

SCIENTIFIC GAMES CORP  
Form PRE 14A  
April 13, 2011

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

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934

Filed by the Registrant ☐

Filed by a Party other than the Registrant ☐

Check the appropriate box:

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

**SCIENTIFIC GAMES CORPORATION**

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(Name of Registrant as Specified In Its Charter)

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

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Payment of Filing Fee (Check the appropriate box):

- ☐ No fee required.
- ☐ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
- (1) Title of each class of securities to which transaction applies:
- (2) Aggregate number of securities to which transaction applies:
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
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- ☐ Fee paid previously with preliminary materials.
- ☐ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
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April , 2011

Dear Stockholder:

You are cordially invited to attend the annual meeting of stockholders of Scientific Games Corporation to be held at 10:30 a.m. on Tuesday, June 7, 2011, at our executive offices located at 750 Lexington Avenue, 19<sup>th</sup> Floor, New York, New York.

The agenda of this year's annual meeting includes the following items:

Agenda Item	Board Recommendation
Election of directors	FOR
Ratification of our independent auditor, Deloitte & Touche LLP	FOR
Approval of a value-for-value stock option exchange program	FOR
Approval of an amendment and restatement of our 2003 Incentive Compensation Plan	FOR
Advisory approval of the compensation of our named executive officers	FOR
Advisory approval of the frequency of future advisory votes on the compensation of our named executive officers	THREE YEARS

These matters are described in detail in the accompanying Notice of Annual Meeting of Stockholders and Proxy Statement.

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

We look forward to seeing you at the annual meeting.

Sincerely,

A. Lorne Weil  
*Chairman and Chief Executive Officer*

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**SCIENTIFIC GAMES CORPORATION**

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

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**NOTICE OF ANNUAL MEETING  
OF STOCKHOLDERS**

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Notice is hereby given that the annual meeting of stockholders of Scientific Games Corporation (the "Company") will be held at 10:30 a.m. on Tuesday, June 7, 2011, at the executive offices of the Company, 750 Lexington Avenue, 19<sup>th</sup> Floor, New York, New York, for the following purposes:

1. To elect 11 members of the Board of Directors to serve for the ensuing year and until their respective successors are duly elected and qualified.
2. To ratify the appointment of Deloitte & Touche LLP as independent auditor for the fiscal year ending December 31, 2011.
3. To approve an offer to exchange on a value-for-value basis certain stock options held by the Company's employees and directors for a lesser number of restricted stock units (and requisite amendments to the Company's 2003 Incentive Compensation Plan).
4. To approve an amendment and restatement of the Company's 2003 Incentive Compensation Plan.
5. To approve, on an advisory basis, the compensation of the Company's named executive officers.
6. To approve, on an advisory basis, the frequency of future advisory votes on the compensation of the Company's named executive officers.
7. To consider and act upon any other matter that may properly come before the meeting or any adjournment thereof.

Only stockholders of record at the close of business on April 15, 2011 are entitled to receive notice of and to vote at the meeting and any adjournment thereof. A list of the holders will be open to the examination of stockholders for ten days prior to the date of the meeting, between the hours of 9:00 a.m. and 5:00 p.m., at the office of the Secretary of the Company at 750 Lexington Avenue, 25th Floor, New York, New York, and will be available for inspection at the meeting itself.

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

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

**Important Notice Regarding the Availability of Proxy Materials for the  
Annual Meeting of Stockholders to be Held on June 7, 2011:**

**The Proxy Statement and 2010 Annual Report will be available  
on or about April 11, 2011 through the Investor Information link on our website at  
[www.scientificgames.com](http://www.scientificgames.com) or through [www.proxyvote.com](http://www.proxyvote.com)**

By Order of the Board of Directors

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

Dated: April , 2011

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**SCIENTIFIC GAMES CORPORATION**

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

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**PRELIMINARY PROXY STATEMENT**

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**GENERAL INFORMATION**

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors (the "Board") of Scientific Games Corporation ("Scientific Games," the "Company," "we" or "us") of proxies to be voted at the annual meeting of stockholders to be held at 10:30 a.m. on Tuesday, June 7, 2011, at our executive offices, 750 Lexington Avenue, 19<sup>th</sup> Floor, New York, New York, and any adjournment or postponement of the meeting, for the purposes set forth in the Notice of Annual Meeting of Stockholders.

**Notice and Access to Proxy Materials**

We expect our proxy materials, including this Proxy Statement and our 2010 Annual Report, to be made available to stockholders on or about April 1, 2011 through the Investor Information link on our website at [www.scientificgames.com](http://www.scientificgames.com) or through [www.proxyvote.com](http://www.proxyvote.com). In accordance with the rules of the Securities and Exchange Commission ("SEC"), most stockholders will not receive printed copies of these proxy materials unless they request them. Instead, most stockholders will receive by mail a "Notice Regarding the Availability of Proxy Materials" that contains instructions as to how they can view our materials online, request copies be sent to them by mail or electronically by email and as to how they can vote online (the "Notice").

**Stockholders Entitled to Vote**

All stockholders of record at the close of business on April 15, 2011 are entitled to vote at the meeting. At the close of business on April 15, 2011, a total of \_\_\_\_\_ shares of common stock were outstanding. Each share is entitled to one vote on all matters that properly come before the meeting.

**Voting Procedures**

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

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

**Voting of Proxies**

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

FOR election of the nominated directors (Proposal 1);

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

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FOR approval of an offer to exchange on a value-for-value basis certain stock options held by the Company's employees and directors for a lesser number of restricted stock units (and requisite amendments to the Company's 2003 Incentive Compensation Plan) (Proposal 3);

FOR approval of an amendment and restatement of the Company's 2003 Incentive Compensation Plan (Proposal 4);

FOR advisory approval of the compensation of the Company's named executive officers (Proposal 5); and

THREE YEARS on the frequency of future advisory votes on the compensation of the Company's named executive officers (Proposal 6).

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

**Changing Your Vote**

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

**Quorum**

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

**Vote Required**

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

Each of the other proposals will be deemed approved by the stockholders if it receives the affirmative vote of a majority of the shares entitled to vote represented at the meeting.

**Effect of Withheld Votes or Abstentions**

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

**Effect of Broker Non-Votes**

If any broker "non-votes" occur at the meeting with respect to your shares, the broker "non-votes" will count for purposes of determining whether a quorum is present but will not have an effect on any proposals presented for your vote. A broker "non-vote" occurs when a broker or nominee holding shares for a beneficial owner does not vote on a particular proposal because the broker or nominee does not have discretionary voting power on that item and has not received instructions from the owner. We believe that brokers and other nominees will have discretionary voting power to vote without instructions from the beneficial owner on the ratification of the appointment of the independent auditor (Proposal 2) and, accordingly, your shares may be voted by your broker or nominee on Proposal 2 without your instructions. We believe that a broker or other nominee holding shares for a beneficial owner may not vote these shares with respect to Proposals 1, 3, 4, 5 or 6 without specific instructions from the beneficial owner as to how to vote with respect to such Proposals.



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The Board has nominated for election to the Board the 11 persons named below to serve for a one-year term and until their successors have been duly elected and qualified or until their earlier death, resignation or removal. Four of the nominees, Messrs. Perelman, Schwartz and Kerrey and Ms. Townsend, were designated for election to the Board by MacAndrews & Forbes Holdings Inc., our largest stockholder, pursuant to its rights under a stockholders' agreement with us (discussed more fully below). Additionally, David L. Kennedy is an officer of MacAndrews & Forbes Holdings Inc. All of the nominees are presently directors of the Company.

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

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

<b>Name</b>	<b>Age</b>	<b>Position with the Company</b>	<b>Director Since</b>
A. Lorne Weil	65	Director (Chairman and Chief Executive Officer)	1989
David L. Kennedy	64	Director (Vice Chairman and Chief Administrative Officer)	2009
Michael R. Chambrello	53	Director (Chief Executive Officer Asia-Pacific Region)	2009
Peter A. Cohen	64	Director (Vice Chairman)	2000
Gerald J. Ford	66	Director	2005
J. Robert Kerrey	67	Director	2008
Ronald O. Perelman	68	Director	2003
Michael J. Regan	69	Director	2006
Barry F. Schwartz	62	Director	2003
Frances F. Townsend	49	Director	2010
Eric M. Turner	55	Director	2002

*A. Lorne Weil* has been Chairman of the Board since October 1991. Mr. Weil became Chief Executive Officer in November 2010, a position he previously held from 1992 to 2008. Mr. Weil also served as the President of the Company from August 1997 to June 2005. Mr. Weil was President of Lorne Weil, Inc., a firm providing strategic planning and corporate development services to high technology industries, from 1979 to November 1992. Previously, Mr. Weil was Vice President of Corporate Development at General Instrument Corporation, working with wagering and cable systems. Mr. Weil is a director of Avantair, Inc. and Sportech Plc.

*David L. Kennedy* was appointed to the position of executive Vice Chairman in November 2010 and Chief Administrative Officer in April 2011. Mr. Kennedy joined the Board in October 2009 as non-executive Vice Chairman. Mr. Kennedy also serves as Senior Executive Vice President of MacAndrews & Forbes Holdings Inc. and Vice Chairman of Revlon, Inc. Mr. Kennedy served as the President and Chief Executive Officer of Revlon from September 2006 through May 2009 and has held various senior management and senior financial positions with Revlon, the Coca-Cola Company and affiliates during his 39-year business career. Mr. Kennedy is a director of Revlon, Inc. and Revlon Consumer Products Corporation.

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

*Peter A. Cohen* has served as Vice Chairman since September 2004. Mr. Cohen serves as Chief Executive Officer and Chairman of the Board of Directors of Cowen Group, Inc., a diversified financial services company. Mr. Cohen was a founding partner and principal of Ramius LLC, a private investment management firm formed in 1994 that was combined with Cowen in late 2009. From November 1992 to May 1994, Mr. Cohen was Vice Chairman and a director of Republic New York Corporation, as well as a member of its executive management committee. Mr. Cohen was also Chairman of Republic's subsidiary, Republic New York Securities Corporation. Mr. Cohen was Chairman of the Board and Chief Executive Officer of Shearson Lehman Brothers from 1983 to 1990. During the past five years, Mr. Cohen has served as a director of Titan Corporation and L-3 Communications Holdings, Inc.

*Gerald J. Ford* is the principal shareholder and Chairman of the Board of Hilltop Holdings, Inc. and First Acceptance Corporation. Mr. Ford serves as a director of McMoRan Exploration Company and Freeport-McMoRan Copper & Gold Inc. Mr. Ford is also a general partner and investor in a private equity fund whose principal holding is Pacific Capital Bancorp of which he is Chairman of the Board. Mr. Ford also served as Chairman of the Board and Chief Executive Officer of Golden State Bancorp Inc. from September 1998 until its merger with Citigroup Inc. in November 2002. During the past five years, Mr. Ford also served as a director of Affordable Residential Communities, Inc.

*J. Robert Kerrey* is President Emeritus of The New School in New York City and served as its President from January 2001 until January 2011. From 1988 to 2000, he served as United States Senator from Nebraska. During that period, he was a member of numerous congressionally-chartered commissions and Senate committees, including the Senate Finance and Appropriations Committees and the Senate Select Committee on Intelligence. Prior to that time, he served as Governor of Nebraska from 1982 to 1987. Mr. Kerrey is a director of Jones Apparel Group, Inc., Tenet Healthcare Corporation and Genworth Financial, Inc.

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

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

*Barry F. Schwartz* has been Executive Vice Chairman and Chief Administrative Officer of MacAndrews & Forbes Holdings Inc. and various affiliates since October 2007. Prior to that, he was Executive Vice President and General Counsel of MacAndrews & Forbes and various affiliates since 1993 and was Senior Vice President of MacAndrews & Forbes and various affiliates from 1989 to 1993. Mr. Schwartz has also served as President and Chief Executive Officer of M & F Worldwide Corp. since September 2007. Mr. Schwartz is also a director of Harland Clarke Holdings Corp., M & F Worldwide

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Corp., Revlon Consumer Products Corporation and Revlon, Inc. During the past five years, Mr. Schwartz also served as a member of the board of managers of REV Holdings LLC.

*Frances F. Townsend* has served as the Senior Vice President of Worldwide Government, Legal and Business Affairs of MacAndrews & Forbes Holdings Inc. since October 2010. Ms. Townsend was a corporate partner at the law firm of Baker Botts L.L.P. from April 2009 to October 2010. From January 2008 until April 2009, Ms. Townsend provided consulting services and advice to corporate clients on business development, crisis and contingency planning and compliance and international relations. Prior to that, she served as Assistant to President George W. Bush for Homeland Security and Counterterrorism and chaired the Homeland Security Council from May 2004 until January 2008. She previously served as Deputy Assistant to the President and Deputy National Security Advisor for Combating Terrorism from May 2003 to May 2004. Prior to that, Ms. Townsend served as the first Assistant Commandant for Intelligence for the U.S. Coast Guard and spent 13 years at the U.S. Department of Justice in various senior positions. Ms. Townsend is also a director of Siga Technologies, Inc.

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

*Designees of MacAndrews & Forbes Holdings Inc.*

Messrs. Perelman, Schwartz and Kerrey and Ms. Townsend were designated for election to the Board by MacAndrews & Forbes Holdings Inc. pursuant to its rights under a stockholders' agreement with us dated September 6, 2000, as supplemented by an agreement dated June 26, 2002, a letter agreement dated October 10, 2003 and a letter agreement dated February 15, 2007. The stockholders' agreement was originally entered into with holders of our Series A Convertible Preferred Stock in connection with the initial issuance of such Preferred Stock and provides for, among other things, the right of the holders to designate up to four members of our Board based on their ownership of Preferred Stock or the common stock issued upon conversion thereof. All of the Preferred Stock was converted into common stock in August 2004. MacAndrews & Forbes, which owned approximately 92% of the Preferred Stock prior to conversion and currently owns approximately 33% of our outstanding common stock, has the right to designate up to four directors based on its level of share ownership. The percentages that must be maintained in order to designate directors are as follows: (a) 20% to designate four directors; (b) 16% to designate three directors; (c) 9% to designate two directors; and (d) 4.6% to designate one director. Such percentages, in each case, are to be determined based on our fully diluted common stock subject to certain exclusions of common stock or other securities that may be issued in the future.

*Qualifications of Directors*

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

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decisions regarding, Board composition, in order to facilitate Board deliberations that reflect a broad range of perspectives. The Nominating and Corporate Governance Committee and the Board believe that the Board is comprised of a diverse group of individuals.

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

**THE BOARD RECOMMENDS A VOTE "FOR" EACH OF THE 11 NOMINEES**

**Information about the Board of Directors and Committees**

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

- (1) the director has been employed by the Company (or any subsidiary) at any time within the past three years;
- (2) the director has an immediate family member who has been employed as an executive officer of the Company (or any subsidiary) at any time within the past three years;
- (3) the director or an immediate family member of the director has accepted any compensation from the Company (or any subsidiary) in excess of \$120,000 during any period of 12 consecutive months within the past three years other than (a) for Board or Board committee service, (b) in the case of the family member, as compensation for employment other than as an executive officer or (c) benefits under a tax-qualified retirement plan, or non-discretionary compensation;
- (4) the director or an immediate family member of the director is a partner, controlling shareholder or executive officer of an organization that made payments to, or received payments from, the

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Company for property or services in the current or in any of the past three years that exceed the greater of 5% of the recipient's consolidated gross revenues or \$200,000, other than (a) payments arising solely from investments in the Company's securities or (b) payments under non-discretionary charitable contribution matching programs;

- (5) the director or an immediate family member of the director is employed as an executive officer of another entity where at any time during the past three years any of the executive officers of the Company served on the compensation committee of such other entity; or
- (6) the director or an immediate family member of the director is a current partner of the Company's outside auditor, or was a partner or employee of the Company's outside auditor who worked on the Company's audit at any time during any of the past three years.

