

SCIENTIFIC GAMES CORP  
Form S-4  
March 03, 2011

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As Filed With the Securities and Exchange Commission on March 3, 2011

Registration No. 333-

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

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**FORM S-4**  
**REGISTRATION STATEMENT**  
**UNDER**  
**THE SECURITIES ACT OF 1933**

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**SCIENTIFIC GAMES CORPORATION**

(as Issuer)

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

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

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

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

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

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

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

**Copies to:**

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

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**Approximate date of commencement of proposed sale to the public:**  
As soon as practicable after this Registration Statement becomes effective.

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

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

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

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

Large accelerated  
filer ☐

Accelerated  
filer ☐

Non-accelerated  
filer ☐  
(Do not check if a  
smaller reporting  
company)

Smaller reporting  
company ☐

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

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

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

## CALCULATION OF REGISTRATION FEE

| Title of each class of securities<br>to be Registered                     | Amount to be<br>Registered | Proposed<br>Maximum<br>Offering Price Per<br>Unit | Proposed<br>Maximum<br>Aggregate Offering<br>Price | Amount of<br>Registration<br>fee |
|---------------------------------------------------------------------------|----------------------------|---------------------------------------------------|----------------------------------------------------|----------------------------------|
| 8.125% Senior Subordinated Notes due 2018                                 | \$250,000,000              | 100%                                              | \$250,000,000(1)                                   | \$29,025.00                      |
| Guarantees related to the 8.125% Senior Subordinated Notes<br>due 2018(2) | N/A                        | N/A                                               | N/A                                                | N/A                              |

(1) Estimated solely for purposes of calculating the registration fee in accordance with Rule 457(f) under the Securities Act of 1933, as amended (the "Securities Act"), exclusive of any accrued interest.

(2) No separate consideration will be received for the guarantees and, therefore, pursuant to Rule 457(n) under the Securities Act, no additional fee is required.

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

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**TABLE OF ADDITIONAL REGISTRANTS**

| <b>Name of Additional Registrant</b>  | <b>State of<br/>Incorporation<br/>or Formation</b> | <b>IRS Employer<br/>Identification<br/>Number</b> | <b>Commission<br/>File Number</b> |
|---------------------------------------|----------------------------------------------------|---------------------------------------------------|-----------------------------------|
| SG Gaming, Inc.*                      | Nevada                                             | 88-0415955                                        | 333-                              |
| MDI Entertainment, LLC*               | Delaware                                           | 58-1943521                                        | 333-                              |
| Scientific Games International, Inc.* | Delaware                                           | 58-1943521                                        | 333-                              |
| Scientific Games Products, Inc.*      | Delaware                                           | 45-0565615                                        | 333-                              |
| Scientific Games SA, Inc.*            | Delaware                                           | 58-1673074                                        | 333-                              |

\*

Address of the Principal Executive Offices of each of the Additional Registrants:

1500 Bluegrass Lakes Parkway  
Alpharetta, GA 30004

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

**SUBJECT TO COMPLETION, DATED MARCH 3, 2011**

**PRELIMINARY PROSPECTUS**

**\$250,000,000**

**SCIENTIFIC GAMES CORPORATION**

**Exchange Offer for  
8.125% Senior Subordinated Notes due 2018**

**The Exchange Offer:**

Scientific Games Corporation, referred to as the "Issuer," issued \$250,000,000 in aggregate principal amount of its 8.125% Senior Subordinated Notes due 2018 on September 22, 2010 and will exchange all \$250,000,000 of the outstanding 8.125% senior subordinated notes due 2018, referred to as the "old notes," that are validly tendered and not validly withdrawn for an equal principal amount of 8.125% senior subordinated notes due 2018, referred to as the "new notes," that are, subject to specified conditions, freely transferable.

The exchange offer expires at 5:00 p.m., New York City time, on \_\_\_\_\_, 2011 unless extended. We do not currently intend to extend the expiration date.

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

We will not receive any cash proceeds from the exchange offer.

**The New Notes:**

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

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

The new notes will be guaranteed on a senior subordinated unsecured basis by all of our wholly owned domestic subsidiaries, which are referred to as the "guarantors."

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

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

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Each broker-dealer that receives new notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of such new notes as required by applicable securities laws and regulations. The letter of transmittal states that, by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act of 1933, as amended (the "Securities Act").

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

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

The date of this prospectus is \_\_\_\_\_, 2011.

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

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

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

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

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

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**INDUSTRY AND MARKET DATA**

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

**BASIS OF PRESENTATION**

Unless the context indicates otherwise, references in this prospectus to "Scientific Games Corporation" and the "Issuer" refer to Scientific Games Corporation, a Delaware corporation, the issuer of the new notes, and references to the "guarantors" refer to the Issuer's wholly owned domestic subsidiaries that will guarantee the new notes. Unless the context indicates otherwise, references to "Scientific Games," the "Company," "we," "our," "ours" and "us" refer to Scientific Games Corporation and its consolidated subsidiaries. "SGI" refers to Scientific Games International, Inc., a wholly owned subsidiary of Scientific Games Corporation. "United States ("U.S.") jurisdictions" refers to the 50 states in the U.S. plus the District of Columbia and Puerto Rico.

**WHERE YOU CAN FIND MORE INFORMATION**

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and, accordingly, file annual, quarterly and current reports, proxy statements and other information with the United States Securities and Exchange Commission (the "SEC"). You may read and copy any document we file with the SEC at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room and its copy charges. Our SEC filings are also available to the public on the SEC's website at [www.sec.gov](http://www.sec.gov).

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

**INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE**

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

Annual Report on Form 10-K for the year ended December 31, 2010, filed on March 1, 2011.

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

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

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

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**INFORMATION REGARDING FORWARD-LOOKING STATEMENTS**

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

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**SUMMARY**

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

**Our Company**

**Overview**

We are a global leader in providing customized, end-to-end gaming solutions to lottery and gaming organizations worldwide. Our integrated array of products and services include instant lottery games, lottery gaming systems, terminals and services, and Internet applications, as well as server-based interactive gaming machines and associated gaming control systems. We also gain access to technology and pursue global expansion through strategic joint ventures. We report our operations in three business segments: Printed Products Group; Lottery Systems Group; and Diversified Gaming Group.

***Printed Products Group***

Our Printed Products Group is primarily comprised of our global instant lottery ticket business.

We believe we are the leading designer, manufacturer and distributor of instant lottery tickets in the world. We sell instant lottery tickets and related services to domestic and foreign lotteries and commercial (non-lottery) customers. We supply instant lottery tickets to 43 of the 44 U.S. jurisdictions that sell instant lottery tickets. In addition, we have sold instant lottery tickets to customers in approximately 50 countries.

We operate six printing facilities across five continents (including our joint venture's facility in China) with an aggregate capacity to print approximately 45 billion 2"x 4" standard instant lottery tickets annually. We believe that our extensive service offerings, together with our innovative products and extensive library of licensed properties, enable us to effectively help lotteries to increase their retail sales of instant tickets.

We generate revenue from ticket design and manufacturing, as well as value-added services such as game design, sales and marketing support, specialty games and promotions, inventory management and warehousing and fulfillment services.

