

Edgar Filing: SCIENTIFIC GAMES CORP - Form 424B3

SCIENTIFIC GAMES CORP  
Form 424B3  
May 16, 2001

Pursuant to Rule 424(b)(3)  
Under the Securities Act  
of 1933, as amended

Prospectus Supplement No. 5

Dated May 16, 2001

to Prospectus Dated January 2, 2001,  
as supplemented by  
Prospectus Supplement No. 1 Dated February 15, 2001  
and  
Prospectus Supplement No. 2 Dated February 21, 2001  
and  
Prospectus Supplement No. 3 Dated March 1, 2001  
and  
Prospectus Supplement No. 4 Dated April 16, 2001

Registration Number 333-51000

-----  
Scientific Games Corporation  
(f/k/a Autotote Corporation)  
-----

12 1/2% Senior Subordinated Notes Due 2010, Series B

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

-----  
FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

Edgar Filing: SCIENTIFIC GAMES CORP - Form 424B3

Date of Report (Date of earliest event reported) April 27, 2001

0-13063  
(Commission File Number)

-----  
SCIENTIFIC GAMES CORPORATION  
(Exact name of registrant as specified in its charter)

Delaware  
(State of Incorporation)

81-0422894  
(IRS Employer  
Identification Number)

750 Lexington Avenue, New York, New York 10022  
(Address of registrant's principal executive office)

(212) 754-2233  
(Registrant's telephone number)

-----  
-2-

Item 5. Other Events.

Change of Name

On April 27, 2001, Autotote Corporation (the "Company") changed its name to Scientific Games Corporation and changed its trading symbol on the American Stock Exchange to "SGM". The name change was effected by the merger with and into the Company of the Company's wholly owned subsidiary, Scientific Games Corporation II, and the contemporaneous name change of the Company to Scientific Games Corporation. The merger and name change was approved and ratified by the Company's Board of Directors by unanimous written consent on April 20, 2001 in accordance with Section 253 of the General Corporation Law of the State of Delaware.

-3-

Index to Exhibits

Exhibit No. -----	Description -----
3.1	Certificate of Ownership and Merger, effective as of April 27, 2001.

-4-

Edgar Filing: SCIENTIFIC GAMES CORP - Form 424B3

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SCIENTIFIC GAMES CORPORATION

By: /s/ Martin E. Schloss

-----  
Martin E. Schloss  
Vice President and Secretary

Date: April 27 , 2001

-5-

Exhibit 3.1

CERTIFICATE OF OWNERSHIP AND MERGER  
OF  
SCIENTIFIC GAMES CORPORATION II  
(a Delaware corporation)  
INTO  
AUTOTOTE CORPORATION  
(a Delaware corporation)

It is hereby certified that:

1. Autotote Corporation (the "Corporation") is a business corporation of the State of Delaware.
2. The Corporation is the owner of all of the outstanding shares of each class of stock of Scientific Games Corporation II, which is also a business corporation of the State of Delaware.
3. On April 20th, 2001, the Board of Directors of the Corporation duly adopted the following resolutions to merge Scientific Games Corporation II with and into the Corporation:

RESOLVED, that Scientific Games Corporation II be merged with and into the Corporation, and that all of the estate, property, rights, privileges, powers and franchises of Scientific Games Corporation II be vested in and held and enjoyed by the Corporation as fully and entirely and without change or diminution as the same were before held and enjoyed by Scientific Games Corporation II in its name; and further

RESOLVED, that the Corporation shall assume all of the obligations of Scientific Games Corporation II; and further

RESOLVED, that the Corporation shall cause to be executed and filed and/or recorded the documents prescribed by the laws of the State of Delaware and by the laws of any other appropriate jurisdiction, and shall cause to be performed

Edgar Filing: SCIENTIFIC GAMES CORP - Form 424B3

all necessary acts within the State of Delaware and within any other appropriate jurisdiction, in connection with the foregoing merger; and further

RESOLVED, that, as of the effective date of the foregoing merger, the Corporation shall change its corporate name to Scientific Games Corporation; and further

RESOLVED, that the effective time of the Certificate of Ownership and Merger setting forth a copy of these resolutions, and the time when the merger therein provided for, shall become effective shall be 12:00 a.m., Eastern Daylight Time, on the 27th day of April, 2001.

IN WITNESS WHEREOF, I have hereunto signed my name on behalf of the Corporation, as of the 20th day of April, 2001.

AUTOTOTE CORPORATION

By: /s/ A. Lorne Weil

-----  
Name: A, Lorne Weil  
Title: President

ATTEST:

/s/ Martin E. Schloss

-----  
Name: Martin E. Schloss  
Title: Vice President

2

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

Form 10-Q

{Mark One}

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2001

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

Commission File number: 0-13063

SCIENTIFIC GAMES CORPORATION

Edgar Filing: SCIENTIFIC GAMES CORP - Form 424B3

(FORMERLY AUTOTOTE CORPORATION)

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

81-0422894  
(I.R.S. Employer  
Identification No.)

750 Lexington Avenue, New York, New York 10022

-----  
(Address of principal executive offices)  
(Zip Code)

(212) 754-2233

-----  
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No \_\_\_

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of May 11, 2001:

Class A Common Stock: 40,195,814

Class B Common Stock: None

3

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS  
AND OTHER INFORMATION

THREE MONTHS ENDED MARCH 31, 2001

	Page
PART I. FINANCIAL INFORMATION	
Item 1. Consolidated Financial Statements:	
Balance Sheets as of December 31, 2000 and March 31, 2001	3
Statements of Operations for the Three Months Ended March 31, 2000 and 2001	4
Statements of Cash Flows for the Three Months Ended March 31, 2000 and 2001	5
Notes to Consolidated Financial Statements	6-16
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	

Edgar Filing: SCIENTIFIC GAMES CORP - Form 424B3

17-22

PART II.	OTHER INFORMATION	
Item 1.	Legal Proceedings	23
Item 2.	Changes in Securities and Use of Proceeds	23
Item 6.	Exhibits and Reports on Form 8-K	23

4

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

(Unaudited, in thousands)

