benefits under a tax-qualified retirement plan, or non-discretionary compensation;
- (4) the director or an immediate family member of the director is a partner, controlling shareholder or executive officer of an organization that made payments to, or received payments from, the Company for property or services in the current or in any of the past three years that exceed the greater of 5% of the recipient's consolidated gross revenues or \$200,000, other than (a) payments arising solely from investments in the Company's securities or (b) payments under non-discretionary charitable contribution matching programs;
- (5) the director or an immediate family member of the director is employed as an executive officer of another entity where at any time during the past three years any of the executive officers of the Company served on the compensation committee of such other entity; or
- (6) the director or an immediate family member of the director is a current partner of the Company's outside auditor, or was a partner or employee of the Company's outside auditor who worked on the Company's audit at any time during any of the past three years.

In applying these standards, the Board determined that each of Messrs. Cohen, Ford, Kennedy, Kerrey, Perelman, Regan, Schwartz, Townsend and Turner qualify as independent directors and none has a business or other relationship that would interfere with the director's exercise of independent judgment. In making the determination of Mr. Cohen's independence, the Board considered the Company's relationship with Ramius Securities, LLC, an affiliate of the private investment management firm of which Mr. Cohen is a founding partner and principal, which has provided certain brokerage services to the Company since December 2008 for which the Company has paid approximately \$76,000. The Board determined that Mr. Cohen does not have a direct or indirect material interest in these arrangements and that the arrangements do not interfere with the exercise of independent judgment by Mr. Cohen.

The full text of the Board's Director Independence Guidelines can be accessed through the Corporate Governance link on our website at www.scientificgames.com.

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

Board Leadership Structure. The Board of Directors is comprised of a substantial majority of independent directors and the Audit, Compensation, Compliance and Nominating and Corporate Governance Committees are comprised entirely of independent directors. The Board has designated Mr. Cohen, who serves as Vice Chairman of the Board and as Chairman of the Executive and Finance Committee of the Board, as the lead director to preside over regularly held executive sessions of independent directors. The responsibilities of the lead director include facilitating communication between the independent directors and the Chairman and Chief Executive Officer and coordinating the activities of the independent directors. Mr. Cohen also provides assistance to the Board and the committees of the Board in their evaluations of management's performance and he carries out other duties that the Board assigns to him from time to time in areas of governance and oversight. The position of Chairman (Mr. Weil) and Chief Executive Officer (Mr. Chambrello) are separate. During 2009, the Company created a new Office of the Chairman that reports to the Board and is comprised of Messrs. Weil and Chambrello, Jeffrey S. Lipkin, the Company's Chief Financial Officer, and Mr. Kennedy, an independent director. The

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members of the Office of the Chairman provide strategic guidance and oversight to the Company. In addition, the members of the Executive and Finance Committee, which include a majority of independent directors as well as the Chairman and the Chief Executive Officer, regularly confer to support the Board in the performance of its duties and responsibilities between regularly scheduled Board meetings, and to implement the policy decisions of the Board.

The Board believes that Mr. Weil serving as Chairman (as he has since 1991) is optimal because it provides the Board with strong and consistent leadership, while the lead director position, the Office of the Chairman and the Executive and Finance Committee allow for multiple additional perspectives, including the perspectives of independent directors and management, in the provision of overall strategic guidance and oversight to the Company. Taken together, the Board believes that this leadership structure provides an appropriate balance of experienced leadership, independent oversight and management input.

Board's Role in Risk Oversight. The Board is responsible for overseeing management in the execution of its responsibilities and for assessing the Company's approach to risk management. The Board exercises these responsibilities on an ongoing basis as part of its meetings and through the Board's committees, each of which examines various components of enterprise risk as part of its responsibilities. An overall review of risk is inherent in the Board's consideration of the Company's strategies and other matters presented to the Board, including financial matters, capital expenditures and acquisitions and divestitures. The Board's role in risk oversight is consistent with the Company's leadership structure, with the Chief Executive Officer and other members of senior management having responsibility for managing the Company's risk exposure, and the Board and its committees providing oversight of those efforts.

The Company has implemented internal processes and controls to identify and manage risks and to communicate with the Board regarding risk management. These include an enterprise risk management program, regular internal management meetings that identify risks and discuss risk management, our Code of Business Conduct, a strong ethics and compliance function that includes suitability reviews of customers and other persons/entities with which the Company does business, an internal and external audit process, internal approval processes and Legal Department review of contracts. In connection with these processes and controls, management regularly communicates with the Board, Board committees and individual directors regarding risks that are identified and how they are being managed. Individual directors often communicate directly with senior management on matters relating to risk management. In particular, the chairmen of the Board committees regularly communicate with members of senior management to discuss potential risks in connection with accounting and audit matters, compensation matters, compliance matters and finance-related matters. The Board and the Audit Committee monitor and evaluate the effectiveness of the internal controls and the risk management program at least annually.

The Board committees, which meet regularly and report to the full Board, play significant roles in carrying out the Board's risk oversight function. In particular, the Audit Committee oversees risks related to the Company's financial statements, the financial reporting process, accounting and certain legal matters. The Audit Committee also oversees the internal audit function and regularly meets separately with the Vice President of Internal Audit (who reports directly to the Audit Committee) and representatives of the Company's independent auditing firm. The Compensation Committee evaluates the risks associated with the Company's compensation programs and discusses with management procedures to identify and mitigate such risks. The Compliance Committee is active in overseeing the Company's compliance program with respect to compliance with the laws applicable to the Company's business, including gaming laws, as well as compliance with our Code of Business Conduct and related policies by employees, officers, directors and other representatives of the Company. In addition, the Compliance Committee oversees a compliance review process designed to ensure that the vendors, consultants, customers and business partners of the Company are "suitable" or "qualified" as those terms are used by applicable gaming authorities. Finally, the Executive and Finance Committee oversees the management of risks relating to financing transactions, acquisitions and divestitures and capital projects.

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Board Meetings. The Board of Directors held a total of eight meetings during 2009 including five executive sessions at which no members of management were present. During 2009, all directors attended at least 75% of the total number of meetings of the Board and committees of the Board on which they served during the period in which they served.

