

Submitted to:

West Virginia Lottery
Department of Administration
Purchasing Division
2019 Washington Street East
Charleston, West Virginia 25305-0130

Submitted by:

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Central Management System (CMS)
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Technical Proposal

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WV Purchasing Division

SG SCIENTIFIC GAMES

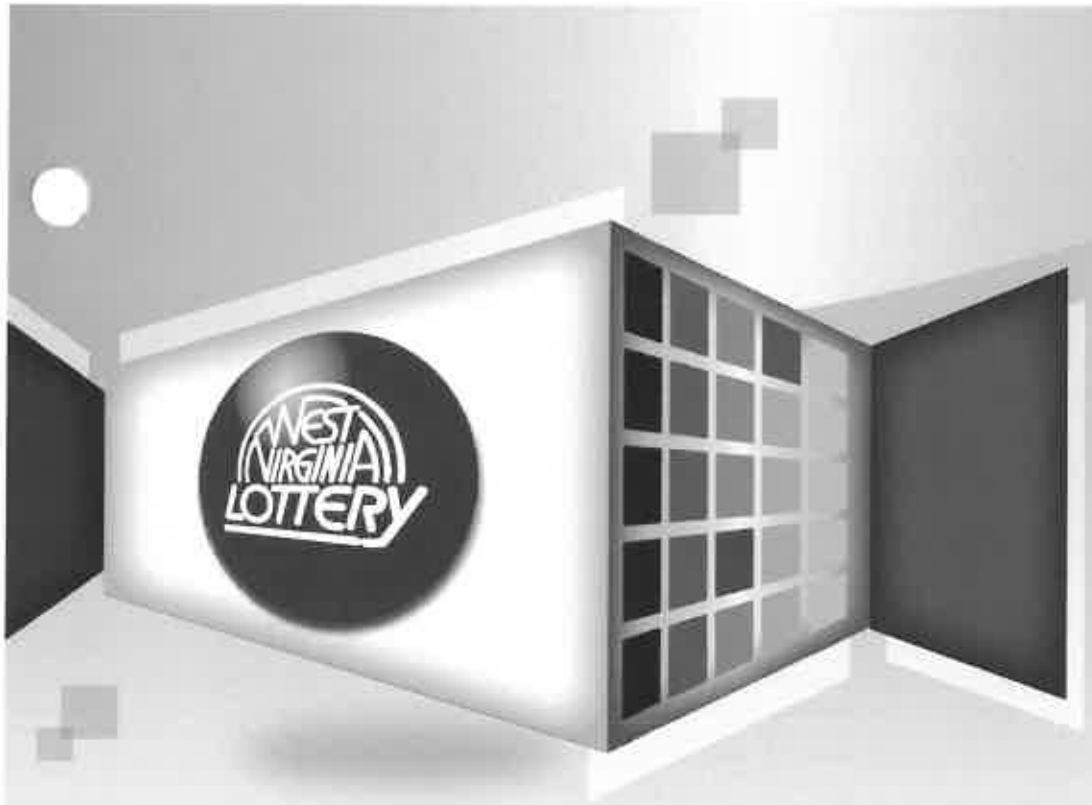
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EXECUTIVE SUMMARY

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EXECUTIVE SUMMARY

The West Virginia Lottery is at a pivotal point in its evolution. As the regulated gaming industry moves to more advanced communications protocols, gaming devices and expanded features including iGaming, player loyalty and progressive gaming, the Lottery needs a partner who not only has the breadth of technology knowledge to meet your needs, but a partner who understands your business and provides unyielding support for your team.

Ensuring network security and accurate financials are crucial to the success of your business, our SGVideo platform continues to provide our proven and tested regulatory functionality with advanced features including support for GSA's G2S protocol, support for local and wide area progressives, and advanced licensing management functionality. Scientific Games offers a solution that will readily address your immediate objectives and accommodates foreseeable technology enhancements which may arise through the term of the contract.

Through the new contract, we will support you with the same resources that have successfully supported your video gaming business for the past 10 years.

SYSTEM INTEGRITY AND FINANCIAL ACCURACY IN WEST VIRGINIA'S GAMING BUSINESS

As a leader in the video gaming industry, Scientific Games brings a wealth of experience to understanding and mitigating risks in your gaming businesses. Our success in the dynamic video gaming industry continually supports our vision of applying our industry knowledge, skill, and an understanding of real-world regulated gaming markets to protect our customers' businesses from financial

inaccuracies and gaming irregularities. Our response highlights how our SGVideo CMS will provide the latest available technology and functionality while continuing our record of financial accuracy and gaming integrity in the West Virginia Lottery market place.

A SUPERIOR SOLUTION

SGVideo – The Result of Forward-Thinking Design

Scientific Games holds a position of increasing strength in the video lottery systems market by consistently improving our product offerings while maintaining system security and integrity.

We created SGVideo with the functionality and communication protocol flexibility that will let your business continue to grow and thrive while improving day-to-day operations. Our systems allow full control and regulation of your gaming network while accommodating connectivity with the latest available hardware, software and service providers. Our licensing functionality will help your team and gaming support staff accurately track operator licenses, permits and gaming devices assigned to operators and permits. This lets your staff optimize day-to-day operations and continue to successfully monitor and control your gaming network.

We designed our SGVideo system to support the latest SAS and G2S protocols because the industry has shifted away from proprietary communications protocols to the open protocols set forth by the GSA. While SAS protocol is most widely accepted, G2S is growing in popularity and SGVideo provides support for both G2S and SAS requirements down to the site controller level. SGVideo's design maximizes network efficiency and the productivity of gaming operations by combining support of multiple GSA protocols on a single site controller. As such, it provides the State ready access to the largest selection of gaming machine vendors and game titles.

SGVideo Solution Preview

Our SGVideo system continues to provide powerful reporting and security tools and to deliver exceptional gaming machine event and transaction detail. These tools will continue to support the Lottery's ability to analyze, monitor and manage the security of the gaming environment. Some of these features include:

- Real-time transaction data recording and storage for statistical analysis. This permits evaluation of the state's financial position and the collection of revenue due the state.

- Architecture that allows parallel servicing of multiple GSA protocols by the site controller. This eliminates the need for multiple site controllers as G2S machines expand their footprint in the West Virginia market.
- Network design that lets site controllers autonomously continue gaming activity if network connectivity is temporarily interrupted.
- SGVideo's continued ability to support thousands of gaming machines across your racino and LVL network.

Superior Operations Management Capability

During the past two decades, we have implemented several video lottery systems that compare to what we anticipate for West Virginia. As a result, we understand what is necessary to properly control and regulate activities across the gaming environment. We will provide a detailed view of the whole network, including a quick verification of gaming machine configurations, which permits only approved, untainted games for play. SGVideo lets you see and act in real time, and, if necessary, you can shut down a single game, machine or many machines across the entire gaming network. Over the past 24 months, we have achieved several key successes and anticipate the same successes in your market.

In 2013, Scientific Games was awarded the contract to install our SGVideo system in New Mexico. In 2014, we successfully completed the on-time implementation of our SGVideo system for the New Mexico Gaming Control Board. The system, operated by NMGCB staff, supports GSA protocols and provides our latest platform to the New Mexico team. The system supports five racino facilities and several non-profit locations. Our team successfully implemented our system providing cellular IP connectivity to the distributed network, just as we are proposing for West Virginia. The implementation was accomplished smoothly and was a testament to our ability to seamlessly install our systems.

In 2012, we successfully completed the on-time implementation of the Illinois Gaming Board Central Communications System. The system is the first of its kind to support third-party redemption equipment; support for these redemption terminals is a standard feature of SGVideo. The flexibility of our system and operations experts lets us successfully collaborate with several machine manufacturers to introduce their products into the Illinois gaming market. Our commitment to support new and emerging technology is a differentiator for our video gaming professionals.

In 2011, we also worked with your team to upgrade your system to the latest available hardware and software platforms. This upgrade was performed

seamlessly under the watchful eye of GLI and provided the latest monitoring and reporting engines on our system. Our proposed SGVideo system will continue the evolution of our Central Monitoring System and will provide the latest hardware platform and reporting module. These changes will let us continue running reports accurately and expediently, just as you have come to expect. Our report scheduling and upgraded reporting engines will meet and exceed your report time requirements.

A SUPERIOR PARTNER

Our knowledge and experience in the regulated video gaming market, along with our firsthand experience with your market and business process, will provide a smooth conversion process, a reliable and secure CMS system, GSA protocol compliance, and reliable operations support.

Our SGVideo solution successfully supports some of the largest distributed gaming networks in North America, protecting those markets from fraud. We also support several jurisdictions' backup systems from our Global Network Operations Center in Alpharetta, Georgia. Our video systems professionals have crafted a thorough response detailing how our SGVideo system and operations support solution exceeds the RFP requirements.

In summary, we propose to:

- Install our SGVideo system and network to support 14,600 gaming machines at venues across the State.
- Deploy the capabilities of our platform in West Virginia to include support for GSA's SAS and G2S protocol.
- Provide a solution that gives the Lottery exceptional gaming environment control through granular transactional data and gaming machine and network performance detail.
- Provide the installation and management of the communications network connecting the LVL network to the data center.

Advantages of Partnership with Scientific Games

We meet the technical and operational requirements of the RFP. We also provide examples of how, through collaboration around SGVideo, the Lottery will benefit further in its aim to maintain oversight and regulatory control of gaming in the State. We are a proud supplier of online lottery, video, instant ticket, sports wagering and internet wagering systems. We pledge to continue our record of ethical conduct in the regulated gaming market.

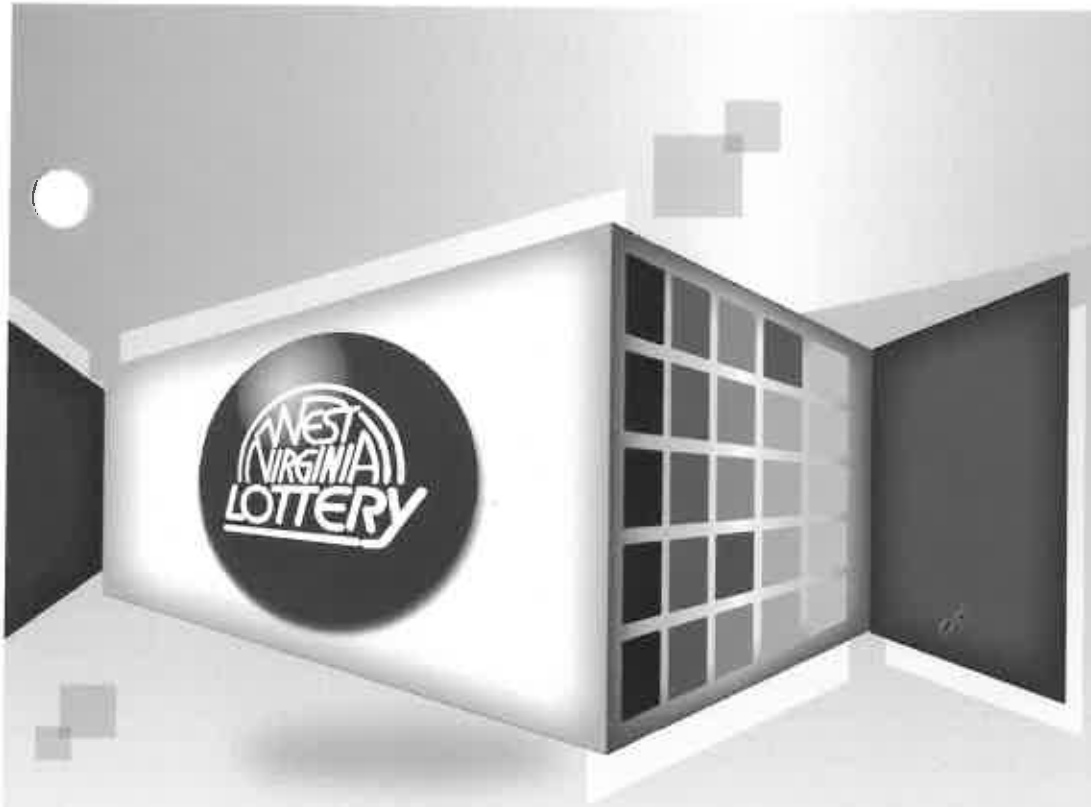
From broad experience, we have developed an intimate understanding of the technical tools required to regulate and control video gaming, and we have come to understand the intricacies of your business environment. Scientific Games will be a partner that offers:

- Implementation and operations support backed by a team of familiar experts with two decades of video gaming experience.
- A record of timely and seamless system implementations, startups and data conversions.
- Our dedicated team, to perform your system conversion in an aggressive timeframe without security or protocol compatibility concerns. We will deliver secure and reliable products and services to uphold public trust in the Lottery and secure your future economic success.
- A financially strong corporation, ready to continue supporting the Lottery in creative, flexible ways to help you attain your goals and meet your commitments.