In applying these standards, the Board determined that each of Messrs. Cohen, Ford, Kerrey, Perelman, Regan, Schwartz, Townsend and Turner qualify as independent directors and none has a business or other relationship that would interfere with the director's exercise of independent judgment. In making the determination of Mr. Cohen's independence, the Board considered the Company's relationship with Ramius Securities, LLC, an affiliate of the private investment management firm of which Mr. Cohen is a founding partner and principal, which has provided certain brokerage services to the Company since December 2008 for which the Company has paid approximately \$96,000 (\$20,000 of which was paid in 2010). The Board determined that Mr. Cohen does not have a direct or indirect material interest in these arrangements and that the arrangements do not interfere with the exercise of independent judgment by Mr. Cohen.

Joseph R. Wright, who resigned from the Board at the end of 2010, did not qualify as an independent director in light of his prior service as an executive officer of the Company from May 2008 to December 2009.

The full text of the Board's Director Independence Guidelines can be accessed through the Corporate Governance link on our website at [www.scientificgames.com](http://www.scientificgames.com).

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

**Board Leadership Structure.** The Board is comprised of a substantial majority of independent directors and the Audit, Compensation, Compliance and Nominating and Corporate Governance Committees are comprised entirely of independent directors. The Board has designated Mr. Cohen, who serves as Vice Chairman of the Board and as Chairman of the Executive and Finance Committee of the Board, as the lead director to preside over regularly held executive sessions of independent directors. The responsibilities of the lead director include facilitating communication between the independent directors and the Chairman and Chief Executive Officer and coordinating the activities of the independent directors. Mr. Cohen also provides assistance to the Board and the committees of the Board in their evaluations of management's performance and he carries out other duties that the Board assigns to him from time to time in areas of governance and oversight. Mr. Weil currently serves both as Chairman of the Board and Chief Executive Officer. The Executive and Finance Committee, which includes two independent directors (including the lead director as the Chairman of such Committee) as well as the Chairman and Chief Executive Officer and the Vice Chairman and Chief Administrative Officer, regularly confer to support the Board in the performance of its duties and responsibilities between regularly scheduled Board meetings, to implement the policy decisions of the Board and to provide strategic guidance and oversight to the Company. During 2009, the Company created an Office of the Chairman

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that reported to the Board and was comprised of Messrs. Weil and Chambrello, Jeffrey S. Lipkin, the Company's Senior Vice President and Chief Financial Officer, and Mr. Kennedy, formerly an independent director. In light of senior management changes in late 2010, including Mr. Weil becoming Chief Executive Officer, Mr. Kennedy becoming an executive officer of the Company and Mr. Chambrello assuming the role of Chief Executive Officer Asia-Pacific Region, it was determined that the Office of the Chairman was no longer necessary.

The Board has the flexibility to select the leadership structure that is most appropriate for the Company and its stockholders and has determined that the Company and its stockholders are best served by not having a formal policy regarding whether the same individual should serve as both Chairman of the Board and Chief Executive Officer. This approach allows the Board to elect the most qualified director as Chairman of the Board, while maintaining the ability to separate the Chairman of the Board and Chief Executive Officer roles when deemed appropriate (as was the case during most of 2010 prior to Mr. Weil becoming Chief Executive Officer in November 2010).

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

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

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

The Board committees, which meet regularly and report to the full Board, play significant roles in carrying out the Board's risk oversight function. In particular, the Audit Committee oversees risks related to the Company's financial statements, the financial reporting process, accounting and certain legal matters. The Audit Committee also oversees the internal audit function and regularly meets separately with the Vice President of Internal Audit (who reports functionally to the Chief Financial Officer and has a direct reporting line to the Audit Committee) and representatives of the Company's independent auditing firm. The Compensation Committee evaluates the risks associated with the Company's compensation programs and discusses with management procedures to identify and mitigate such risks. See "Executive

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Compensation Compensation Discussion and Analysis Compensation Program as it Relates to Risk" below. The Compliance Committee is active in overseeing the Company's program with respect to compliance with the laws applicable to the Company's business, including gaming laws, as well as compliance with our Code of Business Conduct and related policies by employees, officers, directors and other representatives of the Company. In addition, the Compliance Committee oversees a compliance review process designed to ensure that the vendors, consultants, customers and business partners of the Company are "suitable" or "qualified" as those terms are used by applicable gaming authorities. Finally, the Executive and Finance Committee oversees the management of risks relating to financing transactions, acquisitions and divestitures and capital projects.

**Board Meetings.** The Board held a total of ten meetings during 2010 including five executive sessions at which no members of management were present. During 2010, all directors attended at least 75% of the total number of meetings of the Board and committees of the Board on which they served during the period in which they served.

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

<b>Audit Committee<sup>(1)</sup></b>	<b>Compensation Committee<sup>(1)</sup></b>	<b>Compliance Committee<sup>(2)</sup></b>	<b>Executive and Finance Committee<sup>(3)</sup></b>	<b>Nominating and Corporate Governance Committee<sup>(2)</sup></b>
Michael J. Regan (Chair) Barry F. Schwartz Eric M. Turner	Peter A. Cohen (Chair) J. Robert Kerrey Barry F. Schwartz	Barry F. Schwartz (Chair) Gerald J. Ford Eric M. Turner Frances F. Townsend	Peter A. Cohen (Chair) David L. Kennedy Ronald O. Perelman A. Lorne Weil	Gerald J. Ford (Chair) J. Robert Kerrey Michael J. Regan Frances F. Townsend

(1) Mr. Kennedy served on the Audit and Compensation Committees from February 2010 to November 2010.

(2) Ms. Townsend joined the Compliance and Nominating and Corporate Governance Committees in May 2010.

(3) Mr. Chambrello served on the Executive and Finance Committee from February 2010 to November 2010.

**Audit Committee.** The Audit Committee is responsible for hiring the Company's independent auditor and for overseeing the accounting, auditing and financial reporting processes of the Company. In the course of performing its functions, the Audit Committee reviews, with management and the independent auditor, the Company's internal accounting controls, the annual financial statements, the report and recommendations of the independent auditor, the scope of the audit, and the qualifications and independence of the auditor. The Board has determined that each member of the Audit Committee is independent under the listing standards of the Nasdaq Stock Market and that Mr. Regan qualifies as an "audit committee financial expert" under the rules of the SEC. The Audit Committee held eight meetings during 2010.

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

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under the listing standards of the Nasdaq Stock Market. The Compensation Committee held eight meetings during 2010.

**Compliance Committee.** The Compliance Committee is responsible for providing oversight and guidance to the Company's program with respect to compliance with laws and regulations applicable to the business of the Company, including gaming laws, and with respect to compliance with the Code of Business Conduct by employees, officers, directors and other representatives of the Company. The Board has determined that each member of the Compliance Committee is independent under the listing standards of the Nasdaq Stock Market. The Compliance Committee held six meetings during 2010.

**Executive and Finance Committee.** The Executive and Finance Committee has broad authority to act on behalf of the Board in the management of the business and affairs of the Company between regular meetings of the Board and assists the Board in implementing Board policy decisions. The Executive and Finance Committee held 21 meetings during 2010.

**Nominating and Corporate Governance Committee.** The Nominating and Corporate Governance Committee is responsible for identifying individuals who are qualified to become directors, recommending nominees for membership on the Board and on committees of the Board, reviewing and recommending corporate governance principles, procedures and practices and overseeing the annual self-assessment of the Board and its committees. The Board has determined that each member of the Nominating and Corporate Governance Committee is independent under the listing standards of the Nasdaq Stock Market. The Nominating and Corporate Governance Committee held six meetings during 2010.

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

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

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

**Code of Ethics.** The Board has adopted a Code of Business Conduct that applies to all of our officers, directors and employees. The Code sets forth fundamental principles of integrity and business ethics and is intended to ensure ethical decision making in the conduct of professional responsibilities. Among the areas addressed by the Code are standards concerning conflicts of interest, confidential information and



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compliance with laws, regulations and policies. The full text of the Code can be accessed through the Corporate Governance link on our website at [www.scientificgames.com](http://www.scientificgames.com).

**Director Compensation**

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

Each non-employee director is eligible to receive an award of restricted stock units ("RSUs") each year having a grant date value of \$110,000, provided such director satisfied the Board's attendance requirements discussed below. New directors receive stock options for 10,000 shares upon joining the Board. RSUs and stock options awarded to directors in January 2010 and in prior years have a five-year vesting schedule. Following the regular award of RSUs in January 2010, the vesting schedule of future RSU and option awards granted to non-employee directors was changed from five years to four years, consistent with the decision to move from a five-year vesting schedule to a four-year vesting schedule for equity awards to employees, as discussed below. Awards of stock options and RSUs are subject to forfeiture if a director leaves the Board prior to the scheduled vesting date except that such awards would accelerate in full upon a director's death or disability. Directors who are employed by the Company do not receive any additional compensation for their services as a director.

The Board imposes a minimum meeting attendance requirement in connection with the annual awards of RSUs such that only directors who have attended at least 75% of the total number of meetings held by the Board and committees on which they served in the prior year are eligible to receive an award, except that a new director with less than six months of service in the prior year is not subject to such threshold with respect to the first grant made after becoming a director. All directors then serving satisfied the attendance requirements applicable for the 2010 awards.

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

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The table below shows the compensation paid to non-employee directors for 2010.

Name	Fees Earned or Paid in Cash (\$) <sup>(1)</sup>	Stock Awards (\$) <sup>(2)</sup>	Option Awards (\$) <sup>(3)</sup>	All Other Compensation (\$)	Total (\$)
Peter A. Cohen	334,000	110,004			444,004
Gerald J. Ford	100,000	110,004			210,004
David L. Kennedy <sup>(4)</sup>	87,833	110,004		96,154	293,991
J. Robert Kerrey	92,000	110,004			202,004
Ronald O. Perelman	66,000	110,004			176,004
Michael J. Regan	112,000	110,004			222,004
Barry F. Schwartz	120,000	110,004			230,004
Eric M. Turner	94,000	110,004			204,004
Frances F. Townsend <sup>(5)</sup>	61,333		50,400		111,733
Joseph R. Wright <sup>(5)</sup>	70,000	110,004			180,004

(1)

Reflects cash retainers and meeting fees earned by directors for services provided during 2010.

(2)

Reflects the aggregate grant date fair value of RSUs awarded during 2010, computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation - Stock Compensation ("FASB ASC Topic 718"). The fair value of the RSUs was determined by multiplying the number of shares subject to the award by the average of the high and low sales prices of our common stock on the trading day immediately prior to the grant date. For a discussion of valuation assumptions, see Note 12 to our consolidated financial statements included in our annual report on Form 10-K for the year ended December 31, 2010.

(3)

Reflects the aggregate grant date fair value of stock options awarded during 2010, computed in accordance with FASB ASC Topic 718. The fair value of the stock options is estimated on the date of grant using the Black-Scholes option pricing model. For a discussion of valuation assumptions, see Note 12 to our consolidated financial statements included in our annual report on Form 10-K for the year ended December 31, 2010.

(4)

Mr. Kennedy ceased being an independent director in November 2010 when he was appointed to the position of executive Vice Chairman. The amount included in the table above under "All Other Compensation" reflects Mr. Kennedy's base salary for December 2010 received in his capacity as executive Vice Chairman. For more details on Mr. Kennedy's compensation in connection with his appointment as executive Vice Chairman, see the Current Report on Form 8-K filed by the Company with the SEC on December 3, 2010.

(5)

Ms. Townsend joined the Board in April 2010. Mr. Wright ceased serving on the Board as of December 31, 2010.

The table below shows the aggregate number of stock options (and the exercise price thereof) and RSUs held by non-employee directors as of December 31, 2010.

Name	Stock Options (in shares)	Exercise Price of Stock Options	RSUs
Peter A. Cohen	50,000	\$ 29.80	30,121
Gerald J. Ford	50,000	\$ 31.16	16,721
David L. Kennedy <sup>(1)</sup>	10,000	\$ 18.02	7,468
J. Robert Kerrey	50,000	\$ 33.43	14,475
Ronald O. Perelman	50,000	\$ 14.76	16,721
Michael J. Regan	50,000	\$ 31.99	15,920
Barry F. Schwartz	50,000	\$ 14.76	16,721
Eric M. Turner			16,721
Frances F. Townsend	10,000	\$ 14.37	
Joseph R. Wright <sup>(2)</sup>	175,000	(2)	

(1)

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Mr. Kennedy ceased being an independent director in November 2010 when he was appointed to the position of executive Vice Chairman.

(2)

Mr. Wright ceased serving on the Board as of December 31, 2010. Mr. Wright's stock option total includes (a) 50,000 options (with an exercise price of \$17.23) awarded to him upon joining the Board in 2004, which options expired on March 31, 2011, and (b) 125,000 stock options (with an exercise price of \$25.69) awarded to him upon becoming an executive officer of the Company in 2008 that were exercisable at the time of his resignation as Chief Executive Officer in October 2009, which options expire on December 31, 2012. Mr. Wright also forfeited 11,689 RSUs upon his resignation from the Board.

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All stock options shown above were awarded with a ten-year term and an exercise price equal to the fair market value of our common stock on the date of grant (determined by calculating the average of the high and low sales prices of our common stock on the trading date immediately prior to the grant date). The RSU awards shown above have a five-year vesting schedule, with one-fifth vesting on each of the first five anniversaries of the date of grant, and the compensation cost will be expensed over the vesting period. The grants made during 2010 consisted of (1) stock options for 10,000 shares with an exercise price of \$14.37 awarded to Ms. Townsend upon her joining the Board having a fair value at grant of \$50,400 and (2) 7,468 RSUs awarded to each non-employee director then serving on January 4, 2010 having a fair value at grant of \$110,004.

The regular RSU awards to eligible directors for 2011 were deferred in light of the limited availability of shares under the Company's equity compensation plans. It is expected that such awards would be made upon additional shares becoming available under such plans.

**Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), requires our officers and directors, and persons who beneficially own more than ten percent of our common stock, to file initial reports of ownership and reports of changes in their ownership with the SEC. Based on a review of the copies of the reports that our directors, officers and ten percent holders filed with the SEC and on the representations made by such persons, we believe all applicable filing requirements were met during 2010, except that a Form 4 was filed late to report the sale of 4,120 shares by Mr. Turner in March 2010.

Table of Contents**SECURITY OWNERSHIP**

The following table sets forth certain information as to the security ownership of each person known to us to be the beneficial owner of more than five percent of the outstanding shares of our common stock, each of our directors, each of our named executive officers, and all of our directors and executive officers as a group. The number of shares beneficially owned is as of April 5, 2011 unless otherwise indicated; in all cases the percentage of beneficial ownership of the outstanding shares of our common stock is calculated as of April 5, 2011. Except as otherwise indicated, the stockholders listed in the table below have sole voting and investment power with respect to the shares indicated.