Board Committees. The Board of Directors has five committees: the Audit Committee; the Compensation Committee; the Compliance Committee; the Executive and Finance Committee; and the Nominating and Corporate Governance Committee. All committees are comprised solely of independent directors with the exception of the Executive and Finance Committee, which is comprised of a majority of independent directors as well as the Chairman and the Chief Executive Officer. The Board has approved charters for every Board committee, which can be accessed through the Corporate Governance link on our website at www.scientificgames.com. The current membership for each committee is as follows:

Audit Committee	Compensation Committee	Compliance Committee	Executive and Finance Committee	Nominating and Corporate Governance Committee
Michael J. Regan (Chair)	Peter A. Cohen (Chair)	Barry F. Schwartz (Chair)	Peter A. Cohen (Chair)	Gerald J. Ford (Chair)
David L. Kennedy ⁽¹⁾	J. Robert Kerrey	Gerald J. Ford	Michael R. Chambrello ⁽¹⁾	J. Robert Kerrey
Barry F. Schwartz	David L. Kennedy ⁽¹⁾	Eric M. Turner	David L. Kennedy ⁽¹⁾	Michael J. Regan
Eric M. Turner	Barry F. Schwartz		Ronald O. Perelman	
			A. Lorne Weil	

(1)

Mr. Kennedy joined the Audit, Compensation and Executive and Finance Committees in February 2010. Mr. Chambrello joined the Executive and Finance Committee in February 2010. Mr. Wright ceased serving on the Executive and Finance Committee in October 2009.

Audit Committee. The Audit Committee is responsible for hiring the Company's independent auditor and for overseeing the accounting, auditing and financial reporting processes of the Company. In the course of performing its functions, the Audit Committee reviews, with management and the independent auditor, the Company's internal accounting controls, the annual financial statements, the report and recommendations of the independent auditor, the scope of the audit, and the qualifications and independence of the auditor. The Board has determined that each member of the Audit Committee is independent under the listing standards of the Nasdaq Stock Market and that Messrs. Regan and Kennedy qualify as "audit committee financial experts" under the rules of the SEC. The Audit Committee held six meetings during 2009.

Compensation Committee. The Compensation Committee sets the compensation of the Chief Executive Officer and other senior executives of the Company, administers the equity incentive plans and executive compensation programs of the Company, determines eligibility for, and awards under, such plans and programs, and makes recommendations to the Board with regard to the adoption of new employee benefit plans and equity incentive plans and with respect to the compensation program for non-employee directors. The Board has determined that each member of the Compensation Committee is independent under the listing standards of the Nasdaq Stock Market. The Compensation Committee held seven meetings during 2009.

Compliance Committee. The Compliance Committee is responsible for providing oversight and guidance to the Company's compliance program with respect to compliance with laws and regulations applicable to the business of the Company, including gaming laws, and with respect to compliance with the Code of Business Conduct by employees, officers, directors and other representatives of the Company. The Board has determined that each member of the Compliance Committee is independent under the listing standards of the Nasdaq Stock Market. The Compliance Committee held seven meetings during 2009.

Executive and Finance Committee. The Executive and Finance Committee has broad authority to act on behalf of the Board in the management of the business and affairs of the Company between regular

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meetings of the Board and assists the Board in implementing Board policy decisions. The Executive and Finance Committee held five meetings during 2009.

Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee is responsible for identifying individuals who are qualified to become directors, recommending nominees for membership on the Board and on committees of the Board, reviewing and recommending corporate governance principles, procedures and practices and overseeing the annual self-assessment of the Board and its committees. The Board has determined that each member of the Committee is independent under the listing standards of the Nasdaq Stock Market. The Committee held six meetings during 2009.

The Nominating and Corporate Governance Committee does not have a set of minimum, specific qualifications that must be met by a candidate for director and will consider individuals suggested as candidates by stockholders. A stockholder wishing to propose a nominee for director should submit a recommendation in writing to the Company's Secretary at least 120 days before the mailing date for proxy material applicable to the annual meeting for which such nomination is proposed for submission, indicating the nominee's qualifications and other relevant biographical information and providing confirmation of the nominee's consent to serve as a director. The Committee will review the candidate's background, experience and abilities, and the contributions the candidate can be expected to make to the collective functioning of the Board and the needs of the Board at the time. Ms. Townsend, who joined the Board in April 2010, was recommended by one of our non-management directors. In prior years, candidates have been identified through recommendations made by directors, the Chief Executive Officer and other third parties. The Committee anticipates that it would use these sources as well as stockholder recommendations to identify candidates in the future.

Stockholder Communications with Directors. Stockholders may communicate with the Board of Directors or an individual director by sending a letter to the Board or to a director's attention care of the Secretary of the Company at Scientific Games Corporation, 750 Lexington Avenue, 25th Floor, New York, New York, 10022. The Secretary will open, log and deliver all such correspondence (other than advertisements, solicitations or communications that contain offensive or abusive content) to directors on a periodic basis, generally in advance of each Board meeting.

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

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

Director Compensation

The compensation program for non-employee directors consists of cash retainers, meeting fees and stock awards. Directors receive an annual retainer of \$50,000 and meeting fees of \$2,000 for each Board and committee meeting attended (except that the Executive and Finance Committee does not carry meeting fees). In addition, directors who chair a committee receive additional annual retainers in the amount of \$10,000 except that the Audit Committee Chair receives \$20,000 and Mr. Cohen receives \$250,000 for his service as Vice Chairman of the Board (he does not receive an additional retainer for his service as Chair of the Executive and Finance Committee or Chair of the Compensation Committee).

Directors receive awards of restricted stock units (RSUs) at the beginning of each year having a grant date value of \$110,000, provided the director satisfied the Board's attendance requirements discussed

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below. New directors receive stock options for 10,000 shares upon joining the Board. RSUs and options awarded to directors in January 2010 and in prior years have a five-year vesting schedule. Following the regular award of RSUs in January 2010, the vesting schedule of future RSU and option awards granted to non-employee directors was changed from five years to four years, consistent with the decision to move from a five-year vesting schedule to a four-year vesting schedule for equity awards to employees, as discussed below. Awards of stock options and RSUs are subject to forfeiture if a director leaves the Board prior to the scheduled vesting date except that such awards would accelerate in full upon a director's death or disability. Directors who are employed by the Company do not receive any additional compensation for their services as a director.

The Board imposes a minimum meeting attendance requirement in connection with the annual awards of RSUs such that only directors who have attended at least 75% of the total number of meetings held by the Board and committees on which they served in the prior year are eligible to receive an award, except that a new director with less than six months of service in the prior year is not subject to such threshold with respect to the first grant made after becoming a director. All directors then serving satisfied the attendance requirements applicable for the 2009 awards.