SUMMARY

As you evaluate Scientific Games, we encourage you to consider examples of how our SGVideo solution has afforded your Lottery with the highest level of integrity, security, accuracy and reliability that all of our customers seek for their gaming network. Our previous deployments of the SGVideo platform only scratch the surface of its capabilities and what makes it the best possible solution for West Virginia.

Our open system architecture supports the latest GSA protocols to capture and store transaction details and events and provide notifications. It also facilitates the informed management of gaming facilities and the network 24/7. Our team of experts, who have successfully supported you for the past decade, are ready to meet your support needs around the clock. No one knows better than you that our team never rests when it comes to supporting our customers. By selecting Scientific Games, you choose the smoothest transition path to an adaptable and successful gaming future, backed by a technically solid and financially sound organization that has been committed to setting trends in the lottery and gaming industry for decades. We look forward to being your partner for your next Video Gaming System.



TRANSMITTAL LETTER

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February 27, 2015

Evelyn P. Melton
Department of Administration, Purchasing Division
2019 Washington Street East
Charleston, WV 25305-0130

Regarding: West Virginia Lottery CRFP LOT1500000001

Dear Ms. Melton,

Scientific Games International, Inc. (Scientific Games) is pleased to submit the enclosed technical proposal to the West Virginia Department of Administration, Purchasing Division in response to your Request for Proposal for a Central Management System for all video lottery operations in West Virginia. Our proposal showcases our people, products, services and solutions which meet and exceed your RFP's requirements.

We have carefully reviewed your RFP objectives and requirements and are confident that our response presents the West Virginia Lottery with an unmatched combination of industry experience, expertise, future-looking technology and unparalled support.

We look forward to the next steps in the RFP process.

Please feel free to contact me directly on any matter concerning this proposal at (678) 297-5178.

Kindest regards,

Scott Stewart
Vice President Account Services, Video Gaming
Scientific Games International, Inc.
Office: (678) 297-5178
scott.stewart@scientificgames.com

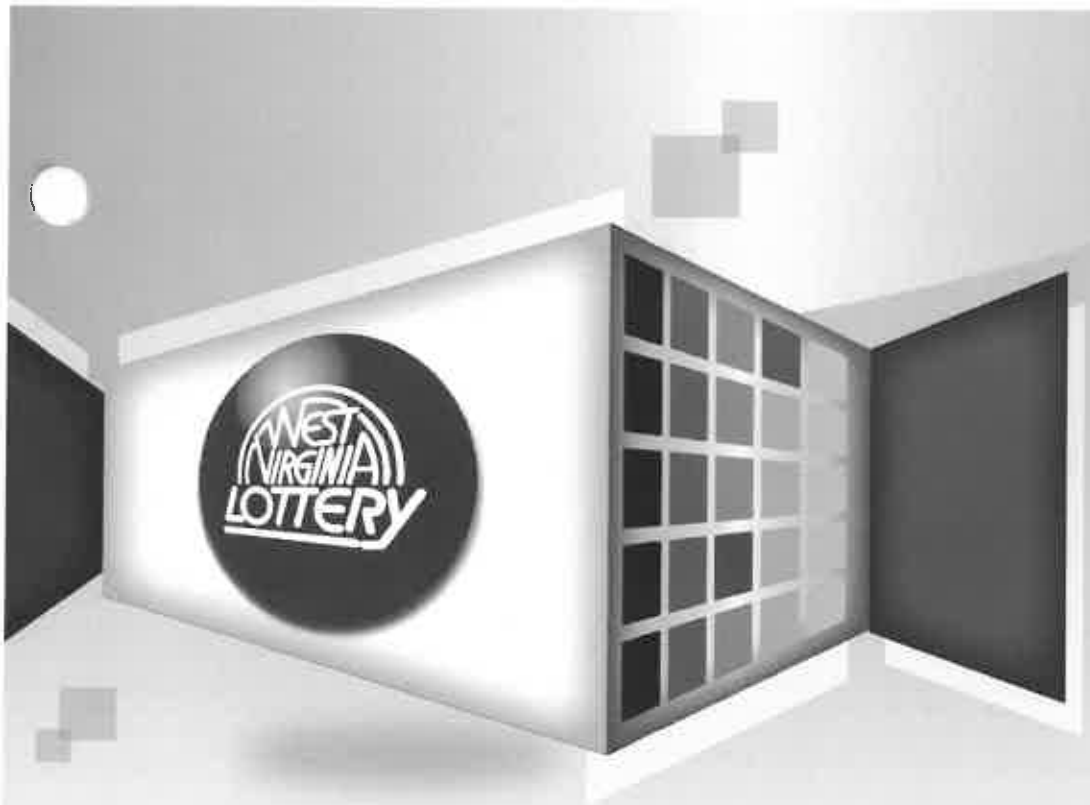


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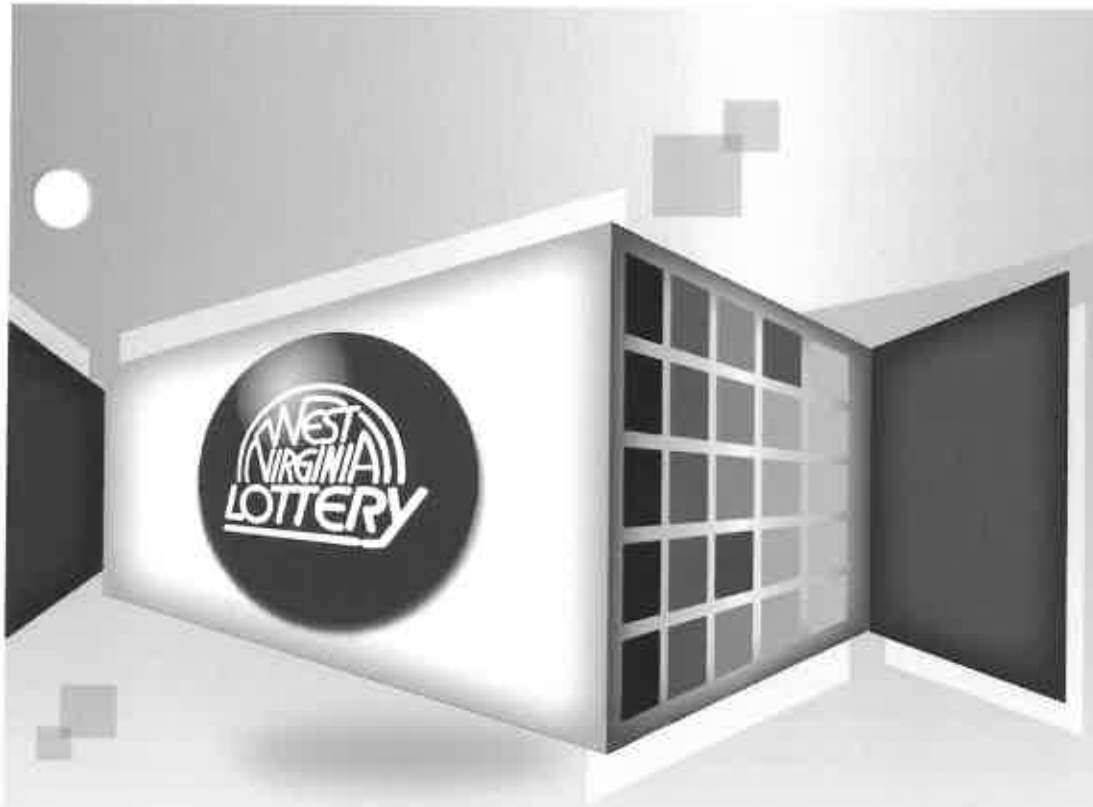
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Scientific Games has designated specific information in its RFP response as confidential and thereby not subject to public disclosure by clearly indicating where such information begins and where it ends. This information is exempt from disclosure under West Virginia Code Chapter 29B Freedom of Information and any other applicable state law or regulation. This information falls into the categories in West Virginia Code Chapter 29B Article 1 Section 4(a) that are specifically exempt from disclosure, including among others, subsections 4(a)(1) and 4(a)(14). The confidential nature of this information gives Scientific Games a business advantage over its competitors, and accordingly the information comprises trade secrets. Public disclosure of this information would cause significant injury to Scientific Games by depriving it of this competitive advantage. In addition, maintaining the confidential nature of certain of this information is necessary to the security and integrity of video gaming in West Virginia and other states to which Scientific Games supplies video gaming products and services. Access to this information could give individuals with intent to do harm insight into Scientific Games' products and processes, assisting their attacks upon the security and integrity presently upheld by these products and services.

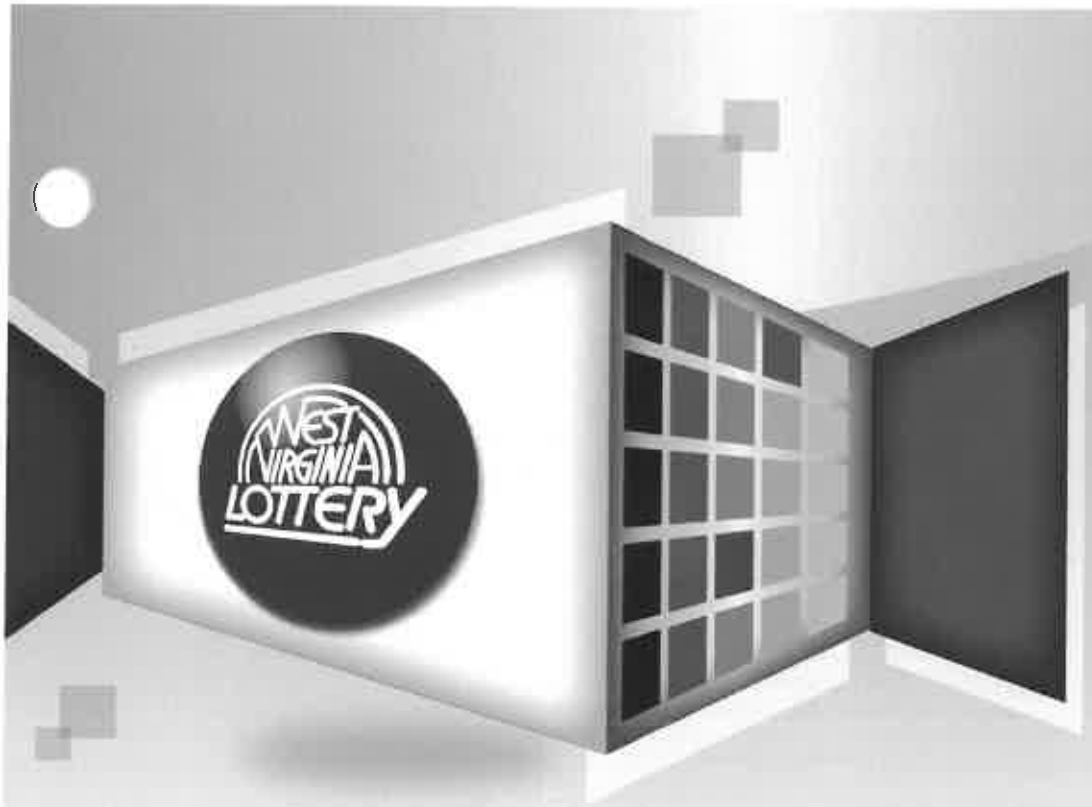
Accordingly, Scientific Games expects that the Lottery will maintain the confidential nature of all of the information marked as such in Scientific Games' response to the Lottery's RFP. For the Lottery's convenience, the table on the following pages lists all of the locations of such information in the RFP response.

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5.12	Rolling Conversion	5.12-13 – 5.12-14



RFP TITLE PAGE

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RFP TITLE PAGE

Please reference the completed and signed RFP Title Page on the following page.