Through our subsidiary, MDI Entertainment, LLC ("MDI"), we provide lotteries with access to some of the world's most popular entertainment brands on lottery products, including The Price is Right®, Major League Baseball®, National Basketball Association, Harley-Davidson®, Wheel-of-Fortune®, Monopoly and World Poker Tour®. We also provide lotteries with customized cooperative services programs ("CSP") to help them efficiently and effectively manage and support their operations to achieve higher retail sales and lower operating costs. Our CSP contracts bundle supply of instant lottery tickets, systems, facilities management and/or other services, which can include the design and installation of game management software, inventory and distribution, telemarketing, field sales, accounting, training and advisory services.

The Printed Products Group also includes our 20% equity interest in Lotterie Nazionali S.r.l. ("LNS"), which succeeded Consorzio Lotterie Nazionali ("CLN") as the holder of the concession to operate the instant ticket lottery in Italy, and our 20% equity ownership interest in Northstar Lottery Group, LLC ("Northstar"), which was recently awarded the agreement to act as the private manager of the Illinois lottery.

We also have a 49% equity ownership interest in a joint venture in China, CSG Lottery Technology (Beijing) Co., Ltd. ("CSG"), that supplies instant lottery tickets to the China Sports Lottery (the "CSL").

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***Lottery Systems Group***

We are a leading provider of customized computer software, software support, equipment and data communication services to lotteries.

We have contracts to operate online lottery systems for 11 of the 45 U.S. jurisdictions that operate online lotteries. We believe we are the second largest online lottery provider in the U.S. and a leading provider in Europe. Our lottery systems business includes the supply of transaction-processing software, online lottery games, point-of-sale terminals, central site computers and communication platforms, and ongoing operational support and maintenance services. Central computer systems, terminals and associated software are typically provided in the U.S. through facilities management contracts where we deploy and operate the system on behalf of the lottery and internationally through outright sales, which often include a service and maintenance component.

In addition, we have a 50% equity ownership interest in Guard Libang, a provider of systems and services to a majority of the China Welfare Lottery jurisdictions.

We also are the exclusive instant ticket validation network provider to the CSL.

***Diversified Gaming Group***

Our Diversified Gaming Group provides services and systems to private and public operators in the wide area gaming industry, including server-based gaming machines and sports betting systems and services.

The Diversified Gaming Group includes The Global Draw Limited ("Global Draw"), a leading supplier of wide area gaming machines, server-based gaming systems and game content to licensed bookmakers, primarily in betting shops in the U.K. and, increasingly, outside the U.K., with deployments in Austria, Mexico and the Caribbean. The Diversified Gaming Group also includes Games Media Limited ("Games Media"), a supplier of gaming terminals and content to U.K. public house ("pub") operators.

In early 2010, we entered into agreements with a subsidiary of Playtech Limited ("Playtech") providing for our license of Playtech's back-end technology platform for our gaming machines in exchange for certain fees, including a fee based on a percentage of the net cash flow generated by the gaming machines. In 2010, we began migrating our gaming machine businesses in the U.K. to the new back-end technology platform, which we expect will provide land-based operators with an enhanced and highly cost-effective way of delivering game content to their patrons.

The Diversified Gaming Group also includes our *Sciplay* joint venture with Playtech to deliver Internet gaming solutions to government-sponsored and other lotteries and certain other gaming operators. The Diversified Gaming Group also includes our 29.4% equity interest in Roberts Communications Network, LLC ("RCN"), which provides communications services to racing and non-racing customers.

The Diversified Gaming Group also included our racing and venue management businesses (collectively, the "Racing Business") prior to the sale of these businesses on October 5, 2010 to Sportech Plc ("Sportech"). Upon the closing of the transaction, we received approximately \$33 million in cash (subject to certain post-closing adjustments) and approximately 39.7 million ordinary shares of Sportech stock (the "Consideration Shares"), representing approximately 20% of the outstanding shares of Sportech as of the closing of the transaction. The Consideration Shares were valued at approximately \$26.3 million based on the closing price of Sportech stock on October 4, 2010. Sportech has also agreed to make an additional cash payment to us on September 30, 2013 of approximately \$10 million. In addition, if the Racing Business, under Sportech's ownership, achieves certain performance targets over the three-year period following the closing of the transaction, we will be entitled to an additional cash payment of up to \$8 million.

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***Italian Instant Ticket Concession***

We are a 20% equity owner in LNS, a joint venture comprised principally of us, Lottomatica Group S.p.A. ("Lottomatica") and Arianna 2001, a company owned by the Federation of Italian Tobacconists, that was awarded the concession from the Italian Monopoli di Stato to be the exclusive operator of the Italian Gratta e Vinci instant ticket lottery beginning on October 1, 2010. The new concession has an initial term of nine years (subject to a performance evaluation during the fifth year) and could be extended by the Monopoli di Stato for an additional nine years. LNS succeeded CLN, a consortium comprised of essentially the same group that owns LNS, as holder of the concession. Under the new concession, we are the primary supplier of instant lottery tickets for the joint venture, as we were under the prior concession. CLN, which had held the concession since 2004, is being wound up and the bulk of its assets have been transferred to LNS.

LNS paid €800 million in upfront fees under the terms of the new concession. We paid our pro rata share of these fees in 2010 (€104 million in the second quarter of 2010 and €56 million in the fourth quarter of 2010). The upfront fees associated with the new concession are amortized by LNS (anticipated to be approximately €89 million each year of the new concession on a pre-tax basis), which will reduce our equity in earnings of LNS. Our share of the amortization is expected to be approximately €18 million each year on a pre-tax basis. In light of the corporate structure of LNS, we will record our equity in earnings of LNS on an after-tax basis under applicable accounting rules, which will impact the comparability of our results of operations associated with LNS with our results of operations associated with CLN since we recorded our equity in earnings of CLN on a pre-tax basis. Subject to applicable limitations, we are entitled to receive from LNS annual cash dividends as well as periodic return of capital payments over the life of the concession.

Our investment in CLN and LNS resulted in a significant portion of our income in 2010. For the year ended December 31, 2010, we recorded equity in net income of approximately \$39.4 million attributable to our interests in CLN and LNS.

***Northstar Lottery Group***

We are a 20% equity owner in Northstar, a joint venture with GTECH Corporation, a subsidiary of Lottomatica, that was formed to bid for the agreement to be the private manager for the Illinois lottery for a ten-year term. Northstar was selected as the private manager following a competitive procurement and entered into the private management agreement with the State of Illinois on January 18, 2011 (the "PMA"). As the private manager, Northstar will, subject to the oversight of the Illinois lottery, manage the day-to-day operations of the Lottery including lottery game development and portfolio management, retailer recruitment and training, supply of goods and services and overall marketing strategy. Under the terms of the PMA, Northstar is entitled to receive annual incentive compensation payments to the extent it is successful in increasing the lottery's net income above specified target levels, subject to a cap of 5% of the applicable year's net income. Northstar will be responsible for payments to the State to the extent such targets are not achieved, subject to a similar cap. Northstar is expected to be reimbursed on a monthly basis for most of its operating expenses under the PMA. Under a CSP agreement with Northstar, the Company will be responsible for the design, development, manufacturing, warehousing and distribution of instant lottery tickets and will be compensated based on a percentage of retail sales.