	Shares of Common Stock	
	Number <sup>(1)</sup>	Percent <sup>(1)</sup>
MacAndrews & Forbes Holdings Inc. 35 East 62nd Street New York, NY 10065	30,700,737 <sup>(2)</sup>	33.35%
Wells Fargo and Company 420 Montgomery Street San Francisco, CA 94104	13,403,498 <sup>(3)</sup>	14.56%
BlackRock, Inc. 40 East 52nd Street New York, NY 10022	9,383,011 <sup>(4)</sup>	10.19%
Schroder Investment Management North America Inc. 875 Third Avenue, 21st Floor New York, NY 10022	5,092,470 <sup>(5)</sup>	5.53%
A. Lorne Weil	2,334,715 <sup>(6)</sup>	2.51%
Michael R. Chambrello	819,278	*
Peter A. Cohen	1,090,345 <sup>(7)</sup>	1.18%
Gerald J. Ford	362,874	*
David L. Kennedy	78,493	*
J. Robert Kerrey	35,982	*
Ronald O. Perelman	30,766,643 <sup>(8)</sup>	33.40%
Michael J. Regan	61,871	*
Barry F. Schwartz	95,906	*
Frances F. Townsend	4,140	*
Eric M. Turner		*
Jeffrey S. Lipkin	43,602	*
Ira H. Raphaelson	352,392	*
Larry A. Potts	157,556	*
Steven W. Beason	233,605	*
All directors and executive officers as a group (consisting of 21 persons)	36,863,982 <sup>(9)</sup>	38.80%

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

(1)

In accordance with SEC rules, this column includes shares that a person has a right to acquire within 60 days of April 5, 2011 through the exercise or conversion of stock options, RSUs or other securities. Such securities are deemed to be outstanding for the purpose of calculating the percentage of outstanding securities owned by such person but are not deemed to be outstanding for the purpose of calculating the percentage owned by any other person. The securities reported for the directors and named

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executive officers listed in the table above include shares subject to the following awards as to which the equivalent number of underlying shares may be acquired through exercise or conversion within 60 days of April 5, 2011:

Mr. Weil, 1,043,196 stock options; Mr. Chambrello, 673,627 stock options; Mr. Cohen, 50,000 stock options; Mr. Ford, 50,000 stock options; Mr. Kennedy, 2,000 stock options; Mr. Kerrey, 30,000 stock options; Mr. Perelman, 50,000 stock options; Mr. Regan, 50,000 stock options; Mr. Schwartz, 50,000 stock options; Ms. Townsend, 2,500 stock options; Mr. Lipkin, 18,697 stock options; Mr. Raphaelson, 262,900 stock options; Mr. Potts, 128,659 stock options and 2,000 RSUs; and Mr. Beason, 201,734 stock options.

- (2) Consists of 70,647 shares held by MacAndrews & Forbes Holdings Inc., 26,315,090 shares held by SGMS Acquisition Corporation and 4,315,000 shares held by SGMS Acquisition Two Corporation, holding companies owned by MacAndrews & Forbes Holdings Inc., whose chairman, chief executive officer and sole stockholder is Mr. Perelman. The shares so owned are, or may from time to time be, pledged to secure obligations of MacAndrews & Forbes Holdings Inc. or its affiliates. An amendment to a Schedule 13D was jointly filed with the SEC by MacAndrews & Forbes Holdings Inc., SGMS Acquisition Corporation, and SGMS Acquisition Two Corporation on December 9, 2010.
- (3) Based on an amendment to a Schedule 13G filed with the SEC on January 20, 2011 by Wells Fargo and Company, a parent holding company, on its own behalf and on behalf of Wells Capital Management Incorporated and Wells Fargo Funds Management, LLC, registered investment advisers, and certain other subsidiaries, reporting beneficial ownership as of December 31, 2010. The Schedule 13G states that Wells Fargo and Company has sole voting power with respect to 9,906,263 shares, sole investment power with respect to 13,355,078 shares and shared investment power with respect to 38,300 shares. The Schedule 13G states that Wells Capital Management Incorporated has sole voting power with respect to 2,791,715 shares and sole investment power with respect to 13,332,501 shares. The Schedule 13G states that Wells Fargo Funds Management, LLC has sole voting power with respect to 7,000,137 shares and sole investment power with respect to 13,937 shares.
- (4) Based on an amendment to a Schedule 13G filed with the SEC on January 10, 2011 by BlackRock, Inc., a parent holding company for certain subsidiaries that hold shares, reporting beneficial ownership as of December 31, 2010.
- (5) Based on an amendment to a Schedule 13G filed with the SEC on February 16, 2011 by Schroder Investment Management North America Inc., a registered investment adviser, reporting beneficial ownership as of December 31, 2010. The Schedule 13G states that Schroder Investment Management North America Inc. has sole voting power with respect to 4,984,870 shares, shared voting power with respect to 107,600 shares and sole investment power with respect to 5,092,470 shares.
- (6) Includes 1,269,102 shares subject to a pledge agreement. Mr. Weil's reported holdings do not include (a) 557,299 shares held in family trusts for which Mr. Weil does not serve as trustee and disclaims beneficial ownership and (b) 459,719 vested RSUs subject to a deferral agreement such that the vested units are not expected to be issued or delivered to Mr. Weil until the first business day of 2012.
- (7) Includes 5,900 shares held by members of Mr. Cohen's immediate family, 15,000 shares held by trusts for members of his immediate family for which Mr. Cohen serves as co-trustee, 750,000 shares held by an entity of which Ramius LLC (or an affiliate) acts as an investment advisor and 39,500 shares held by third party accounts managed by Ramius Securities, LLC. Mr. Cohen is one of four managing members of C4S & Co., LLC, which is the managing member of RCG Holdings LLC. RCG Holdings LLC is a significant shareholder of Cowen Group, Inc., which is the sole member of Ramius LLC. Mr. Cohen disclaims beneficial ownership of the securities held by affiliates of Ramius LLC and the third party accounts except to the extent of his pecuniary interest therein. On September 15, 2008, 750,000 of the shares held by the entity of which Ramius LLC (or an affiliate) acts as an investment advisor (the "Frozen Shares") were frozen in such entity's prime brokerage account as a result of Lehman Brothers International (Europe) ("LBIE") being placed in administration. LBIE, through certain of its affiliates, was a prime broker for such Ramius entity. The current status of the Frozen Shares under LBIE's administration proceedings has not been determined. The Ramius entity claims beneficial ownership over the Frozen Shares until such time a final determination concerning the Frozen Shares is made.
- (8) Includes the 30,700,737 shares reported in footnote 2 above which may be deemed to be beneficially owned by Mr. Perelman, the chairman, chief executive officer and sole stockholder of MacAndrews & Forbes Holdings Inc. Mr. Perelman's address is 35 East 62nd Street, New York, NY 10065.
- (9) Includes 2,934,862 shares issuable upon exercise of stock options and 11,000 shares issuable upon vesting of RSUs.

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**EXECUTIVE COMPENSATION**

**Compensation Discussion and Analysis**

**Oversight of Executive Compensation Program**

The Company's executive compensation program is administered by the Compensation Committee of the Board, which is referred to in this section as the "Committee." The Committee is responsible for determining the compensation of the Company's Chief Executive Officer and other executive officers of the Company and for overseeing the Company's executive compensation and benefits programs. The six individuals identified in the Summary Compensation Table below, including the persons who served as Chief Executive Officer and Chief Financial Officer during 2010, are collectively referred to in this Proxy Statement as the "named executive officers."

**Executive Summary**

During 2010, our Board made major organizational changes to position the Company to execute key growth initiatives and create shareholder value. On November 29, 2010, the Company announced that A. Lorne Weil, the Chairman of the Board, succeeded Michael R. Chambrello as the Chief Executive Officer of the Company and that Mr. Chambrello assumed the newly created role of Chief Executive Officer Asia-Pacific Region. The Board determined that Mr. Weil was best suited to lead the Company as it seeks to identify and capitalize on growth opportunities in the context of an evolving lottery and gaming industry.

In his new role as Chief Executive Officer Asia-Pacific Region, Mr. Chambrello is responsible for the day-to-day operations of, and business development for, the Company's business in China and potentially other parts of the Asia-Pacific region (the "Asia-Pacific Business"). Mr. Chambrello's new role will allow him to exclusively focus on realizing what the Board considers to be the significant additional growth potential of the Asia-Pacific Business. Mr. Chambrello was the original architect of our China expansion initiatives.

In connection with these organizational changes, the Committee approved amendments to the employment agreements of Mr. Weil and Mr. Chambrello. The key provisions of these amendments are described below, with the full text of the amendments (and the Asia-Pacific Business incentive compensation program described below) available as exhibits to the Current Report on Form 8-K filed by the Company with the SEC on December 3, 2010.

Highlights of the new compensation arrangements in effect with Mr. Weil and Mr. Chambrello, as well as the compensation program of other named executive officers, include:

The majority of the compensation opportunity currently provided to Mr. Weil is in the form of premium-priced stock options subject to time vesting, performance-conditioned stock options, performance-conditioned RSUs and RSUs subject to time vesting, which were awarded in connection with Mr. Weil becoming Chief Executive Officer. The premium-priced stock options and the RSUs subject to time vesting are scheduled to vest in installments over four years. The performance-conditioned stock options and performance-conditioned RSUs are scheduled to vest at the rate of 20% per year, but only to the extent that the Company achieves challenging multi-year growth targets described below.



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**Current Structure of Mr. Weil's Compensation Program**

The majority of the compensation opportunity currently provided to Mr. Chambrello consists of his participation in a new Asia-Pacific Business incentive compensation program, which provides him with a long-term cash incentive opportunity tied to the appreciation in value of the Asia-Pacific Business over the next four years. This long-term incentive opportunity is provided in lieu of 50% of Mr. Chambrello's annual incentive opportunity and annual grants of stock options and RSUs.

**Current Structure of Mr. Chambrello's Compensation Program**

On average, 62% of the target compensation of the remaining four named executive officers is composed of variable incentive compensation, including a performance-based annual cash incentive, stock options and performance-conditioned RSUs.

**Current Structure of Compensation Program of Remaining Named Executive Officers**

**Compensation Objectives**

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

**Executive Management Changes**

*Amendment to Mr. Weil's Employment Agreement*

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In connection with Mr. Weil becoming Chief Executive Officer, the Company entered into an amendment to his employment agreement effective December 2, 2010. This amendment extended the term of Mr. Weil's employment agreement for an additional two (2) years to December 31, 2015, subject to automatic renewals for one additional year at the end of the initial term and each anniversary thereof. In addition to serving as Chief Executive Officer, Mr. Weil will continue to serve as Chairman of the Board at the Board's discretion.

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Under the amended agreement, Mr. Weil's base salary was increased to \$1.5 million per annum, subject to an annual inflation adjustment. Mr. Weil also has the opportunity to earn up to 100% of his base salary as an annual cash incentive ("target bonus") under the Company's management incentive compensation program ("MICP") upon achievement of target level performance goals for a given year and the opportunity to earn up to 200% of his base salary upon achievement of maximum performance goals for a given year.

Beginning in 2013, Mr. Weil will be entitled to receive annual equity awards with a value up to 200% of his base salary in the sole discretion of the Committee and in accordance with the applicable plans and programs for senior executives of the Company. Each annual equity award may include any combination of stock options or RSUs as Mr. Weil may specify.

In connection with the amendment, Mr. Weil was awarded sign-on equity awards consisting of:

one (1) million premium-priced stock options with an exercise price of \$9.00 per share (representing an approximately 12% premium to the market value of the Company's stock on the date of grant) and a ten-year term;

one (1) million RSUs subject to time vesting over four years, with 25% vesting on December 31, 2011 and on each of the next three anniversaries of such date;

one (1) million performance-conditioned stock options with an exercise price of \$8.06 per share (representing the market value of the Company's stock on the date of grant) and a ten-year term; and

one (1) million performance-conditioned RSUs.

The performance-conditioned stock options and performance-conditioned RSUs are scheduled to vest at the rate of 20% per year but only if the Company's "adjusted EBITDA" (as defined in the amended employment agreement) for a particular year equals or exceeds the adjusted EBITDA targets shown below, with the actual vesting date to be March 15 of the following year, assuming the target is met:

Year	Adjusted EBITDA Target
2011	\$ 315 million
2012	\$ 354 million
2013	\$ 399 million
2014	\$ 448 million
2015	\$ 504 million

During the negotiation of these performance targets, adjusted EBITDA was estimated to be \$280 million for 2010. The targets reflect a compound annual growth rate of approximately 12.5% over the five-year performance period and represent a challenging performance target. Adjusted EBITDA was determined to be an appropriate performance metric as it is a commonly used measure for measuring operating performance of companies in the Company's industry and is defined to reflect similar adjustments to those reflected in the MICP financial performance metrics (note, however, that adjusted EBITDA is not the same as the EBITDA metric for purposes of the Company's credit agreement or the MICP, or the EBITDA metric reported in the Company's earnings releases). In addition, the metric was designed such that increases in adjusted EBITDA resulting from certain acquisitions are taken into account only to the extent that such acquisitions increase free cash flow (insofar as the cost of capital and capital expenditures associated with such acquisitions is deducted). The adjusted EBITDA targets are neither a projection made by the Company nor indicative of the Company's future financial performance.

Vesting of the performance-conditioned stock options and performance-conditioned RSUs are also subject to "carryover" provisions intended to provide Mr. Weil with continued incentives if these challenging performance targets are achieved in later years than those specified above, as more fully described in the amended employment agreement. The performance-conditioned stock options will expire, and the performance-conditioned RSUs will be forfeited, on March 15, 2016 to the extent that such awards

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remain unvested on such date. Any performance-conditioned stock options that have vested by March 15, 2016 will expire ten (10) years from the date of grant.

When Mr. Weil's employment agreement was negotiated, the Company's equity compensation plans did not contain sufficient shares to satisfy both the equity awards contemplated for Mr. Weil and the 2011 annual equity awards to other employees. As a result, any vested performance-conditioned RSUs will be forfeited to the extent that sufficient shares are not available under the applicable equity compensation plan on March 15, 2016. In addition, the performance-conditioned stock options will not be exercisable to the extent that sufficient shares are not available under the plan for the delivery of the shares issuable upon such exercise.

In addition, a total of 700,000 of the RSUs and stock options subject to time vesting are also conditional on future share availability. To the extent that sufficient shares are not available under the applicable equity compensation plan for the delivery of the shares subject to 500,000 time-vesting RSUs that are scheduled to vest on December 31, 2013 and December 31, 2014, the Company will settle such delivery in cash. To the extent that sufficient shares are not available under the plan for the delivery of the shares issuable upon the exercise of 200,000 of the time-vesting stock options that are scheduled to become exercisable on December 31, 2014, the Company will elect to settle such exercise in cash. By agreeing to these provisions, the Committee was able to reserve shares for the 2011 annual equity awards to other employees. Assuming stockholders approve the exchange program for certain outstanding stock options (Proposal 3) and the amendment and restatement of the 2003 Incentive Compensation Plan (Proposal 4), and assuming that the exchange program is successfully implemented, the Committee expects that the Company would have sufficient shares available to deliver shares upon vesting or exercise of the RSUs and stock options awarded pursuant to Mr. Weil's amended agreement.