Directors can elect to defer their cash compensation into a non-qualified deferred compensation plan throughout their tenure on the Board or for certain specified deferral periods. The amounts deferred under the plan are measured by investment options that the participants may select from a variety of mutual funds of various investment categories offered under the plan. The plan for director deferrals is operated in conjunction with the deferred compensation plan for executives discussed below. The Company does not guarantee any minimum return on investments and participants receive their deferrals and related earnings following the end of the specified deferral period or earlier if they leave the Board.

The table below shows the compensation paid to non-employee directors for 2009. Ms. Townsend, who joined the Board in April 2010, did not receive any compensation for 2009.

Name	Fees Earned or Paid in Cash (\$) ⁽¹⁾	Stock Awards (\$) ⁽²⁾	Option Awards (\$) ⁽³⁾	Total (\$)
Peter A. Cohen	324,000	109,995		433,995
Gerald J. Ford	98,000	109,995		207,995
David L. Kennedy	10,333		90,782	101,115
J. Robert Kerrey	80,000	109,995		189,995
Ronald O. Perelman	62,000	109,995		171,995
Michael J. Regan	102,000	109,995		211,995
Barry F. Schwartz	110,000	109,995		219,995
Eric M. Turner	88,000	109,995		197,995

(1) Reflects cash retainers and meeting fees earned by directors for services provided during 2009.

(2) Reflects the aggregate grant date fair value of RSUs awarded during 2009, computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation - Stock Compensation ("FASB ASC Topic 718"). The fair value of the RSUs was determined by multiplying the number of shares subject to the award by the average of the high and low sales prices of our common stock on the trading day immediately prior to the grant date. For a discussion of valuation assumptions, see Note 12 to our consolidated financial statements included in our annual report on Form 10-K for the year ended December 31, 2009. The requirement under SEC rules to report the aggregate grant date fair value computed in accordance with FASB ASC Topic 718 replaces the prior requirement to report the dollar amount recognized for financial statement reporting purposes for the fiscal year with respect to all awards granted to the individual.

(3) Reflects the aggregate grant date fair value of options awarded during 2009, computed in accordance with FASB ASC Topic 718. The fair value of the options is estimated on the date of grant using the Black-Scholes option pricing model. For a discussion of valuation assumptions, see Note 12 to our consolidated financial statements included in our annual report on Form 10-K for the year ended December 31, 2009.

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The table below shows the aggregate number of stock options and RSUs held by non-employee directors as of December 31, 2009.

Name	Stock Options (in shares)	RSUs
Peter A. Cohen	50,000	39,492
Gerald J. Ford	50,000	12,692
David L. Kennedy	10,000	
J. Robert Kerrey	50,000	8,922
Ronald O. Perelman	50,000	12,692
Michael J. Regan	50,000	11,090
Barry F. Schwartz	50,000	12,692
Eric M. Turner		12,692

All stock options shown above were awarded with a ten-year term and an exercise price equal to the fair market value of our common stock on the date of grant (determined by calculating the average of the high and low sales prices of our common stock on the trading date immediately prior to the grant date). The RSU awards shown above have a five-year vesting schedule, with one-fifth vesting on each of the first five anniversaries of the date of grant, and the compensation cost will be expensed over the vesting period. The grants made during 2009 consisted of (1) stock options for 10,000 shares with an exercise price of \$18.02 awarded to Mr. Kennedy upon his joining the Board having a fair value at grant of \$90,782 and (2) 6,289 RSUs awarded to each non-employee director then serving on January 2, 2009 having a fair value at grant of \$109,995.

The table below shows the compensation paid to Mr. Weil for service as Chairman of the Board in 2009. Since Mr. Weil is an employee director, he does not participate in the compensation program for non-employee directors. Instead his compensation is governed by the terms of the employment agreement between Mr. Weil and the Company, as described below. The compensation for 2009 for directors who were named executive officers during 2009 (Messrs. Wright and Chambrello) is included in the Summary Compensation Table below.

Name	Salary (\$)	Stock Awards (\$) ⁽¹⁾	Option Awards (\$) ⁽²⁾	Non-Equity Incentive Plan Compensation (\$) ⁽³⁾	All Other Compensation (\$) ⁽⁴⁾	Total (\$)
A. Lorne Weil	1,631,748	1,011,684	1,012,209	1,631,748	24,302	5,311,691

- (1) Reflects the aggregate grant date fair value of the annual award of RSUs (totaling 82,857) granted under our management incentive compensation program (MICP) during 2009 based upon Mr. Weil's equity award opportunity for 2009 (*i.e.*, 155% of his salary, with one-half of the value in the form of RSUs and one-half of the value in the form of options), computed in accordance with FASB ASC Topic 718. The fair value of the RSUs was determined by multiplying the number of shares subject to the award by the average of the high and low sales prices of our common stock on the trading day immediately prior to the grant date. For a discussion of valuation assumptions, see Note 12 to our consolidated financial statements included in our annual report on Form 10-K for the year ended December 31, 2009.
- (2) Reflects the aggregate grant date fair value of the annual award of options (totaling 176,559) granted under the MICP during 2009 based upon Mr. Weil's equity award opportunity for 2009 (*i.e.*, 155% of his salary, with one-half of the value in the form of RSUs and one-half of the value in the form of options), computed in accordance with FASB ASC Topic 718. The fair value of the options is estimated on the date of grant using the Black-Scholes option pricing model. For a discussion of valuation assumptions, see Note 12 to our consolidated financial statements included in our annual report on Form 10-K for the year ended December 31, 2009.
- (3) The amount in the "non-equity incentive plan compensation" column reflects the cash bonus awarded for 2009 under the MICP, which was equal to 100% of Mr. Weil's salary during 2009 in accordance with the terms of his employment agreement.
- (4) The amounts indicated as "all other compensation" for 2009 include (a) employer contributions to our 401(k) retirement plan (\$7,350) and (b) reimbursements for legal services provided to Mr. Weil in connection with his employment agreement (\$16,952).

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The table below provides information with respect to the stock options held by Mr. Weil as of December 31, 2009.