Operations under the PMA are scheduled to commence in 2011, following a transition period. On January 26, 2011, the Appellate Court of Illinois upheld a constitutional challenge to the revenue statute that, among other things, amended the lottery law to facilitate the PMA on grounds that the statute impermissibly addressed more than one subject. The Illinois Supreme Court subsequently granted a stay of the Appellate Court's decision pending the appeal to the Illinois Supreme Court by the State of Illinois. We cannot predict what effect, if any, the court decision, if it is not reversed by the Illinois Supreme Court or addressed through new authorizing legislation, will have on the PMA. If the

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PMA is ultimately invalidated, we may lose our investment in Northstar and our existing instant ticket supply agreement with the Illinois lottery may come up for re-bid.

**Company Strengths**

Our strengths include:

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

*Lottery Industry:* Worldwide sales of instant and other lottery games (including keno but excluding video lottery terminals ("VLTs")) were approximately \$240 billion in calendar year 2009. The lottery industry is driven by the retail sales of lottery products sold primarily by government entities and government sponsored lottery operators. We believe that meaningful opportunities exist to partner with many of our customers to address their budget deficits by increasing sales of lottery products. We also believe that growth opportunities exist in many jurisdictions throughout the world that are currently underserved, or not served at all, by lotteries.

*Gaming Industry:* We believe the gaming industry, particularly wide area gaming where we focus, has substantial growth potential due to greater acceptance of gaming, easier access to gaming venues and increasing interest of governments in generating revenue from gaming. For example, in 2010, our server-based gaming business in U.K. licensed betting shops experienced approximately 5% growth in gross win per day per machine (i.e., cash retained per day per machine after payout). We believe that this compares favorably to destination based gaming jurisdictions, such as Las Vegas, which experienced an increase in gross gaming revenue of 4.1%, and Atlantic City, which experienced a decline in gross gaming revenue of 9.6%, during 2010. As a result of the current economic environment, we believe there is potential for further liberalization and favorable regulatory changes in the wide area gaming industry, as governments seek enhanced revenues from gaming.

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

*Printed Products:* We believe we are the leading designer, manufacturer and distributor of instant lottery tickets in the world. We supply instant lottery tickets to 43 of the 44 U.S. jurisdictions that sell instant lottery tickets. In addition, we have sold instant lottery tickets to customers in approximately 50 countries. For the majority of our U.S. instant ticket contracts, we are the primary supplier of instant lottery tickets. We operate six printing facilities across five continents (including our joint venture's facility in China) with an aggregate capacity to print approximately 45 billion 2"x 4" standard instant lottery tickets annually. We believe the efficiency and geographic and technological diversity of our printing facilities allow us to be a cost leader in the instant lottery ticket industry. We also believe we maintain the largest portfolio of licensed properties in the industry.

*Lottery Systems:* We have contracts to operate online lotteries for 11 of the 45 U.S. jurisdictions that currently operate online lotteries. We believe we are the second largest online lottery systems provider in the U.S. and a leading provider in Europe. We also

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operate central monitoring systems linked to over 96,000 VLTs globally (not including our Global Draw and Games Media terminals).

*Diversified Gaming:* We are a leading supplier of wide area gaming systems and terminals. As of December 31, 2010, we had approximately 15,000 terminals or gaming systems in licensed betting shops in the U.K. and approximately 4,000 outside of the U.K., along with approximately 3,300 terminals located in U.K. pubs. During 2010, Global Draw was awarded a contract to supply approximately 7,600 terminals to Ladbrokes Betting and Gaming, Ltd. ("Ladbrokes"), which we believe represents approximately 95% of its terminal base. The gaming machines are scheduled to be rolled out in 2011.

*Recurring revenue model.* We typically provide our lottery and diversified gaming services pursuant to long-term contracts. Our U.S. instant ticket lottery contracts typically have an initial term of three to five years and frequently include multiple renewal options for additional periods ranging from one to five years, which our customers have generally exercised in the past. Historically, we have experienced a high success rate on our re-bidding efforts for existing instant lottery ticket contracts. Under contracts in our instant lottery ticket business, we typically receive either a fixed price for printing tickets for our customers or are compensated based on the retail sales of the products (in which case, we have an opportunity to participate in sales growth alongside our customers). Our U.S. online lottery contracts typically have a minimum initial term of five years under which we are generally paid a fee equal to a percentage of the lottery's total retail sales of tickets. Our U.S. online lottery contracts typically contain multiple renewal options that generally have been exercised by our customers.

*Superior technology.* We believe that we are a technology leader in our businesses. The increased application of computer based technologies to the manufacturing and service of instant lottery tickets continues to separate the printing of instant lottery tickets from conventional forms of printing. We believe we are generally recognized within the lottery business as a leader in applying these technologies to the manufacture and sale of instant lottery tickets. In the Diversified Gaming Group, we believe that we are a technology leader in computerized wagering systems and related equipment. Specifically, in our Global Draw business unit, we provide customers with a turnkey offering that includes remote management of game content and management information, wagering terminals, central computer systems, data communication and field support services.

*Well-positioned to capitalize on growth opportunities.* Although the extent and timing is uncertain, we believe new growth opportunities will emerge as jurisdictions consider gaming revenues as a way to address significant government budget shortfalls and fund public programs. In our instant lottery ticket business, we see opportunities to expand the global footprint of instant tickets, as we believe instant ticket sales represent less than 20% of lottery sales outside of the U.S. We also expect continued growth in our existing instant ticket business from retailer expansion and growth in average selling price points. In addition, we believe there are opportunities to expand our services by supporting Internet-based lottery initiatives such as second chance drawings, player loyalty clubs and prize drawings. In early 2010, U.S. lotteries began cross selling the multi-state Powerball® and Mega Millions lottery games, enabling players in many lottery states to play a big jackpot game four days a week. We believe that cross selling may be the first step in expanding and differentiating the products offered by lotteries, providing an impetus for growth in that business. In wide area gaming, we believe growth opportunities exist in land-based venues, such as pubs, bars, restaurants, truck stops, betting shops and other easily accessible venues, as well as via the Internet and other digital platforms.

*Strong financial profile.* Over the last two years, we have increased our focus on cash flow generation and have taken a number of steps to improve our cost structure. Beginning in 2009, we have completed a number of financing transactions, including the private offering of the old

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notes, which have extended the weighted average maturity of our indebtedness from approximately 3.8 years as of December 31, 2008 to approximately 5.3 years as of December 31, 2010. We used the net proceeds from the private offering of the old notes to repurchase or redeem all of our outstanding 6.25% senior subordinated notes due 2012 (the "2012 notes"). In 2010, we repurchased or redeemed all of our outstanding 0.75% convertible senior subordinated debentures due 2024 (the "convertible debentures") and, with net proceeds from a new incremental term loan facility under our credit agreement, repaid substantially all of the indebtedness under the promissory notes we issued to defer a portion of the earn-out payable in connection with our 2006 acquisition of Global Draw (the "Global Draw promissory notes"). With these transactions, we have satisfied the liquidity conditions in our credit facilities related to the convertible debentures, the Global Draw promissory notes and the 2012 notes. We believe these steps have improved our financial profile and position us to pursue growth opportunities. At December 31, 2010, we had approximately \$124.3 million of cash and cash equivalents and \$134.3 million of availability under our revolving credit facility.