	December 31,	M
	2000	
	-----	---
ASSETS		
Current assets:		
Cash and cash equivalents .....	\$ 6,488	
Restricted cash .....	670	
Accounts receivable, net of allowance for doubtful accounts .....	56,819	
Inventories .....	27,608	
Prepaid expenses, deposits and other current assets .....	15,911	
	-----	
Total current assets .....	107,496	
	-----	
Property and equipment, at cost .....	323,732	
Less accumulated depreciation .....	139,121	
	-----	
Net property and equipment .....	184,611	
	-----	
Goodwill, net .....	157,591	
Operating right, net .....	12,681	
Other intangible assets, net .....	118,598	
Other assets and investments .....	53,964	
	-----	
Total assets .....	\$ 634,941	
	=====	
	-----	
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current installments of long-term debt .....	\$ 6,636	
Accounts payable .....	27,176	
Accrued liabilities .....	59,142	
Interest payable .....	11,112	
	-----	
Total current liabilities .....	104,066	
	-----	
Deferred income taxes .....	59,093	
Other long-term liabilities .....	9,585	
Long-term debt, excluding current installments .....	434,044	
	-----	
Total liabilities .....	606,788	
	-----	
Stockholders' equity:		

## Edgar Filing: SCIENTIFIC GAMES CORP - Form 424B3

Convertible preferred stock, par value \$1.00 per share, 2,000 shares authorized, 1,149 and 1,166 shares outstanding at December 31, 2000 and March 31, 2001, respectively .....	1,149	
Class A common stock, par value \$0.01 per share, 99,300 shares authorized, 40,156 and 40,163 shares outstanding at December 31, 2000 and March 31, 2001, respectively .....	373	
Class B non-voting common stock, par value \$0.01 per share, 700 shares authorized, none outstanding .....	--	
Additional paid-in capital .....	266,917	
Accumulated losses .....	(234,910)	(
Treasury stock, at cost .....	(102)	
Accumulated other comprehensive loss .....	(5,274)	
	-----	-----
Total stockholders' equity .....	28,153	
	-----	-----
Total liabilities and stockholders' equity .....	\$ 634,941	
	=====	=====

See accompanying notes to consolidated financial statements.

5

### SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF OPERATIONS

Three Months Ended March 31, 2000 and 2001  
(Unaudited, in thousands, except per share amounts)

	2000	2001
	-----	-----
Operating revenues:		
Services .....	\$ 37,659	88
Sales .....	7,953	24
	-----	-----
	45,612	112
	-----	-----
Operating expenses (exclusive of depreciation and amortization shown below):		
Services .....	24,493	58
Sales .....	3,893	14
	-----	-----
	28,386	72
	-----	-----
Total gross profit .....	17,226	39
Selling, general and administrative expenses .....	6,731	14
Depreciation and amortization .....	5,370	13
	-----	-----
Operating income .....	5,125	11
	-----	-----
Other deductions:		
Interest expense .....	4,253	13
Other (income) expense .....	(78)	
	-----	-----
	4,175	13
	-----	-----
Income (loss) before income tax expense (benefit) .....	950	(2)

Edgar Filing: SCIENTIFIC GAMES CORP - Form 424B3

Income tax expense (benefit) .....	116	
	-----	-----
Net income (loss) .....	834	(2)
Convertible preferred stock dividend .....	--	1
	-----	-----
Net income (loss) available to common stockholders .....	\$ 834	(4)
	=====	=====
Basic and diluted net income (loss) per share:		
Net income (loss) .....	\$ 0.02	(
	=====	=====
Net income (loss) available to common stockholders .....	\$ 0.02	(
	=====	=====
Weighted average number of shares used in per share calculations:		
Basic shares .....	36,544	40
	=====	=====
Diluted shares .....	41,888	40
	=====	=====

See accompanying notes to consolidated financial statements.

6

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS

Three Months Ended March 31, 2000 and 2001  
(Unaudited, in thousands)

	2000	2001
	-----	-----
Cash flows from operating activities:		
Net income (loss) .....	\$ 834	(2,437)
	-----	-----
Adjustments to reconcile net income (loss) to cash provided by (used in) operating activities:		
Depreciation and amortization .....	5,370	13,608
Changes in operating assets and liabilities .....	(7,349)	(1,338)
Other .....	576	421
	-----	-----
Total adjustments .....	(1,403)	12,691
	-----	-----
Net cash provided by (used in) operating activities .....	(569)	10,254
	-----	-----
Cash flows from investing activities:		
Capital expenditures .....	(1,715)	(1,034)
Wagering systems expenditures .....	(5,961)	(8,316)
Increase in other assets and investment .....	(2,301)	(1,592)
	-----	-----
Net cash used in investing activities .....	(9,977)	(10,942)
	-----	-----
Cash flows from financing activities:		



## Edgar Filing: SCIENTIFIC GAMES CORP - Form 424B3

Net borrowings under lines of credit .....	8,070	7,000
Proceeds from issuance of long-term debt .....	952	--
Payments on long-term debt .....	(740)	(1,509)
Proceeds from the issuance of common stock .....	625	37
	-----	-----
Net cash provided by financing activities .....	8,907	5,528
	-----	-----
Effect of exchange rate changes on cash .....	(206)	(974)
	-----	-----
Increase (decrease) in cash and cash equivalents .....	(1,845)	3,866
Cash and cash equivalents, beginning of period .....	3,662	6,488
	-----	-----
Cash and cash equivalents, end of period .....	\$ 1,817	10,354
	=====	=====
Supplemental disclosure of cash flow information: Cash paid (recovered)		
during the period for:		
Interest paid .....	\$ 7,397	17,647
	=====	=====
Net income taxes (recovered) paid .....	\$ 267	(999)
	=====	=====
Non-cash financing activity during the period:		
Convertible preferred stock paid-in-kind dividends .....	\$ --	1,699
	=====	=====

See accompanying notes to consolidated financial statements.

7

### SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, in thousands, except per share amounts)

#### (1) Consolidated Financial Statements

##### Name Change

Effective April 27, 2001, the Company changed its corporate name from Autotote Corporation to Scientific Games Corporation and its stock symbol to SGM [AMEX: SGM].

##### Basis of Presentation

On December 20, 2000, the Company determined to change its fiscal year from an October 31 year-end to a calendar year-end, beginning with the year ending December 31, 2001. This report on Form 10-Q covers the first quarter of year 2001, which commenced on January 1, 2001, compared to the three-month period January 1, 2000 to March 31, 2000.

The consolidated balance sheets as of December 31, 2000 and March 31, 2001 and the consolidated statements of operations for the three months ended March 31, 2000 and 2001, and the consolidated statements of cash flows for the three months then ended, have been prepared by the Company without audit. In the opinion of management, all adjustments necessary to present fairly the financial position of the Company at December 31, 2000 and March 31, 2001 and the results of its operations for the three months ended March 31, 2000 and 2001 and its cash flows for the three months ended March 31, 2000 and 2001 have been made.

## Edgar Filing: SCIENTIFIC GAMES CORP - Form 424B3

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. These consolidated financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's 2000 Annual Report on Form 10-K. The results of operations for the period ended March 31, 2001 are not necessarily indicative of the operating results for the full year.