Name	Grant Date	Number of Shares Underlying Unexercised Options (#) Exercisable	Number of Shares Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date
A. Lorne Weil	01/01/2001	127,000		2.95	12/31/2010
	12/14/2001	134,000		7.10	12/13/2011
	12/12/2002	119,000		6.16	12/11/2012
	06/23/2003	400,000		7.96	06/22/2010
	12/08/2003	150,000		15.96	12/07/2013
	12/09/2004	150,000		23.15	12/08/2014
	12/15/2005	75,000		27.68	12/14/2015
	02/27/2007	97,167		33.94	02/26/2017
	02/26/2008	141,470		21.27	02/25/2018
	02/23/2009	176,559		12.21	02/22/2019

In accordance with the terms of his employment agreement, Mr. Weil's unvested options (totaling 363,036 options) became exercisable, and Mr. Weil's unvested RSUs (totaling 155,912 RSUs) vested, on December 31, 2009. The value of such options and RSUs was \$413,148 and \$2,268,520, respectively (calculated by multiplying the number of shares underlying such equity awards by, in the case of such RSUs, \$14.55, the closing price of our common stock on December 31, 2009, and, in the case of each option, \$14.55 less the option exercise price). As of December 31, 2009, Mr. Weil had a total of 459,719 vested RSUs subject to a deferral agreement such that the vested units are not expected to be issued or delivered to Mr. Weil until the first business day following December 31, 2011.

On May 29, 2009, the Company entered into an amendment to the employment agreement with Mr. Weil, which extended the term of the agreement for an additional two years to December 31, 2013 (subject to automatic renewals for one additional year at the end of the initial term and each anniversary thereof). Under the terms of the amendment, (1) as is the case for 2010 and 2011, Mr. Weil's base salary during 2012 and 2013 will be \$1,000,000 per annum (subject to an annual inflation adjustment as provided in the amendment), (2) during each year of the term of the amended agreement beginning with (and including) 2009, Mr. Weil will receive an annual bonus equal to 100% of his base salary for such year (with such bonus not being subject to any performance criteria and with no maximum bonus opportunity), and (3) as is the case for 2010 and 2011, Mr. Weil's annual equity awards in 2012 and 2013 will be in the form of RSUs (any such equity awards remain subject to the discretion of the Compensation Committee). In the event Mr. Weil terminates his employment other than for "good reason," in lieu of any bonus for the year of termination, Mr. Weil will receive an amount equal to his target bonus for the year of termination prorated for number of days worked in the year. The terms of the amendment were the result of arm's length negotiations. In particular, the extension to the term of Mr. Weil's employment to December 31, 2013 allows the Company to continue to benefit from Mr. Weil's extensive experience in the lottery and other gaming businesses, his overall strategic and organizational guidance and his advice on business development projects and mergers and acquisitions. The fixed annual bonus (with no maximum bonus opportunity) was negotiated in the context of the extension to the term of Mr. Weil's agreement.

Pursuant to an amendment to his employment agreement entered into in May 2008, Mr. Weil will receive on July 1, 2011 an amount equal to the sum of his 2009 salary and target bonus, plus interest on such amount at a rate of 6% from January 1, 2010 to the date of payment (totaling \$3,556,406). Mr. Weil's annual equity award opportunity will be 155% of his salary, with any such annual equity awards subject to the discretion of the Compensation Committee. Mr. Weil will be entitled to receive the benefits payable

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under the original terms of his agreement upon the various termination events contemplated therein, except that he will not be entitled to the severance payment that was provided under the original terms of his agreement if Mr. Weil's employment is terminated by the Company without "cause" (which includes the Company's election not to extend the term), for "good reason" by Mr. Weil (which includes his election not to extend the term) or due to "total disability" of Mr. Weil. As described above, in accordance with the May 2008 amendment, Mr. Weil's unvested equity awards accelerated as of December 31, 2009. Mr. Weil's accrued benefits under the Company's frozen supplemental executive retirement plan and amounts deferred by Mr. Weil under the Company's deferred compensation plan will be paid to Mr. Weil according to a schedule, with 50% of the total amount paid on November 1, 2009, 25% of the amount to be paid on November 1, 2010 and 25% of the amount to be paid on November 1, 2011, subject to deferral under certain circumstances. At the end of 2009, the value of Mr. Weil's accrued benefits under the SERP was \$5,763,336 and his balance under the deferred compensation plan was \$6,508,372.

In the event Mr. Weil's employment is terminated by the Company without "cause," for "good reason" by Mr. Weil or due to "total disability" (as such terms are defined in the agreement), Mr. Weil will receive (1) a pro rata bonus to the extent that such bonus would have been payable had Mr. Weil remained in employment during the entire year in which the termination occurs (or, in the event of termination due to disability, the higher of his last two bonuses but not higher than his target bonus for the year of termination) prorated for number of days worked in the year (\$1,631,748 if such termination occurred on December 31, 2009), (2) full vesting of his equity awards (\$413,148 in respect of options and \$2,268,520 in respect of RSUs if such termination occurred on December 31, 2009; however, all of his outstanding equity awards vested as of that date in any event, as described above) and (3) continued health, disability and life insurance coverage for three years or, in the event of termination due to disability, coverage through age 65 (cost of premiums and tax gross-up at 35% federal tax rate estimated at \$449,820 if such termination occurred on December 31, 2009 (or \$158,862 if termination was due to disability)). In the event Mr. Weil's employment is terminated by the Company without "cause" or for "good reason" by Mr. Weil within two years after a "change of control" or six months before in anticipation thereof (as such terms are defined in the agreement), Mr. Weil will receive an additional lump sum payment equal to his base salary plus the higher of his last two bonuses but not higher than his target bonus for the year of termination (\$3,263,496 additional amount if such termination occurred on December 31, 2009).

In the event Mr. Weil's employment is terminated due to the death of Mr. Weil, Mr. Weil's beneficiary or estate will receive (1) a lump sum payment equal to his base salary plus the higher of his last two bonuses but not higher than his target bonus for the year of termination (\$3,263,496 if such termination occurred on December 31, 2009) and (2) full vesting of his equity awards (\$413,148 in respect of options and \$2,268,520 in respect of RSUs if such termination occurred on December 31, 2009; however, all of his outstanding equity awards vested as of that date in any event, as described above). In the event Mr. Weil terminates his employment other than for "good reason," Mr. Weil will receive (1) an amount equal to his target bonus for the year of termination prorated for number of days worked in the year (\$1,631,748 if such termination occurred on December 31, 2009) and (2) full vesting of his equity awards (\$413,148 in respect of options and \$2,268,520 in respect of RSUs if such termination occurred on December 31, 2009; however, all of his outstanding equity awards vested as of that date in any event, as described above).