**Company Strategies**

Our goal is to be a leader in providing wide area lottery and gaming products and services to customers around the world. The following are the primary elements of our strategy to accomplish this goal:

*Maximize Revenue and Profits from Existing Contracts and Infrastructure.* We believe we have significant growth potential within our existing global customer base by introducing new products and services and by expanding distribution of our products to new venues. We view this as one of the more attractive avenues of growth as it utilizes our existing contracts and infrastructure and should require relatively limited incremental capital expenditures and overhead expenses. For example:

In our Lottery Systems business, we are seeking to maximize revenue and profitability from our existing contracts by working with lottery organizations to introduce new game content, including branded and higher price point games.

In our Global Draw and Games Media businesses, we believe that by enhancing the quality and delivery options for game content we can improve the performance of our gaming terminals. We are in the process of introducing a new state-of-the-art gaming platform that is anticipated to bring expanded content and functionality to our customers and end players, which we believe will result in improved cashbox performance.

In the U.S., we believe that there is potential to increase instant ticket sales by expanding into new forms of retail distribution. Industry estimates suggest that approximately 70% of total fiscal 2009 lottery sales were transacted at only 140,000 retail locations, which were primarily convenience stores, gas stations and grocery stores. We believe that by tailoring our products, content and delivery mechanisms to meet a broader set of retailer needs, we can expand distribution to new retail outlets, including "big box" retailers, drug store chains and other high traffic outlets that have historically not been significant retailers of our products.

*Bring Our Products and Services to New Customers in New Geographies.* We believe that we have a significant opportunity to expand our business by introducing our wide area lottery and gaming products to new and underpenetrated geographies. For example:

We believe that instant tickets currently comprise less than 20% of lottery sales outside of the U.S., compared to almost 60% of lottery sales in the U.S. We are especially focused on increasing instant ticket penetration in both underpenetrated and new jurisdictions, particularly in Asia, South America and Eastern/Central Europe. We believe that several

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countries in these regions are evaluating the introduction of instant tickets to help fund existing budget deficits and/or public infrastructure improvements.

We believe the Global Draw business model has been validated by its success to date in the U.K., where it boasts an installed gaming machine base of approximately 15,000 units and was recently awarded an additional 7,600 machines to be deployed in the Ladbrokes estate in 2011. Outside of the U.K., Global Draw has had early success in geographies such as Mexico and the Caribbean, including Puerto Rico, St. Kitts and Nevis. We view North America and the Caribbean as substantial areas of growth for this business as they currently have estimated wide area gaming machine installed bases of approximately 140,000 and 86,000 terminals, respectively. In conjunction with this effort, our Lottery Systems Group's central monitoring and control systems business is actively pursuing opportunities in North American jurisdictions that are seeking to expand into licensed video gaming or replace their existing video gaming systems.

*Pursue and Exploit New Business Models.* As U.S. states increasingly look towards lottery and gaming as a source of revenue, we believe they could pursue an outsourcing model whereby the day-to-day management of the lottery is conducted by a third party, similar to the private management agreement the Illinois lottery awarded to our Northstar joint venture. We believe this model bodes well for our business given the success our Italian joint venture has had historically as a value-added operator, where instant ticket sales grew from approximately \$1 billion in 2004 to approximately \$12.4 billion in 2010.

*Expand Playership Through Mobile and Internet Technologies.* The liberalization and regulation of Internet and mobile gaming is becoming increasingly prevalent outside the U.S. as governments seek to raise public funds and to meet customer demands. We believe the global gaming industry is undergoing significant change, as players want the ability to play anytime and anywhere with one common electronic wallet, or account, to facilitate payment. As such, we believe the industry will be increasingly characterized by convergence, or the interlinking of land-based and virtual (e.g., Internet) gaming technologies, networks and content. Therefore, we are investing in development activities focused on using the Internet and other new media and interactive technologies to grow lottery playership and drive business to the existing retail base, as well as take advantage of other regulated gaming opportunities. For example:

Our recently launched MDI Interactive business offers a portfolio of content, programs and services to lotteries designed to attract and engage more players both online and through other forms of digital media. MDI Interactive products and services include MDI's Properties Plus offering, a web-based platform featuring players clubs, the Points for Prizes rewards program, second chance promotional websites, the Play It Again instant game top prize management program, interactive games and, subject to applicable law, a subscription system that enables players to purchase lottery games securely over the Internet. We intend to market MDI Interactive's products and services to lottery customers that are seeking to benefit from evolving technology and consumer trends.

Our *Sciplay* joint venture focuses on providing end-to-end offerings of products and services that enable its customers to offer interactive lottery and gaming operated via the Internet and other new media distribution channels in a manner that is consistent with the applicable regulatory regimes.

*Pursue Strategic Acquisitions.* In support of the foregoing strategy, we may engage in strategic acquisitions to help us achieve our goals. For example:

We recently acquired substantially all of the assets of GameLogic Inc. ("GameLogic"), a provider of interactive marketing services for the regulated gaming industry, including GameLogic's software for Internet-based loyalty programs for lottery players as well as an

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extensive portfolio of interactive games and related intellectual property. We have integrated the GameLogic assets with Properties Plus.

In 2010, we also acquired certain assets of Sceptre Leisure Solutions Limited, including 751 server-based gaming terminals and associated customer contracts, to increase Global Draw's estate of gaming machines supplied and operated by licensed betting offices in the U.K.

### **The Company**

Scientific Games Corporation is a Delaware corporation. Our principal executive offices are located at 750 Lexington Avenue, 25<sup>th</sup> Floor, New York, New York 10022, and our telephone number at that address is (212) 754-2233. Our website is located at [www.scientificgames.com](http://www.scientificgames.com). The information on our website is not part of this registration statement.

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**The Exchange Offer**

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

On September 22, 2010, the Issuer issued \$250.0 million in aggregate original principal amount of 8.125% senior subordinated notes due 2018 (the old notes) in a private offering to a group of initial purchasers in reliance on exemptions from, or in transactions not subject to, the registration requirements of the Securities Act and applicable state securities laws. We refer to the old notes and the new notes collectively herein as the "notes." The notes are unconditionally guaranteed, jointly and severally, on a senior subordinated unsecured basis, by the guarantors.

**The Exchange Offer**

The Issuer is offering to exchange an aggregate of \$250.0 million principal amount of new notes for \$250.0 million principal amount of the old notes.