Vesting of the time-vesting equity awards will accelerate upon a "change in control" (as such term is defined in the amendment). Any unvested portion of the performance-conditioned equity awards will be forfeited upon termination of Mr. Weil's employment with the Company.

For a description and quantification of the compensation and benefits that would be payable to Mr. Weil under the various termination events contemplated in his amended agreement, see "Potential Payments Upon Termination or Change in Control" below.

Mr. Weil's employment agreement contains covenants with respect to confidentiality and proprietary information, and restricting his ability to engage in certain activities in competition with the Company during his employment and for a period of 24 months after termination. Incentive-based compensation and benefits provided under the agreement will be subject to recovery under any "clawback" policy that may be adopted by the Company.

The terms of the amendment to Mr. Weil's employment agreement were the result of extensive arm's length negotiations and were approved by the Committee and the full Board, which were advised by the Committee's independent compensation consultant, Compensation Advisory Partners LLC ("CAP"). The terms of the sign-on equity awards were negotiated in the context of the Company's twin objectives of inducing Mr. Weil to resume the role of Chief Executive Officer and providing incentives structured to reward EBITDA growth and create shareholder value. The extension to the term of Mr. Weil's employment to December 31, 2015 allows the Company to benefit from Mr. Weil's extensive experience and strategic guidance for the next five years.

In approving the amendment to Mr. Weil's employment agreement and the terms of the sign-on equity awards, the Committee and the full Board considered that:

Mr. Weil's cash compensation (salary and annual bonus opportunity) were set at the same level as applied in 2006, during Mr. Weil's prior tenure as Chief Executive Officer;

the sign-on equity awards are largely performance-based in nature, with 50% of the awards vesting only upon achievement of adjusted EBITDA targets and 25% of the awards comprised of stock options with an exercise price set above the market price of the Company's stock at the time of grant;

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the EBITDA targets to which the performance-conditioned equity awards are subject are viewed as challenging, and include deductions to adjusted EBITDA for the cost of capital and capital expenditures associated with certain acquisitions;

Mr. Weil will not be eligible for annual equity awards in 2011 and 2012 under the terms of the amendment to his agreement;

the termination-related benefits contemplated under Mr. Weil's amended employment agreement provisions are generally consistent with those of other senior executives of the Company and are generally less favorable to Mr. Weil than those in effect during his previous tenure as Chief Executive Officer;

any unvested portion of the performance-conditioned sign-on equity awards will be forfeited upon termination of Mr. Weil's employment with the Company; and

cash incentives and equity compensation under Mr. Weil's amended agreement will be subject to recovery under any "clawback" policy that may be adopted by the Company.

In approving the sign-on equity awards, the Committee and the Board also considered the limited availability of shares under the Company's 2003 Incentive Compensation Plan, as indicated above, and noted in this context that a significant portion of the sign-on equity awards were conditional in nature insofar as the Company will not be required to deliver shares underlying 2.7 million of the equity awards to the extent that sufficient shares are not then available under the plan. In accordance with the share counting provisions of the 2003 Incentive Compensation Plan, the shares underlying such "conditional" awards do not currently reduce the shares available for grant under the plan. This allowed the Company to reserve sufficient shares to make the annual equity awards in 2011 to other employees.

In connection with its approval of the terms of Mr. Weil's amended employment agreement, CAP provided the Committee with information comparing Mr. Weil's salary, total target cash compensation (base salary and target bonus), and total direct compensation (base salary, target bonus and target equity-based compensation) with that of chief executive officers of companies in a peer group (see "Role of the Compensation Consultant" below for additional information regarding this peer group). This information indicated that Mr. Weil's salary and total target cash compensation are above the 75<sup>th</sup> percentile of the peer group chief executive officers and his total direct compensation (taking into account the sign-on equity awards) is higher than the compensation of the peer group chief executive officers. CAP also provided certain precedent information regarding relatively large sign-on equity awards made to chief executive officers of other companies with revenue between \$200 million and \$3 billion. The Committee reviewed this information in connection with its decision to approve the terms of Mr. Weil's compensation, but did not use this information to set specific benchmark targets for individual components of Mr. Weil's compensation or Mr. Weil's total compensation.

*Amendment to Mr. Chambrello's Employment Agreement*

In connection with Mr. Chambrello assuming the newly created role of Chief Executive Officer Asia-Pacific Region, the Company entered into an amendment to Mr. Chambrello's employment agreement effective November 29, 2010. This amendment extended the term of Mr. Chambrello's employment agreement for an additional three (3) years until December 31, 2013, subject to automatic renewals for one additional year at the end of the initial term and each anniversary thereof.

Under the amended agreement, Mr. Chambrello's base salary was increased to \$1 million per annum, but Mr. Chambrello's salary will no longer be subject to an annual inflation adjustment. Beginning with the 2011 fiscal year, Mr. Chambrello's annual target bonus opportunity will be reduced from 100% of his base salary to 50% of his base salary (with no "maximum" bonus opportunity), and such bonus will be tied to the financial performance of the Asia-Pacific Business. In connection with entering into the amendment, Mr. Chambrello received a cash sign-on award of \$1.7 million.

In lieu of any annual equity award, Mr. Chambrello will participate in a new long-term incentive compensation program under which compensation is linked to the appreciation in the value of the

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Asia-Pacific Business over a four-year period (the "Program"). Under the terms of the Program, each participant will be eligible to receive a pre-determined share of an Asia-Pacific Business incentive compensation pool. The aggregate incentive compensation pool equals up to 7.5% of the growth in the value of the Asia-Pacific Business over four years, as described below. Mr. Chambrello was awarded a participation of 36.7% of the potential incentive compensation pool.

The incentive compensation pool is subject to a cap of (1) \$35 million, in the event an Asia-Pacific Business liquidity event does not occur by December 31, 2014 or (2) \$50 million, in the event an Asia-Pacific Business liquidity event occurs by December 31, 2014. An "Asia-Pacific Business liquidity event" means an initial public offering ("IPO") of at least 20% of the Asia-Pacific Business or a strategic investment by a third party to acquire at least 20% of the Asia-Pacific Business, in each case, that is approved by the Company.

In the event an Asia-Pacific Business liquidity event does not occur by December 31, 2014, the incentive compensation pool will equal 7.5% of the growth in the value of the Asia-Pacific Business from the end of 2010 to the end of 2014. The value of the Asia-Pacific Business at the end of 2014 will be determined by multiplying the "attributable" EBITDA of the Asia-Pacific Business in 2014 by a multiple that varies based on the amount of EBITDA earned in that year, and subtracting the net debt of the Asia-Pacific Business as of December 31, 2014 from this product. The value of the Asia-Pacific Business at the end of 2010 will be determined by multiplying the "attributable" EBITDA of the Asia-Pacific Business in 2010 by the Company's EBITDA multiple based on its 2010 financial results, and subtracting the net debt of the Asia-Pacific Business as of December 31, 2010 from this product.

In the event an Asia-Pacific Business liquidity event occurs by December 31, 2014, the incentive compensation pool will equal 7.5% of the growth in the value of the Asia-Pacific Business from the end of 2010 to the end of 2014. This growth will be calculated by multiplying the growth in "attributable" EBITDA of the Asia-Pacific Business over the four-year period by the multiple implied by the publicly traded stock price (in the event an IPO has occurred) or the multiple implied by the applicable strategic investment, and adding to this product the "attributable" EBITDA of the Asia-Pacific Business in 2010 multiplied by an applicable discounted multiple. For more details on the formula used to calculate the incentive compensation pool, see the full text of the Program available as an exhibit to the Current Report on Form 8-K filed by the Company with the SEC on December 3, 2010.

In either case, the growth in value of the Asia-Pacific Business will be adjusted downward to take into account capital expenditures and investments made by the Company for the benefit of the Asia-Pacific Business over the four-year period and upward to take into account any dividends made to the Company from the Asia-Pacific Business over the four-year period. In addition, the "attributable" EBITDA of the Asia-Pacific Business includes all costs of the Asia-Pacific Business on a fully-loaded basis, including compensation of the Program participants.

The multiples and caps set forth in the Program are not meant to be indicative of the Asia-Pacific Business' future results and do not reflect projections by the Company of the earnings or valuation of the Asia-Pacific Business. The terms of the Program do not reflect any present intention of the Company to effectuate a liquidity event relating to the Asia-Pacific Business.

Payment under the Program (if any) will occur within 70 days of December 31, 2014. In the event the employment (or consultancy) of a participant (including Mr. Chambrello) is terminated prior to December 31, 2014, such participant will forfeit any payment under the Program. However, if such termination was due to death or "total disability" of the participant, or if the Company terminated the participant without "cause" (as such terms are defined in the Program) or failed to renew the applicable employment (or consulting) agreement (under circumstances where the participant was ready, willing and able to renew such agreement), such participant will receive the payment otherwise payable at the end of the four-year period, pro-rated based on the duration of such employment (or consultancy) during such period. In addition, payments to a participant under the Program will be subject to recovery under any "clawback" policy that may be adopted by the Company or in the event it is determined that such participant engaged in any conduct covered under the definition of "cause" as set forth in the Program.

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Under the terms of his amended employment agreement, Mr. Chambrello will be entitled to \$1.5 million upon the earliest to occur of (1) his death, (2) termination of his employment by the Company without "cause" or due to his "total disability," or termination by Mr. Chambrello for "good reason" (as such terms are defined in the amended agreement), and (3) December 31, 2012 (provided Mr. Chambrello's employment has not been terminated by the Company for cause on or prior to such date). For a full description and quantification of the compensation and benefits that would be payable to Mr. Chambrello under the various termination events contemplated in his amended agreement, see "Potential Payments Upon Termination or Change in Control" below.

Mr. Chambrello's employment agreement contains, among other things, covenants imposing on him certain obligations with respect to confidentiality and proprietary information, and restricting his ability to engage in certain activities in competition with the Company during his employment and for a period of 12 months after termination.

The terms of the amendment to Mr. Chambrello's employment agreement, including his participation in the Program, were the result of arm's length negotiations and were approved by the Committee and the full Board, which were advised by CAP. In particular, the extension to the term of Mr. Chambrello's employment to December 31, 2013 allows the Company to benefit from Mr. Chambrello's expected contributions to the growth of the Asia-Pacific Business for the next three years. In approving Mr. Chambrello's cash compensation (salary and annual bonus opportunity), the Committee and the full Board noted that Mr. Chambrello's salary would be slightly higher than his salary during 2010 but that his annual bonus opportunity would be substantially reduced. Mr. Chambrello's cash sign-on award and revised termination-related provisions were approved in the context of Mr. Chambrello's acceptance of his new role and responsibilities and his agreement that his new role did not trigger payment of termination benefits under his employment agreement.

In approving the terms of the Program, and Mr. Chambrello's participation therein, the Committee and the full Board considered:

the importance of the Asia-Pacific Business to the Company's growth prospects;

the importance of incentivizing Mr. Chambrello and other Program participants who are directly involved in managing and/or developing the Asia-Pacific Business;

the performance-based nature of the Program under which payments would be paid only to the extent of the long-term appreciation of the value of the Asia-Pacific Business, of which the Company would be the primary beneficiary;

that payments under the Program are capped; and

potential payments to Mr. Chambrello under the Program would be in lieu of any annual equity awards.

In connection with its approval of the terms of Mr. Chambrello's amended employment agreement, CAP provided the Committee with certain information comparing Mr. Chambrello's compensation pursuant to the terms of the amendment under various performance scenarios with respect to the Asia-Pacific Business with Mr. Chambrello's compensation before giving effect to the amendment under various prices of the Company's stock.

**Compensation Program as it Relates to Risk**

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

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

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

the MICP and many of our local bonus plans (which often "mirror" the MICP) use multiple financial performance metrics that encourage executives and other employees to focus on the overall health of the business rather than a single financial measure;

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

cash bonuses under the MICP, local bonus plans and the Asia-Pacific Business incentive compensation program are generally capped;

incentive compensation paid to Messrs. Weil, Chambrello and certain other senior executives (including compensation paid under the Asia-Pacific Business incentive compensation program) is subject to recovery under any "clawback" policy that may be adopted by the Company;

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

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

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

**Components of Compensation Program**

The principal components of the Company's compensation program consist of base salaries, annual performance-based incentive compensation, long-term incentive compensation and employment agreements that include severance and change of control arrangements. During the first 11 months of 2010, prior to assuming their new roles, Mr. Weil's participation in our program reflected his previous position of Chairman of the Board and Mr. Chambrello's participation reflected his previous positions of President and Chief Executive Officer. During the final month of 2010, Mr. Weil's and Mr. Chambrello's participation in our program reflected their new responsibilities.



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

Element of Compensation	Rationale	Linkage to Compensation Objectives
Base Salary	Provide fixed level of compensation	Attract and retain executive talent
Annual Incentive Compensation (cash bonuses)	Combined with salary, the target level of annual incentive compensation provides a market-competitive total cash opportunity	Foster excellent business performance
	Actual annual incentive compensation payout depends on Company and individual performance	Align executive and stockholder interests by linking a portion of compensation to the annual performance of the Company
		Attract and retain executive talent
Long-Term Incentive Compensation (stock options, performance-conditioned RSUs and cash incentive)	Target level of long-term incentive compensation provides a market-competitive equity opportunity	Align executive and stockholder interests by linking a portion of compensation to long-term Company performance
	Vesting of performance-conditioned RSUs (and performance-conditioned stock options granted to the Chief Executive Officer) subject to the Company meeting financial performance criteria	Foster excellent business performance that creates value for shareholders
	Long-term cash incentive tied to the appreciation in value of the Asia-Pacific Business over a four-year period granted to the Chief Executive Officer Asia-Pacific Region	Attract and retain executive talent
		Encourage long-term service
Employment Agreements with Severance and Change in Control Provisions	Severance provisions under employment agreements provide benefits to ease an employee's transition due to an unexpected employment termination by the Company due to changes in the Company's employment needs	
	Change in control provisions under employment agreements and equity compensation plans encourage employees to remain focused on the best interests of the Company in the event of rumored or actual fundamental corporate changes	Attract and retain executive talent
		Encourage long-term service

The Committee reviews the compensation of the Company's executives on a periodic basis, taking into account such factors as competitive compensation levels, the Company's performance and the executive's responsibilities, experience and contributions. The Committee believes that a substantial portion of executive officer compensation should vary from year to year based on Company and individual performance.

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

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Asia-Pacific Region is based on the financial results of our Asia-Pacific Business, which is consistent with the position's focus on growing that business.

*Base Salary*

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

In January 2010, Mr. Weil's salary was decreased from \$1,631,748 to \$1,023,239 under the terms of his employment agreement entered into in connection with his relinquishment of the role of Chief Executive Officer in 2009.