Purchasing Divison
2019 Washington Street East
Post Office Box 50130
Charleston, WV 25305-0130

State of West Virginia
Request for Proposal

Proc Folder: 12104

Doc Description: REQUEST FOR PROPOSAL - CENTRAL MANAGEMENT SYSTEM (CMS)

Proc Type: Central Contract - Fixed Amt

Date Issued	Solicitation Closes	Solicitation No	Version
2014-10-03	2015-03-05 13:30:00	CRFP 0705 LOT1500000001	1

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BID CLERK
DEPARTMENT OF ADMINISTRATION
PURCHASING DIVISION
2019 WASHINGTON ST E
CHARLESTON WV 25305
US

Vendor Name, Address and Telephone Number:

Scientific Games International, Inc.
1500 Bluegrass Lakes Parkway
Alpharetta, Georgia 30004
770-664-3700

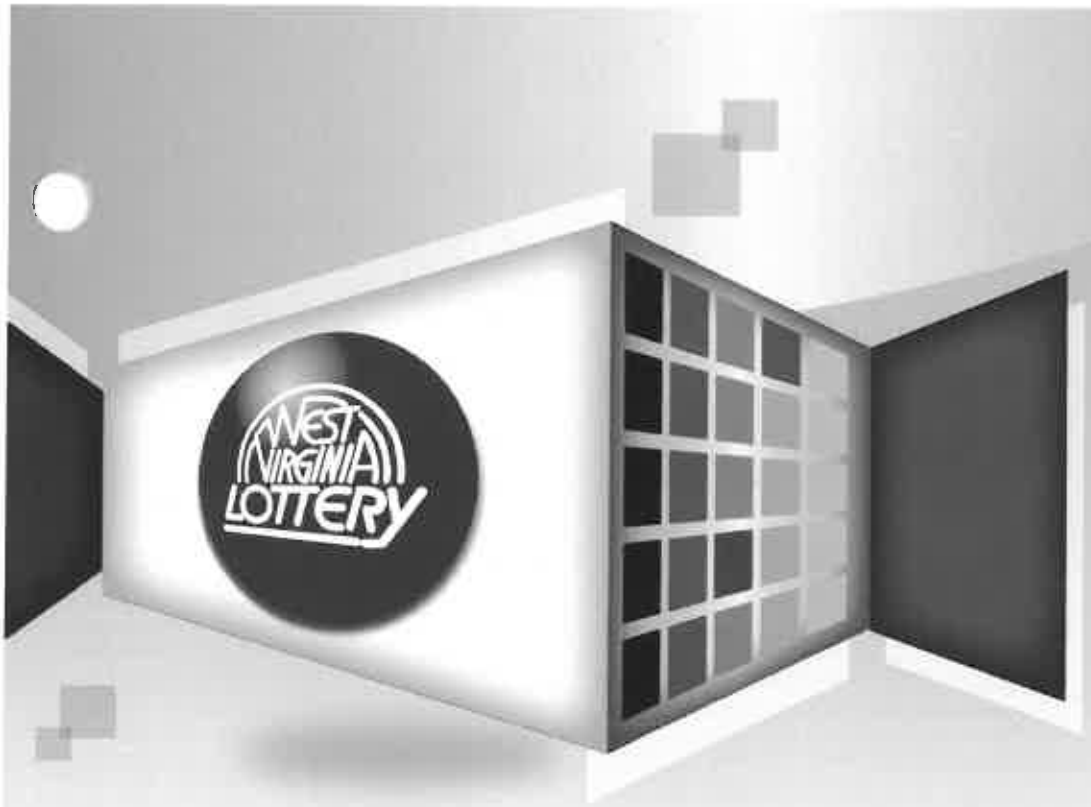
FOR INFORMATION CONTACT THE BUYER
Evelyn Melton
(304) 558-7023
evelyn.p.melton@wv.gov

Signature X FEIN # 58-1943521 DATE February 19, 2015

All offers subject to all terms and conditions contained in this solicitation

ADDITIONAL TERMS AND CONDITIONS

See attached document(s) for additional Terms and Conditions



CERTIFICATION AND SIGNATURE PAGE

SG
SCIENTIFIC GAMES



CERTIFICATION AND SIGNATURE PAGE

Please reference the completed and signed Certification and Signature Page on the following page.

CERTIFICATION AND SIGNATURE PAGE

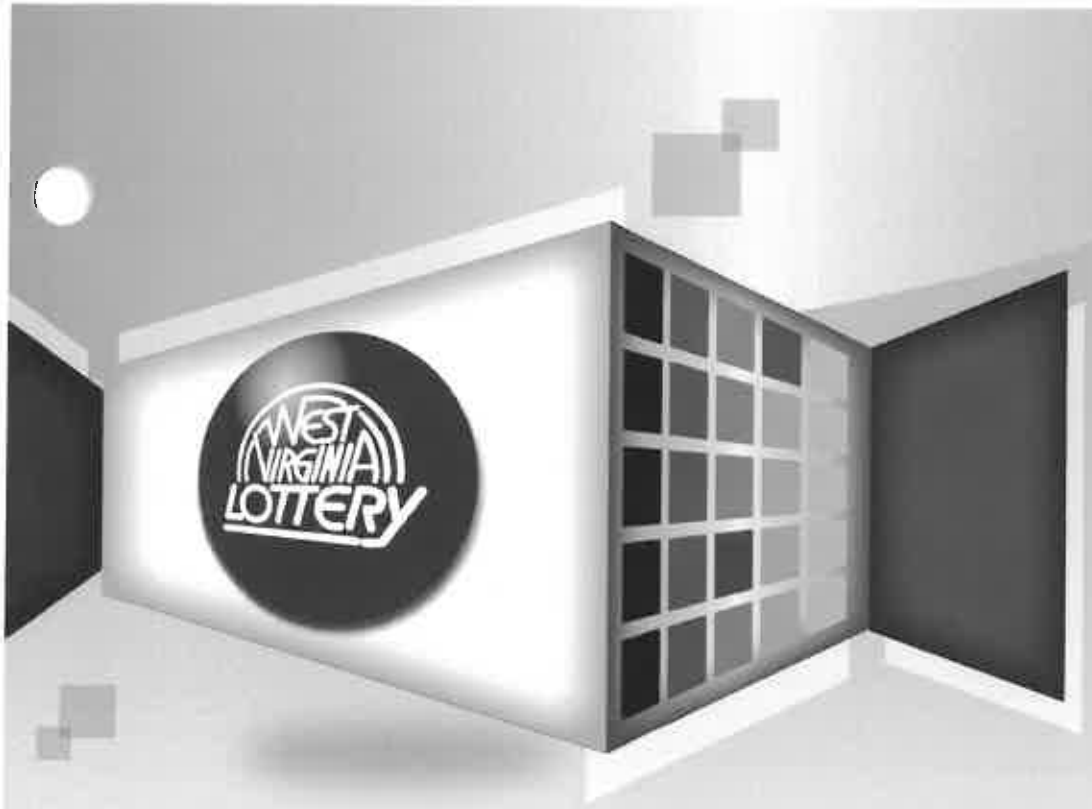
By signing below, or submitting documentation through wvOASIS, I certify that I have reviewed this Solicitation in its entirety; understand the requirements, terms and conditions, and other information contained herein; that I am submitting this bid, offer or proposal for review and consideration; that I am authorized by the vendor to execute and submit this bid, offer, or proposal, or any documents related thereto on vendor's behalf; that I am authorized to bind the vendor in a contractual relationship; and that to the best of my knowledge, the vendor has properly registered with any State agency that may require registration.

Scientific Games International, Inc.
(Company)



James C. Kennedy, President and CEO
(Authorized Signature) (Representative Name, Title)

(770) 663-6735 **(678) 393-3520** **February 19, 2015**
(Phone Number) (Fax Number) (Date)



ADDENDUM ACKNOWLEDGEMENT

SG
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ADDENDUM ACKNOWLEDGEMENT

Please reference the completed and signed Addendum Acknowledgement Forms on the following page.

SG SCIENTIFIC GAMES

ADDENDUM ACKNOWLEDGEMENT FORM
SOLICITATION NO.: CRFP LOT1500000001

Instructions: Please acknowledge receipt of all addenda issued with this solicitation by completing this addendum acknowledgment form. Check the box next to each addendum received and sign below. Failure_ to acknowledge addenda may result in bid disqualification.

Acknowledgment: I hereby acknowledge receipt of the following addenda and have made the necessary revisions to my proposal, plans and/or specification, etc.

Addendum Numbers Received:
(Check the box next to each addendum received)

☑ Addendum No. 1	☐ Addendum No.6
☑ Addendum No. 2	☐ Addendum. No. 7
☑ Addendum No. 3	☐ Addendum No. 8
☐ Addendum No.4	☐ Addendum No. 9
☐ Addendum No. 5	☐ Addendum. No. 10

I understand that failure to confirm the receipt of addenda maybe cause for rejection of this bid. I further understand that any verbal representation made or assumed to be made during any oral discussion held between Vendor's representatives and any state personnel is not binding. Only the information issued in writing and added to the specifications by an official addendum is binding.

Scientific Games International, Inc.
Company

Authorized Signature

March 9, 2015
Date

NOTE: This addendum acknowledgement should be submitted with the bid to expedite document processing.

Purchasing Divison
2019 Washington Street East
Post Office Box 50130
Charleston, WV 25305-0130

State of West Virginia
Request for Proposal
—

Proc Folder: 12104

Doc Description: ADDENDUM NO. 1 - CENTRAL MANAGEMENT SYSTEM (CMS)

Proc Type: Central Contract - Fixed Amt

Date Issued	Solicitation Closes	Solicitation No	Version
2014-11-25	2015-03-05 13:30:00	CRFP 0705 LOT1500000001	2

BID CLERK
DEPARTMENT OF ADMINISTRATION
PURCHASING DIVISION
2019 WASHINGTON ST E
CHARLESTON WV 25305
US

Vendor Name, Address and Telephone Number:

Scientific Games International, Inc.
1500 Bluegrass Lakes Parkway
Alpharetta, Georgia 30004
770-664-3700

FOR INFORMATION CONTACT THE BUYER
Evelyn Melton
(304) 558-7023
evelyn.p.melton@wv.gov

Signature X **FEIN #** 58-1943521 **DATE** February 19, 2015

All offers subject to all terms and conditions contained in this solicitation

FORM ID : WV-PRC-CRFP-001

Purchasing Divison
2019 Washington Street East
Post Office Box 50130
Charleston, WV 25305-0130

State of West Virginia
Request for Proposal

Proc Folder: 12104

Doc Description: ADDENDUM NO. 2 - CENTRAL MANAGEMENT SYSTEM (CMS)

Proc Type: Central Contract - Fixed Amt

Date Issued	Solicitation Closes	Solicitation No	Version
2014-12-23	2015-03-05 13:30:00	CRFP 0705 LOT1500000001	3

BID CLERK
DEPARTMENT OF ADMINISTRATION
PURCHASING DIVISION
2019 WASHINGTON ST E
CHARLESTON WV 25305
US

Vendor Name, Address and Telephone Number:

Scientific Games International, Inc.
1500 Bluegrass Lakes Parkway
Alpharetta, Georgia 30004
770-664-3700

FOR INFORMATION CONTACT THE BUYER
Evelyn Melton
(304) 558-7023
evelyn.p.melton@wv.gov

Signature X **FEIN #** **58-1943521** **DATE** **February 19, 2015**

All offers subject to all terms and conditions contained in this solicitation

Purchasing Divison
2019 Washington Street East
Post Office Box 50130
Charleston, WV 25305-0130

State of West Virginia
Request for Proposal

Proc Folder: 12104

Doc Description: ADDENDUM NO. 3 - CENTRAL MANAGEMENT SYSTEM (CMS)

Proc Type: Central Contract - Fixed Amt

Date issued	Solicitation Closes	Solicitation No	Version
2015-03-05	2015-03-12 13:30:00	CRFP 0705 LOT1500000001	4

BID CLERK
DEPARTMENT OF ADMINISTRATION
PURCHASING DIVISION
2019 WASHINGTON ST E
CHARLESTON WV 25305
US

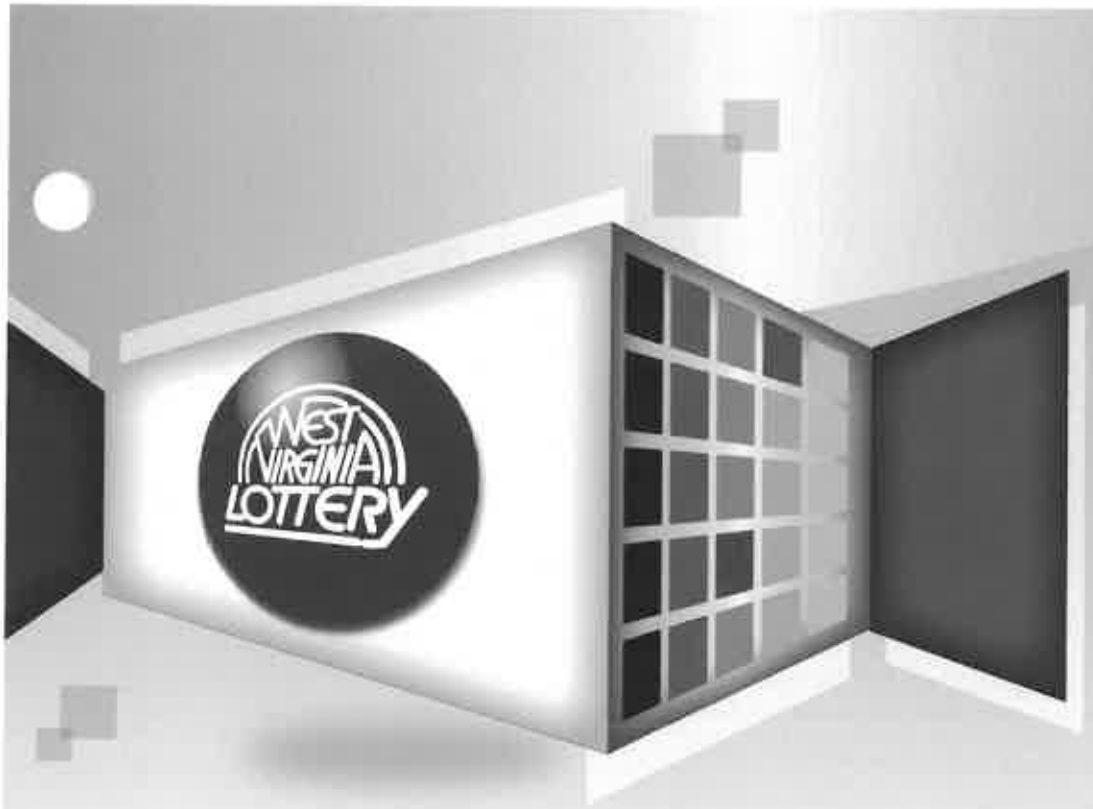
Vendor Name, Address and Telephone Number:

Scientific Games International, Inc.
1500 Bluegrass Lakes Parkway
Alpharetta, Georgia 30004
770-664-3700

FOR INFORMATION CONTACT THE BUYER
Evelyn Melton
(304) 558-7023
evelyn.p.melton@wv.gov

Signature X FEIN # 58-1943521 DATE March 9, 2015

All offers subject to all terms and conditions contained in this solicitation



APPENDICES ACKNOWLEDGEMENT

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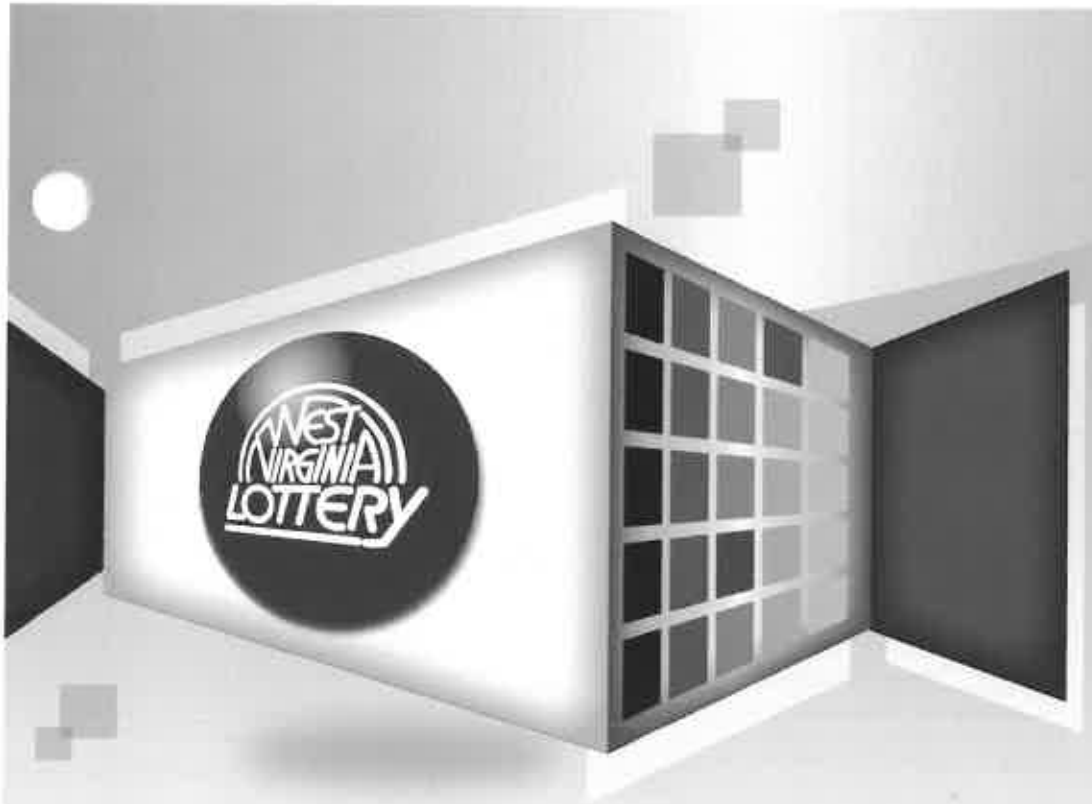


APPENDICES ACKNOWLEDGEMENT

Scientific Games has read, understands, and will comply, where applicable, with the following CRFP LOT1500000001 Appendices:

- Appendix 1 Limited Video Lottery Act
- Appendix 2 West Virginia Lottery Acceptable Use Policy
- Appendix 2 West Virginia Lottery Email Policy
- Appendix 2 West Virginia Lottery Internet Policy
- Appendix 2 West Virginia Lottery Password Policy
- Appendix 2 West Virginia Lottery Remote Access Service (RAS) Virtual Private Network (VPN) Policy
- Appendix 3 Video Lottery Terminals Project
- Appendix 4 Slot Schema
- Appendix 5 Required Reports
- Appendix 6 Data Definitions Documentation
- Appendix 7 LVL Venue Location Map
- Appendix 8 Glossary of Terms

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FORMS

SCIENTIFIC GAMES



FORMS

Please reference the completed and signed Purchasing Affidavit Form on the following page.

RFQ No. CRFP LOT 1500000001

STATE OF WEST VIRGINIA
Purchasing Division

PURCHASING AFFIDAVIT

MANDATE: Under W. Va. Code §5A-3-10a, no contract or renewal of any contract may be awarded by the state or any of its political subdivisions to any vendor or prospective vendor when the vendor or prospective vendor or a related party to the vendor or prospective vendor is a debtor and: (1) the debt owed is an amount greater than one thousand dollars in the aggregate; or (2) the debtor is in employer default.

EXCEPTION: The prohibition listed above does not apply where a vendor has contested any tax administered pursuant to chapter eleven of the W. Va. Code, workers' compensation premium, permit fee or environmental fee or assessment and the matter has not become final or where the vendor has entered into a payment plan or agreement and the vendor is not in default of any of the provisions of such plan or agreement.

DEFINITIONS:

"Debt" means any assessment, premium, penalty, fine, tax or other amount of money owed to the state or any of its political subdivisions because of a judgment, fine, permit violation, license assessment, defaulted workers' compensation premium, penalty or other assessment presently delinquent or due and required to be paid to the state or any of its political subdivisions, including any interest or additional penalties accrued thereon.

"Employer default" means having an outstanding balance or liability to the old fund or to the uninsured employers' fund or being in policy default, as defined in W. Va. Code § 23-2c-2, failure to maintain mandatory workers' compensation coverage, or failure to fully meet its obligations as a workers' compensation self-insured employer. An employer is not in employer default if it has entered into a repayment agreement with the Insurance Commissioner and remains in compliance with the obligations under the repayment agreement.

"Related party" means a party, whether an individual, corporation, partnership, association, limited liability company or any other form or business association or other entity whatsoever, related to any vendor by blood, marriage, ownership or contract through which the party has a relationship of ownership or other interest with the vendor so that the party will actually or by effect receive or control a portion of the benefit, profit or other consideration from performance of a vendor contract with the party receiving an amount that meets or exceed five percent of the total contract amount.

AFFIRMATION: By signing this form, the vendor's authorized signer affirms and acknowledges under penalty of law for false swearing (*W. Va. Code* §61-5-3) that neither vendor nor any related party owe a debt as defined above and that neither vendor nor any related party are in employer default as defined above, unless the debt or employer default is permitted under the exception above.

WITNESS THE FOLLOWING SIGNATURE:

Vendor's Name: Scientific Games International, Inc.

Authorized Signature: _____ Date: February 19 2015

State of Georgia

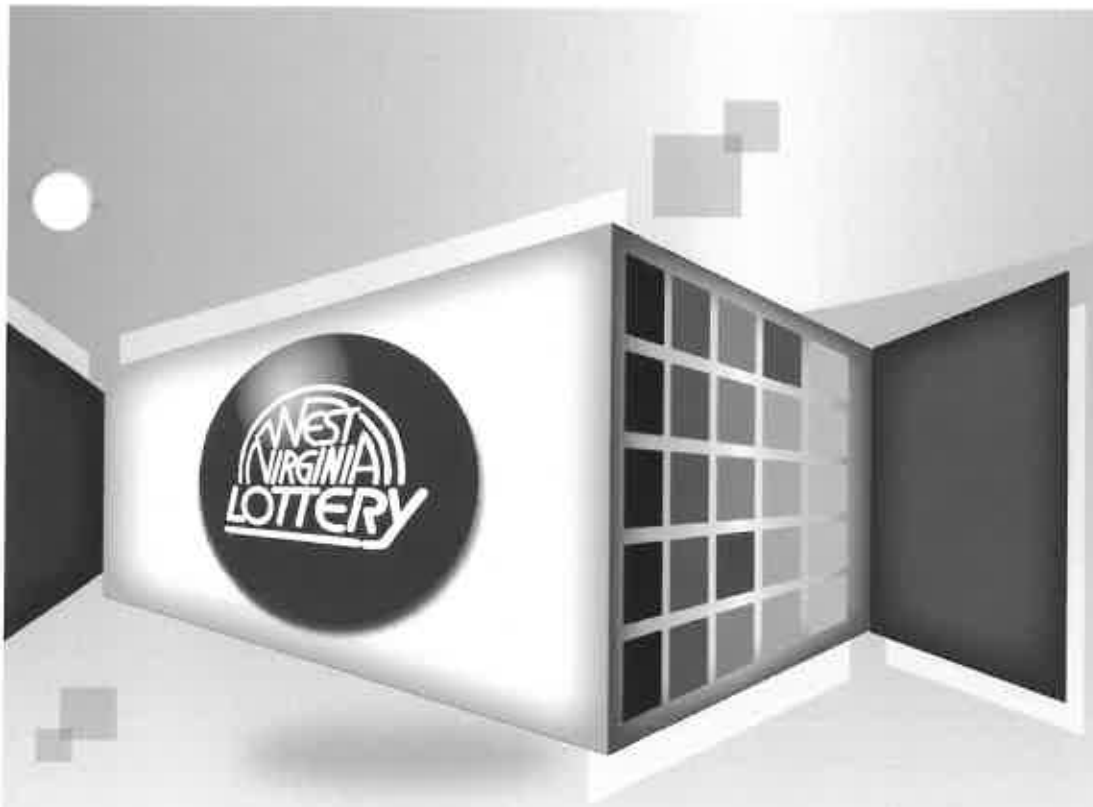
County of Forsyth, to-wit:

Taken, subscribed, and sworn to before me this 19th day of February, 20 15.

My Commission expires May 10, 2015.

AFFIX SEAL HERE

NOTARY PUBLIC Patricia M. Garbarini



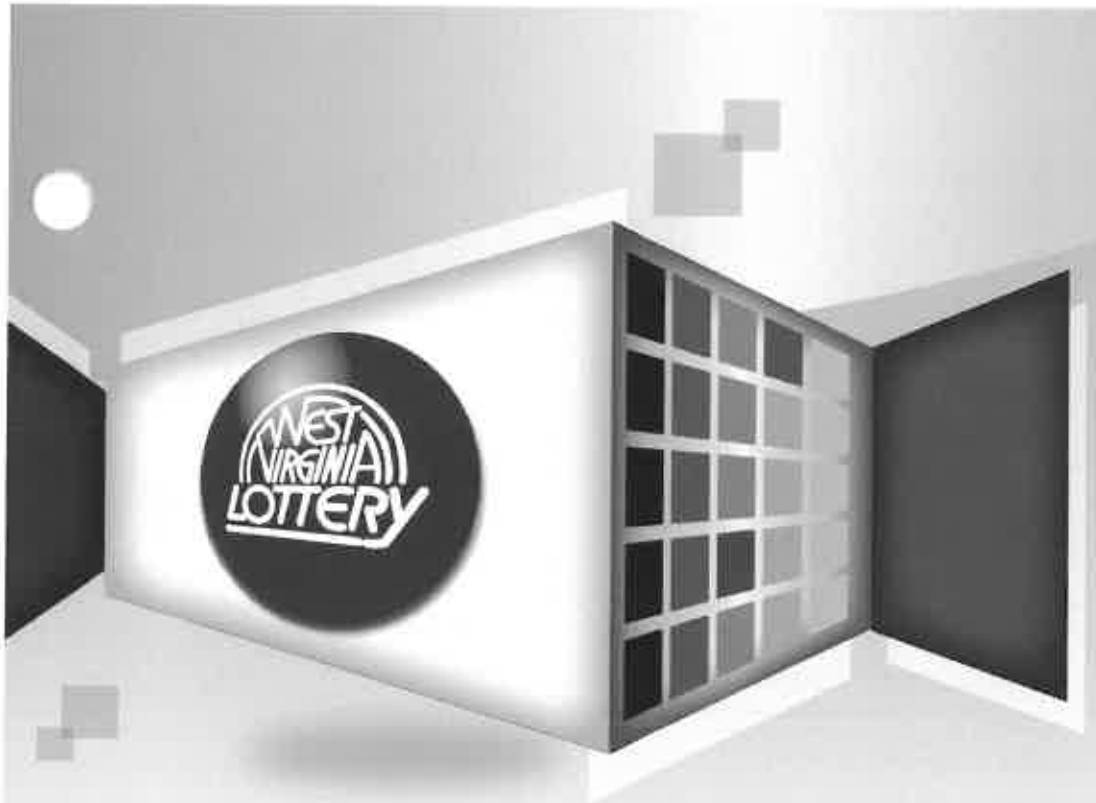
BID BOND

SCIENTIFIC GAMES



BID BOND

Please reference Scientific Games' Bid Bond included with the Attachment C Cost Sheet in the separately sealed envelope labeled "Cost Proposal".