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

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

**Resale of New Notes**

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

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

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|------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                    | <p>If any of these conditions are not satisfied, you must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction. Our belief that transfers of new notes would be permitted without registration or prospectus delivery under the conditions described above is based on the interpretations of the SEC given to other, unrelated issuers in transactions similar to the exchange offer. We cannot assure you that the SEC would take the same position with respect to the exchange offer. Each broker-dealer that receives new notes for its own account in exchange for old notes, where the old notes were acquired by it as a result of market-making activities or other trading activities, may be deemed to be an "underwriter" within the meaning of the Securities Act and must acknowledge that it will deliver a prospectus that meets the requirements of the Securities Act in connection with any resale of the new notes. However, by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.</p> |
| Expiration Date                    | <p>The exchange offer will expire at 5:00 p.m., New York City time, on      , 2011 unless we extend it.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Withdrawal                         | <p>You may withdraw your tender of old notes under the exchange offer at any time before the exchange offer expires. Any withdrawal must be in accordance with the procedures described in "The Exchange Offer Withdrawal Rights."</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Procedures for Tendering Old Notes | <p>Each holder of old notes that wishes to tender old notes for new notes pursuant to the exchange offer must, before the exchange offer expires, either:</p> <ul style="list-style-type: none"> <li>transmit a properly completed and duly executed letter of transmittal, together with all other documents required by the letter of transmittal, including the old notes, to the exchange agent, or</li> <li>if old notes are tendered in accordance with book-entry procedures, arrange with The Depository Trust Company ("DTC"), to cause to be transmitted to the exchange agent an agent's message indicating, among other things, the holder's agreement to be bound by the letter of transmittal,</li> <li>or comply with the procedures described below under " Guaranteed Delivery."</li> </ul> <p>A holder of old notes that tenders old notes in the exchange offer must represent, among other things, that:</p> <ul style="list-style-type: none"> <li>the holder is not an "affiliate" of the Issuer or any guarantor as defined under Rule 405 of the Securities Act;</li> </ul>                                                                                                     |

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

if the holder is a broker-dealer that will receive new notes for its own account in exchange for outstanding notes that were acquired as a result of market-making or other trading activities, then the holder will deliver a prospectus in connection with any resale of the new notes; and

the holder is not acting on behalf of any person who could not truthfully make the foregoing representations.

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

Special Procedures for Tenders by  
Beneficial Owners of Old Notes

If

you beneficially own old notes,

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

you wish to tender your old notes in the exchange offer,

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

Guaranteed Delivery

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

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

you cannot complete the procedure for book-entry transfer on time,

you may tender your old notes in accordance with the procedures described in "The Exchange Offer Procedures for Tendering Old Notes Guaranteed Delivery."

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

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**The New Notes**

The exchange offer applies to the \$250.0 million principal amount of the old notes outstanding as of the date hereof. The form and the terms of the new notes will be identical in all material respects to the form and the terms of the old notes except that the new notes:

will have been registered under the Securities Act;

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

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

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

The new notes evidence the same debt as the old notes exchanged for the new notes and will be entitled to the benefits of the same indenture under which the old notes were issued, which is governed by New York law.

|                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Issuer                 | Scientific Games Corporation, a Delaware corporation.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Securities Offered     | \$250,000,000 in principal amount of 8.125% senior subordinated notes due 2018.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Maturity Date          | The notes will mature on September 15, 2018.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Interest Payment Dates | September 15 and March 15 of each year, commencing March 15, 2011. Interest will accrue from September 22, 2010.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Optional Redemption    | We may redeem some or all of the notes at any time prior to September 15, 2014 at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest, if any, to the date of redemption plus a "make-whole" premium. We may redeem some or all of the notes on or after September 15, 2014 at the redemption prices listed under "Description of Notes Redemption Optional Redemption," plus accrued and unpaid interest, if any, to the date of redemption.<br>In addition, at any time prior to September 15, 2013, we may redeem up to 35% of the initially outstanding aggregate principal amount of the notes at a redemption price of 108.125% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of redemption, with the net cash proceeds from certain equity offerings. |
| Regulatory Redemption  | The notes are subject to redemption requirements relating to gaming laws and regulations of gaming authorities in jurisdictions in which we conduct gaming operations. See "Description of Notes Redemption Regulatory Redemption."                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Guarantees             | The old notes are, and the new notes will be fully and unconditionally guaranteed on a senior subordinated basis, jointly and severally, by each of the Issuer's wholly owned domestic subsidiaries.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |

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Ranking

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

equal in right of payment with the Issuer's existing and future senior subordinated indebtedness, including the Issuer's guarantees of \$350.0 million in aggregate principal amount of SGI's 9.250% senior subordinated notes due 2019 (the "2019 notes") and \$200.0 million in aggregate principal amount of SGI's 7.875% senior subordinated notes due 2016 (the "2016 notes");

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

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

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

junior in right of payment to all of such guarantor's existing and future senior indebtedness, including, in the case of SGI, indebtedness under its credit facilities and, in the case of each of the other guarantors, its guarantee of indebtedness under SGI's credit facilities;

equal in right of payment with existing and future senior subordinated indebtedness of such guarantor, including, in the case of SGI, the 2019 notes and the 2016 notes and, in the case of each of the other guarantors, its guarantee of the 2019 notes and the 2016 notes;

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

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

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|-------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                   | <p>As of December 31, 2010:</p> <p>the Issuer had \$815.4 million of senior indebtedness (excluding its obligation as a guarantor of the remaining Global Draw promissory note), including (i) \$625.1 million of secured senior indebtedness (which includes \$52.8 million of outstanding and undrawn letters of credit) of SGI that the Issuer guarantees under SGI's credit facilities, and (ii) \$190.3 million of outstanding surety bonds, and SGI had \$134.3 million of additional availability under its credit facilities that the Issuer would guarantee (all of which would be secured);</p> <p>the Issuer had \$550.0 million of other senior subordinated indebtedness outstanding, consisting of its guarantees of the 2019 notes and the 2016 notes;</p> <p>the guarantors had no senior indebtedness other than the indebtedness under SGI's credit facilities described above, in the case of SGI, or guarantees of such indebtedness, in the case of the other guarantors (excluding the obligations of SGI and certain of the other guarantors as guarantors of the remaining Global Draw promissory note);</p> <p>the guarantors had \$550.0 million of other senior subordinated indebtedness outstanding, consisting of the 2019 notes and the 2016 notes, in the case of SGI, or guarantees of such indebtedness, in the case of the other guarantors; and</p> <p>our subsidiaries that are not guaranteeing the notes had outstanding total third-party liabilities of \$164.4 million, consisting primarily of trade payables and other long-term liabilities.</p> |
| Change of Control | <p>Upon the occurrence of a change of control, we will be required to offer to repurchase the notes at a price equal to 101% of the principal amount, plus accrued and unpaid interest to the purchase date. See "Description of Notes Change of control."</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Certain Covenants | <p>The indenture governing the notes contains certain covenants which will, among other things, limit our ability and the ability of our restricted subsidiaries to:</p> <ul style="list-style-type: none"> <li>incur indebtedness or issue preferred stock;</li> <li>pay dividends or make distributions in respect of capital stock or make certain other restricted payments or investments;</li> <li>sell assets, including capital stock of the restricted subsidiaries;</li> <li>agree to payment restrictions affecting restricted subsidiaries;</li> <li>enter into transactions with our affiliates; and</li> <li>merge, consolidate or sell substantially all of our assets.</li> </ul> <p>These covenants are subject to important exceptions and qualifications described under the heading "Description of Notes Certain Covenants."</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |

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No Public Market

The new notes are new securities and there is currently no established trading market for the new notes. The initial purchasers have advised us that they presently intend to make a market in the new notes. However, you should be aware that they are not obligated to make a market in the new notes and may discontinue their market-making activities at any time without notice. As a result, a liquid market for the new notes may not be available if you try to sell your new notes. We do not intend to apply for a listing of the new notes on any securities exchange or any automated dealer quotation system.