Certain items in prior period's financial statements have been classified to conform with the current year presentation.

### Basic and Diluted Net Income (Loss) Per Share

The following represents a reconciliation of the numerator and denominator used in computing basic and diluted net income (loss) per share for the three months ended March 31, 2000 and 2001:

		Three Months Ended
		----- 2000 -----
Income (loss) (numerator)		
Net income (loss).....	\$	834
Convertible preferred stock dividend.....		--
		=====
Net income (loss) available to common stockholders.....	\$	834
		=====
Shares (denominator)		
Basic weighted average common shares outstanding.....		36,544
Effect of diluted securities--stock options, warrants, convertible preferred shares and deferred shares (1).....		5,344
		-----
Diluted weighted average common shares outstanding.....		41,888
		=====
Basic and diluted per share amount		
Net income (loss).....	\$	0.02
		=====
Net income (loss) available to common stockholders.....	\$	0.02
		=====

- (1) Potential common shares are not included in the calculation of dilutive net loss per share in the three months ended March 31, 2001, since the inclusion would be anti-dilutive.

## Edgar Filing: SCIENTIFIC GAMES CORP - Form 424B3

At March 31, 2001, the Company had outstanding stock options, warrants, convertible preferred shares and deferred shares, which could potentially dilute basic earnings per share in the future. (See Notes 13 and 14 to the Consolidated Financial Statements for the year ended October 31, 2000 in the Company's 2000 Annual Report on Form 10-K.)

### Interest Rate Agreements

Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities ("SFAS 133"), as amended by SFAS 138, establishes accounting and reporting standards for derivative instruments and hedging activities. It requires entities to record all derivative instruments on the balance sheet at fair value. Changes in the fair value of derivatives are recorded in each period in current operations or other comprehensive income (loss), based on whether a derivative is designated as part of a hedge transaction and the type of hedge transaction. The ineffective portion of all hedges is recognized in operations.

Pursuant to the terms of the Company's credit facility, the Company is required to maintain interest rate hedges for a notional amount of not less than \$140,000 for a period of not less than two years. In satisfaction of this requirement, the Company entered into three interest rate swap agreements in November 2000 which obligate the Company to pay a fixed LIBOR rate and entitle the Company to receive a variable LIBOR rate on an aggregate \$140,000 notional amount of debt. The Company has structured these interest rate swap agreements and intends to structure all such future agreements to qualify for hedge accounting pursuant to the provisions of SFAS 133. Accumulated other comprehensive losses resulting from the changes in fair value of the interest rate hedge instruments were \$2,395 and \$5,201 at December 31, 2000 and March 31, 2001, respectively. For the three months ended March 31, 2001, the Company recorded a \$2,806 charge to other comprehensive loss for the change in fair value of the interest rate hedge instruments.

### (2) Acquisition of Scientific Games Holdings Corp.

On September 6, 2000, the Company completed the acquisition of Scientific Games Holdings Corp. ("SGHC"), a world-leading supplier of lottery products, integrated lottery systems and support services, and pre-paid telephone cards. The acquisition was completed through a merger in which SGHC became a wholly-owned subsidiary of the Company, at a cost of approximately \$308,000 in aggregate merger consideration to SGHC stockholders, plus related fees and expenses. The acquisition was recorded using the purchase method of accounting. The acquired assets and liabilities were recorded at their estimated fair value at the date of acquisition. The excess of the purchase price over the fair values of the net assets acquired was approximately \$156,828 and has been recorded as goodwill, which is being amortized over 20 years. The operating results of SGHC's businesses have been included in the accompanying consolidated statements of operations from the date of the acquisition. (See Notes 9 and 13 to the Consolidated Financial Statements for the year ended October 31, 2000 in the Company's 2000 Annual Report on Form 10-K.)

## Edgar Filing: SCIENTIFIC GAMES CORP - Form 424B3

The following table presents unaudited pro forma results of operations as if the SGHC acquisition and related financing transactions had occurred at the beginning of the period presented after giving effect to certain adjustments, including amortization of goodwill and other identifiable intangible assets, additional depreciation expense, increased interest expense, convertible preferred stock dividends and related income tax effects. These pro forma results have been prepared for comparative purposes and do not purport to be indicative of what would have occurred had the acquisition been made at the beginning of the three months ended March 31, 2000 or the results which may occur in the future.

	Three Months En March 31, 2000
	(unaudited)
Operating revenues.....	\$ 104,674
Operating income.....	9,558
Loss before income tax benefit.....	(3,062)
Net loss.....	(2,153)
Convertible preferred stock dividend.....	1,691
	-----
Net loss available to common stockholders.....	\$ (3,844)
	=====
Basic and diluted loss per share:	
Net loss.....	\$ (0.06)
	=====
Net loss available to common stockholders.....	\$ (0.11)
	=====

10

### SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

(Unaudited, in thousands, except per share amounts)

#### (3) Business Segments

The following tables represent revenues, profits, depreciation and assets by business segments for the three months ended March 31, 2000 and 2001. Corporate expenses are allocated among business segments. Interest expense and other (income) deductions are not allocated to business segments.

	Three Months En March 31,	
	2000	2001
Service and sales revenue:		
Lottery Group.....	\$ 2,969	27,489
Pari-mutuel Group.....	27,489	15,154
Venue Management Group.....	15,154	

Edgar Filing: SCIENTIFIC GAMES CORP - Form 424B3

Telecommunications Group.....	--
	-----
	\$ 45,612
	=====
Gross profit:	
Lottery Group.....	\$ 915
Pari-mutuel Group.....	12,010
Venue Management Group.....	4,301
Telecommunications Group.....	--
	-----
	\$ 17,226
	=====
Operating income:	
Lottery Group.....	\$ (333)
Pari-mutuel Group.....	3,333
Venue Management Group.....	2,125
Telecommunications Group.....	--
	-----
	\$ 5,125
	=====
Included in operating income- Depreciation and amortization:	
Lottery Group.....	\$ 609
Pari-mutuel Group.....	4,082
Venue Management Group.....	679
Telecommunications Group.....	--
	-----
	\$ 5,370
	=====

11

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

(Unaudited, in thousands, except per share amounts)

(3) Business Segments--(Continued)

	Three Months E
	March 31,
	-----
	2000
	-----
A reconciliation of total segment operating income to consolidated income (loss) before income tax expense (benefit) is as follows:	
Total reported segments.....	\$ 5,125
Interest expense.....	4,253
Other (income) expense.....	(78)
	-----
	\$ 950
	=====
	December 31, Ma
	2000