REPORTS

SCIENTIFIC GAMES

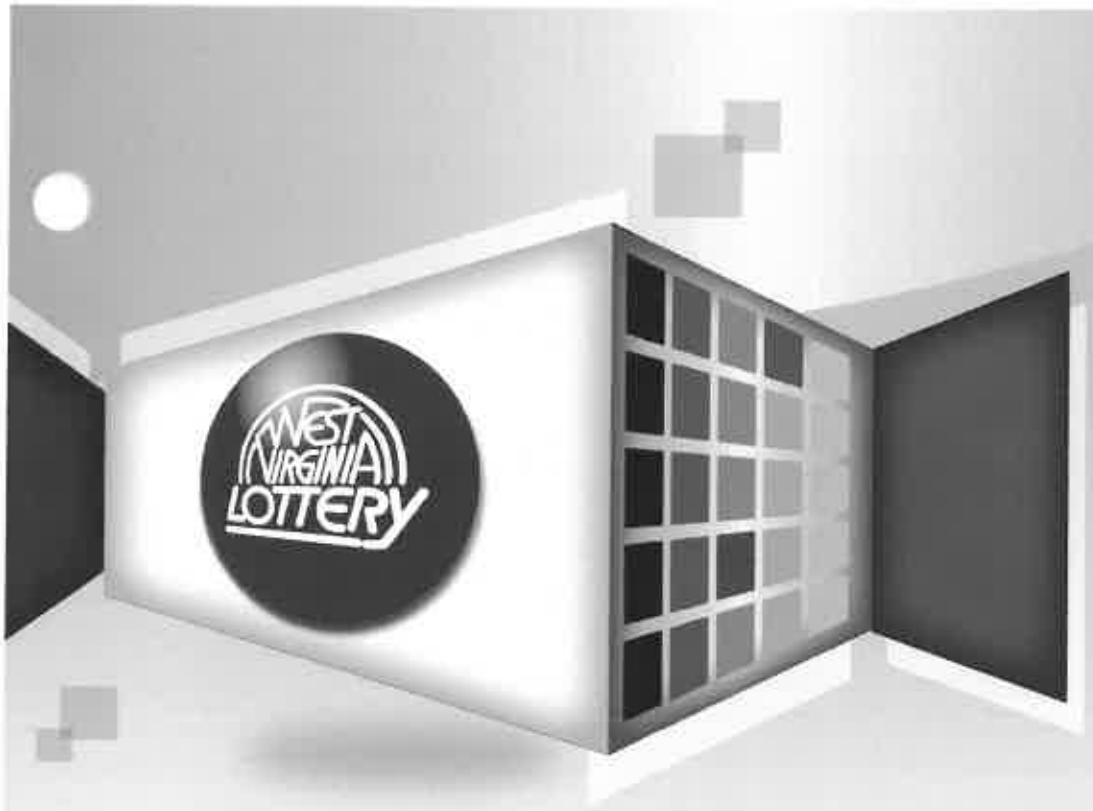


REPORTS

Scientific Games will provide the Agency and/or the Purchasing Division with such reports as the Agency and/or the Purchasing Division may request. Scientific Games acknowledges that these reports may include, but are not limited to, quantities purchased, agencies utilizing the contract, and total contract expenditures by agency.

Scientific Games can also provide quarterly reports detailing the total quantity of purchases in units and dollars, along with a listing of purchases by Agency in the event that the Agency requires such reports. If the Agency determines that quarterly reports are required, we understand that they should be delivered to the Purchasing Division via email at purchasing.reguisitions@wv.gov.

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ATTACHMENT A - VENDOR RESPONSE SHEET

SCIENTIFIC GAMES



ATTACHMENT A: VENDOR RESPONSE SHEET

RFP Requirement: *Provide a response regarding the following: firm and staff qualifications and experience in completing similar projects; references; copies of any staff certifications or degrees applicable to this project; proposed staffing plan; descriptions of past projects completed entailing the location of the project, project manager name and contact information, type of project, and what the project goals and objectives were and how they were met.*

Scientific Games has read, understood, and complied with all requirements set forth above. Please reference our detailed response located behind **Section 3.1 – Staffing and Section 3.2 – Corporate Capabilities** tab cards following Attachment A.

RFP Requirement: *List project goals and objectives contained in Section 4, Subsection 4: Section 4, Subsection 1: Please describe your plans to achieve the goals related to System Design.*

Scientific Games has read, understood, and complied with the requirements set forth in Attachment A: Section 4, Subsection 1. Please reference our detailed response located behind **Section 4.1 – System Design** tab card following Attachment A.

RFP Requirement: *Section 4, Subsection 2: Please describe your plans to achieve the goals related to Site controllers.*

Scientific Games has read, understood, and complied with the requirements set forth in Attachment A: Section 4, Subsection 2. Please reference our detailed response located behind **Section 4.2 – Site Controllers** tab card following Attachment A.

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RFP Requirement: *Section 4, Subsection 3: Please describe your plans to achieve the goals related to Network/Communications.*

Scientific Games has read, understood, and complied with the requirements set forth in Attachment A: Section 4, Subsection 3. Please reference our detailed response located behind **Section 4.3 – Overall Network and Comms.** tab card following Attachment A.

RFP Requirement: *Section 4, Subsection 4:Please describe your plans to achieve the goals related to Operations.*

Scientific Games has read, understood, and complied with the requirements set forth in Attachment A: Section 4, Subsection 4. Please reference our detailed response located behind **Section 4.4 – Operations** tab card following Attachment A.

RFP Requirement: *Section 4, Subsection 5: Please describe your plans to achieve the goals related to Interfaces (Databases).*

Scientific Games has read, understood, and complied with the requirements set forth in Attachment A: Section 4, Subsection 5. Please reference our detailed response located behind **Section 4.5 – Interfaces (Databases)** tab card following Attachment A.

RFP Requirement: *Section 4, Subsection 6: Please describe your plans to achieve the goals related to Reporting.*

Scientific Games has read, understood, and complied with the requirements set forth in Attachment A: Section 4, Subsection 6. Please reference our detailed response located behind **Section 4.6 – Reporting** tab card following Attachment A.

RFP Requirement: *Section 4, Subsection 7: Please describe your plans to achieve the goals related to Conversion.*

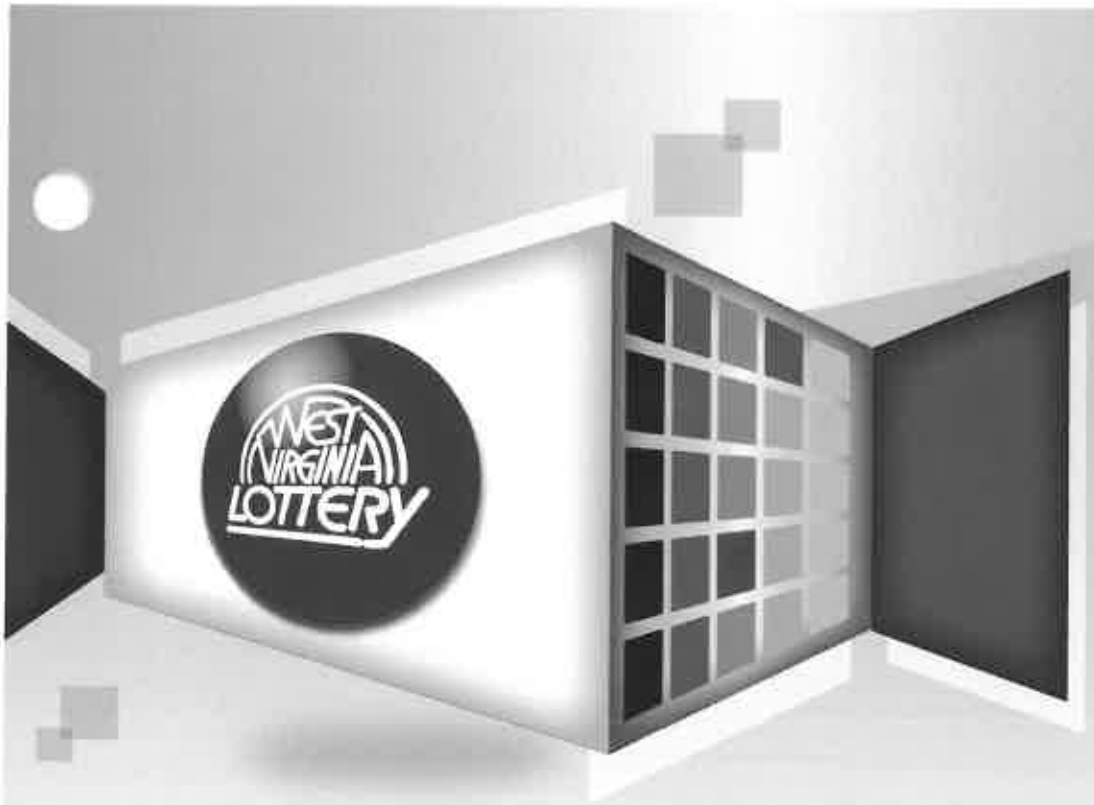
Scientific Games has read, understood, and complied with the requirements set forth in Attachment A: Section 4, Subsection 7. Please reference our detailed response located behind **Section 4.7 – Conversion** tab card following Attachment A.

RFP Requirement: *Section 4, Subsection 8: Please describe your plans to achieve the goals related to Training.*

Scientific Games has read, understood, and complied with the requirements set forth in Attachment A: Section 4, Subsection 8. Please reference our detailed response located behind **Section 4.8 – Training** tab card following Attachment A.

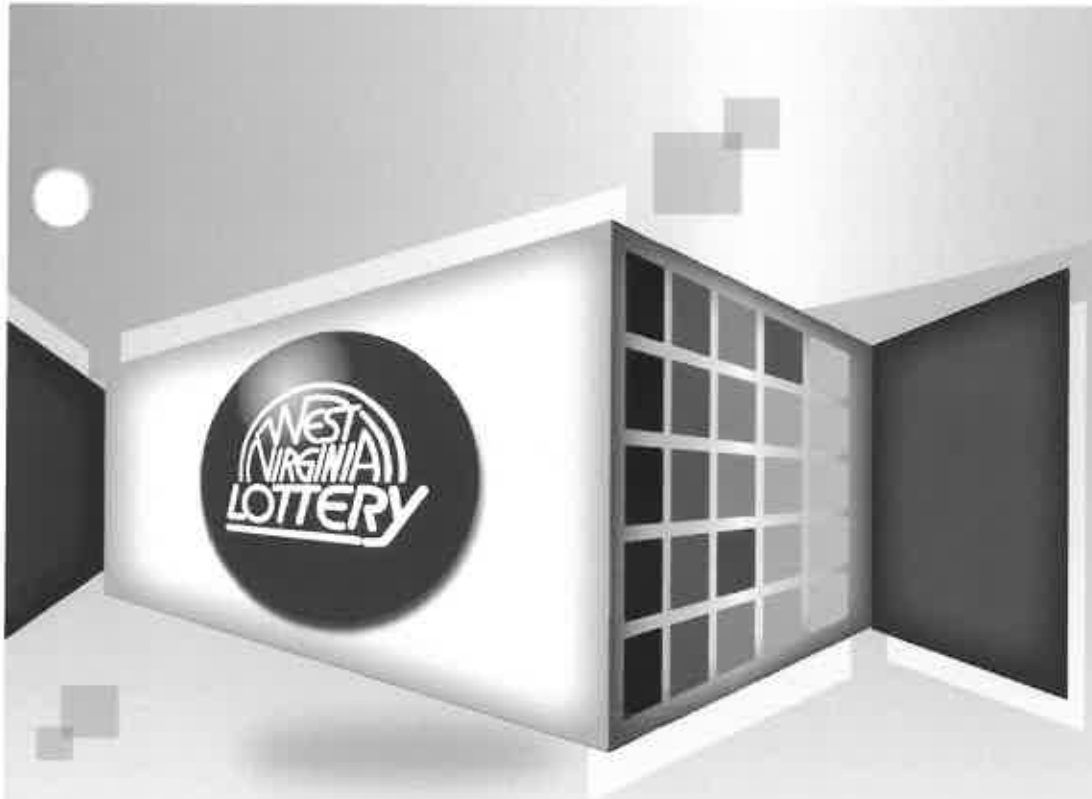
RFP Requirement: *Section 4, Subsection 9: Please describe your plans to achieve the goals related to Acceptance Testing.*

Scientific Games has read, understood, and complied with the requirements set forth in Attachment A: Section 4, Subsection 9. Please reference our detailed response located behind **Section 4.9 – Acceptance Testing** tab card following Attachment A.