Use of proceeds

We will not receive any proceeds from the exchange offer. See "Use of Proceeds."

**Risk Factors**

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

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The following table sets forth our summary historical financial data as of and for the periods indicated. The summary statement of operations data for the years ended December 31, 2008, 2009 and 2010 and the summary balance sheet data as of December 31, 2009 and 2010 have been derived from and should be read in conjunction with our audited consolidated financial statements, the notes thereto and the related "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our Annual Report on Form 10-K for the year ended December 31, 2010 filed on March 1, 2011, which report is incorporated herein by reference. The summary balance sheet data as of December 31, 2008 has been derived from our audited consolidated balance sheet as of December 31, 2008.

|                                                             | Year Ended December 31,                  |           |      |          |    |           |
|-------------------------------------------------------------|------------------------------------------|-----------|------|----------|----|-----------|
|                                                             | 2008                                     | 2009      | 2010 |          |    |           |
|                                                             | (in thousands, except for share amounts) |           |      |          |    |           |
| Statement of operations data:                               |                                          |           |      |          |    |           |
| Operating revenues:                                         |                                          |           |      |          |    |           |
| Instant tickets                                             | \$                                       | 548,308   | \$   | 453,238  | \$ | 465,090   |
| Services                                                    |                                          | 451,664   |      | 410,014  |    | 363,138   |
| Sales                                                       |                                          | 118,857   |      | 64,497   |    | 54,271    |
|                                                             |                                          |           |      |          |    |           |
| Total revenues                                              | \$                                       | 1,118,829 | \$   | 927,749  | \$ | 882,499   |
| Cost of instant tickets(1)                                  |                                          | 331,501   |      | 270,836  |    | 270,787   |
| Cost of services(1)                                         |                                          | 263,284   |      | 234,093  |    | 206,034   |
| Cost of sales(1)                                            |                                          | 85,856    |      | 44,539   |    | 38,045    |
| Selling, general and administrative expenses                |                                          | 184,213   |      | 168,248  |    | 158,500   |
| Write-down of assets held for sale                          |                                          |           |      | 54,356   |    | 8,029     |
| Employee termination costs                                  |                                          | 13,695    |      | 3,920    |    | 602       |
| Depreciation and amortization                               |                                          | 218,643   |      | 151,784  |    | 141,766   |
|                                                             |                                          |           |      |          |    |           |
| Operating income (loss)                                     | \$                                       | 21,637    | \$   | (27)     | \$ | 58,736    |
| Net loss available to common stockholders                   | \$                                       | (4,485)   | \$   | (39,879) | \$ | (149,201) |
| Basic net loss available to common stockholders per share   | \$                                       | (0.05)    | \$   | (0.43)   | \$ | (1.61)    |
|                                                             |                                          |           |      |          |    |           |
| Diluted net loss available to common stockholders per share | \$                                       | (0.05)    | \$   | (0.43)   | \$ | (1.61)    |

(1) Exclusive of depreciation and amortization.

|                            | <b>As of December 31,</b> |             |             |
|----------------------------|---------------------------|-------------|-------------|
|                            | <b>2008</b>               | <b>2009</b> | <b>2010</b> |
| <b>Balance sheet data:</b> |                           |             |             |
| Cash and cash equivalents  | \$ 140,639                | \$ 260,131  | \$ 124,281  |
| Total assets               | 2,182,453                 | 2,291,792   | 2,151,538   |

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|                                             |           |           |           |
|---------------------------------------------|-----------|-----------|-----------|
| Total debt (including current installments) | 1,239,467 | 1,367,063 | 1,396,690 |
| Total stockholders' equity                  | 595,829   | 619,758   | 452,658   |

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The following table sets forth our ratio of earnings to fixed charges for the years ended December 31, 2006, 2007, 2008, 2009 and 2010. For the purpose of determining the ratio of earnings to fixed charges, "earnings" consist of earnings (loss) before income tax expense (benefit) plus fixed charges, and "fixed charges" consist of interest expense, including amortization of deferred financing costs, plus one-third of rental expense (this portion is considered to be representative of the interest factor).

|                                    | Year Ended December 31, |      |      |      |      |
|------------------------------------|-------------------------|------|------|------|------|
|                                    | 2006                    | 2007 | 2008 | 2009 | 2010 |
| Ratio of earnings to fixed charges | 2.2x                    | 1.5x | 0.4x | 0.1x | 0.5x |

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**RISK FACTORS**

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

**Risks Relating to Our Business**

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

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

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

We believe our principal competitors in the instant ticket lottery business have increased their production capacity, which is expected to increase pricing pressures in the instant ticket business and adversely affect our ability to win or renew instant ticket contracts or reduce the profitability of instant ticket contracts that we do win. Our domestic instant ticket business could also be adversely affected should additional foreign competitors in Canada export their lottery products to the U.S. or should other foreign competitors establish printing facilities in the U.S. or Canada to supply the U.S. We also compete in the international instant ticket lottery business with low-price, low-quality printers in a regulated environment where laws are being reinterpreted so as to create competition from non-traditional lottery vendors and products.

We also face increased price competition in the online lottery business from our two principal competitors. Since late 2007, the lottery authorities in South Carolina, West Virginia, South Dakota, New Hampshire and Vermont awarded new online lottery contracts to our competitors. Our online lottery contracts with South Carolina, West Virginia and South Dakota terminated on November 15, 2008, June 27, 2009 and August 2, 2009, respectively, and our online lottery contracts with New Hampshire and Vermont terminated on June 30, 2010. During 2010, the lottery authority in Maine awarded a new online lottery contract to one of our competitors, which award was subsequently invalidated as a result of our protest. The competitor has appealed the protest ruling. There can be no assurance that the appeal will be denied, that our existing contract will be extended or that we will be the winning bidder under any reissued RFP.

Pricing pressures and potential privatizations (including partial privatizations through private management agreements or otherwise) of some lotteries may also change the manner in which online and instant ticket contracts are awarded and the profitability of those contracts. Any future success of our lottery business will also depend, in part, on the success of the lottery industry in attracting and retaining players in the face of increased competition for these players' entertainment dollars, as well as

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our own success in developing innovative products and systems to achieve this goal. Our failure to achieve this goal could reduce revenues from our lottery operations. As a result of pressures on state and other government budgets, other forms of gaming may be legalized, which could adversely impact our business.

Our gaming-related businesses face competition from other vendors and illegal operators, as well as changes in law and regulation that can affect our future profitability. In our prepaid phone card business, we are operating in a period of intense price-based competition, which is likely to continue to negatively affect our revenues and operating margins.