Mr. Weil's agreement contains covenants imposing on him certain obligations with respect to confidentiality and proprietary information, and restricting his ability to engage in certain activities in competition with the Company during his employment and for a period of 24 months after termination.

On November 9, 2009, the Company entered into an agreement with Mr. Weil to cancel 170,000 options he held (70,000 of which had an exercise price of \$3.50 per share and an expiration date of December 30, 2009 and 100,000 of which had an exercise price of \$5.13 per share and an expiration date of February 27, 2010) in exchange for a cash payment of \$1,892,300, representing the "spread" value of such options based on the closing price of the Company's common stock on such date (\$15.59).

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Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), requires our officers and directors, and persons who beneficially own more than ten percent of our common stock, to file initial reports of ownership and reports of changes in their ownership with the SEC. Based on a review of the copies of the reports that our directors, officers and ten percent holders filed with the SEC and on the representations made by such persons, we believe all applicable filing requirements were met during 2009, except that (a) a Form 4 was filed one day late to report the February 2009 vesting of 19,159 RSUs and the disposition of 7,992 shares to cover applicable taxes by Ira H. Raphaelson, our Vice President, General Counsel and Secretary, (b) a Form 4 was filed late to report the February 2009 award of 7,500 RSUs to Stephen L. Gibbs, our Vice President, Chief Accounting Officer and Corporate Controller, (c) a Form 4 was filed one day late to report the March 2009 award of 63,473 RSUs and 135,253 options to Mr. Wright, (d) a Form 4 was filed late to report the November 2009 distribution to Mr. Weil of 137,969 shares from Mr. Weil's account under our deferred compensation plan as contemplated by the terms of his employment agreement and (e) a Form 4 was filed late to report the November 2009 purchase of a total of 2,000 shares for Mr. Chambrello's children.

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The following table sets forth certain information as of April 13, 2010 as to the security ownership of each person known to us to be the beneficial owner of more than five percent of the outstanding shares of our common stock, each of our directors, each of our named executive officers, and all of our directors and executive officers as a group. Except as otherwise indicated, the stockholders listed in the table below have sole voting and investment power with respect to the shares indicated.

	Shares of Common Stock	
	Number ⁽¹⁾	Percent ⁽¹⁾
MacAndrews & Forbes Holdings Inc. 35 East 62nd Street New York, NY 10065	26,385,737 ⁽²⁾	28.04%
BlackRock, Inc. 40 East 52nd Street New York, NY 10022	11,037,131 ⁽³⁾	11.73%
RS Investment Management Co. LLC 388 Market Street San Francisco, CA 94111	10,400,730 ⁽⁴⁾	11.05%
Wells Fargo and Company 420 Montgomery Street San Francisco, CA 94104	9,459,411 ⁽⁵⁾	10.05%
Schroder Investment Management North America Inc. 875 Third Avenue, 21st Floor New York, NY 10022	5,771,430 ⁽⁶⁾	6.13%
A. Lorne Weil	2,793,368 ⁽⁷⁾	2.92%
Peter A. Cohen	1,072,013 ⁽⁸⁾	1.14%
Gerald J. Ford	157,942	*
David L. Kennedy	10,000	*
J. Robert Kerrey	22,573	*
Ronald O. Perelman	26,446,711 ⁽⁹⁾	28.09%
Michael J. Regan	47,740	*
Barry F. Schwartz	80,974	*
Frances F. Townsend	0	*
Eric M. Turner	0	*
Joseph R. Wright.	216,976 ⁽¹⁰⁾	*
Michael R. Chambrello	604,868	*
Jeffrey S. Lipkin	16,102	*
Ira H. Raphaelson	238,300	*
Larry Potts	123,898	*
DeWayne E. Laird ⁽¹¹⁾	1,500	*
Sally L. Conkright ⁽¹²⁾	26,983	*

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All directors and executive officers as a group (consisting of 18 persons)	32,104,605 ⁽¹³⁾	33.05%
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Represents less than 1% of the outstanding shares of common stock.