Edgar Filing: SCIENTIFIC GAMES CORP - Form 424B3

Assets:		
Lottery Group.....	\$	330,138
Pari-mutuel Group.....		232,990
Venue Management Group.....		34,055
Telecommunications Group.....		37,758
	\$	634,941
		-----
		Three Months E
		March 31,
		-----
		2000
		-----
Capital and wagering systems expenditures:		
Lottery Group.....	\$	749
Pari-mutuel Group.....		6,398
Venue Management Group.....		529
Telecommunications Group.....		--
	\$	7,676
		-----

12

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

(Unaudited, in thousands, except per share amounts)

(4) Comprehensive Income (Loss)

The following presents a reconciliation of net income (loss) to comprehensive income (loss) for the three months ended March 31, 2000 and 2001:

		Three Mon
		-----
		2000
		-----
Net income (loss).....	\$	834
Other comprehensive loss:		
Foreign currency translation.....		(389)
Unrealized gain on investments.....		--
Unrealized loss on interest rate swap contract.....		--
		-----
Other comprehensive loss.....		(389)
		-----
Comprehensive income (loss).....	\$	445
		=====

(5) Inventories

Inventories consist of the following:

December

Edgar Filing: SCIENTIFIC GAMES CORP - Form 424B3

	2000
	-----
Parts and work-in-process.....	\$ 16,19
Finished goods.....	11,41
	-----
	\$ 27,60
	=====

Parts and work-in-process include costs for equipment expected to be sold. Costs incurred for equipment associated with specific wagering system service contracts not yet placed in service are classified as construction in progress in property and equipment.

(6) Debt

At March 31, 2001, the Company had approximately \$39,305 available for borrowing under the Company's revolving credit facility (the "Facility"). There were approximately \$16,000 of borrowings outstanding under the Facility and approximately \$9,695 in letters of credit were issued under the Facility at March 31, 2001. At December 31, 2000, Scientific Games's available borrowing capacity under the facility was \$46,591.

The Company's financing arrangements impose certain limitations on the operations of the Company and its subsidiaries, including the maintenance of certain financial, liquidity and net worth ratios. As a result of both the financial performance of SGHC prior to the Company's acquisition of SGHC, principally reflecting transitional and operational matters occurring through December 31, 2000, and the timing of certain anticipated capital expenditures and associated borrowings in 2001, in the first quarter of 2001, management and our lenders amended certain limitations to be less restrictive. The Facility was modified so that the planned step-downs in fixed charge coverage ratios and leverage ratios were delayed by six months through September 30, 2002. The Company is in compliance with the amended covenants as of March 31, 2001 and expects to remain so during the next twelve months.

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

(Unaudited, in thousands, except per share amounts)

(7) Financial Information for Guarantor Subsidiaries and Non-Guarantor Subsidiaries

The Company conducts substantially all of its business through its domestic and foreign subsidiaries. The Facility and the Company's 12 1/2% Series B Senior Subordinated Notes due 2010 (the "Notes") issued in connection with the acquisition of SGHC, are jointly and severally guaranteed by substantially all of the Company's wholly owned domestic subsidiaries (the "Guarantor Subsidiaries").

Presented below is condensed consolidating financial information for (i) Scientific Games Corporation (the "Parent Company"), which includes the activities of Scientific Games Management Corporation, (ii) the Guarantor Subsidiaries and (iii) the wholly owned foreign subsidiaries and the non-wholly owned domestic and foreign subsidiaries (the "Non-Guarantor Subsidiaries") as of December 31, 2000 and March 31, 2001 and for the three months ended March 31,

## Edgar Filing: SCIENTIFIC GAMES CORP - Form 424B3

2000 and 2001. The condensed consolidating financial information has been presented to show the nature of assets held, results of operations and cash flows of the Parent Company, Guarantor Subsidiaries and Non-Guarantor Subsidiaries assuming the guarantee structure of the Notes was in effect at the beginning of the periods presented. Separate financial statements for Guarantor Subsidiaries are not presented based on management's determination that they would not provide additional information that is material to investors.

The condensed consolidating financial information reflects the investments of the Parent Company in the Guarantor and Non-Guarantor Subsidiaries using the equity method of accounting. In addition, corporate interest and administrative expenses have not been allocated to the subsidiaries.

14

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES  
SUPPLEMENTAL CONDENSED CONSOLIDATING BALANCE SHEET  
December 31, 2000  
(unaudited, in thousands)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	EL
	-----	-----	-----	-----
<b>ASSETS</b>				
Cash and cash equivalents.....	\$ 867	(50)	5,671	
Accounts receivable, net.....	--	39,554	20,555	
Inventories.....	--	21,602	6,470	
Other current assets.....	186	13,421	2,944	
Property and equipment, net.....	2,002	142,446	40,452	
Investment in subsidiaries.....	202,980	--	--	
Goodwill.....	190	154,313	3,088	
Intangible assets.....	--	109,232	22,047	
Other assets.....	19,832	75,698	1,077	
	-----	-----	-----	-----
Total assets.....	\$ 226,057	556,216	102,304	
	=====	=====	=====	=====
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>				
Current installments of long-term debt..	\$ 6,012	8	616	
Current liabilities.....	25,663	51,811	22,866	
Long-term debt, excluding current installments.....	433,180	19	5,492	
Other non-current liabilities.....	5,786	56,851	21,491	
Intercompany balances.....	(272,737)	245,226	27,809	
Stockholders' equity.....	28,153	202,301	24,030	
	-----	-----	-----	-----
Total liabilities and stockholders' equity.....	\$ 226,057	556,216	102,304	
	=====	=====	=====	=====

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES



## Edgar Filing: SCIENTIFIC GAMES CORP - Form 424B3

### SUPPLEMENTAL CONDENSED CONSOLIDATING BALANCE SHEET March 31, 2001 (unaudited, in thousands)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	EL
<b>ASSETS</b>				
Cash and cash equivalents.....	\$ 3,941	640	5,773	
Accounts receivable, net.....	--	33,352	18,802	
Inventories.....	--	20,368	5,410	
Other current assets.....	1,492	11,409	3,715	
Property and equipment, net.....	1,977	142,249	39,737	
Investment in subsidiaries.....	216,318	--	--	
Goodwill.....	188	152,454	2,806	
Intangible assets.....	--	129,181	--	
Other assets.....	20,027	57,767	1,104	
Total assets.....	\$ 243,943	547,420	77,347	
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>				
Current installments of long-term debt..	\$ 6,763	8	467	
Current liabilities.....	17,940	52,839	19,233	
Long-term debt, excluding current installments.....	438,115	16	670	
Other non-current liabilities.....	8,971	55,333	4,508	
Intercompany balances.....	(249,965)	226,229	24,171	
Stockholders' equity.....	22,119	212,995	28,298	
Total liabilities and stockholders' equity.....	\$ 243,943	547,420	77,347	