SECTION 3: QUALIFICATIONS AND EXPERIENCE

SCIENTIFIC GAMES



SECTION 3.1: STAFFING

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SECTION 3: QUALIFICATIONS AND EXPERIENCE

3.1 STAFFING QUALIFICATIONS AND EXPERIENCE

Scientific Games will provide all personnel necessary to meet the requirements of the contract and provide consistent level of service to all Venues, the Lottery, and lottery personnel. We will provide all staff necessary to meet the timelines established subsequent to contract award and maintain support for service level agreements.

We understand that all staff assigned to this contract are subject to approval and a criminal background check by the Lottery as was defined in Section Three (3B. Lottery General Terms and Conditions) item 1 titled Criminal Background Investigation.

We will provide all staffing in certain key areas subsequent to contract award and in support of the implementation of the CMS at each of the VLT Venues. All staffing will remain on the project implementation until at least two weeks after the last conversion of VLT operations at all Venues.

3.1.1 PROJECT MANAGER

PROJECT MANAGER

Steve McKinney, Senior Principal Program Manager


Steve McKinney

Steve will coordinate conversion of the CMS and each Venue. He will be the primary point of contact between Scientific Games and the Lottery for all conversion matters. Steve is a PMI certified Project Management Professional (PMP) with broad-based experience in project/program planning and management, technology enablement, strategic planning, systems engineering, and information technology. Steve has a Master's Degree in Project Management and more than 15 years of project and program management experience.

Steve will remain on-site until the conversion is complete and will perform day-to-day management of the project, identify issues and risks, and recommend possible issue and risk mitigation strategies. He will ensure that work is performed within the scope, consistent with requirements, and delivered on time; identify critical paths, tasks, dates, testing, and acceptance criteria; monitor issues and provide resolutions for up-to-date status reports; and demonstrate excellent writing and oral communications skills.

3.1.2 NETWORK SPECIALIST

NETWORK SPECIALIST

John Grieger, Network Engineer, Network Design and Implementation


John Grieger

John is a Certified Network Engineer that will support Lottery operations. He will be responsible for the network architecture and configuration, installation, and support for the video systems networks. John will manage the on-site conversion team and remain exclusively assigned to the Lottery project until conversion is complete. With more than three years of experience, he demonstrates expertise in the type of network proposed and implemented. John will also provide network support in conjunction with the BDC.

John played a key role during the Illinois SGVideo™ CMS start-up as a Network Engineer.

3.1.3 VLT CONVERSION SPECIALIST

VLT CONVERSION SPECIALISTS



Jim Murphy

James (Jim) Murphy, Senior Network Engineer, Network Design and Implementation

Maureen Collins, Director, Software Development, Video Support Services

- Margaret Eklund, Video Production Support Manager
- Baffour Acheampong, Lead Systems Engineer, Video Support Services
- Victor Brown, Production Support Engineer

Scientific Games will use a team of VLT Conversion Specialists to successfully complete this project. Led by Jim Murphy and Maureen Collins, the team includes network, system and VLT support specialists. Along with these two longtime members of Scientific Games' implementation team, our VLT Conversion Specialists have the most industry experience with the West Virginia Lottery LVL network.

Jim is a certified network and system engineer with more than 17 years of experience. He will provide the LAN/WAN network support for Lottery operations and will be responsible for the conversion of each Venue. Jim participated in the set-up and testing for New Mexico Gaming Control Board video system and currently provides support to the project. He supported the Maine video system network setup to include router, switch and firewall configurations. Jim has also provided the network architecture, set-up, and configuration for Illinois, West Virginia, South Dakota, Iceland, and South Australia. Jim has provided a variety of services with Scientific Games, including network and systems support for the Scientific Games' corporate office and lottery clients.

Prior to joining our corporate team, Margaret served as the operations manager for our Illinois Video Lottery System start up. She has extensive experience with system implementation and operator location installations and support.

Baffour is a system engineer that has worked on multiple system implementations and start-ups. Additionally, Victor has a background in lottery systems with a wide range of experience in system implementation and location installations.

Based on our experience as the only vendor to ever convert the West Virginia Lottery network, we have an in-depth understanding of the Lottery's needs.

Scientific Games' team members will provide the continued on-site presence you need prior to, during and after the conversion.

3.1.4 INSTALLATION SPECIALIST

INSTALLATION SPECIALIST

Jessie Pack, Senior Director, Service Delivery, Field Support


Jessie Pack

Jessie and his team of SGVideo CMS experts have many years of combined CMS installation and configuration experience and will play a critical role during system conversion. Employed by Scientific Games, Jessie and his team will be on-site and responsible for configuration of CMS software and system and application values in coordination with the Lottery management team. They will work diligently with Steve, Project Manager, and our VLT Conversion Team, to ensure the CMS interaction and integration works between the primary system at the PDC and the VLTs.

Jessie has more than 27 years of field service management. He is responsible for field operations oversight, including retailer and telecommunications equipment. Jessie has demonstrated more than one year of experience with the proposed CMS, two years of experience working with multiple VLT manufacturers, and two years of experience in LAN/WAN infrastructure support.

Jessie and his team led the successful effort to install our SGVideo CMS at retailer locations in Illinois, and our recent installation of non-profit locations in New Mexico.

3.1.5 EDUCATION AND TRAINING SPECIALIST

EDUCATION AND TRAINING SPECIALIST

Jamie Collier, Knowledge Manager, Educational Services


Jamie Collier

Scientific Games will use a team of Education and Training Specialists to successfully complete this project. Our Knowledge Management trainers are experts on the SGVideo CMS technology that we are proposing to the Lottery. Our trainers have experience in the fields of instructional design, facilitation, measurement, analytics, monitoring, and coaching. We bring a wealth of

knowledge to each project. Our Knowledge Management group is led by Jamie who joined Scientific Games in 2003 as a Technical Writer, moved into a Training Specialist position in 2008, and is now the Knowledge Manager for the group. Katie Warvel, Training Specialist III, and Hayes Callahan, Customer Facing Trainer, will be assisting Jamie with the Lottery's SGVideo system training.

This highly qualified team has gaming-specific experience, which assures the Lottery that we come to the table ready, willing and able to support your staff and operators. This group also provides many years of experience and expertise in network administration, server administration, database administration, and day-to-day operations training. Additionally, this team of experts have CMS installation and configuration training experience and will be on-site before and during conversion. They will thoroughly educate designated Lottery personnel in the operations and reporting of the CMS.

3.1.6 DATABASE ADMINISTRATOR

DATABASE ADMINISTRATOR

Joey Smith, Senior Database Administrator



Joey Smith

Joey is a qualified Database Administrator that will assist with training, conversions, and database administration. He will provide knowledge transfer training to technical staff at the Lottery through conversion and for the life of the Contract. Joey has experience with the Data Warehouse (DW) schema and will document details concerning the schema. He is a qualified senior level Database Administrator with appropriate education, training, and specific certification relative to the database schema utilized by Scientific Games.

3.1.7 BUSINESS ANALYST

BUSINESS ANALYST

Ed McCarren, Senior Business Analyst



Ed McCarren

As the lead Business Analyst, Ed will be on-site before conversion then will be assigned to the project as needed. Ed has played a key role in our Video CMS business and has more than 32 years of lottery experience in a variety of roles. Ed will support the Project Manager and ensure that all communications between the Scientific Games' technical staff and the Lottery accurately represent all business requirements.

3.1.8 ONGOING SUPPORT STAFF

ONGOING SUPPORT STAFF

Scientific Games will provide qualified ongoing support staff that will be separate individuals from implementation staff. We will assign a Product Support Manager and a Software Development Manager for the life of the Contract. The Product Support Manager and Software Development Manager will have CMS installation and configuration training experience.

The Product Support Manager and Software Development Manager will provide the ongoing support and education of designated Lottery personnel in the operations and reporting of the CMS. We will assign a Network Specialist to support the Lottery network, including network support in conjunction with the BDC through conversion and for the life of the Contract.

PRODUCT SUPPORT MANAGER



Maureen Collins

Maureen Collins, Director, Software Development, Video Support Services

As a seasoned Director of our Production Support Team, Maureen has years of training experience with CMS installations and configurations. As she has done in the past, Maureen will continue to provide the ongoing support and education of designated Lottery personnel in the operations and reporting of the CMS.

SOFTWARE DEVELOPMENT MANAGER



Murali Venkataraman

Murali Venkataraman, Director, Video Services, Video Gaming

As a veteran Director of our Software Development Team, and many years of CMS installations and configurations training experience, Murali will oversee the Software Development Team. The Software Development Team will provide the ongoing support and education of designated Lottery personnel in the operations and reporting of the CMS.

NETWORK SPECIALIST



Jim Murphy

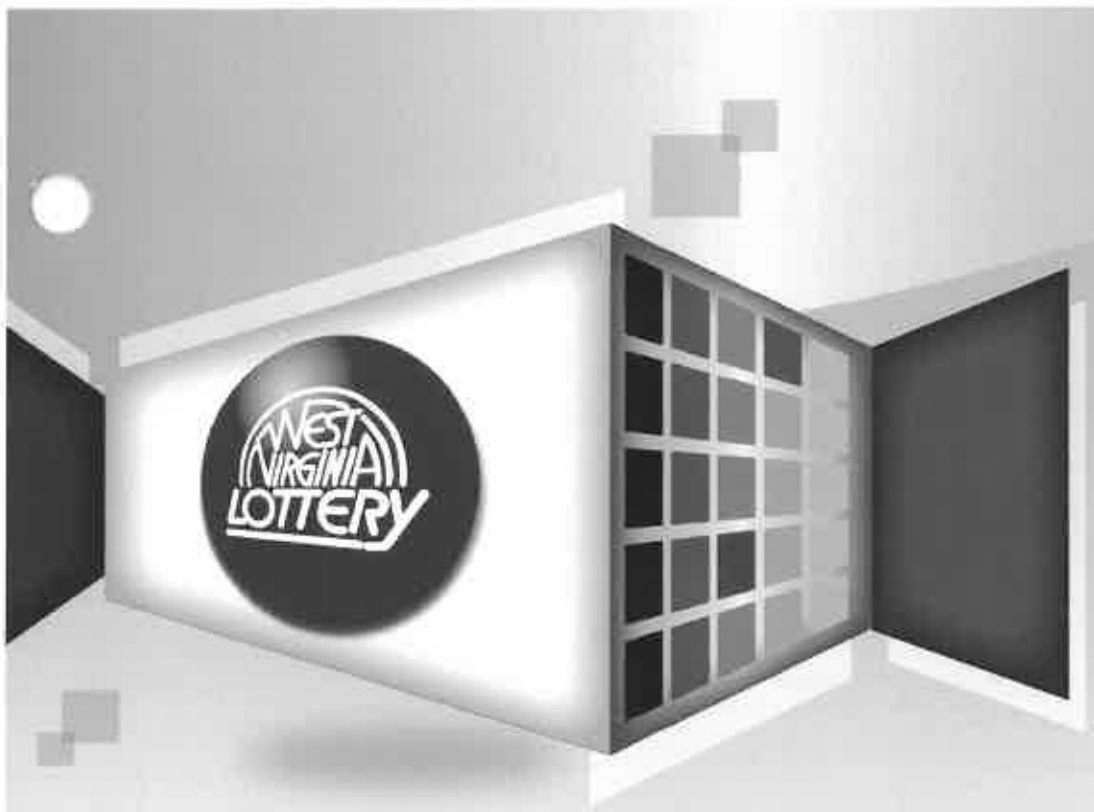
Scientific Games is a world leader in networked Lottery systems installation and ongoing support. We provide superior staff by maintaining the highest level of network support specialists available in the industry. Scientific Games' support of the Lottery over the last 10 years has solidified our confidence that we have the most comprehensive understanding of your gaming network.

Our proposed Network Specialist has direct experience in supporting your gaming network. The specialist will provide network support in conjunction with the BDC through conversion and for the life of the contract. Scientific Games is pleased to propose our long-time West Virginia network support engineer, Jim Murphy, as your Network Specialist.

Jim is one of the most experienced and qualified network engineers in the gaming industry. With his help, we are committed to providing the same level of unprecedented network support you have come to expect throughout our partnership.

Scientific Games will also provide additional network support from our Global Operations team. John Grieger is an experienced Video Lottery network engineer that will also be a key resource in the support of your Video Lottery Network. John brings a wealth of network engineering experience to our corporate team. He played a key role in the start-up and ongoing support of our Illinois video gaming network prior to joining our Global Operations team.

Working with Jim and the rest of our network support staff, we are confident you will receive network support which exceeds your expectations.



SECTION 3.2: CORPORATE CAPABILITIES

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SCIENTIFIC GAMES



SECTION 3: QUALIFICATIONS AND EXPERIENCE

3.2 CORPORATE CAPABILITIES

INTRODUCTION

Over the last 12 years, Scientific Games' corporate family has methodically enhanced the products, services and expertise we provide our customers by acquiring more than 10 companies that are the most innovative in their field. The new Scientific Games corporate group is strategically positioned with a breadth of platforms, products and services that is second to none—from mobile and social outlets to casinos and cross-channel product licensing. Each step in our group's corporate history has been a calculated measure to grow its business to better provide our customers with the most diverse mix of products and services for their players.