Messrs. Weil, Chambrello, and Lipkin received salary increases in 2010 as shown below:

Executive	Salary Increases	Effective Date	New Salary Rate
Mr. Weil	\$ 476,761	12/01/2010	\$ 1,500,000
Mr. Chambrello	\$ 84,370	11/29/2010	\$ 1,000,000
Mr. Lipkin	\$ 50,000	02/01/2010	\$ 450,000

The 2010 salary increases for Messrs. Weil and Chambrello were provided pursuant to the terms of their amended employment agreements in connection with their new roles, as described above. In early 2010, the Committee approved an increase to Mr. Chambrello's salary to \$1,000,000 in recognition of his promotion to Chief Executive Officer at the beginning of 2010. At the time, however, Mr. Chambrello determined to forgo such increase (as well as the inflation-based increase to his salary to which he was entitled to under the terms of his employment agreement).

The 2010 salary increase for Mr. Lipkin was provided upon the recommendation of the Chief Executive Officer (Mr. Chambrello) in connection with Mr. Lipkin's promotion to Senior Vice President, for internal equity considerations and in light of the qualitative assessment of Mr. Lipkin's performance during 2009. In particular, Mr. Chambrello and the Committee took into account Mr. Lipkin's role in the improvement in the Company's cash flow and liquidity position during 2009, including the effective management of liquidity concerns related to the Company's 0.75% convertible senior subordinated debentures due 2024 and the earn-out payable in connection with the Company's 2006 acquisition of The Global Draw Limited ("Global Draw"), as well as the completion of a number of financing transactions that extended the weighted average maturity of the Company's debt from approximately 3.1 years to approximately 5.2 years.

*Annual Incentive Compensation*

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

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

With respect to 2010 bonuses, upon the recommendation of the Chief Executive Officer (Mr. Chambrello), the Committee determined to revise the payout percentages and target levels from those in effect for 2009 bonuses. As was the case for 2009, no portion of the 2010 bonus attributable to a

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particular financial measure would be payable unless at least 85% of the budgeted amount is achieved, and the payout percentage at this threshold level would be 35% of an executive's target bonus opportunity. Payout of 100% of the portion of the bonus attributable to a particular financial measure would require achievement of 100% of the budgeted amount of such financial measure (compared to 110% of the budgeted amount in 2009). Payouts would be capped at 200% of the portion of the bonus attributable to a particular financial measure, and this maximum payout would require attainment of 114% of the budgeted amount (compared to 130% of the budgeted amount in 2009). Pro-rated payouts would continue to be awarded for achievement between the various target levels.

The Chief Executive Officer (Mr. Chambrello) and the Committee assessed that there was a reasonable chance that the revised payout structure would result in a payout percentage with respect to the financial performance component of an executive's 2010 bonus (*i.e.*, before giving effect to any discretion exercised by the Committee) that was higher than in 2009 but less than prior years. The Chief Executive Officer (Mr. Chambrello) and the Committee determined that this revised payout structure struck an appropriate balance between further incentivizing participants to achieve relatively difficult financial performance targets while maintaining the focus on managing incentive compensation costs in a difficult economic environment. The revised payout structure also mitigated potential risks associated with the bonus program through the institution of the cap on bonus payouts. The total payout percentage with respect to the financial performance component(s) of an executive's bonus in 2010 was 42%, as indicated below, compared to 23%, 42%, 105% and 67% in 2009, 2008, 2007 and 2006, respectively.

Based on the revised payout structure, the named executive officers had the following bonus opportunities under the MICP for 2010:

<b>Executive</b>	<b>Threshold Bonus Opportunity (as a % of Base Salary)</b>	<b>Target Bonus Opportunity (as a % of Base Salary)</b>	<b>Maximum Bonus Opportunity (as a % of Base Salary)</b>
Mr. Weil	35.0%	100.0%	200.0%
Mr. Lipkin	23.5%	67.0%	134.0%
Mr. Chambrello	35.0%	100.0%	200.0%
Mr. Raphaelson	23.3%	66.7%	133.4%
Mr. Potts	23.3%	66.7%	133.4%
Mr. Beason	23.3%	66.7%	133.4%

Mr. Weil's threshold, target and maximum bonus opportunities of 35%, 100% and 200%, respectively, indicated in the table above reflect his bonus opportunities as a percentage of his salary for December 2010 under the MICP program. Under the terms of Mr. Weil's employment agreement in effect prior to the December 2010 amendment, Mr. Weil was entitled to a fixed bonus for 2010 equal to his salary.

The bonus amounts for the named executive officers are determined based on attainment of financial performance targets set for the year, subject to the Committee adjusting an award based on individual performance or other factors. For 2010 bonuses, as was the case for 2009 bonuses, the Committee used adjusted EBIT and free cash flow as the financial performance measures under the MICP (with the financial performance component of an executive's bonus opportunity being weighted one-half for adjusted EBIT and one-half for free cash flow). "Adjusted EBIT" was defined as net income plus income tax expense, interest expense, other expense (income), loss (gain) on early extinguishment of debt and stock compensation expense, subject to substantially the same adjustments contemplated by the EBITDA metric in the Company's credit agreement and the EBITDA metric reported in the Company's earnings releases, as well as certain additional adjustments in the discretion of the Committee (*e.g.*, to take into account sign-on or guaranteed bonuses approved by the Committee, earn-out payments in connection with acquisitions and accounting changes during the year). "Free cash flow" was defined as adjusted EBIT plus depreciation and amortization less capital expenditures (which includes wagering systems expenditures and other intangible assets and software expenditures), subject to certain additional adjustments in the

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discretion of the Committee (*e.g.*, to take into account repurchases of the Company's stock authorized by the Board and capital and other projects pre-approved by the Committee).

The adjusted EBIT and free cash flow targets set at the beginning of 2010 for corporate financial performance, the actual results achieved, and the applicable payout percentages are shown below:

Payout Percentages	Threshold		Target		Maximum
Percentage of Performance Measure Achieved	85%	93%	100%	107%	114%
Payout (as % of Target Bonus Opportunity Attributable to Performance Measure)	35%	50%	100%	150%	200%

Performance Target (\$ in millions):						2010 Actual	Actual Payout %
Adjusted EBIT (50% weighting)	\$ 162.0	\$ 177.3	\$ 190.6	\$ 203.9	\$ 217.3	\$ 162.4	35%
Free Cash Flow (50% weighting)	\$ 159.9	\$ 174.9	\$ 188.1	\$ 201.3	\$ 214.4	\$ 172.9	48%
<b>Total Payout Percentage</b>							<b>42%</b>

The actual adjusted EBIT approved by the Committee (\$162.4 million) excluded, among other items, the impact of amortization expense and taxes on the Company's share of the net earnings of its Italian joint venture, which is now reported on an after-tax basis and reflects amortization of the upfront fee for the new Italian instant ticket concession, the impact of an adjustment associated with the "held for sale" accounting treatment of the racing and venue management businesses (the "Racing Business") prior to their disposition, the write-off of Global Draw's legacy technology platform and certain severance costs associated with Global Draw's migration to a new back-end technology platform, the write-off of certain legacy terminals acquired in the Global Draw acquisition, an earn-out payment in connection with a prior acquisition and a sign-on bonus approved by the Committee.

Based on the foregoing and after considering the recommendations of the Chief Executive Officer (Mr. Weil) (other than with respect to Mr. Weil's own bonus) and the Committee's own evaluation of each executive's performance and his relative contribution to the Company's overall performance, the Committee approved MICP bonuses for 2010 as shown below:

Executive	Bonus Award	Award as a % of Target Bonus	Award as a % of Salary
Mr. Weil	\$ 51,875	42%	42%
Mr. Lipkin	\$ 123,964	42%	28%
Mr. Chambrello	\$ 382,904	42%	41%
Mr. Raphaelson	\$ 171,481	42%	28%
Mr. Potts	\$ 129,960	42%	28%
Mr. Beason	\$ 159,950	55%	37%

The amount shown above for Mr. Weil reflects a pro-rated bonus for December 2010 based on the foregoing results under the terms of the MICP, as contemplated by the terms of the December 2010 amendment to his employment agreement. The MICP bonus for Mr. Beason reflects the corporate financial performance results (50% weighting) and the lottery business unit results (50% weighting and reflecting 43% achievement of the business unit adjusted EBIT target and 93% of the business unit free cash flow target).

As indicated above, in accordance with the terms of his employment agreement prior to the December 2010 amendment, Mr. Weil also received a bonus equal to his salary during the first 11 months of 2010. In addition, the Committee, upon the recommendation of the Chief Executive Officer (Mr. Weil),

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determined to award special (*i.e.*, non-MICP) bonuses (not reflected in the table above) for 2010 as follows:

\$26,260 for Mr. Chambrello, which reflects the bonus he otherwise would have received under the terms of the MICP had he accepted his salary increase effective March 1, 2010;

\$100,000 for Mr. Lipkin in light of (1) his role in the completion of a number of financing transactions that extended the weighted average maturity of the Company's debt and funded the Company's portion of the upfront fee for the new Italian instant ticket concession, (2) his contributions in connection with a number of strategic investments and joint ventures, including the Company's joint venture to act as the private manager for the Illinois lottery, and merger and acquisition transactions, including the sale of the Racing Business and the acquisition of substantially all of the assets of GameLogic Inc., (3) his expanded role in overseeing the Company's investor relations and procurement departments and (4) internal equity considerations;

\$50,000 for Mr. Raphaelson in recognition of (1) his contributions in connection with the Company's joint ventures and strategic arrangements with Playtech Limited, (2) his contributions to the completion of the sale of the Racing Business and (3) his role in a successful protest of a lottery contract award to another vendor;

\$25,000 for Mr. Potts in recognition of (1) his efforts in respect of compliance and security matters associated with several new business opportunities and our China operations, (2) his coordination of a successful security symposium that was attended by several domestic and international customers and potential customers and (3) his assistance in securing the regulatory approvals necessary to consummate the sale of the Racing Business; and

\$25,000 for Mr. Beason in light of (1) his contributions to our China systems development, (2) the results of operations of our Lottery Systems Group (which Mr. Beason led during 2010) relative to the MICP targets for that business unit before impairment charges, (3) his role in the successful launch of the Indiana online lottery contract and (4) his role in the development of a new lower cost terminal for our lottery business.

Upon the recommendation of the Chief Executive Officer (Mr. Weil), the Committee determined to make certain changes to the 2011 cash bonus program under the MICP, including using an "attributable EBITDA" metric in lieu of the "adjusted EBIT" metric and adding a revenue performance metric. The financial performance component of an executive's bonus opportunity for 2011 will be weighted one-third for attributable EBITDA, one-third for free cash flow and one-third for revenue. "Attributable EBITDA," which is substantially based on the definition of "attributable EBITDA" that we recently began reporting in our earnings releases, is defined as our consolidated EBITDA plus our share of the EBITDA of our joint ventures, subject to the same adjustments that are contemplated by the definition of "consolidated EBITDA" in our credit agreement and certain additional adjustments in the discretion of the Committee (*e.g.*, to take into account sign-on or guaranteed bonuses approved by the Committee, accounting changes during the year, stock repurchases under the Board-authorized repurchase program and unbudgeted capital expenditures approved by the Committee). The Committee determined to use "attributable EBITDA" for the 2011 bonus program in order to promote consistency with the EBITDA-based metric that we publicly report and the EBITDA-based metric that determines our compliance with the financial covenants contained in our credit agreement. The Committee noted that the benefit of using adjusted EBIT in order to hold management accountable for charges taken in connection with the write-off of investments could still be preserved through case-by-case downward adjustments to attributable EBITDA. The Committee determined to add revenue as a metric in order to incentivize "top line" growth and in light of the Company's interest in not achieving growth solely through cost cutting.

In addition, the Committee, upon the recommendation of the Chief Executive Officer (Mr. Weil), determined to revise the payout percentages for 2011 bonuses. Baseline levels of financial performance

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have been established on a consolidated and business unit basis. Achievement of the baseline financial performance will potentially result in a payout of 55% of an executive's target bonus opportunity (rather than 100% as in prior years). Higher bonus payouts relative to an executive's bonus opportunity will potentially be "funded" by incremental achievement of the financial performance targets over the baseline targets. The revised payout structure was approved in light of the Company's focus on managing incentive compensation costs and achieving budget objectives.

*Long-Term Incentive Compensation*

The Company's executive officers receive long-term incentive awards, such as stock options and RSUs, under the stockholder-approved 2003 Incentive Compensation Plan that link their compensation with the long-term performance of the Company, align their interests with stockholders and encourage long-term service. Each year, executives have the opportunity to receive equity awards based on a formula approved by the Committee. Under the current equity award opportunity guidelines, participants in the MICP are eligible to receive a number of shares having an aggregate value equal to a designated percentage of base salary (with the actual award determined in the discretion of the Committee). As in prior years, the equity award opportunity for 2010 was based on the participant's bonus award opportunity as shown below for the named executive officers:

Executive	Target Bonus Opportunity (Value as a % of Salary)	Equity Award Opportunity (Value as a % of Salary)
Mr. Weil	100.0%	155%
Mr. Lipkin	67.0%	95%
Mr. Chambrello	100.0%	150%
Mr. Raphaelson	66.7%	95%
Mr. Potts	66.7%	95%
Mr. Beason	66.7%	95%

Mr. Weil's annual equity award for 2010 was entirely in the form of RSUs, as contemplated by his employment agreement. With respect to the annual equity awards for 2010, as in prior years, the Committee determined that, for the named executive officers (other than Mr. Weil) and certain other senior officers, one-half of the value would be granted in stock options and one-half in RSUs based on the fair value of the awards at the time of grant. The awards are scheduled to vest over a period of four years subject to the satisfaction of financial performance criteria in the case of the RSUs granted to the named executive officers and certain other senior officers.

For the named executive officers (other than Mr. Weil) and certain other senior officers, the Committee determined to award half of the value of the annual equity opportunity in the form of stock options because it believes it is important for a portion of the equity opportunity of the executive officers to be linked to creating value for the Company's stockholders. Because the stock options are granted with an exercise price that is equal to the market price of our common stock on the date of grant, the executive officer will realize value on the stock options only if our stockholders realize value on their shares. The Committee determined to award the other half of the value of the annual equity opportunity in the form of RSUs because the Committee believes that RSUs encourage long-term service since, upon vesting of these units, the executive will receive value regardless of stock price volatility. The Committee believes RSUs also help to align the interests of our executive officers with those of our stockholders since the value of the shares underlying the RSUs appreciates as the Company's stock price increases. The Committee also considered that awards of RSUs utilize fewer shares under the Company's equity compensation plan than option awards with an equivalent value. This evenly split allocation of value among stock options and RSUs is based on the Committee's assessment of an appropriate balance of the foregoing objectives and in light of the recommendation of the Committee's independent compensation consultant, which was based

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in part on its assessment of market practice for allocating between different forms of equity incentive compensation.

In 2010, each of the named executive officers received annual equity awards based on such officer's equity award opportunity. The number of stock options and RSUs comprising the annual equity awards for 2010 is set forth below:

Executive	Date of Grant	Equity Awards	Vesting Schedule
Mr. Weil	02/22/2010	101,343 RSUs	4 years
Mr. Weil	03/23/2010	60,268 RSUs	4 years
Mr. Lipkin	02/22/2010	26,791 stock options and 13,658 RSUs	4 years
Mr. Chambrello	02/22/2010	86,071 stock options and 43,880 RSUs	4 years
Mr. Raphaelson	02/22/2010	36,882 stock options and 18,803 RSUs	4 years
Mr. Potts	02/22/2010	27,951 stock options and 14,250 RSUs	4 years
Mr. Beason	02/22/2010	26,076 stock options and 13,294 RSUs	4 years

The Committee considered and approved an additional RSU award to Mr. Weil in March 2010, as indicated above, in order to effectuate the intent of the terms of his employment agreement that his 2010 equity award opportunity would be based on his 2009 salary.