15

### SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES SUPPLEMENTAL CONDENSED STATEMENT OF OPERATIONS Three Months Ended March 31, 2000 (unaudited, in thousands)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	
Operating revenues.....	\$ --	38,171	10,551	
Operating expenses.....	--	22,580	9,014	
Gross profit.....	--	15,591	1,537	

Edgar Filing: SCIENTIFIC GAMES CORP - Form 424B3

Selling, general and administrative expenses	2,389	3,294	1,052
Depreciation and amortization.....	72	4,501	822
	-----	-----	-----
Operating income (loss).....	(2,461)	7,796	(337)
Interest expense.....	4,012	188	182
Other (income) expense.....	(116)	(78)	(13)
	-----	-----	-----
Income (loss) before equity in income of subsidiaries, and income taxes.....	(6,357)	7,686	(506)
Equity in income of subsidiaries.....	7,231	--	--
Income tax expense (benefit).....	40	106	(30)
	-----	-----	-----
Net income (loss).....	\$ 834	7,580	(476)
	=====	=====	=====

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES  
SUPPLEMENTAL CONDENSED STATEMENT OF OPERATIONS  
Three Months Ended March 31, 2001  
(unaudited, in thousands)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
	-----	-----	-----
Operating revenues.....	\$ --	85,262	31,810
Operating expenses.....	--	54,832	22,908
	-----	-----	-----
Gross profit.....	--	30,430	8,902
Selling, general and administrative expenses	2,987	8,476	3,165
Depreciation and amortization.....	76	12,056	1,511
	-----	-----	-----
Operating income (loss).....	(3,063)	9,898	4,226
Interest expense.....	13,556	4	592
Other (income) expense.....	(49)	(587)	256
	-----	-----	-----
Income (loss) before equity in income of subsidiaries and income taxes.....	(16,570)	10,481	3,378
Equity in income of subsidiaries.....	13,508	--	--
Income tax expense (benefit).....	(625)	(836)	1,129
	-----	-----	-----
Net income (loss).....	\$ (2,437)	11,317	2,249
	=====	=====	=====

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES  
SUPPLEMENTAL CONDENSED STATEMENT OF CASH FLOWS  
Three Months Ended March 31, 2000  
(unaudited, in thousands)

Edgar Filing: SCIENTIFIC GAMES CORP - Form 424B3

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	EL
Net income (loss).....	\$ 834	7,580	(476)	
Depreciation and amortization.....	72	4,501	822	
Equity in income of subsidiaries.....	(7,231)	--	--	
Changes in operating assets and liabilities	(5,371)	435	(2,413)	
Other non-cash adjustments.....	284	290	2	
Net cash provided by (used in) operating activities.....	(11,412)	12,806	(2,065)	
Cash flows from investing activities:				
Capital and wagering systems expenditures..	(14)	(5,971)	(1,691)	
Other assets and investments.....	(86)	(1,415)	(297)	
Net cash provided by (used in) investing activities.....	(100)	(7,386)	(1,988)	
Cash flows from financing activities:				
Net borrowing under lines of credit.....	8,070	--	--	
Proceeds from issuance of long-term debt...	--	--	952	
Payments on long-term debt.....	--	(602)	(138)	
Net proceeds from stock issue.....	626	(448)	447	
Other, principally intercompany balances...	(2,525)	(707)	2,831	
Net cash provided by (used in) financing activities.....	6,171	(1,757)	4,092	
Effect of exchange rate changes on cash....	--	(70)	(136)	
Increase (decrease) in cash and cash equivalents.....	(5,341)	3,593	(97)	
Cash and cash equivalents, beginning of period	5,284	(4,103)	2,481	
Cash and cash equivalents, end of period...	\$ (57)	(510)	2,384	

17

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES  
SUPPLEMENTAL CONDENSED STATEMENT OF CASH FLOWS  
Three Months Ended March 31, 2001  
(unaudited, in thousands)

Parent Guarantor Non-Guarantor

Edgar Filing: SCIENTIFIC GAMES CORP - Form 424B3

	Company	Subsidiaries	Subsidiaries
Net income (loss).....	\$ (2,437)	11,317	2,249
Depreciation and amortization.....	76	12,056	1,511
Equity in income of subsidiaries.....	(13,508)	--	--
Changes in operating assets and liabilities	(6,004)	4,084	(1,148)
Other non-cash adjustments.....	651	(354)	124
Net cash provided by (used in) operating activities.....	(21,222)	27,103	2,736
Cash flows from investing activities:			
Capital and wagering systems expenditures	(23)	(5,970)	(3,639)
Other assets and investments.....	(427)	(2,416)	1,450
Net cash provided by (used in) investing activities.....	(450)	(8,386)	(2,189)
Cash flows from financing activities:			
Net borrowing under lines of credit.....	7,000	--	--
Payments on long-term debt.....	(1,314)	(3)	(385)
Net proceeds from stock issue.....	37	50	(50)
Other, principally intercompany balances	19,023	(17,476)	366
Net cash provided by (used in) financing activities.....	24,746	(17,429)	(69)
Effect of exchange rate changes on cash....	--	(598)	(376)
Increase in cash and cash equivalents.....	3,074	690	102
Cash and cash equivalents, beginning of period	867	(50)	5,671
Cash and cash equivalents, end of period...	\$ 3,941	640	5,773

18

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS FOR  
THE THREE MONTHS ENDED MARCH 31, 2001

Background

Effective April 27, 2001, the Company changed its corporate name from Autotote Corporation to Scientific Games Corporation and its stock symbol to SGM [AMEX: SGM].

The Company changed its fiscal year from an October 31 year-end to a calendar year-end, beginning with the year ending December 31, 2001. As a

## Edgar Filing: SCIENTIFIC GAMES CORP - Form 424B3

result, the Company is filing this report for the first quarter of year 2001, which commenced on January 1, 2001, compared to the three-month period January 1, 2000 to March 31, 2000.

The following discussion addresses the financial condition of the Company as of March 31, 2001 and the results of its operations for the three-month period ended March 31, 2001, compared to the same period in the prior year. This discussion should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations for the fiscal year ended October 31, 2000, included in the Company's 2000 Annual Report on Form 10-K.