With a world driven more each day by the demands of the player, the integration of content and technology is more important than ever. We know the importance of choosing a vendor that will continue to be relevant in an evolving market is vital to your success. Our corporate family's history of acquisitions showcases how we have continually positioned ourselves to benefit lotteries with a vision of long-term achievement.

To enhance our corporate group's portfolio in interactive game content over the last decade, it has acquired several leaders in related industries. From 2005 to 2011, our corporate group integrated companies from the U.K. gaming market which is one of the most competitive gaming markets in the world. Our group sought out content and expertise that would translate well to multiple platforms

in English speaking countries. Our family added Games Media, a supplier of gaming machines and related content for the U.K. pub sector; Global Draw, a leading supplier of server-based gaming terminals and systems in the U.K.; and Barcrest, a leading U.K. gaming supplier of games for land-based, internet and mobile platforms.

In 2009, our corporate group acquired substantially all assets of GameLogic Inc., a provider of interactive marketing services and internet-based loyalty programs for the U.S. regulated gaming industry. This acquisition allowed our corporate group to become a leading provider in interactive services, being the first to integrate interactive games into internet second chance entry promotions, the first to launch a lottery player rewards program, the first to launch a lottery internet subscription sales system and many other lottery internet-based firsts. Our family is a proven innovator in lottery interactive web-based services. In 2012, to enhance its internet delivery solutions, our corporate group acquired the assets of Parspro, a leading supplier of sports betting solutions in Europe with an advanced internet gaming and player account management platform.

Our corporate group's 2003 acquisition of MDI Entertainment has given it an industry-leading licensed property portfolio of popular licensed properties. These licensed properties can broaden appeal of draw, scratch and, where allowed, mobile and internet games. Our group holds the exclusive lottery licensing rights for many of the world's best known, admired, and beloved sports teams' entertainment related properties, and pop culture icons.

In 2002, the acquisition of IGT Online Entertainment Systems (IGTOES), a leading provider in lottery systems, has led to our family's positioning as the second largest online gaming systems provider in the industry. At this time, our group also acquired the leading lottery suppliers in Europe Essnet and Wincor.

With our corporate group's 2013 acquisition of WMS Gaming, it created a leading global gaming company with innovative content, world-class technology and an expansive geographical footprint. This further adds to our group's portfolio of engaging content, products, and technology platforms expanding what makes Scientific Games the unique choice for lotteries seeking the best partner to support their growth through innovation.

By combining our group's research and development, central services resource teams, and adding our group's shared strengths in the area of licensing, Scientific Game's corporate family has the opportunity to offer an expanded

and more diversified portfolio of content, services and technology to customers in both the lottery and gaming segments.

Our corporate group now has the ability for WMS proprietary brands, like Reel 'em In!® and Jackpot Party®, to be promoted on an instant or draw game. It can then take that instant game and leverage it for additional play on the internet where authorized by law.

In mid-2014, our corporate group merged with Bally Technologies, a major player in the gaming device and system business. Merging with WMS and Bally Technologies took some of the largest companies in the lottery and gaming industries and created a company with the ability to offer the broadest range of products and services to players worldwide.

For the first time, a single company can serve a player across the entire lottery and gaming spectrum, providing continuity and familiarity with the look and feel of a favorite game regardless of where the player chooses to play.



Figure 3.2-1: Combined Leadership Spectrum

By drawing on each organization's core strengths, we can broaden our offerings, bring gaming and lottery products to new channels, sectors and geographies, and offer enhanced content, systems and support.

Broader offerings and service channels means the West Virginia Lottery has access to a larger, stronger product portfolio. It also means your retailers can

reach more players and stay connected with them through responsible marketing and promotional opportunities.

Each strategic acquisition in our corporate group's history has added numerous, unique products and services to make our lottery and gaming offerings the broadest and deepest of all lottery vendors in the marketplace today. With this past experience strengthening our group's business as a whole, Scientific Games is now positioned as the best vendor to grow the Lottery's business today and well into the future. From instant games to systems technology to play on the internet, where applicable by law, we have the tools to provide the best full product and service line for the Lottery.

COMPANY OVERVIEW

Globally, the lottery industry is a big business—at $275 billion in total sales for 2012; the lottery industry would rank in the top five as a Fortune company. For some perspective, it is bigger than General Motors, Ford Motor, AT&T or Apple. The lottery industry is the real "people's choice" for entertainment, with players spending far more on lottery games than they do going to the movies.

Moreover, most lotteries worldwide support programs that benefit the individual country, state or province. In the U.S., the combined total of all state lotteries' good cause contributions last year reached almost $19 billion. This is five times greater than all charitable distributions made by the Bill and Melinda Gates foundation in 2012.

The innovation we have driven in the industry is proof that Scientific Games Corporation is a customer-focused, global lottery company. Scientific Games Corporation is fully integrated to give customers, retailers, and consumers creative, secure game content. Scientific Games Corporation's worldwide team of more than 8,500 lottery and gaming experts specializes in nurturing longstanding relationships with just about every lottery organization in the world.

Scientific Games focuses on helping lotteries achieve their financial goals in serving their citizens. We deliver an ever-expanding portfolio of products and services to government-regulated and government-sponsored entities.

The lottery and gaming industry is an increasingly diverse marketplace with technology advancing at an exciting rate. We have led that evolution for more than 40 years. This means our customers have access to new revenue streams faster than other regulators.

To support the Lottery's ability to fulfill its mission, we offer a wide array of products, services, technologies and research that cross all aspects of gaming and interactive products. Our corporate family organizes itself with the specific objective of making every benefit it provides very accessible. Our corporate family has three distinct business lines serving its diverse client base with targeted products and services as described below.

We were founded in 1973 and are a wholly-owned subsidiary of Scientific Games Corporation, a publicly traded (NASDAQ:SGMS) company headquartered in Las Vegas, Nevada.

We are part of a fully integrated global lottery, gaming and interactive company with more than 300 customers in 50 countries. Our corporate family's 8,500 lottery and gaming employees work with individual jurisdictions and in five technology centers of excellence and five manufacturing facilities in seven countries.

Scientific Games is committed to the highest ethical standards in security, integrity, and compliance, as well as strict adherence to the industry's responsible gaming principles and sustainable best practices. Scientific Games and its affiliates' full spectrum of gaming products, systems, and services to customers throughout the world include:

- Server-based interactive gaming machines and associated gaming control systems
- A comprehensive video gaming suite—including systems, software and terminals
- Amusement-With-Prize (AWP) and Skill-With-Prize (SWP) betting terminals
- Leading sports betting solutions
- Internet, mobile and other interactive games and solutions—including players clubs, loyalty programs, subscription platforms, 2nd Chance games, electronic draw and instant games, and poker/casino-style games
- Extensive portfolio of licensed properties for lottery games
- Marketing and research services
- Lottery systems, terminals, draw games and operations services

- Instant game design, manufacturing, systems and services—including electronic instant games securely linked to printed games

With a relentless focus on developing new game content and leading-edge technology and systems solutions, Scientific Games Corporation and our affiliates now serve more than 300 gaming and lottery organizations around the globe, including many of the world's highest-revenue producing lotteries.

Since developing the lottery industry's first back-office system for instant game accounting and validation in 1975, our sophisticated systems technology has played an important role in the global lottery and gaming sectors.

Scientific Games Corporation is the world's largest instant game lottery company, one of the world's largest lottery systems companies, a global leader in sports wagering solutions, and one of the fastest growing companies in fixed odds betting and video lottery solutions.

Scientific Games Corporation's goal is to be a leader in providing a wide array of gaming and lottery products and services to customers around the world. As a means to achieve that goal, Scientific Games Corporation reports its operations in the following three business segments: Lottery, Interactive, and Gaming. The depth and breadth of Scientific Games Corporation's organization is shown in **Figure 3.2-2**.

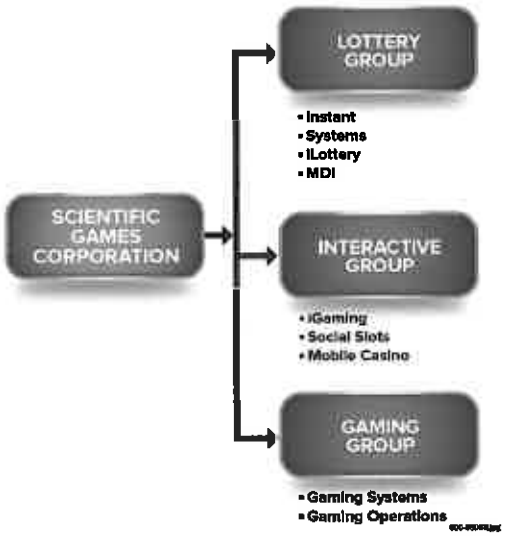


Figure 3.2-2: Scientific Games' Businesses
While the three groups focus on different aspects of the lottery and gaming industry, the do not operate as distinct silos when it comes to sharing innovations that benefit the Lottery.

Lottery

Scientific Games Corporation is in business to help lottery customers maximize performance. Whether a lottery aspires to be one of the top 10 lotteries in the world or increase revenues by 10 percent next year, Scientific Games Corporation creates customized plans designed to help drive results. From solutions developed through technology innovations, in-depth analysis of demand drivers, integrated game portfolios, and research-driven retail and digital development programs, Scientific Games Corporation offers a full

spectrum of entertaining products and services designed to enhance business performance and increase returns to lottery beneficiaries and good causes.

Interactive

In the global iGaming, iLottery and social gaming industry segments, Scientific Games Corporation has spent more than a decade developing innovative distribution platforms to deliver compelling, player-favorite content through both current and emerging digital gaming channels. From top social casino platforms and industry-leading players clubs and rewards programs to interactive lottery games and engaging casino-style games, interactive solutions are built to provide the most exciting digital gaming experiences. The company has learned that emerging digital channels can create new audiences for its proven content library, offer enhanced player engagement and extend the reach of its customers' brands.

Gaming

Scientific Games Corporation has emerged as an industry innovator, setting new standards for gaming entertainment. Scientific Games Corporation is a leader in the design, manufacture and distribution of premium gaming content, gaming machines and central monitoring systems for the casino and regulated gaming industry worldwide, as well as a major supplier of content and machines for licensed betting offices, arcades and bingo shops in the U.K. The focus on innovative game play generates new ideas for distinctive gaming experiences. The company brings years of unique industry knowledge and extensive, proven market research methods to every product development cycle, striving to ensure that these games are the ones that players want to play.

SCIENTIFIC GAMES IS COMMITTED TO THE FUTURE SUCCESS OF THE LOTTERY

In summary, Scientific Games uses our corporate group's global resources—people, technologies, systems, knowledge, data and games—to create capability in our business operations for all of our customers. We then integrate our capabilities into managing our core business competencies in three areas:

1. **System Implementation and Service** – We excel worldwide in central system start-up and ongoing service for trouble-free and secure operations, retail terminal and peripherals, telecommunications and information management.

2. **Customer Relationship Excellence** – We are focused at a leadership level and throughout our organization to always place our customers first, to be creative in developing business plans aligned with our customer's business mission, and to empower, motivate and inspire greatness to exceed potential.
3. **Business Transformation** – We invest, grow and develop the gaming system product category with a passionate commitment as the company that first brought GSA standardized protocols to Central Monitoring Systems which uses open architecture development to "future proof" our systems. This stewardship drives us to deepen security practices for the industry, invest in new technologies, create improved efficiencies, retain top talent and always, always innovate.

Because of these competencies, the Lottery can be confident when entering into a long-term contract with Scientific Games that we have a strategic focus on how we manage our business and provide service excellence to our customers.

Confidential Information has been removed from this section and placed in a separately sealed envelope labeled "Confidential Information" at the end of the Original Technical Proposal Binder.

This information is exempt from disclosure under West Virginia Code Chapter 29B Freedom of Information and any other applicable state law or regulation. This information falls into the categories in West Virginia Code Chapter 29B Article 1 Section 4(a) that are specifically exempt from disclosure, including among others, subsections 4(a)(1) and 4(a)(14). The confidential nature of this information gives Scientific Games a business advantage over its competitors, and accordingly the information comprises trade secrets. Public disclosure of this information would cause significant injury to Scientific Games by depriving it of this competitive advantage. In addition, maintaining the confidential nature of certain of this information is necessary to the security and integrity of video gaming in West Virginia and other states to which Scientific Games supplies video gaming products and services. Access to this information could give individuals with intent to do harm insight into Scientific Games' products and processes, assisting their attacks upon the security and integrity presently upheld by these products and services.

3.2.1 CORPORATE OVERVIEW

3.2.1.A BUSINESS ENTITY

- Scientific Games International, Inc.
  1500 Bluegrass Lakes Parkway
  Alpharetta, Georgia 30004

3.2.1.B TYPE OF BUSINESS ENTITY

Scientific Games International, Inc. is a corporation.