The annual RSUs approved for the named executive officers were subject to achievement of 2010 financial performance criteria (revenue of at least \$835.7 million, free cash flow of at least \$149.4 million or adjusted EBIT of at least \$140.6 million). In February 2011, the Committee determined that the performance condition had been met, resulting in the vesting of the first installment of these awards. The balance of these awards are scheduled to vest in 25% increments on each of the second through fourth anniversaries of the grant date, subject to service requirements.

In addition, special or non-recurring awards were awarded during 2010 as set forth below:

Executive	Date of Grant	Equity Awards	Vesting Schedule
Mr. Lipkin	02/22/2010	20,000 RSUs	4 years
Mr. Weil	12/02/2010	1,000,000 each of performance-conditioned stock options and RSUs	5 years
Mr. Weil	12/02/2010	1,000,000 each of time-vesting stock options and RSUs	4 years

The special award of 20,000 RSUs to Mr. Lipkin in February 2010 was made in connection with his promotion to Senior Vice President and in light of the qualitative assessment of Mr. Lipkin's performance during 2009, as described above. The sign-on awards to Mr. Weil of one (1) million performance-conditioned stock options, one (1) million performance-conditioned RSUs, one (1) million time-vesting stock options and one (1) million time-vesting RSUs were made in connection with the December 2010 amendment to his employment agreement, as described above.

The value of the awards granted to the named executive officers in 2010 (other than the sign-on performance-conditioned equity awards granted to Mr. Weil) is shown in the "Grants of Plan-Based Awards for Fiscal Year 2010" table below. The table excludes Mr. Weil's sign-on performance-conditioned equity awards, as the grant date fair value of such awards has yet to be established under applicable accounting rules.

Beginning with the 2010 annual awards described above, the Committee determined to reduce the vesting period of equity awards from five years to four years, based on the recommendation of management and the analysis of the Committee's independent compensation consultant that indicated that equity awards granted by companies comprising the Company's peer group are generally subject to four-year or three-year graded vesting for both stock options and RSUs.

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For the 2011 annual equity awards, based on the recommendation of management and in light of the limited share availability under our equity compensation plans, the Committee determined to use the then average stock price over the previous two years (\$13.15), rather than the then current stock price (\$8.90), to determine the number of equity awards granted to executives and others who participate in the program (*i.e.*, the number of equity awards granted to an executive was calculated by dividing the executive's equity award opportunity by such two-year average stock price). By doing so, the 2011 annual equity awards represented approximately 30% fewer shares than they otherwise would have had the then current stock price been used.

As noted above, Mr. Weil is not eligible for annual equity awards in 2011 and 2012 under the terms of the December 2010 amendment to his employment agreement. Beginning in 2011, in lieu of any annual equity award, Mr. Chambrello will participate in a new compensation program under which his long-term incentive compensation opportunity will be based on the appreciation in the value of the Asia-Pacific Business over a four-year period. See " Executive Management Changes" above.

*Supplemental Executive Retirement Plan*

As part of the Committee's continuing review of executive compensation and benefits, the Committee discontinued the Company's Supplemental Executive Retirement Plan ("SERP") as of the end of 2005. Benefit accruals for the SERP's four participants were frozen at amounts calculated at the end of 2005. The amounts are fully vested and credited for interest at a rate of 4% per annum, compounded annually, from the period from December 31, 2005 through distribution. Mr. Weil is the only employee with a balance remaining in the plan. Additional information regarding the SERP and the amounts credited during 2010 is shown in the section below titled "Supplemental Executive Retirement Plan."

*Retirement Plans*

Executive officers are eligible to participate in our 401(k) retirement plan under the same rules that apply to other employees. Under the plan, eligible employees of the Company and our U.S. subsidiaries may elect to defer a percentage of their compensation each year subject to plan limits and caps imposed by the Internal Revenue Service ("IRS") (maximum contributions of \$16,500 for 2010). Prior to early 2009, the Company made matching contributions of 50 cents on the dollar for the first 6% of participant contributions (for a match of up to 3% of eligible compensation). In early 2009, the Committee approved an amendment to the 401(k) plan to reduce the Company's matching contributions to 25 cents on each dollar for the first 6% of participant contributions for a match of up to 1.5% of eligible compensation. Effective January 1, 2010, a portion of the 2009 reduced matching contribution was restored such that the Company's matching contributions are currently 37.5 cents on each dollar for the first 6% of participant contributions for a match up to 2.25% of eligible compensation.

We also have a non-qualified deferred compensation plan that enables executive officers and other eligible employees to defer receipt of up to 50% of their base salary and up to 100% of their cash bonus under the MICP during their employment or for certain specified minimum deferral periods. Non-employee directors may also defer their director fees and other cash compensation payable for director services under this plan. The Company does not make any matching or profit sharing contributions under this plan. Accounts are maintained for participants, who elect to have their deferrals mirror the performance of investment options that we may offer from time to time. Although we have established a rabbi trust to assist us in meeting our obligations under the plan, account balances under the plan are unsecured under rules of the IRS and remain part of the Company's general assets until distributed to the participants. The value of participant deferrals is based solely on the performance of the investment options that they select. The Company does not guarantee any minimum return on those investments.



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Additional information regarding the non-qualified deferred compensation plan and the amounts contributed by the named executive officers is shown in the section below titled "Non-Qualified Deferred Compensation."

**Role of Management**

The Committee works directly with our Chief Human Resources Officer on the compensation program and receives recommendations from the Chief Executive Officer regarding the compensation of other executive officers.

**Role of Compensation Consultant**

The Committee has the sole authority to select and retain outside compensation consultants or any other consultants, legal counsel or experts to provide independent advice and assistance in connection with the execution of its responsibilities. The Committee engaged CAP to provide independent advice regarding executive and director compensation and other matters in the execution of the Committee's duties.

At the Committee's request, CAP assisted the Committee during 2010 by:

attending all scheduled meetings of the Committee and providing advice and context on matters discussed in the meetings;

providing advice regarding the reduction of the vesting period of the Company's equity awards from five years to four years;

assisting in the review of the Company's compensation policies and practices, with a focus on incentive programs, from a risk management perspective;

reviewing and providing advice on the employment agreement amendments for Messrs. Weil and Chambrello as described above under " Executive Management Changes"; and

reviewing and providing recommendations with respect to the level and structure of director compensation.

The Committee's compensation consultant generally attends meetings of the Committee, is available to participate in executive sessions and also communicates directly with the Committee chairman or its members outside of meetings. The compensation consultant reports directly to the Committee, which determines the scope of requested services and approves fee arrangements for its work.

During 2009, at the request of the Committee, the Committee's compensation consultant at that time, Mercer LLC ("Mercer"), conducted a periodic review of the companies comprising the Company's peer group for purposes of comparing executive compensation. Based on this review, Mercer recommended revising the peer group to include companies based on the following criteria: (1) direct competitors (gaming companies); (2) technology companies; and (3) 50 general industry companies with revenues generally ranging from \$500 million to \$2 billion, or approximately 50% to 200% of the Company's consolidated revenues. Based on these criteria, Mercer recommended, and the Committee approved, a peer group comprised of six gaming companies (Bally Technologies, Inc., Boyd Gaming Corporation, International Game Technology, Penn National Gaming, Inc., Pinnacle Entertainment, Inc. and WMS Industries Inc.) and five technology companies (Affiliated Computer Services, Inc., Fiserv, Inc., Mentor Graphics Corporation, Quest Software, Inc. and Verisign, Inc.), along with 50 general industry companies with revenues generally ranging from \$500 million to \$2 billion.

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**Equity Grant Practices**

The Committee generally grants equity awards, including stock options and RSUs, at regularly scheduled meetings which are normally scheduled in the prior year. The exercise price for option grants is determined by calculating the average of the high and low sales prices of our common stock on the trading day immediately prior to the grant date. An award that is approved for a new hire would generally not be deemed granted until the date the employee begins employment. As an administrative convenience, the Committee has delegated to the Chief Executive Officer the authority to grant awards to new hires and other employees who are not executive officers in between Committee meetings, within designated award levels, subject to reporting to the Committee at the Committee's next scheduled meeting.

**Employment Agreements; Severance and Change in Control Arrangements**

We have entered into employment agreements with our executive officers. The agreements specify duties and minimum compensation commitments. The agreements also provide for severance benefits in certain circumstances and impose restrictive covenants that relate to, among other things, confidentiality and competition. The Committee believes that employment agreements with our executive officers are desirable as a means to attract executive talent, to encourage long-term service, to obtain a measure of assurance as to the executive's continued employment in light of prevailing market competition, to impose the restrictive covenants described above and, where practicable, to provide comparable severance and other terms and conditions to similarly situated executives.

The severance protection provided under employment agreements assists the Company in attracting and retaining executives and is designed to ease an executive's transition in the event of an unexpected termination by the Company due to changes in the Company's employment needs. Severance provisions that are included in the agreements do not generally enhance an employee's current income, and therefore are generally independent of the direct compensation decisions made by the Committee from year to year.

The employment agreements with our named executive officers provide for enhanced severance payments if their employment were terminated in connection with a change in control (as defined in the agreements). The Committee views these enhanced severance provisions as appropriate because they encourage executives to remain focused on the Company's business in the event of rumored or actual fundamental corporate changes, allow executives to assess potential change in control transactions objectively without regard to the potential impact on their own job security and are generally not triggered in connection with a change in control unless an executive's employment is terminated without "cause" or the executive terminates for "good reason" within certain timeframes.

The Company has change in control provisions in its equity compensation plans such that unvested stock options and other equity awards would generally accelerate upon a change in control (as defined in the plans). These provisions apply to all plan participants. The Committee believes that these provisions are appropriate since an employee's position could be adversely affected by a change in control even if he or she is not terminated.

For further details about the agreements with the named executive officers, see the section titled "Potential Payments Upon Termination or Change in Control" below.

**Factors Affecting Compensation**

*Tax Deductibility of Executive Compensation*

In implementing the Company's compensation programs, the Committee's general policy is to consider any significant effects of Section 162(m) of the Internal Revenue Code, which limits a public company's tax deduction for certain compensation in excess of \$1 million paid to the chief executive officer and certain of the other highest paid executive officers. The Committee has taken steps so that annual bonuses under the MICP as well as stock options and RSUs granted to senior executive officers will

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generally qualify as "performance-based" compensation, which is excluded from the \$1 million deductibility cap imposed under Section 162(m). Some forms of compensation, however, such as salary, guaranteed minimum bonuses and RSUs awarded without performance-based vesting conditions (including time-vesting RSUs awarded in 2010) do not qualify for tax deductibility in amounts in excess of \$1 million per year. While the Committee generally seeks to take advantage of favorable tax treatment in implementing the Company's executive compensation programs, the Committee has authorized and may in the future authorize compensation that does not qualify for tax deductibility in circumstances in which the Committee believes it is necessary or appropriate to give priority to other objectives of the Company.

*Accounting Considerations*

The Committee considers the accounting implications with respect to the executive compensation program including the estimated cost for financial reporting purposes of equity compensation as well as the aggregate grant date fair value of equity compensation computed in accordance with FASB ASC Topic 718.

**COMPENSATION COMMITTEE REPORT**

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with the Company's management. Based on that review and discussion, the Compensation Committee has recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement.

Compensation Committee

Peter A. Cohen, Chairman  
J. Robert Kerrey  
Barry F. Schwartz

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## Summary Compensation Table

The table below shows the compensation of the Chairman and Chief Executive Officer, the Chief Financial Officer, the former President and Chief Executive Officer who served in that role until November 29, 2010 and now serves as Chief Executive Officer Asia-Pacific Region, and the other three highest paid executive officers who were executive officers holding the positions beneath their names as of December 31, 2010. These six individuals are the named executive officers for 2010.

Name and Principal Position	Year	Salary (\$)	Bonus (\$) <sup>(1)</sup>	Stock Awards (\$) <sup>(2)</sup>	Option Awards (\$) <sup>(3)</sup>	Non-Equity Incentive Plan Compensation	All Other Compensation	Total (\$)
						(\$) <sup>(1)</sup>	(\$) <sup>(4)</sup>	
A. Lorne Weil <sup>(5)</sup>	2010	1,069,439	937,696	10,523,520	3,849,124	51,875	15,513	16,447,167
Chairman and Chief Executive Officer	2009	1,631,748		1,011,684	1,012,209	1,631,748	24,302	5,311,691
	2008	1,606,367		1,244,933	1,244,916	566,667	157,073	4,819,956
Jeffrey S. Lipkin <sup>(6)</sup>	2010	447,692	100,000	526,748	213,753	123,964	5,513	1,417,670
Senior Vice President and Chief Financial Officer	2009	303,077	385,000	496,400	180,028	325,000	1,433	1,690,938
Michael R. Chambrello <sup>(7)</sup>	2010	927,264	1,726,260	686,722	686,722	382,904	5,513	4,415,385
Chief Executive Officer	2009	915,630		549,377	549,661	206,017	6,238	2,226,923
Asia-Pacific Region	2008	915,630	100,000	2,568,983	549,366	386,396	6,900	4,527,275
Ira H. Raphaelson	2010	619,500	50,000	294,267	294,265	171,481	5,513	1,435,026
Vice President and General Counsel	2009	619,386		235,409	235,534	92,602	5,861	1,188,792
	2008	590,000	50,000	734,754	280,249	166,070	6,900	1,827,973
Larry A. Potts	2010	469,500	25,000	223,013	223,009	129,960	5,513	1,075,995
Vice President and Chief Compliance Officer	2009	469,500	14,540	178,413	178,502	70,460	5,469	916,884
Steven W. Beason <sup>(8)</sup>	2010	438,000	25,000	208,051	208,049	159,950	5,513	1,044,563
Vice President and Enterprise Chief Technology Officer								

- (1) The amounts in the "bonus" column for 2010 reflect a fixed bonus to Mr. Weil for 11 months of service as Chairman in 2010 prior to his assuming the role of Chief Executive Officer, a one-time sign-on bonus to Mr. Chambrello in 2010 under the terms of his employment agreement in connection with his new role as Chief Executive Officer Asia-Pacific Region and special bonuses awarded in 2010 to Messrs. Lipkin, Chambrello, Raphaelson, Potts and Beason. The amounts in the "non-equity incentive plan compensation" column reflect the performance bonuses awarded under our MICP.
- (2) The amounts in the "stock awards" column reflect the aggregate grant date fair value of RSUs awarded during the applicable year to the named executive officers, computed in accordance with FASB ASC Topic 718. The fair value of the RSUs was determined by multiplying the number of shares subject to the award by the average of the high and low sales prices of our common stock on the trading day immediately prior to the grant date. For a discussion of valuation assumptions, see Note 12 to our consolidated financial statements included in our annual report on Form 10-K for the year ended December 31, 2010. The requirement under SEC rules to report the aggregate grant date fair value computed in accordance with FASB ASC Topic 718 replaces the prior requirement to report the dollar amount recognized for financial statement reporting purposes for the fiscal year with respect to all awards granted to the individual. Amounts for 2008 were restated to reflect the new requirement.
- (3) The amounts in the "option awards" column reflect the aggregate grant date fair value of the stock options awarded during the applicable year to the named executive officers, computed in accordance with FASB ASC Topic 718. The fair value of the stock options is estimated on the date of grant using the Black-Scholes option pricing model. For a discussion of valuation assumptions, see Note 12 to our consolidated financial statements included

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in our annual report on Form 10-K for the year ended December 31, 2010. The requirement under SEC rules to report the aggregate grant date fair value computed in accordance with FASB ASC Topic 718 replaces the prior requirement to report the dollar amount recognized for financial statement reporting purposes for the fiscal year with respect to all awards granted to the individual. Amounts for 2008 were restated to reflect the new requirement.