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

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

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

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

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

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

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

Generally, our customer contracts contain initial multi-year terms, with optional renewal periods held by the customer. Upon the expiration of a contract, including any extensions thereof, new contracts may be awarded through a competitive bidding process. Since late 2007, the lottery authorities in South Carolina, West Virginia, South Dakota, New Hampshire and Vermont have awarded new online lottery contracts to our competitors. Our revenue from our online contracts in these states represented approximately \$23.0 million, or approximately 2%, of our total 2008 revenue. During 2010, the lottery authority in Maine awarded a new online lottery contract to one of our competitors, which award was subsequently invalidated as a result of our protest. The competitor has appealed the protest ruling. There can be no assurance that the appeal will be denied, that our existing contract will be extended or that we will be the winning bidder under any reissued RFP.

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

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bonds would materially and adversely affect our ability to renew existing, or obtain new lottery contracts.

There can be no assurance that our current contracts will be extended or that we will be awarded new contracts as a result of competitive bidding processes in the future. The termination, expiration or failure to renew one or more of our contracts could cause us to lose substantial revenues and profits, which could have an adverse effect on our ability to win or renew other contracts or pursue acquisitions or other growth initiatives. For additional information regarding the potential expiration dates of our U.S. lottery contracts, see the table in "Business Contract Procurement" in Item 1 of our Annual Report on Form 10-K for the year ended December 31, 2010, filed on March 1, 2011, which report is incorporated herein by reference.

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

Our online lottery and server-based interactive gaming machine businesses generally require significant upfront capital expenditures for terminal assembly, software customization and implementation, systems and equipment installation and telecommunications configuration. Historically, we have funded these upfront costs through cash flows generated from operations, available cash on hand and borrowings under our credit facilities. Our ability to continue to procure new contracts will depend on, among other things, our then present liquidity levels or our ability to obtain additional financing on commercially reasonable terms. If we do not have adequate liquidity or are unable to obtain financing for these upfront costs on favorable terms or at all, we may not be able to bid on certain contracts, which could restrict our ability to grow and have a material adverse effect on our results of operations. Moreover, we may not realize the return on investment that we anticipate on new contracts due to a variety of factors, including lower than anticipated retail sales, higher than anticipated capital or operating expenses and unanticipated regulatory developments or litigation.

As of December 31, 2010, we had total indebtedness of approximately \$1,396.7 million, or approximately 75.5% of our total capitalization, consisting primarily of senior secured term loan and revolving credit facilities under our credit agreement and our senior subordinated notes. Our ability to make payments on and to refinance our indebtedness will depend on our ability to generate cash in the future. This, to some extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

If we are unable to generate sufficient cash flow from operations in the future to meet our commitments, we will be required to adopt one or more alternatives, such as refinancing or restructuring our indebtedness, selling material assets or operations or seeking to raise additional debt or equity capital. We cannot assure you that any of these actions could be completed on a timely basis or on satisfactory terms or at all, or that these actions would enable us to continue to satisfy our capital requirements. Moreover, our existing or future debt agreements contain restrictive covenants that may prohibit us from adopting these alternatives. Our failure to comply with these covenants could result in an event of default which, if not cured or waived, could result in the acceleration of all of our debt.

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

We believe that our success depends, in part, on protecting our intellectual property in the U.S. and in foreign countries. Our intellectual property includes certain patents and trademarks relating to our instant ticket games and wagering systems, as well as proprietary or confidential information that is not subject to patent or similar protection. Our intellectual property protects the integrity of our games, systems, products and services, which is a core value of the industries in which we operate. For example, our intellectual property is designed to ensure the security of the printing of our instant

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lottery tickets and provide simple and secure validation of our lottery tickets. Competitors may independently develop similar or superior products, software, systems or business models. In cases where our intellectual property is not protected by an enforceable patent, such independent development may result in a significant diminution in the value of our intellectual property.

There can be no assurance that we will be able to protect our intellectual property. We enter into confidentiality or license agreements with our employees, vendors, consultants and, to the extent legally permissible, our customers, and generally control access to, and the distribution of, our game designs, systems and other software documentation and other proprietary information, as well as the designs, systems and other software documentation and other information that we license from others. Despite our efforts to protect these proprietary rights, unauthorized parties may try to copy our gaming products, business models or systems, use certain of our confidential information to develop competing products, or develop independently or otherwise obtain and use our gaming products or technology, any of which could have a material adverse effect on our business. Policing unauthorized use of our technology is difficult and expensive, particularly because of the global nature of our operations. The laws of other countries may not adequately protect our intellectual property.

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

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

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

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

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

In the U.S. and many other countries, lotteries and other forms of wagering must be expressly authorized by law. Once authorized, such activities are subject to extensive and evolving governmental regulation. Moreover, such gaming regulatory requirements vary from jurisdiction to jurisdiction. Therefore, we are subject to a wide range of complex gaming laws and regulations in the jurisdictions in which we are licensed. Most jurisdictions require that we be licensed, that our key personnel and certain of our security holders be found suitable or be licensed, and that our products be reviewed and approved before placement. If a license, approval or finding of suitability is required by a regulatory

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authority and we fail to seek or do not receive the necessary approval, license or finding of suitability, then we may be prohibited from distributing our products for use in the particular jurisdiction.

The regulatory environment in any particular jurisdiction may change in the future, and any such change could have a material adverse effect on our results of operations, business or prospects. Moreover, there can be no assurance that the operation of lotteries, video gaming machines, Internet gaming or other forms of lottery or wagering systems will be approved by additional jurisdictions or that those jurisdictions in which these activities are currently permitted will continue to permit such activities. There can be no assurance that law enforcement or gaming regulatory authorities will not seek to restrict our business in their jurisdictions or even institute enforcement proceedings. In addition, there can be no assurance that any instituted enforcement proceedings will be favorably resolved, or that such proceedings will not have a material adverse impact on our ability to retain and renew existing licenses or to obtain new licenses in other jurisdictions.

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

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

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We have developed and implemented an internal compliance program in an effort to ensure that we comply with legal requirements imposed in connection with our wagering-related activities, as well as legal requirements generally applicable to all publicly traded corporations. The compliance program is run on a day-to-day basis by our Chief Compliance Officer with legal advice provided by our General Counsel and outside experts. The compliance program is overseen by the Compliance Committee of our Board of Directors, consisting of four outside directors. There can be no assurance that such steps will prevent the violation of one or more laws or regulations, or that a violation by us or an employee will not result in the imposition of a monetary fine or suspension or revocation of one or more of our licenses.

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

Legalized gaming is subject to opposition from gaming opponents. There can be no assurance that this opposition will not succeed in preventing the legalization of gaming in jurisdictions where these activities are presently prohibited or prohibiting or limiting the expansion of gaming where it is currently permitted, in either case to the detriment of our business, financial condition, results and prospects.