We operate in four business segments: Lottery Group, Pari-mutuel Group, Venue Management Group and Telecommunications Group. Our Lottery Group consists of two product lines: Instant Tickets and Related Services ("ITRS") and Lottery Systems. ITRS includes ticket design and manufacturing as well as value-added services, including game design, sales and marketing support, inventory management and warehousing and fulfillment services. In addition, this division includes promotional instant tickets and pull-tab tickets that we sell to both lottery and non-lottery customers. Lottery Systems includes the supply of transaction processing software for the accounting and validation of both instant ticket and on-line lottery games, point-of-sale terminal hardware sales, central site computers and communication hardware sales, and ongoing support and maintenance services for these products. This product line also includes software and hardware and support service for sports betting and credit card processing systems.

Our Pari-mutuel Group is comprised of our North American and international on-track, off-track and inter-track pari-mutuel services, simulcasting and communications services, and video gaming, as well as sales of pari-mutuel systems and equipment.

Our Venue Management Group is comprised of the Connecticut off-track betting operations, and the Company's Netherlands on-track and off-track betting operations.

Our Telecommunications Group is comprised of the prepaid cellular phone cards business, which was acquired by the Company as part of the SGHC acquisition.

In the second quarter of fiscal 2000, the Company completed the sale of its SJC Video business, which had previously been reported as a separate segment.

In the three months ended March 31, 2000, our Lottery Group consisted solely of the Lottery Systems product line, exclusive of sports betting and credit card processing services. In addition, the Telecommunications Group was not yet acquired by the Company as part of the SGHC acquisition.

The Company's revenues are derived from two principal sources: service revenues and sales revenues. Service revenues are earned pursuant to multi-year contracts to provide ITRS and wagering systems and services; or are derived from wagering by customers at facilities owned or leased by the Company. Sales revenues are derived from sales of prepaid phone cards and from contracts for the sale of wagering systems, equipment, and software licenses.

The first calendar quarter and the fourth calendar quarter of the year traditionally comprise the weakest season for the Company's pari-mutuel wagering service revenue. Wagering equipment sales and software license revenues usually reflect a limited number of large transactions that do not recur on an annual basis. Consequently, revenues and operating results can vary substantially from period to period as a result of the timing of revenue recognition for major equipment sales and software license revenue. In addition, instant ticket and

## Edgar Filing: SCIENTIFIC GAMES CORP - Form 424B3

prepaid phone card sales may vary depending on the size and timing of contract awards, changes in customer budgets, inventory ticket position, lottery retail sales and general economic conditions.

19

Operating results may also vary significantly from period to period depending on the addition or disposition of business units in each period. The acquisition of SGHC in 2000, which was accounted for as a purchase, affects the comparability of operations from period to period (see Note 3 to the Consolidated Financial Statements for the year ended October 31, 2000 included in the Company's 2000 Annual Report on Form 10-K).

The following tables and discussion present actual data for the January 1 to March 31, 2001 and 2000, and pro forma data for the January 1 to March 31, 2000 period, as if the Company had acquired SGHC on January 1, 2000.

### Results of Operations:

	Three Months Ended March 31,		
	Actual 2000	Pro Forma 2000	Actual 2001
	(in thousands)		
<b>Lottery Group</b>			
Service revenue .....	\$ 2,969	47,391	53,203
Sales revenue .....	--	3,706	2,914
	\$ 2,969	51,097	56,117
	\$ 915	17,688	18,276
<b>Pari-mutuel Group</b>			
Service revenue .....	\$19,536	19,536	19,333
Sales revenue .....	7,953	7,953	9,674
	\$27,489	27,489	29,007
	\$12,010	12,010	11,632
<b>Venue Management Group</b>			
Service revenue .....	\$15,154	15,154	15,504
	\$ 4,301	4,301	4,481
	\$ --	4,884	4,899
<b>Telecommunications Group</b>			
Sales revenue .....	\$ --	10,934	11,480
	\$ --	4,884	4,899
	\$ --	4,884	4,899

## Edgar Filing: SCIENTIFIC GAMES CORP - Form 424B3

Company Total			
Service revenue .....	\$37,659	82,081	88,040
Sales revenue .....	7,953	22,593	24,068
	-----	-----	-----
Total operating revenue .....	\$45,612	104,674	112,108
	=====	=====	=====
Gross Profit (excluding depreciation and amortization)	\$17,226	38,883	39,288
	=====	=====	=====

Three Months Ended March 31, 2001 compared to Three Months Ended March 31, 2000

### Revenue Analysis

Lottery Group revenue of \$56.1 million in the three months ended March 31, 2001 improved \$53.1 million from the same period in 2000 due to the addition of SGHC in September 2000, plus the start-up of the on-line Vermont and New Hampshire lotteries in July 2000. On a pro forma basis, total service revenue in the three months ended March 31, 2001 increased \$5.8 million from the same period in 2000 largely due to new on-line lottery and instant ticket cooperative services contracts. On a pro forma basis, total sales revenue declined \$0.8 million as a result of non-recurring systems and equipment sales to foreign customers in 2000.

Pari-mutuel Group service revenue of \$19.3 million in the three months ended March 31, 2001 decreased \$0.2 million from the same period in 2000. This decrease is attributable to lower revenues in the French operations and the effect of the lower Euro exchange rate on revenues from the German racing operations, partially offset by revenue improvements in the North America operations, the North American simulcasting operations and the NASRIN(TM) service operations. Sales revenue of \$9.7 million in the three months ended March 31, 2001 increased \$1.7 million from same period in 2000 due to higher systems and equipment sales to foreign customers.

20

Venue Management Group service revenue of \$15.5 million in the three months ended March 31, 2001 was \$0.4 million higher than in the same period in 2000, reflecting Handle related revenue increases in the Connecticut OTB operations.

Telecommunications Group sales revenue of \$11.5 million in the three months ended March 31, 2001 is the result of the acquisition of SGHC in September 2000. On a pro forma basis, revenues in the three months ended March 31, 2001 increased \$0.6 million as a result of continued customer and volume growth of this business unit.

### Gross Profit Analysis

The total gross profit earned, exclusive of depreciation and amortization, of \$39.3 million in the three months ended March 31, 2001 increased \$22.1 million from the same period in 2000 as a result of the acquisition of SGHC in September 2000. On a pro forma basis, the gross profit earned, exclusive of depreciation and amortization, increased \$0.4 million primarily because of improved gross margins in the service businesses and the Telecommunications Group, which were partially offset by lower margins on sales revenues reflecting the change in the mix of equipment and systems sold to foreign customers in the two periods.