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- (1) In accordance with SEC rules, this column includes shares that a person has a right to acquire within 60 days of April 13, 2010 through the exercise or conversion of stock options, RSUs or other securities. Such securities are deemed to be outstanding for the purpose of calculating the percentage of outstanding securities owned by such person but are not deemed to be outstanding for the purpose of calculating the percentage owned by any other person. The securities reported for the directors and named executive officers listed in the table above include shares subject to the following awards as to which the equivalent number of underlying shares may be acquired through exercise or conversion within 60 days of April 13, 2010:
- Mr. Weil, 1,570,196 options; Mr. Cohen, 50,000 options; Mr. Ford, 50,000 options; Mr. Kerrey, 20,000 options; Mr. Perelman, 50,000 options; Mr. Regan, 40,000 options; Mr. Schwartz, 50,000 options; Mr. Wright, 175,000 options; Mr. Chambrello, 503,473 options; Mr. Lipkin, 6,000 options; Mr. Raphaelson, 194,558 options; and Mr. Potts, 105,184 options.
- (2) Consists of 70,647 shares held by MacAndrews & Forbes Holdings Inc. and 26,315,090 shares held by SGMS Acquisition Corporation, a holding company owned by MacAndrews & Forbes Holdings Inc., whose chairman, chief executive officer and sole stockholder is Mr. Perelman. The shares so owned are, or may from time to time be, pledged to secure obligations of MacAndrews & Forbes Holdings Inc. or its affiliates. A Schedule 13D was jointly filed with the SEC by MacAndrews & Forbes Holdings Inc. and SGMS Acquisition Corporation on November 26, 2003, and amended, most recently, on February 16, 2007, and a Form 4 was most recently filed with the SEC by Mr. Perelman on March 8, 2010.
- (3) Based on a Schedule 13G filed with the SEC on January 8, 2010 by BlackRock, Inc., a parent holding company for certain subsidiaries that hold shares.
- (4) Based on an amendment to a Schedule 13G jointly filed with the SEC on February 11, 2010 by RS Investment Management Co. LLC, a registered investment adviser, and its parent companies, Guardian Investor Services LLC, a registered investment adviser, and The Guardian Life Insurance Company of America, an insurance company. The Schedule 13G states that RS Investment Management Co. LLC, Guardian Investor Services LLC and The Guardian Life Insurance Company of America have shared voting and investment power with respect to the shares indicated.
- (5) Based on an amendment to a Schedule 13G filed with the SEC on April 13, 2010 by Wells Fargo and Company, a parent holding company, on its own behalf and on behalf of Wells Capital Management Incorporated and Wells Fargo Funds Management, LLC, registered investment advisers, and certain other subsidiaries. The Schedule 13G states that Wells Fargo and Company has sole voting power with respect to 7,573,074 shares, shared voting power with respect to 17,467 shares, sole investment power with respect to 9,247,350 shares and shared investment power with respect to 107,534 shares. The Schedule 13G states that Wells Capital Management Incorporated has sole voting power with respect to 1,899,462 shares and sole investment power with respect to 8,517,422 shares. The Schedule 13G states that Wells Fargo Funds Management, LLC has sole voting power with respect to 4,855,655 shares and sole investment power with respect to 13,441 shares.
- (6) Based on an amendment to a Schedule 13G filed with the SEC on February 16, 2010 by Schroder Investment Management North America Inc., an investment adviser.
- (7) Includes 1,223,172 shares subject to a pledge agreement. Mr. Weil's reported holdings do not include (a) 357,299 shares held in family trusts for which Mr. Weil does not serve as trustee and disclaims beneficial ownership and (b) 459,719 vested RSUs subject to a deferral agreement such that the vested units are not expected to be issued or delivered to Mr. Weil until the first business day following December 31, 2011.
- (8) Includes 5,900 shares held by members of Mr. Cohen's immediate family, 15,000 shares held by trusts for members of his immediate family for which Mr. Cohen serves as co-trustee, 750,000 shares held by an entity of which Ramius LLC (or an affiliate) acts as an investment advisor and 39,500 shares held by third party accounts managed by Ramius Securities, LLC. Mr. Cohen is one of four managing members of C4S & Co., LLC, which is the managing member of RCG Holdings LLC. RCG Holdings LLC is a significant shareholder of Cowen Group, Inc., which is the sole member of Ramius LLC. Mr. Cohen disclaims beneficial ownership of the securities held by affiliates of Ramius LLC and the third party accounts except to the extent of his pecuniary interest therein. On September 15, 2008, 750,000 of the shares held by the entity of which Ramius LLC (or an affiliate) acts as an investment advisor (the "Frozen Shares") were frozen in such entity's prime brokerage account as a result of Lehman Brothers International (Europe) ("LBIE") being placed in administration. LBIE, through certain of its affiliates, was a prime broker for such Ramius entity. The current status of the Frozen Shares under LBIE's administration proceedings has not been determined. The Ramius entity claims beneficial ownership over the Frozen Shares until such time a final determination concerning the Frozen Shares is made.
- (9) Includes the 26,385,737 shares reported in footnote 2 above which may be deemed to be beneficially owned by Mr. Perelman, the chairman, chief executive officer and sole stockholder of MacAndrews & Forbes Holdings Inc. Mr. Perelman's address is 35 East 62nd Street, New York, NY 10065.
- (10) Mr. Wright's reported holdings do not include 308,473 vested RSUs subject to a deferral agreement such that the vested units are not expected to be issued or delivered to Mr. Wright until on or about July 2, 2010.
- (11)

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Mr. Laird was among the "named executive officers" for 2009 but is no longer an executive officer.

(12)

Ms. Konkright was among the "named executive officers" for 2009 but is no longer an executive officer.

(13)

Includes 3,013,587 shares issuable upon exercise of stock options and 11,600 shares issuable upon vesting of RSUs.

Table of Contents**EXECUTIVE COMPENSATION****Compensation Discussion and Analysis****Oversight of Executive Compensation Program**

The Company's executive compensation program is administered by the Compensation Committee of the Board of Directors, which is referred to in this section as the "Committee." The Committee is responsible for determining the compensation of the Company's Chief Executive Officer and other executive officers of the Company and for overseeing the Company's executive compensation and benefits programs. The Committee works directly with our Chief Human Resources Officer on the compensation program and receives recommendations from the Chief Executive Officer on compensation for other executive officers.

The seven individuals identified in the Summary Compensation Table below, including the persons who served as Chief Executive Officer and Chief Financial Officer during 2009, are collectively referred to in this Proxy Statement as the "named executive officers."

Compensation Objectives

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

Components of Compensation Program

The principal components of the Company's compensation program consist of base salaries, annual performance-based incentive compensation, long-term incentive compensation and employment agreements that include severance and change of control arrangements.

The following is a description of the Company's compensation elements and the objectives they are designed to support:

Element of Compensation	Rationale	Linkage to Compensation Objectives
Base Salary	Provide fixed level of compensation	Attract and retain executive talent
Annual Incentive Compensation (cash bonuses)	Combined with salary, the target level of annual incentive compensation provides a market-competitive total cash opportunity	Foster excellent business performance
	Actual annual incentive compensation payout depends on Company and individual performance	Align executive and stockholder interests by linking a portion of compensation to the annual performance of the Company
		Attract and retain executive talent

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Element of Compensation	Rationale	Linkage to Compensation Objectives
Long-Term Incentive Compensation (stock options and performance-conditioned RSUs)	Target level of long-term incentive compensation provides a market-competitive equity opportunity	Align executive and stockholder interests by linking a portion of compensation to long-term Company performance
		Foster excellent business performance
	Vesting of performance-conditioned RSUs subject to Company meeting financial performance criteria	Attract and retain executive talent
		Encourage long-term service
Employment Agreements with Severance and Change in Control Provisions	Severance provisions under employment agreements provide benefits to ease an employee's transition due to an unexpected employment termination by the Company due to changes in the Company's employment needs	Attract and retain executive talent Encourage long-term service
	Change in control provisions under employment agreements and equity compensation plans encourage employees to remain focused on the best interests of the Company in the event of rumored or actual fundamental corporate changes	

The Committee reviews the compensation of the Company's executives on an annual basis, taking into account such factors as competitive compensation levels, the Company's performance and the executive's responsibilities, experience and contributions. The Committee believes that a substantial portion of executive officer compensation should be tied to short-term and long-term Company performance. The Committee periodically reviews the Company's overall executive compensation program against competitive practices and trends with the assistance of an outside compensation consultant, and periodically reviews and analyzes marketplace data for comparable companies provided by such consultant. A significant percentage of executive compensation is designed to be performance-based and varies from year to year based on Company and individual performance.