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

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

These joint ventures and strategic investments currently include LNS (which succeeded CLN as the holder of the concession to operate the instant ticket lottery in Italy that began on October 1, 2010), our joint ventures in China, RCN, our Northstar joint venture to act as the private manager of the Illinois lottery, our *Sciplay* joint venture with Playtech to deliver Internet gaming solutions to government-sponsored and other lotteries and certain other gaming operators and our equity investment in Sportech. We are party to other strategic agreements with Playtech relating to gaming machines that contemplate our use of and reliance on Playtech's back-end technology platform in international territories. Failure to timely migrate to the new back-end technology platform could result in Global Draw being unable to meet certain contract commitments, which could negatively impact our business results of operations and prospects. We cannot assure you that we will be able to successfully develop and market Internet and land-based gaming products under our agreements with Playtech.

Our Northstar joint venture, in which we are a 20% equity holder, was awarded the agreement to be the private manager for the Illinois lottery for a ten-year term following a competitive procurement, which agreement was executed on January 18, 2011. See "Summary Our Company Overview Northstar Lottery Group." Operations under the PMA are scheduled to commence in 2011 following a transition period. On January 26, 2011, the Illinois Appellate Court upheld a constitutional challenge to the revenue statute that, among other things, amended the Illinois lottery law to facilitate the PMA, on grounds that the statute impermissibly addressed more than one subject. The Illinois Supreme Court subsequently granted a stay of the Appellate Court's decision pending the appeal to the Illinois Supreme Court by the State of Illinois. We cannot predict what effect, if any, the court decision, if it is not reversed by the Illinois Supreme Court or addressed through new authorizing legislation, will have on the validity of the PMA. If the PMA is ultimately invalidated, we may lose our investment in Northstar and our existing instant ticket supply agreement with the Illinois lottery may come up for re-bid.

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

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

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

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

We assess our goodwill and other intangible assets and our long-lived assets as and when required by accounting principles generally accepted in the U.S. ("GAAP") to determine whether they are impaired. In 2010, we recorded asset impairment charges of approximately \$17.5 million related to underperforming Lottery Systems contracts, \$3.0 million of impairments related to obsolete equipment in Lottery Systems, \$2.5 million of impairments related to obsolete equipment in Global Draw and \$8.3 million of accelerated depreciation on existing platform technology due to Global Draw's migration to new platform technology. In 2009, we recorded asset impairment charges of approximately \$24.7 million primarily related to underperforming Lottery Systems contracts. In 2008, we recorded approximately \$76.2 million in impairment charges primarily related to the impairment of certain hardware and software assets and underperforming Lottery Systems contracts. Refer to the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies Valuation of long-lived and intangible assets and goodwill" in Item 7 and Note 1 (Description of the Business and Summary of Significant Accounting Policies) and Note 4 (Property and Equipment) included in the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2010, filed on March 1, 2011, for additional discussion of impairment charges. We cannot predict the occurrence of impairments and there can be no assurance that we will not have to record additional asset impairment charges in the future.

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

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

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

Our revenues can fluctuate due to seasonality in some components of our business. The summer season historically has been the weakest part of the year for certain parts of our lottery business, particularly where our revenues are tied to a percentage of retail sales such as under our CSP contracts. The fourth quarter is typically the weakest quarter for Global Draw due to reduced wagering during the holiday season. This adversely affects the amounts wagered and our corresponding service revenues.

In addition, our revenues in our Lottery Systems Group can be somewhat dependent on the size of jackpots of lottery games such as Powerball and Mega Millions during the relevant period.

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

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

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

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

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

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

In addition, our Global Draw business has entered into a number of significant contracts whose performance depends upon our third-party suppliers delivering equipment on schedule for Global Draw

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to meet its contract commitments. Failure of the suppliers to meet their delivery commitments could result in Global Draw being in breach of and subsequently losing those contracts, which loss could have a material adverse effect on our results of operations.

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

Our products could be defective, fail to perform as designed or otherwise cause harm to our customers, their equipment or their products. If any of our products are defective, we may be required to recall the products and/or repair or replace them, which could result in substantial expenses and affect our profitability. Any problems with the performance of our products could harm our reputation, which could result in a loss of sales to customers and/or potential customers. In addition, if our customers believe that they have suffered harm caused by our products, they could bring claims against us that could result in significant liability. Any claims brought against us by customers may result in diversion of management's time and attention, expenditure of large amounts of cash on legal fees, expenses, and payment of damages, decreased demand for our products and services, and injury to our reputation. Our insurance may not sufficiently cover a large judgment against us or a large settlement payment, and is subject to customary deductibles, limits and exclusions.

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

We are a global business and derive a substantial and growing portion of our revenue and profits from operations outside the United States. In the year ended December 31, 2010, we derived approximately 47% of our revenue from our customers outside the United States. Our operations in foreign jurisdictions subject us to risks customarily associated with such operations, including:

the complexity of foreign laws, regulations and markets;

the impact of foreign labor laws and disputes;

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

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

Additionally, foreign taxes paid by our foreign subsidiaries and joint ventures on their earnings may not be recovered against our U.S. tax liability. At December 31, 2010, we had a deferred tax asset for our foreign tax credit ("FTC") carry forward of approximately \$33.7 million. Although we will continue to explore tax planning strategies to use all of our FTC, at December 31, 2010, we established a valuation allowance of approximately \$33.7 million against the FTC deferred tax asset to reduce the asset to the net amount that our management estimates is "more likely than not" to be realized.

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

In addition, our ability to expand successfully in foreign jurisdictions involves other risks, including difficulties in integrating our foreign operations, risks associated with entering jurisdictions in which we may have little experience and the day-to-day management of a growing and increasingly geographically diverse company. Our investment in foreign jurisdictions often entails entering into joint ventures or other business relationships with locally based entities, which can involve additional risks arising from

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our lack of sole decision-making authority, our reliance on a partner's financial condition, inconsistency between our business interests or goals and those of our partners and disputes between us and our partners.

In particular, our investment in LNS (which succeeded CLN as the holder of the concession to operate the instant ticket lottery in Italy beginning on October 1, 2010) is a minority investment in a joint venture whose largest equity holder is Lottomatica, and, although certain corporate actions require our prior consent, we do not control decisions relating to the governance of LNS.

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

We anticipate that continued lottery related growth in China depends in part on sustained demand for lottery tickets at higher price points, as well as continued expansion of the retailer network and optimization of retailer inventories. There can be no assurance that lottery ticket demand will be sustained at higher price points, and we cannot predict the rate of retailer expansion or the extent of inventory optimization.

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

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

***Certain holders of our common stock exert significant influence over the Company and may make decisions with which other stockholders may disagree.***

In August 2004, MacAndrews & Forbes Holdings Inc. was issued approximately 25% of our outstanding common stock in connection with its conversion of our then outstanding Series A Convertible Preferred Stock. According to an amendment to Schedule 13D filed with the SEC on December 9, 2010, this holder beneficially owns 30,700,737 shares of our common stock, or approximately 33.5% of our currently outstanding common stock. Such holder is entitled to appoint up to four members of our Board of Directors under a stockholders' agreement with us, as supplemented, which we originally entered into with holders of the Series A Convertible Preferred Stock, and certain actions of the Company require the approval of such holder. As a result, this holder has the ability to exert significant influence over our business and may make decisions with which other stockholders may disagree, including, among other things, delaying, discouraging or preventing a change of control of the Company or a potential merger, consolidation, tender offer, takeover or other business combination.