On a pro forma basis, gross profit as a percentage of service revenues

## Edgar Filing: SCIENTIFIC GAMES CORP - Form 424B3

decreased to 34% in the three months ended March 31, 2001, compared to 35% in the same period in 2000. This gross profit decrease results primarily from lower margins on European Pari-mutuel service revenue and instant ticket revenues, partially offset by revenue improvements and cost control measures in the North American Pari-mutuel business. On a pro forma basis, gross profit as a percentage of sales revenues was 39% in the three months ended March 31, 2001 compared to 45% in the same period in 2000, reflecting the change in the mix of systems and equipment sold in the two periods.

The Lottery Group gross profit of \$18.3 million, or 33% of revenues, decreased slightly on a pro-forma basis in the three months ended March 31, 2001 from \$17.7 million or 35% of revenues in the same period in 2000. Gross margin improvements were realized as a result of revenue improvements in instant ticket cooperative services and the addition of the Vermont and New Hampshire lottery contracts, which commenced operations in July 2000. These margin improvements were partially offset by non-recurring 2000 systems and equipment sales, and higher cost of ticket paper and other printing supplies.

Pari-mutuel Group gross profit of \$11.6 million or 40% of revenues in the three months ended March 31, 2001, decreased \$0.4 million from \$12.0 million or 44% of revenues in the same period in 2000. This decrease is primarily attributable to lower margins on systems and equipment sales to foreign customers, partially offset by continued growth of the North American operations and benefits from on-going cost reduction programs.

Venue Management Group gross profit of \$4.5 million or 29% of revenues in the three months ended March 31, 2001, improved \$0.2 million from \$4.3 million or 28% of revenues in the same period in 2000. This improvement primarily reflects higher Handle and reduced operating costs in the Connecticut OTB operation.

The Telecommunications Group gross profit of \$4.9 million in the three months ended March 31, 2001 was equal on a pro-forma basis to the gross profit in the same period in 2000. Gross profit in the three months ended March 31, 2001 was 43% of revenues as compared on a pro forma basis with 45% of revenues in the same period in 2000 as the effects of cost saving initiatives implemented in fiscal 2000 were offset by increased freight expenses.

### Expense Analysis

Selling, general and administrative expenses, including certain software development costs, of \$14.6 million in the three months ended March 31, 2001 were \$7.9 million higher than in the same period in 2000 primarily as a result of the acquisition of SGHC in September 2000. On a pro forma basis, selling, general and administrative expenses were \$2.9 million lower in the three months ended March 31, 2001 than in the same period in 2000 primarily as a result of cost reduction programs and merger-related synergies.

Depreciation and amortization expense of \$13.6 million in the three months ended March 31, 2001 increased \$8.2 million from \$5.4 million in the same period in 2000 as a result of the SGHC acquisition, coupled with the expanded domestic lottery business. On a pro forma basis, depreciation and amortization expenses were \$3.7 million higher in the three months ended March 31, 2001 than in the same period in 2000, primarily as a result of SGHC acquisition-related goodwill and intangible amortization.

Interest expense of \$13.6 million in the three months ended March 31, 2001 increased \$9.3 million from \$4.3 million in the same period in 2000 as a result of higher debt levels, interest rates and financing costs incurred in connection with the acquisition of SGHC.



## Income Tax Expense (Benefit)

Income tax benefit was \$0.3 million in the three months ended March 31, 2001 compared to an expense of \$0.1 million in the same period in 2000. The benefit primarily reflects the reversal of deferred taxes provided in connection with the acquisition of SGHC and an anticipated recovery of previously paid federal taxes, partially offset by federal alternative minimum tax, state taxes and foreign taxes. No current tax benefit has been recognized on domestic operating losses in either period.

## Liquidity, Capital Resources and Working Capital

In order to finance the SGHC acquisition and refinance substantially all of the then existing indebtedness of the Company, we conducted a series of financings. As a result, our capital structure changed significantly and, among other things, we are a significantly leveraged company. As a result of the acquisition and debt refinancing, we have total indebtedness outstanding of approximately \$446.0 million at March 31, 2001. We have also recorded a substantial increase in goodwill and other intangible assets in connection with the SGHC acquisition and a corresponding increase in amortization expense.

At March 31, 2001, the Company's available cash and borrowing capacity totaled \$49.7 million compared to \$53.1 million at December 31, 2000. Net cash provided by operating activities was \$10.3 million for the three months ended March 31, 2001. In this period, we spent \$9.4 million for wagering systems and capital expenditures, \$1.5 million in software expenditures and repaid \$1.5 million on long-term debt. These cash expenditures were funded primarily with net cash provided by operating activities and borrowings under our revolving credit facility.

A substantial portion of our cash flows from operations must be used to pay our interest expense and repay our indebtedness, which will reduce the funds that would otherwise be available to us for our operations and capital expenditures. We believe that our cash flow from operations, available cash and available borrowings under our revolving credit facility will be sufficient to meet our liquidity needs, including anticipated capital expenditures, for the foreseeable future; however, we cannot assure you that this will be the case. We also may need to refinance all or part of our indebtedness, including the Notes, on or before their maturity; however, we cannot assure you that we will be able to refinance any of our indebtedness, including our Facility and the Notes, on commercially reasonable terms or at all.

The Company's financing arrangements impose certain limitations on the operations of the Company and its subsidiaries, including the maintenance of certain financial, liquidity and net worth ratios. As a result of both the financial performance of SGHC prior to the Company's acquisition of SGHC, principally reflecting transitional and operational matters occurring through December 31, 2000, and the timing of certain anticipated capital expenditures and associated borrowings in 2001, in the first quarter of 2001, management and our lenders amended certain limitations to be less restrictive. The Facility was modified so that the planned step-downs in fixed charge coverage ratios and leverage ratios were delayed by six months through September 30, 2002. The Company is in compliance with the amended covenants as of March 31, 2001 and expects to remain so during the next twelve months.

## Forward-Looking Statements

Throughout this Report on Form 10-Q we make "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the

## Edgar Filing: SCIENTIFIC GAMES CORP - Form 424B3

"Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements include the words "may," "will," "estimate," "intend," "continue," "believe," "except" or "anticipate" and other similar words. The forward-looking statements contained in this Report on Form 10-Q are generally located in the material set forth under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" but may be found in other locations as well. These forward-looking statements generally relate to plans and objectives for future operations and are based upon management's reasonable estimates of future results or trends. Although we believe that the plans and objectives reflected in or suggested by such forward-looking statements are reasonable, such plans or objectives may not be achieved.