The Company's compensation policies are generally consistent with respect to the named executive officers, although there are differences in the executive officers' base salary levels, bonus opportunities and equity award opportunities based on the relative responsibilities of the positions, the executive officers' relative importance to the success of the Company and, to some extent, the terms of the executive officers' employment agreements resulting from arm's length negotiations. For example, the Chief Executive Officer has the highest base salary and bonus and equity award opportunities as a percentage of base salary among the executive officers because the Committee views his position and performance as the most critical to the success of the Company. Differences in severance benefits are largely the result of different terms in employment agreements resulting from arm's length negotiations.

Compensation Program as it Relates to Risk

The Company's management and the Committee, with the assistance of the Committee's outside compensation consultant, periodically review the Company's compensation policies and practices, with a focus on incentive programs, to ensure that they do not encourage excessive risk taking by the Company's employees. Specifically, this review includes the cash and equity components of the Company's management incentive compensation program (MICP) (in which executives generally participate) and the Company's local cash bonus and commission plans (in which other employees participate). As discussed above, the cash bonus programs are generally designed to reward achievement of short-term results when

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measured against performance metrics, whereas the equity incentive program is designed to link a portion of compensation to long-term Company performance. Management and the Committee do not believe that the Company's compensation programs create risks that are reasonably likely to have a material adverse impact to the Company for the following reasons:

our incentive programs generally balance short- and long-term incentives, with a significant percentage of total compensation for the senior executive team provided in equity and focused on long-term performance;

the MICP and many of our local bonus plans (which often "mirror" the MICP) use multiple financial performance metrics (generally not based on revenues or contract signings) that encourage executives and other employees to focus on the overall health of the business rather than a single financial measure;

a qualitative assessment of individual performance is a key component of individual compensation payments;

cash bonuses under the MICP and local bonus plans are generally capped;

executive officers and certain other key employees must obtain permission from the Company's General Counsel to sell any shares, even during an open trading period;

Board and management processes are in place to oversee risk associated with the MICP and local bonus plans, including periodic business performance reviews by management and year-to-date bonus accrual updates to the Committee; and

the Company's risk management processes including the Company's enterprise risk management program, our Code of Business Conduct, a strong ethics and compliance function that includes suitability reviews of customers and other persons/entities with which the Company does business, internal approval processes and Legal Department review of contracts mitigate undue risk-taking.

Succession Planning Initiatives

In March 2009, the Company entered into an employment agreement with Jeffrey S. Lipkin, who succeeded DeWayne E. Laird as the Company's Chief Financial Officer effective April 1, 2009. Under the terms of the agreement, Mr. Lipkin's annual base salary was set at \$400,000 (prorated for 2009) and his annual target bonus and maximum bonus opportunities were set at 67% and 133% of his salary, respectively, subject to a minimum bonus of \$268,000 for 2009. Mr. Lipkin received a sign-on bonus of \$385,000 and sign-on equity awards consisting of 30,000 stock options (with an exercise price of \$12.41, representing the market value of our stock on the date of grant (determined by calculating the average of the high and low sales prices of our common stock on the trading day immediately prior to the date of grant), and a ten-year term) and 40,000 RSUs, which awards have a five-year vesting schedule. The agreement provides that, beginning in 2010, Mr. Lipkin is entitled to receive annual equity awards in the discretion of the Committee, provided that he receives equity awards in 2010 with an aggregate value of not less than 95% of his salary. The terms of Mr. Lipkin's employment agreement were the result of arm's length negotiations. The Committee recognized that, although Mr. Lipkin's salary is less than the other named executive officers (including his predecessor) who have had several years to demonstrate leadership in their respective positions, the Committee would have the opportunity to increase Mr. Lipkin's salary after he had an opportunity to demonstrate his skills and value to the Company. Mr. Lipkin's bonus opportunities were set at the same percentage level as the bonus opportunities of the senior executives of the Company just below the Chief Executive Officer (and former Chief Operating Officer). The sign-on cash and equity compensation and the guaranteed minimum bonus for 2009 were approved in recognition that Mr. Lipkin forfeited the opportunity for substantial cash and equity compensation from his former employer upon joining the Company.

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Under the terms of a separation agreement, Mr. Laird agreed to provide transition assistance and perform such other duties requested by the Company until Mr. Laird's employment terminated on June 26, 2009. Mr. Laird received certain separation benefits, including \$438,960 representing a pro rata bonus for 2009 (at maximum bonus opportunity), \$350,000 representing a special separation payment and full vesting of his options and RSUs. The value of such options and RSUs was \$175,012 and \$1,363,632, respectively (calculated by multiplying the number of shares underlying such equity awards by, in the case of such RSUs, \$16.22, the closing price of our common stock on June 26, 2009 (the day such awards vested), and, in the case of each option, \$16.22 less the option exercise price). The pro rata bonus for 2009 and the vesting of his equity awards were contemplated upon Mr. Laird's retirement under the terms of Mr. Laird's employment agreement. The Committee approved the special separation payment in recognition of Mr. Laird's long service with the Company and in light of Mr. Laird's standard general release of claims against the Company and the cooperation and other covenants in favor of the Company set forth in the separation agreement. As contemplated by the Company's frozen supplemental executive retirement plan, Mr. Laird received \$3,128,982 representing the value of his accrued benefit under such plan.

The Company entered into an amendment to its employment agreement with Mr. Wright in connection with his retirement as of December 31, 2009. Under the terms of the amendment, Mr. Wright received \$1,000,000 representing a bonus for 2009 in lieu of any bonus Mr. Wright would have otherwise been entitled to for 2009, and will receive a special payment of \$2,500,000 by December 15, 2010. All unvested RSUs (other than RSUs granted in connection with Mr. Wright's service on the Board) held by Mr. Wright vested as of the retirement date and the underlying shares in respect of such units (together with the underlying shares in respect of all vested RSUs held by Mr. Wright which had not been delivered as of the retirement date) will be delivered on or about July 2, 2010. Assuming the vested RSUs were delivered on December 31, 2009, the value was \$3,688,032 (calculated by multiplying the number of shares underlying such RSUs by \$14.55, the closing price of our common stock on December 31, 2009). All vested stock options granted to Mr. Wright on or after April 15, 2008 will remain exercisable until December 31, 2012. All unvested stock options (other than stock options granted in connection with Mr. Wright's service on the Board) were forfeited by Mr. Wright (or a total of 510,253 unvested options). The Company agreed to reimburse Mr. Wright for the costs he incurs for three years in obtaining benefits that are reasonably comparable to the benefits he would have received under the Company's medical, disability and life insurance benefit plans (such costs estimated at approximately \$103,508). As a condition to receiving such payments and benefits, Mr. Wright executed a standard release agreement with the Company, which contains, in addition to the release, covenants imposing on him certain obligations with respect to confidentiality and proprietary information, and restricting his ability to engage in certain activities in competition with the Company for a period of 24 months after his retirement date.