(4)

The amounts indicated in the "all other compensation" column for 2010 include the following:

(a)

Employer contributions to 401(k) retirement plan of \$5,513 for each of Messrs. Weil, Lipkin, Chambrello, Raphaelson, Potts and Beason.

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(b) Reimbursement for legal services provided to Mr. Weil in connection with the December 2010 amendment to his employment agreement, \$10,000.

(5) Mr. Weil, the Company's Chairman of the Board, became Chief Executive Officer effective November 29, 2010, a position he previously held from 1992 through 2008. Upon becoming Chief Executive Officer, Mr. Weil was awarded sign-on equity awards comprised of 1,000,000 time-vesting RSUs, 1,000,000 time-vesting stock options (with an exercise price of \$9.00 per share), 1,000,000 performance-conditioned RSUs and 1,000,000 performance-conditioned stock options (with an exercise price of \$8.06 per share). The delivery of the shares underlying any vested performance-conditioned RSUs and the exercisability of any vested performance-conditioned stock options is subject to sufficient shares being available under the applicable equity compensation plan. The amounts in the "stock awards" and "option awards" columns do not reflect these performance-conditioned equity awards as the grant date fair value of such awards has yet to be established under applicable accounting rules.

(6) Mr. Lipkin became Chief Financial Officer on April 1, 2009. The compensation for Mr. Lipkin in 2009 reflects amounts paid to him for a partial year of employment as well as sign-on cash and equity awards under the terms of his employment agreement.

(7) Mr. Chambrello served as President and Chief Executive Officer from January 1, 2010 to November 29, 2010. He became Chief Executive Officer Asia-Pacific Region effective November 29, 2010.

(8) During 2010, Mr. Beason served as Vice President, Chief Technology Officer and President of the Lottery Systems Group.

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**Grants of Plan-Based Awards for Fiscal Year 2010**

The table below provides information regarding the performance bonuses, stock options and RSUs granted to the named executive officers during 2010.

Name	Grant Date	Compensation Committee (or Board) Meeting Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (\$) <sup>(1)</sup>			Estimated Future Payouts Under Equity Incentive Plan Awards (\$) <sup>(2)</sup>	All Other Stock Awards: Number of Shares of Stock or Units (#) <sup>(3)</sup>	All Other Option Awards: Number of Securities Underlying Options (#) <sup>(4)</sup>	Exercise or Base Price of Option Awards (\$/Sh) <sup>(5)</sup>	Grant Date Fair Value of Stock and Option Awards (\$) <sup>(6)</sup>
			Threshold (\$)	Target (\$)	Maximum (\$)	Target (#)				
A. Lorne Weil <sup>(9)</sup>	02/22/2010	02/22/2010	43,750	125,000	250,000	101,343				1,586,018
	03/23/2010	03/23/2010				60,268				877,502
	12/02/2010	11/29/2010					1,000,000			8,060,000
	12/02/2010	11/29/2010						1,000,000	9.00	3,849,124
Jeffrey S. Lipkin			104,548	298,708	597,416					
	02/22/2010	02/22/2010					20,000			313,000
	02/22/2010	02/22/2010				13,658				213,748
	02/22/2010	02/22/2010						26,791	15.65	213,753
Michael R. Chambrello			322,931	922,661	1,845,322					
	02/22/2010	02/22/2010				43,880				686,722
	02/22/2010	02/22/2010						86,071	15.65	686,722
Ira H. Raphaelson			144,622	413,207	826,414					
	02/22/2010	02/22/2010				18,803				294,267
	02/22/2010	02/22/2010						36,882	15.65	294,265
Larry A. Potts			109,605	313,157	626,314					
	02/22/2010	02/22/2010				14,250				223,013
	02/22/2010	02/22/2010						27,951	15.65	223,009
Steven W. Beason			102,251	292,146	584,292					
	02/22/2010	02/22/2010				13,294				208,051
	02/22/2010	02/22/2010						26,076	15.65	208,049

(1)

The amounts shown under the "estimated future payouts under non-equity incentive plan awards" column represent the performance bonus opportunity approved for 2010 for each of the named executive officers under the MICP. The actual amounts awarded under the program for 2010 are shown in the "Summary Compensation Table" above under the "non-equity incentive plan compensation" column. See discussion under "Compensation Discussion and Analysis Annual Incentive Compensation." The amounts shown for Mr. Weil represent participation in the MICP for December 2010 under his amended employment agreement. Under the terms of Mr. Weil's employment agreement in effect prior to the December 2010 amendment, Mr. Weil received a fixed bonus equal to his salary for 11 months of service as Chairman in 2010, which is shown in the "Summary Compensation Table" above under the "Bonus" column.

(2)

The amounts shown under the "estimated future payouts under equity incentive plan awards" column represent the annual award of RSUs granted under the MICP based upon each named executive officer's equity award opportunity for 2010. These awards vest over a period of four years subject to the satisfaction of minimum performance criteria for 2010 and are subject to accelerated vesting in certain circumstances under the officers' employment agreements. In the event of below-target performance, none of the RSUs would have vested, and the awards do not provide an opportunity to earn additional shares in the event of above-target performance.

(3)

The amount shown under the "all other stock awards" column for Mr. Weil represents a sign-on award of 1,000,000 time-vesting RSUs under the terms of Mr. Weil's amended employment agreement, which RSUs are scheduled to vest over a period of four years subject to accelerated vesting in certain circumstances under the terms of Mr. Weil's amended employment agreement. To the extent that sufficient shares are not available under the applicable

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equity compensation plan for the delivery of the shares subject to 500,000 of such RSUs that are scheduled to vest on December 31, 2013 and December 31, 2014, the Company will settle such delivery in cash. On December 2, 2010, Mr. Weil received a sign-on award of an additional 1,000,000 RSUs that are scheduled to vest over a period of five years subject to the satisfaction of multi-year performance criteria. The delivery of the shares underlying any such performance-conditioned RSUs that vest is subject to sufficient shares being available under the applicable equity compensation plan. The amount shown under the "all other stock awards" column for Mr. Weil does not include these performance-conditioned RSUs as the grant date fair value of such awards has yet to be established under applicable accounting rules.

The amount shown under the "all other stock awards" column for Mr. Lipkin represents a special award of RSUs upon Mr. Lipkin's promotion to Senior Vice President in February 2010, which RSUs are scheduled to vest over a period of four years subject to accelerated vesting in certain circumstances under the terms of Mr. Lipkin's employment agreement.

(4)

The amount shown under the "all other option awards" column for Mr. Weil represents a sign-on award of 1,000,000 time-vesting stock options under the terms of Mr. Weil's amended employment agreement, which stock options are scheduled to vest over a period of four years subject to accelerated vesting in certain circumstances under the terms of Mr. Weil's amended employment agreement. To the extent that sufficient shares are not available under the applicable equity compensation plan for the delivery of the shares issuable upon the exercise of 200,000 of such stock options that are scheduled to become exercisable on December 31, 2014, the Company will elect to settle such exercise in cash. On December 2, 2010, Mr. Weil received a sign-on award of an additional 1,000,000 stock options that are scheduled to vest over a period of five years subject to the satisfaction of multi-year performance criteria. The exercisability of any such performance-conditioned stock options that vest is subject to sufficient shares being available under the applicable equity compensation plan. The amount shown for Mr. Weil under the "all other option awards" column does not include these performance-conditioned stock options as the grant date fair value of such awards has yet to be established under applicable accounting rules.



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The amounts shown under the "all other option awards" column for Messrs. Lipkin, Chambrello, Raphaelson, Potts and Beason represent the annual award of stock options granted under the MICP based upon each participant's equity award opportunity for 2010. The awards are scheduled to vest over a period of four years and are subject to accelerated vesting in certain circumstances under the terms of their employment agreements.

(5)

The \$9.00 exercise price for the stock options awarded to Mr. Weil represented a premium to the market value of our common stock on the date of grant of \$8.06 (which was calculated by determining the average of the high and low sales prices of our common stock on the trading day immediately prior to the grant date). The \$15.65 exercise price for the stock options awarded to Messrs. Lipkin, Chambrello, Raphaelson, Potts and Beason represented the market value of our common stock on the date of grant (which was calculated by determining the average of the high and low sales prices of our common stock on the trading day immediately prior to the grant date).

(6)

The amounts indicated as the "grant date fair value" of the awards were computed in accordance with FASB ASC Topic 718. In the case of RSUs, the fair value was determined by multiplying the number of shares subject to the award by the average of the high and low sales prices of our common stock on the trading day immediately prior to the grant date. In the case of stock options, the fair value of the stock options is estimated on the date of grant using the Black-Scholes option pricing model. For a discussion of valuation assumptions, see Note 12 to our consolidated financial statements included in our annual report on Form 10-K for the year ended December 31, 2010.

## Outstanding Equity Awards at Fiscal Year-End

The table below provides information with respect to the stock options and RSUs held by the named executive officers as of December 31, 2010.

Option Awards							Stock Awards			
Name	Grant Date	Exercisable	Unexercisable	Equity Incentive Plan	Option Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value	Equity Incentive Plan	Equity Incentive Plan
				Awards: Number of Securities Underlying Unexercised Options (#)				of Shares or Units of Stock That Have Not Vested	Awards: Number of Shares, Units or Other Rights That Have Not Vested	Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested \$
A. Lorne Weil	12/14/2001	134,000			7.10	12/13/2011				
	12/12/2002	119,000			6.16	12/11/2012				
	12/08/2003	150,000			15.96	12/07/2013				
	12/09/2004	150,000			23.15	12/08/2014				
	12/15/2005	75,000			27.68	12/14/2015				
	02/27/2007	97,167			33.94	02/26/2017				
	02/26/2008	141,470			21.27	02/25/2018				
	02/23/2009	176,559			12.21	02/22/2019				
	02/22/2010								101,343 <sup>(2)</sup>	1,009,376
	03/23/2010								60,268 <sup>(2)</sup>	600,269
	12/02/2010		1,000,000 <sup>(3)</sup>		9.00	12/01/2020	1,000,000 <sup>(3)</sup>	9,960,000		
	12/02/2010			1,000,000 <sup>(3)</sup>	8.06	12/01/2020			1,000,000 <sup>(3)</sup>	9,960,000
Jeffrey S. Lipkin	04/01/2009	6,000	24,000 <sup>(4)</sup>		12.41	03/31/2019	32,000 <sup>(5)</sup>	318,720		
	02/22/2010		26,791 <sup>(6)</sup>		15.65	02/21/2020			13,658 <sup>(2)</sup>	136,034
	02/22/2010						20,000 <sup>(7)</sup>	199,200		
Michael R. Chambrello	07/01/2005	500,000			27.01	06/30/2015				
	12/15/2005	42,000			27.68	12/14/2015				
	02/27/2007	25,727	17,152 <sup>(4)</sup>		33.94	02/26/2017	6,246 <sup>(8)</sup>	62,210		
	02/26/2008	24,971	37,458 <sup>(4)</sup>		21.27	02/25/2018	15,498 <sup>(9)</sup>	154,360		
	06/10/2008						28,800 <sup>(10)</sup>	286,848		
	02/23/2009	19,175	76,702 <sup>(4)</sup>		12.21	02/22/2019	35,996 <sup>(11)</sup>	358,520		
	02/22/2010		86,071 <sup>(6)</sup>		15.65	02/21/2020			43,880 <sup>(2)</sup>	437,045

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Ira H. Raphaelson	02/01/2006	160,000	40,000 <sub>(4)</sub>	31.79	01/31/2016	19,159 <sub>(12)</sub>	190,824		
	02/27/2007	13,604	9,070 <sub>(4)</sub>	33.94	02/26/2017	9,303 <sub>(8)</sub>	92,658		
	02/26/2008	12,738	19,109 <sub>(4)</sub>	21.27	02/25/2018	7,906 <sub>(9)</sub>	78,744		
	10/07/2008					15,000 <sub>(13)</sub>	149,400		
	02/23/2009	8,216	32,868 <sub>(4)</sub>	12.21	02/22/2019	15,424 <sub>(11)</sub>	153,623		
	02/22/2010		36,882 <sub>(6)</sub>	15.65	02/21/2020			18,803 <sub>(2)</sub>	187,278
Larry A. Potts	09/07/2004	50,000		16.94	09/06/2014				
	12/09/2004	21,000		23.15	12/08/2014				
	12/15/2005	10,000		27.68	12/14/2015				
	05/03/2006					2,000 <sub>(14)</sub>	19,920		
	02/27/2007	10,306	6,872 <sub>(4)</sub>	33.94	02/26/2017	5,503 <sub>(8)</sub>	54,810		
	02/26/2008	9,651	14,477 <sub>(4)</sub>	21.27	02/25/2018	5,990 <sub>(9)</sub>	59,660		
	10/07/2008					6,000 <sub>(13)</sub>	59,760		
	02/23/2009	6,227	24,909 <sub>(4)</sub>	12.21	02/22/2019	11,690 <sub>(11)</sub>	116,432		
	02/22/2010		27,951 <sub>(6)</sub>	15.65	02/21/2020			14,250 <sub>(2)</sub>	141,930

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Name	Grant Date	Option Awards				Stock Awards			
		Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$) <sup>(1)</sup>	Equity Incentive Plan Awards: Number of Shares, Units or Other Rights That Have Not Vested (#)
Steven W. Beason	08/08/2005	137,500			29.18	08/07/2015			
	12/15/2005	19,000			27.68	12/14/2015			
	02/27/2007	9,684	6,457 <sup>(4)</sup>		33.94	02/26/2017	2,352 <sup>(8)</sup>	23,426	
	02/26/2008	9,456	14,186 <sup>(4)</sup>		21.27	02/25/2018	5,869 <sup>(9)</sup>	58,455	
	07/31/2008						6,000 <sup>(13)</sup>	59,760	
	02/23/2009	5,809	23,238 <sup>(4)</sup>		12.21	02/22/2019	10,905 <sup>(11)</sup>	108,614	
	02/22/2010		26,076 <sup>(6)</sup>		15.65	02/21/2020			13,294 <sup>(2)</sup> 132,408

(1) The value shown was calculated by multiplying the number of RSUs by the closing price of our common stock on December 31, 2010 (\$9.96).

(2) These RSUs were awarded with a four-year vesting schedule, with one-fourth vesting on each of the first four anniversaries of the date of grant subject to the satisfaction of minimum performance criteria for 2010. The first installment vested in February 2011 based on attainment of the 2010 performance goal (but is shown as unvested in the table above, which provides information as of December 31, 2010) and the balance is scheduled to vest in three installments, one-third on each of the second through fourth anniversaries of the date of grant.