22

Actual results may differ from projected results due, but not limited, to unforeseen developments, including developments relating to the following:

- o the availability and adequacy of our cash flow to satisfy our obligations, including our debt service obligations and our need for additional funds required to support capital improvements and development;
- o economic, competitive, demographic, business and other conditions in our local and regional markets;
- o changes or developments in the laws, regulations or taxes in the gaming and lottery industries;
- o actions taken or omitted to be taken by third parties, including customers, suppliers, competitors, members and shareholders, as well as legislative, regulatory, judicial and other governmental authorities;
- o changes in business strategy, capital improvements, development plans, including those due to environmental remediation concerns, or changes in personnel or their compensation, including federal, state and local minimum wage requirements; and
- o the loss of any license or permit, including the failure to obtain an unconditional renewal of a required gaming license on a timely basis.

Actual future results may be materially different from what we expect. We will not update forward-looking statements even though our situation may change in the future.

### QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our products and services are sold to a diverse group of customers throughout the world. As such, we are subject to certain risks and uncertainties as a result of changes in general economic conditions, sources of supply, competition, foreign exchange rates, tax reform, litigation and regulatory developments. The diversity and breadth of our products and geographic operations mitigate the risk that adverse changes in any event would materially affect our financial position. Additionally, as a result of the diversity of our customer base, we do not consider ourselves exposed to concentration of credit risks. These risks are further minimized by setting credit limits, ongoing monitoring of customer account balances, and assessment of the customers' financial strengths.

Inflation has not had an abnormal or unanticipated effect on our operations. Inflationary pressures would be significant to our business if raw materials used for instant lottery ticket production, prepaid phone card production or terminal manufacturing are significantly affected. Available supply from the paper and electronics industries tends to fluctuate and prices may be affected by supply.

## Edgar Filing: SCIENTIFIC GAMES CORP - Form 424B3

For fiscal 2000, inflation was not a significant factor in our results of operations, and we were not impacted by significant pricing changes in our costs, except for personnel related expenditures. We are unable to forecast the prices or supply of substrate, component parts or other raw materials for the balance of 2001, but we currently do not anticipate any substantial changes that will materially affect our operating results.

In certain limited cases, our lottery contracts with our customers contain provisions to adjust for inflation on an annual basis, but we cannot be assured that this adjustment would cover raw material price increases or other costs of services. While we have long-term and generally satisfactory relationships with most of our suppliers, we also believe alternative sources to meet our raw material and production needs are available.

In the normal course of business, the Company is exposed to fluctuations in interest rates and equity market risks as the Company seeks debt and equity capital to sustain its operations. At March 31, 2001, approximately one-third of the Company's debt was in fixed rate instruments. We consider the fair value of all financial instruments to be not materially different from their carrying value at year-end. The following table provides information about the Company's financial instruments that are sensitive to changes in interest rates. The table presents principal cash flows and related weighted-average interest rates by expected maturity dates.

Principal Amount by Expected Maturity - Average Interest Rate  
 March 31, 2001  
 Expected Maturity Date (dollars in \$000)

	2001	2002	2003	2004	2005
	-----	-----	-----	-----	-----
Long-term debt:					
Fixed interest rate debt	\$				
Interest rate					
Variable interest rate debt	\$	4,650	8,950	11,950	14,950
Average interest rate		10.12%	10.00%	9.93%	9.89%
		17,200			9.87%

23

In November 2000, to reduce the risks associated with fluctuations in market interest rates and in response to requirements in the Facility (see Note 9 to the Consolidated Financial Statements for the year ended October 31, 2000 in the Company's 2000 Annual Report on Form 10-K) the Company entered into three interest rate swap contracts for an aggregate notional amount of \$140,000. The following table provides information about the Company's derivative financial instruments. The table presents notional amounts and weighted-average swap rates by contractual maturity dates. The Company does not hold any market risk instruments for trading purposes.

Notional Amount by Expected Maturity - Average Swap Rate  
 Expected Maturity Date (dollars in \$000)

	2001	2002	2003	2004	2005	There- After
						T

Edgar Filing: SCIENTIFIC GAMES CORP - Form 424B3

Interest rate swaps:							
Fixed to variable	\$	-	-	140,000	-	-	-
Receive fixed-3-month							
LIBOR		-	-	6.52%	-	-	-

The Company is also exposed to fluctuations in foreign currency exchange rates as the financial results of its foreign subsidiaries are translated into U.S. dollars in consolidation. Assets and liabilities outside the United States are primarily located in the United Kingdom, Germany, Netherlands, France and Austria. The Company's investment in foreign subsidiaries with a functional currency other than the U.S. dollar are generally considered long-term investments. Accordingly, the Company does not hedge these net investments. Translation gains and losses historically have not been material. We manage our foreign currency exchange risks on a global basis by one or more of the following: (i) securing payment from our customers in U.S. dollars, when possible, (ii) utilizing borrowings denominated in foreign currency, and (iii) entering into foreign currency exchange contracts. In addition, a significant portion of the cost attributable to our foreign operations is incurred in the local currencies. We believe that a 10% adverse change in currency exchange rates would not have a significant adverse effect on the net earnings or cash flows of the Company. We may, from time to time, enter into foreign currency exchange or other contracts to hedge the risk associated with certain firm sales commitments, anticipated revenue streams and certain assets and liabilities denominated in foreign currencies. We do not engage in currency speculation.

Our cash and cash equivalents and investments are in high-quality securities placed with a wide array of financial institutions with high credit ratings. This investment policy limits our exposure to concentration of credit risks.

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES  
Three Months Ended March 31, 2001

PART II. Other Information

Item 1. Legal Proceedings

No significant changes have occurred with respect to legal proceedings as disclosed in Part I, Item 3, of the Company's 2000 Annual Report on Form 10-K.

Item 2. Changes in Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Stockholders

None.

Item 5. Other Information

None.

Edgar Filing: SCIENTIFIC GAMES CORP - Form 424B3

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

- 10.29 Warrant To Purchase Class A Common Stock dated as of October 2, 2000, issued by the Company to Ramius Securities, LLC
- 10.30 Warrant Registration Rights Agreement dated as of October 2, 2000 by and between the Company and Ramius Securities, LLC

Reports on Form 8-K

No current reports on Form 8-K were filed during the three months ended March 31, 2001. A current report on Form 8-K was filed on April 30, 2001, regarding the change in the Company's name, effective April 27, 2001, from Autotote Corporation to Scientific Games Corporation and the change in its stock exchange symbol to SGM [AMEX:SGM]. A current report on Form 8-K was filed on April 16, 2001, regarding the first amendment dated as of March 30, 2001, to the Company's Amended and Restated Credit Agreement.

25

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES  
Three Months Ended March 31, 2001

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SCIENTIFIC GAMES CORPORATION

-----  
(Registrant)

By: /s/ DeWayne E. Laird

Name: DeWayne E. Laird

Title: Vice President & Chief Financial Officer  
(principal financial and accounting officer)

Dated: May 15, 2001

26