On March 5, 2009, the Company entered into a separation agreement with Sally L. Conkright, Vice President, Administration, in connection with her resignation. Under the terms of the agreement, Ms. Conkright received certain separation benefits, including \$745,149 as a severance payment (of which 50% was payable on or around September 7, 2009 and the remainder was paid over a six-month period beginning on September 7, 2009). Ms. Conkright also received under the terms of her separation agreement \$298,149 as a 2008 bonus (which was equal to her target bonus opportunity), \$150,000 as a 2009 bonus in recognition of her work on a budget task force, up to \$40,000 on an after-tax basis for outplacement counseling, up to \$10,000 as reimbursement for moving expenses and full vesting of her equity awards. The value of such options and RSUs was \$0 and \$307,767, respectively (calculated by multiplying the number of shares underlying such equity awards by, in the case of such RSUs, \$11.35, the closing price of our common stock on March 5, 2009 (the day such awards vested), and, in the case of each option, \$11.35 less the option exercise price). In addition, Ms. Conkright's COBRA premiums for health and dental coverage were paid by the Company for 18 months following her separation. As a condition to receiving such payments and benefits, Ms. Conkright executed a standard release agreement with the Company, which contains, in addition to the release, covenants imposing on her certain obligations with

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respect to confidentiality and proprietary information, and restricting her ability to engage in certain activities in competition with the Company for a period of 18 months after her resignation date.

Base Salary

The salary levels of the Company's executive officers are reviewed on an annual basis in light of the competitive marketplace, the executive officer's responsibilities, experience and contributions and internal equity. Internal equity in this context means ensuring that executives in comparable positions are rewarded comparably.

The named executive officers received salary increases for 2009 as shown below:

Executive	Salary Increases	Effective Date	New Salary Rate
Mr. Wright	250,000	01/01/2009	\$ 1,250,000
Mr. Raphaelson	29,500	02/01/2009	619,500
Mr. Potts	22,500	01/01/2009	469,500
Mr. Laird	10,236	01/01/2009	658,111

Mr. Wright's 2009 salary increase was provided pursuant to the terms of his employment agreement. The 2009 salary increases for Messrs. Raphaelson and Potts were provided in connection with amendments to their employment agreements in October 2008 that extended the term of their employment agreements for an additional three years. The 2009 salary increase for Mr. Laird reflected an inflation adjustment of approximately 1.58%, which was provided in accordance with the terms of his employment agreement. Mr. Chambrello determined to forgo the 2009 inflation-based increase to his salary to which he was entitled under the terms of his employment agreement.

The named executive officers received salary increases for 2010 as shown below:

Executive	Salary Increase	Effective Date	New Salary Rate
Mr. Lipkin	\$ 50,000	02/01/2010	\$ 450,000

The 2010 salary increase for Mr. Lipkin was provided upon the recommendation of the Chief Executive Officer in connection with Mr. Lipkin's promotion to Senior Vice President, for internal equity considerations and in light of a qualitative assessment of Mr. Lipkin's performance during 2009. In particular, the Chief Executive Officer and the Committee took into account Mr. Lipkin's role in the improvement in the Company's cash flow and liquidity position during 2009, including the effective management of liquidity concerns related to our convertible debentures and the earn-out payable in connection with our 2006 acquisition of Global Draw, as well as the completion of a number of financing transactions that extended the weighted average maturity of the Company's debt from approximately 3.1 years to approximately 5.2 years. Mr. Chambrello determined to forgo the 2010 inflation-based increase to his salary to which he was entitled to under the terms of his employment agreement.

Annual Incentive Compensation

The Company's executive officers are eligible to receive annual cash bonuses under the Company's management incentive compensation program (MICP), which provides bonus opportunities based on the Company's overall performance relative to financial targets approved for a given fiscal year, the financial performance of individual business units of the Company for executives directly involved with the operation of those units, and an assessment of the executive's performance and contribution relative to individual goals and objectives, including factors not quantitatively measurable by financial results.

If the financial performance targets are met or exceeded, participants are eligible to receive cash bonuses based on a pre-established target percentage of their base salaries which, for senior executives, ranges from a target percentage of 50% of base salary to 100% of base salary.

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With respect to 2009, the Committee made certain changes to the cash bonus program under the MICP, including using "adjusted EBIT" (as defined below) in lieu of adjusted EBITDA as a financial performance measure in order to take into account depreciation and amortization expense (including charges taken in connection with the write-off of investments) in determining bonuses. In addition, upon the recommendation of the former Chief Executive Officer based on his view of an appropriate alignment between bonus payouts and Company performance in the context of the increased focus on cost savings during 2009 and the difficult economic environment, the Committee enhanced both the downside risk and the upside potential of 2009 bonuses through a recalibration of payout percentages and target levels. In particular, no portion of the 2009 bonus attributable to a particular financial measure would be payable unless at least 85% of the budgeted amount was achieved, and the payout percentage at this threshold level would be 35% of an executive's target bonus opportunity. Payout of 50% of the portion of the target bonus opportunity attributable to a particular financial measure would require achievement of 100% of the budgeted amount of such financial measure. Payout of 100% of the portion of the target bonus opportunity attributable to a particular financial measure would require achievement of 110% of the budgeted amount of such financial measure. Payout of 200% of the portion of the target bonus opportunity attributable to a particular financial measure would require attainment of 130% of the budgeted amount. The cap on potential bonus awards in 2009 was eliminated such that bonuses above 200% of an executive's target bonus opportunity would be possible in the event of extraordinary performance. Prorated payouts would be awarded for achievement between the various target levels. Under the terms of their employment agreements, for 2009, Mr. Wright was entitled to a minimum bonus of \$500,000 (or 40% of his base salary) and Mr. Lipkin was entitled to a minimum bonus of \$268,000 (or 67% of his base salary).

Accordingly, the named executive officers had the following bonus opportunities under the MICP for 2009:

Executive	Threshold Bonus Opportunity (as a % of Base Salary)	Target Bonus Opportunity (as a % of Base Salary)
Mr. Wright	40.0%	100.0%
Mr.		