(3) On December 2, 2010, Mr. Weil received sign-on equity awards under the terms of his amended employment agreement comprised of (a) 1,000,000 RSUs with a four-year vesting schedule, with one-fourth scheduled to vest on each of the first four anniversaries of the date of grant, (b) 1,000,000 stock options with a four-year vesting schedule, with one-fourth scheduled to vest on each of the first four anniversaries of the date of grant, (c) 1,000,000 RSUs with a five-year vesting schedule, with one-fifth scheduled to vest in five equal annual installments beginning on March 15, 2012 subject to the satisfaction of multi-year performance criteria, and (d) 1,000,000 stock options with a five-year vesting schedule, with one-fifth scheduled to vest in five equal annual installments beginning on March 15, 2012 subject to the satisfaction of multi-year performance criteria. The delivery of the shares underlying any vested performance-conditioned RSUs and the exercisability of any vested performance-conditioned stock options is subject to sufficient shares being available under the Company's equity plan. See " Compensation Discussion and Analysis Executive Management Changes Amendment to Mr. Weil's Employment Agreement" above for additional information regarding these sign-on equity awards.

(4) These stock options were awarded with a five-year vesting schedule, with one-fifth vesting on each of the first five anniversaries of the date of grant.

(5) These RSUs were awarded with a five-year vesting schedule, with one-fifth vesting on each of the first five anniversaries of the date of grant.

(6) These stock options were awarded with a four-year vesting schedule, with one-fourth vesting on each of the first four anniversaries of the date of grant.

(7) These RSUs were awarded with a four-year vesting schedule, with one-fourth vesting on each of the first four anniversaries of the date of grant.

(8) These RSUs were awarded with a five-year vesting schedule, subject to the satisfaction of minimum performance criteria for 2007. The first installment vested in February 2008 based on attainment of the 2007 performance goal, the second installment vested on the second anniversary of the date of grant, the third installment vested on the third anniversary of the date of grant, the fourth installment vested on the fourth anniversary of the date of grant (but is shown as unvested in the table above, which provides information as of December 31, 2010) and the balance is scheduled to vest on the fifth anniversary of the date of grant.

- (9) These RSUs were awarded with a five-year vesting schedule, subject to the satisfaction of minimum performance criteria for 2008. The first installment vested in February 2009 based on attainment of the 2008 performance goal, the second installment vested on the second anniversary of the date of grant, the third installment vested on the third anniversary of the date of grant (but is shown as unvested in the table above, which provides information as of December 31, 2010) and the balance is scheduled to vest in two installments, one-half on each of the fourth and fifth anniversaries of the date of grant.
- (10) These RSUs were part of an award of 60,000 RSUs to Mr. Chambrello under an amendment to his employment agreement, 12,000 of which vested immediately, with another 9,600 having vested on each of the first and second anniversaries of the date of grant. The balance of the award (28,800 RSUs) is scheduled to vest in three installments, with 9,600 shares vesting on each of the third through fifth anniversaries of the date of grant.
- (11) These RSUs were awarded with a five-year vesting schedule, subject to the satisfaction of minimum performance criteria for 2009. The first installment vested in February 2010 based on attainment of the 2009 performance goal, the second installment vested on the second anniversary of the date of grant (but is shown as unvested in the table above, which provides information as of December 31, 2010) and the balance is scheduled to vest in three installments, one-third on each of the third through fifth anniversaries of the date of grant.
- (12) These RSUs were awarded with a five-year vesting schedule, with one-fifth vesting on each of the first five anniversaries of the date of grant. The first installment vested on the first anniversary of the date of grant, the second installment vested on the second anniversary of the date of grant, the third installment vested on the third anniversary of the date of grant, the fourth installment vested on the fourth anniversary of the date of grant and the fifth installment vested on the fifth anniversary of the date of grant (but is shown as unvested in the table above, which provides information as of December 31, 2010).
- (13) These RSUs were awarded with a five-year vesting schedule, with one-fifth vesting on each of the first five anniversaries of the date of grant. The first installment vested on the first anniversary of the date of grant, the second installment vested on the second anniversary of the date of grant and the balance is scheduled to vest in three installments, one-third on each of the third through fifth anniversaries of the date of grant.
- (14) These RSUs were awarded with a five-year vesting schedule, with one-fifth vesting on each of the first five anniversaries of the date of grant. The first installment vested on the first anniversary of the date of grant, the second installment vested on the second anniversary of the date of grant, the third installment vested on the third anniversary of the date of grant, the fourth installment vested on the fourth anniversary of the date of grant and the balance is scheduled to vest on the fifth anniversary of the date of grant.

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**Option Exercises and Stock Vested for Fiscal Year 2010**

The table below provides information for the named executive officers with respect to stock options that were exercised and RSUs that vested during 2010.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Vested (#)	Value of Vested Units (\$)
A. Lorne Weil	127,000	1,013,636		
Jeffrey S. Lipkin			8,000	112,240
Michael R. Chambrello			63,034	720,849
Ira H. Raphaelson			35,302	503,354
Larry A. Potts			12,357	179,870
Steven W. Beason			19,375	241,891

Additionally, on June 8, 2010, the Company entered into an agreement with Mr. Weil to cancel 400,000 stock options he held, which had an exercise price of \$7.96 and an expiration date of June 22, 2010, in exchange for a cash payment of \$772,000, representing the "spread" value of such stock options based on the closing price of the Company's common stock on such date (\$9.89).

**Non-Qualified Deferred Compensation**
*Supplemental Executive Retirement Plan (pre-2006 frozen plan)*

The table below provides information for the named executive officers with respect to their benefits under the SERP, which was discontinued at the end of 2005.

Name	Plan Name	Number of Years Credited Service (#)	Aggregate Interest Credited in 2010 <sup>(1)</sup> (\$)	Present Value of Accumulated Benefit at 12/31/2010 (\$)	Payments in 2010 (\$)
A. Lorne Weil	SERP	N.A.	210,731	2,997,575	2,977,723 <sup>(2)</sup>

(1) Represents interest at rate of 4% which was accrued during 2010.

(2) Under the terms of Mr. Weil's employment agreement, 50% of the benefits accrued as of December 31, 2005 (increased by 4% interest compounded annually) was paid on November 1, 2009 (\$5,726,391) and 25% of the benefits accrued as of December 31, 2005 (increased by 4% interest compounded annually) was paid on November 1, 2010 (\$2,977,723). Mr. Weil's remaining benefits are scheduled to be paid on November 1, 2011.

The SERP had been a means of providing retirement benefits to a limited number of senior executives under a formula that determined the benefit based on a participant's years of service and average rate of compensation. The SERP was discontinued at the end of 2005 and benefit accruals for the plan's four participants were frozen in amounts based on the then present value of each participant's aggregate benefit under an agreed-upon calculation. Although the aggregate benefit for each participant was frozen at that time, participants are credited with interest at a rate of 4% per annum, compounded annually, from December 31, 2005 until the benefit is distributed.

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*Deferred Compensation Plan (for deferral of salary and bonus)*

The table below provides information for the named executive officers with respect to amounts deferred under our Elective Deferred Compensation Plan ("DCP"), which is an elective non-qualified deferred compensation plan.

Name	Executive Contributions in 2010 (\$)	Registrant Contributions in 2010 (\$)	Aggregate Earnings in 2010 (\$)	Aggregate Withdrawals/Distributions (\$)	Aggregate Balance at 12/31/2010 (\$)
A. Lorne Weil			341,224	3,391,212 <sup>(1)</sup>	3,460,806 <sup>(1)</sup>
Michael R. Chambrello	225,952 <sup>(2)</sup>		111,262		1,169,517 <sup>(2)</sup>

(1) Under the terms of Mr. Weil's employment agreement, 50% of his DCP balance was paid at the end of 2010 (\$3,391,212). Mr. Weil's aggregate balance at the end of 2010 reflects bonuses contributed into the DCP over the last 12 years (in the aggregate amount of approximately \$9,043,450), which contributions are reflected in the "Summary Compensation Table" (or, in the case of the contribution of his 2009 bonus, in the "Director Compensation" section) in prior years' proxy statements. Mr. Weil's remaining DCP balance is scheduled to be paid on November 1, 2011.

(2) Contributions for 2010 reflect the deferral by Mr. Chambrello of a portion of his 2010 salary and a portion of his fiscal year 2009 bonus, which became payable in 2010. Mr. Chambrello's aggregate balance at the end of 2010 reflects salary contributed into the DCP over the last five years and bonus contributed into the DCP over the last three years (in the aggregate amount of approximately \$1,114,532), which contributions are reflected in the "Summary Compensation Table" in this and/or prior years' proxy statements.

The DCP enables executive officers and other eligible employees to defer receipt of up to 50% of their base salary and up to 100% of the cash bonus that may be awarded under our MICP. Non-employee directors may defer receipt of up to 100% of the fees and other cash compensation payable for director services. Participants can defer eligible compensation into the DCP throughout their employment or for a specified deferral period consisting of three or more years as an initial deferral and five or more years to extend a prior deferral, provided the extension election is made at least 12 months prior to the end of the deferral period. Deferrals and related earnings are paid as soon as practicable following the end of the deferral period and would be distributed prior to that date if a participant retires or otherwise separates from service (subject to a six month delay for distributions to certain officers in accordance with the requirements of Section 409A of the Internal Revenue Code). Deferrals would also be distributed in the event of a change in control, if we terminate the DCP or, under extremely limited circumstances, in the event of an "unforeseeable emergency" such as a severe financial hardship resulting from an illness or accident.

Participants' deferrals are measured by the performance of investment options that we may offer from time to time under the DCP. The investment options consist of a variety of mutual funds of various investment categories that provide different combinations of risk and return potential and participants can generally elect to change their investment elections each business day. The vehicles measuring Mr. Chambrello's deferrals during 2010 and the rates of return for the year were as follows: Money Market Fund (0.02%); Foreign Large Blend Fund (10.09%); Large Blend Fund (12.11%); Small Blend Fund (23.67%); Intermediate-Term Bond Fund (6.45%); and World Stock Fund (13.87%).

Additional investment vehicles have been approved for Mr. Weil's deferred compensation account, which comprises the majority of the deferrals under the plan. The vehicles measuring Mr. Weil's deferrals during 2010 and the rates of return for the year were as follows: Corporate Bond (14.01%); Money Market Fund (0.01%); Private Equity Fund (14.42%); Private Equity Fund (-0.98%); Distressed Debt Fund (10.38%); Multi-Strategy Hedge Fund (5.38%); and Equity Hedge Fund (-7.04%). The vehicles measuring Mr. Weil's deferrals also include a Private Bond Obligation Fund, the rate of return for 2010 of which is not available (the market value of the vehicle in 2006 was \$52,500, but more recent valuation information has not been provided by the fund as of the date of this Proxy Statement).

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The Company's policy has been to contribute the designated amount of each participant's deferrals into a rabbi trust and for the trust to make investments that correspond to the participant's investment elections. The Company does not pay above market returns and does not guarantee any minimum return on investments.

*Restricted Stock Unit Award Deferrals*

The table below sets forth information with respect to the deferral of Mr. Weil's RSUs.

Name	Executive Contributions in 2010 (\$)	Registrant Contributions in 2010 (\$)	Aggregate Earnings in 2010 (\$)	Aggregate Withdrawals/ Distributions (\$)	Aggregate Balance at 12/31/2010 (\$)
A. Lorne Weil					4,544,322 <sup>(1)</sup>

(1)

Mr. Weil's aggregate balance at the end of 2010 reflects the deferral of RSUs that vested on December 31, 2006 (58,750 units), December 31, 2007 (133,656 units), December 31, 2008 (133,656 units) and December 31, 2009 (133,657 units), which had an aggregate value at the time of deferral of approximately \$10,464,938.

**Potential Payments Upon Termination or Change in Control***Employment Agreements and Equity Award Agreements*

We have employment agreements with the named executive officers. The information below describes and quantifies certain compensation that would become payable under these agreements if the named executive officer's employment had terminated on December 31, 2010 under the various termination events contemplated in the agreements. Under the terms of our standard equity award agreement, unvested stock options and RSUs held by an employee (including a named executive officer) would generally vest upon the termination of such employee by reason of death or "disability" (as such term is defined in such agreement). The amounts described below are estimates and the actual amounts to be paid can only be determined at the time of the executive's separation. The amounts described below would be in addition to amounts the individual would receive under accrued plans, such as the DCP, the 401(k) plan and previously vested equity or bonus awards, as to which neither the individual's employment agreement nor the plans provide for enhanced benefits or payments upon termination. The value shown below for equity awards that would have accelerated had the specified termination event occurred on the last business day of the year was calculated by multiplying the number of shares subject to the acceleration by the closing price of our common stock on that day, which was \$9.96 (and, in the case of stock options, subtracting the exercise price for the shares from that value).

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*A. Lorne Weil*

Potential payments to Mr. Weil would be governed by his employment agreement dated January 1, 2006 (as amended in May 2008, December 2008, May 2009 and December 2010) which has a term ending December 31, 2015 (subject to automatic renewals for a period of one year at the end of the initial term and each anniversary thereof). Mr. Weil's base salary was increased to \$1,500,000 effective December 1, 2010. Mr. Weil's employment agreement provides that he will have an annual target bonus opportunity equal to 100% of his base salary and a maximum bonus opportunity equal to 200% of his base salary, and that, beginning in 2013, he will be eligible to receive an annual grant of equity awards (in any combination of stock options or RSUs as he may specify) with a value of up to 200% of his base salary in the discretion of the Compensation Committee.

Mr. Weil's remaining benefits under the Company's frozen SERP and his remaining balance under the Company's deferred compensation plan are scheduled to be paid to Mr. Weil on November 1, 2011. Mr. Weil will also receive a payment on July 1, 2011 in an amount equal to his 2009 base salary and target bonus, plus interest on that amount at a rate of 6% from January 1, 2010 to the date of payment (totaling \$3,556,406), pursuant to the terms of the May 2008 amendment to his employment agreement.

On December 2, 2010, Mr. Weil received sign-on equity awards under the terms of his amended employment agreement comprised of (a) 1,000,000 RSUs with a four-year vesting schedule, with one-fourth scheduled to vest on each of the first four anniversaries of the date of grant, (b) 1,000,000 stock options with a four-year vesting schedule, with one-fourth scheduled to vest on each of the first four anniversaries of the date of grant, (c) 1,000,000 RSUs with a five-year vesting schedule, with one-fifth scheduled to vest in five equal annual installments beginning on March 15, 2012 subject to the satisfaction of multi-year performance criteria, and (d) 1,000,000 stock options with a five-year vesting schedule, with one-fifth scheduled to vest in five equal annual installments beginning on March 15, 2012 subject to the satisfaction of multi-year performance criteria. See " Compensation Discussion and Analysis Executive Management Changes Amendment to Mr. Weil's Employment Agreement" for additional information regarding these sign-on equity awards.

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



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The following describes the estimated amounts Mr. Weil would have received if the event specified occurred at December 31, 2010:

		Termination Without Cause or for Good Reason (w/ Change in Control) <sup>(a)</sup>	Termination Due to Death	Termination Due to Disability
	Voluntary Resignation	Termination Without Cause or for Good Reason		
	Termination for Cause			
<b><i>Cash Payments</i></b>				