3.2.1.C PLACE OF INCORPORATION

Scientific Games International, Inc. is incorporated in the state of Delaware.

3.2.1.D MAJOR OFFICE, PLANTS, AND OTHER FACILITIES

GLOBAL TECHNOLOGY DEVELOPMENT AND PRODUCTION FACILITIES

As technology rapidly changes the gaming industry, our customers continually look for ways to enhance their products. Scientific Games has organized our Executive Management and Senior Lottery Group teams to innovate and deliver the best solutions to our gaming customers. Our strategically structured leadership group provides an expansive knowledge base vital to growing lotteries' businesses.

Headquartered in Las Vegas, Nevada, our parent, Scientific Games Corporation maintains a strategic presence around the world, wherever its customers require support and access to the rich resources it makes available for their success. To ensure the highest quality product designs and development capabilities to meet each customer's unique needs, the company has certified print, gaming, and lottery technology development centers of excellence. These centers are strategically located in:

- **Atlanta** – The lottery systems technology research and development center, co-located with the largest lottery manufacturing facility in the world

- **Chicago** – The new game development center for casino gaming customers
- **London** – The center of online gaming development
- **Vienna** – The online lottery systems and sports betting technology center of excellence
- **Budapest** – The software engineering center
- **Pune – India, Bangalore – India, and Chennai – India** – The gaming software development and testing center

Production facilities for terminals include:

- Johor, Malaysia
- Shanghai, China
- Ballymahon, Ireland

Instant game production facilities include:

- Atlanta, U.S.
- Montreal, Canada
- Santiago, Chile
- Leeds, England
- Beijing, China

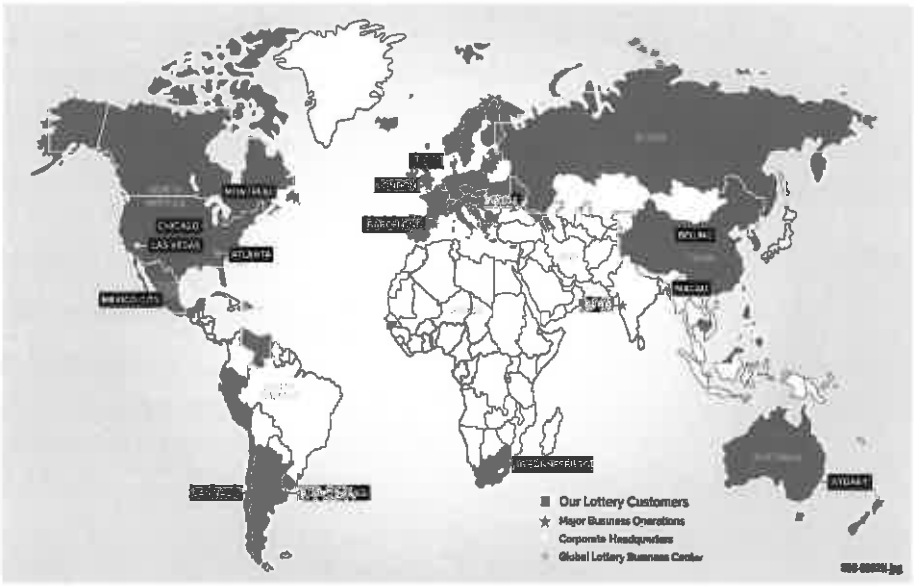


Figure 3.2-6: Scientific Games Corporate Group Servicing Our Customers Globally
Our corporate family has customers in 50 countries across the world and major facilities on six continents. This global experience translates to flexibility since we adapt to our customers' needs. Our open systems let us incorporate legacy technology to deliver excellent service today and be prepared for more innovation tomorrow.

From all of our corporate group's business centers, we apply our broad-based experience and knowledge to develop exciting and engaging gaming products that bring our customers success. Our group's open systems allow it to quickly take new best practices and products from one location and adapt them to meet customers' needs anywhere else in the world. This flexibility and willingness to adapt ensure our customers have access to new revenue streams years before they are offered by other suppliers. Our carefully managed yet flexible project implementation processes remain cutting edge because we regularly enhance known best practices with fresh lessons learned as we adapt our products and harness new technologies for our customers.

3.2.1.E SUBCONTRACTORS, ASSOCIATED COMPANIES, OR CONSULTANTS

Scientific Games will not be using the services of any substantial subcontractors, associated companies or consultants during any phase of the Lottery project.

SUBCONTRACTORS

Scientific Games understands the term "substantial" subcontractor to mean an entity to which Scientific Games delegates any of its principal contractual responsibilities contained within the Lottery's RFP. By the terms of this definition, Scientific Games will not be using the services of any subcontractor to provide services and supplies as part of the Lottery project. The only third parties that will be utilized by Scientific Games will be supply vendors. We will be happy to clarify this response at the Lottery's request.

ASSOCIATED COMPANIES OR CONSULTANTS

Scientific Games will not be using the services of any associated companies or consultants to provide services and supplies as part of the Lottery project. The only third parties that will be contracted by Scientific Games will be supply vendors.

3.2.1.F CONTRACTUAL VENDOR REPRESENTATIVES

SCIENTIFIC GAMES' POINT OF CONTACT

- Steve Angelo
  Vice President of Scientific Games/WMS Gaming Systems
  2718 W. Roscoe Street
  Chicago, Illinois 60618
  Tel: 773.961.1616
  Email: Stephen.Angelo@scientificgames.com

3.2.1.G TECHNICAL VENDOR REPRESENTATIVES

SCIENTIFIC GAMES' POINT OF CONTACT

- John McCormack
  Vice President Technology, Systems Support
  1500 Bluegrass Lakes Parkway
  Alpharetta, GA 30004
  Tel: 678.624.4043
  Email: John.McCormack@scientificgames.com

3.2.1.H SITE VISIT AND OTHER ARRANGEMENTS VENDOR REPRESENTATIVES

SCIENTIFIC GAMES' POINT OF CONTACT

- Steve Angelo
  Vice President of Scientific Games/WMS Gaming Systems
  2718 W. Roscoe Street
  Chicago, Illinois 60618
  Tel: 773.961.1616
  Email: Stephen.Angelo@scientificgames.com

3.2.1.I VENDOR FEIN

SCIENTIFIC GAMES' FEIN

- 58-1943521

3.2.2 FINANCIAL VIABILITY

As evidence of our financial responsibility and stability for performance of the Contract, we have provided financial information on our parent company, Scientific Games Corporation. We understand that the Lottery reserves the right to require any additional information necessary to determine our financial integrity and responsibility.

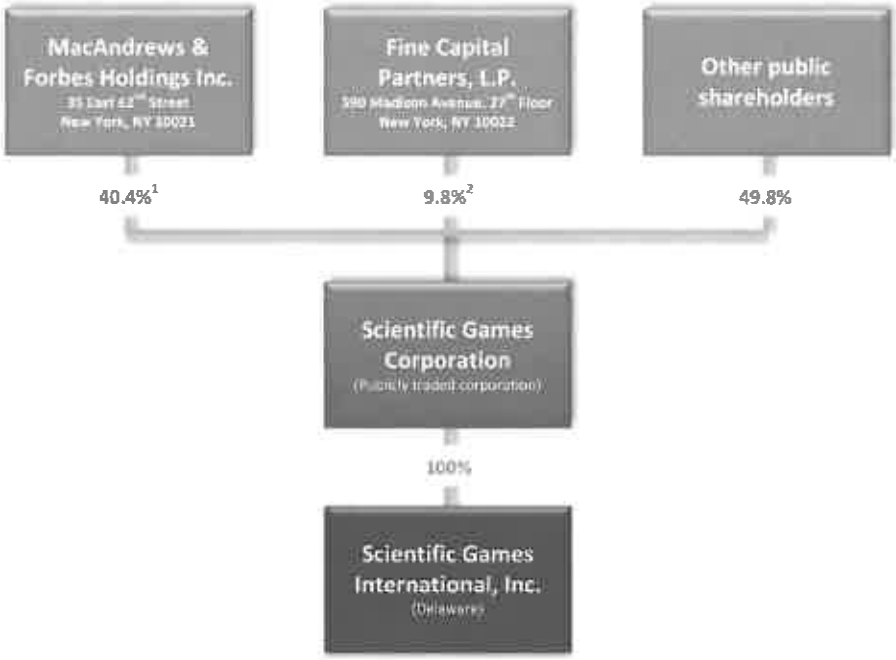


Scientific Games' has provided two hard copies of our Financial Information in two separate binders (for purchasing and the state auditor) that will be included with the Original Proposal and electronic copies for the convenience copies on DVD of the following information:

- SEC Form 10-K for most recent year-end
- SEC Form 10-Q for all quarters since filing of 10-K
- SEC Forms 8-K or Series 13 filings since filing of 10-K
- Most recent Proxy Statement

Scientific Games has listed all senior officers and/or beneficial owners of five percent or more of the company on the following pages.

SHAREHOLDERS



Scientific Games Corporation is a publicly traded corporation. Its Class A Common Stock ("Common Stock") is traded on the NASDAQ under the symbol "SGMS". As of October 28, 2014, a total of 84,829,084 shares of Common Stock are outstanding. As of January 20, 2015, the following persons are known to us (based on Schedule 13D, Schedule 13G and Section 16 filings with the SEC, or other information made available to us) to beneficially own 5% or more of the outstanding shares of the Common Stock.

[1] Includes 26,385,737 shares held by SGMS Acquisition Corporation, 4,745,000 shares held by SGMS Acquisition Two Corporation and 3,125,000 shares held by RLX Holdings Two LLC, holding companies owned by MacAndrews & Forbes Holdings, Inc., whose chairman, chief executive officer and sole stockholder is Mr. Ronald O. Perelman. A Schedule 13D was jointly filed with the SEC by MacAndrews & Forbes Holdings, Inc. and SGMS Acquisition Corporation on November 26, 2008, and amended, most recently, on January 2, 2015. These shares do not include 48,454 shares held directly by Mr Perelman (according to a Form 4 filed with the SEC on January 6, 2015).

[2] Based on a Schedule 13F filed on November 14, 2014, amending a Schedule 13D filed with the SEC on October 4, 2011 by Fine Capital Partners, L.P. ("FCP"), Fine Capital Advisors, LLC ("FCA") and Ms. Debra Fine, the principal of FCP and FCA. According to the Schedule 13D, FCP provides investment management services to private individuals and institutions. According to the Schedule 13D, FCA serves as the general partner of FCP and the principal occupation of Ms. Fine is investment management.

Figure 3.2-7: Shareholders

OFFICERS AND DIRECTORS OF SCIENTIFIC GAMES

NAME	TITLES HELD
M. Gavin Isaacs	President and Chief Executive Officer (Scientific Games Corporation); Board of Directors (Scientific Games Corporation)
Scott D. Schweinfurth	Executive Vice President and Chief Financial Officer (Scientific Games Corporation; Senior Vice President and Chief Financial Officer (Scientific Games International)
Richard M. Haddrill	Executive Vice Chairman (Scientific Games Corporation); Board of Directors (Scientific Games Corporation)
Kathryn S. Lever	Executive Vice President and General Counsel (Scientific Games Corporation)
Jack B. Sarno	Vice President – Worldwide Legal Affairs and Corporate Secretary (Scientific Games Corporation); Vice President, General Counsel and Secretary (Scientific Games International); Board of Directors (Scientific Games International)
Robert C. Becker	Vice President and Treasurer (Scientific Games Corporation); Treasurer (Scientific Games International)
David Pye	Vice President of Corporate Development (Scientific Games Corporation)
Steven M. Saferin	President, Properties Group, and Chief Creative Officer (Scientific Games Corporation); President, Properties Group (Scientific Games International)
Larry A. Potts	Vice President, Chief Compliance Officer and Director of Security (Scientific Games Corporation)
James R. Metcalfe	Vice President, Tax (Scientific Games Corporation); Vice President, Tax (Scientific Games International)
Steven Beason	Enterprise Chief Technology Officer (Scientific Games Corporation); Senior Vice President and Enterprise Chief Technology Officer (Scientific Games International)
Derik Mooberry	Executive Vice President and Group Chief Executive, Gaming (Scientific Games Corporation)
James C. Kennedy	Executive Vice President and Group Chief Executive, Lottery (Scientific Games Corporation); President and Chief Executive Officer (Scientific Games International); Board of Directors (Scientific Games International)
Jeffrey B. Johnson	Vice President, Finance, and Chief Accounting Officer (Scientific Games Corporation); Vice President and Chief Accounting Officer (Scientific Games International)
Michael P. Conforti	President, Asia-Pacific, and Senior Vice President, International Development (Scientific Games Corporation)
Peter A. Mani	Vice President and Chief Human Resources Officer (Scientific Games Corporation)
Pat McHugh	President, North America Lottery Systems (Scientific Games International)
John Schulz	President, Instant Products (Scientific Games International)

Figure 3.2-8: Officers and Directors of Scientific Games

NAME	TITLES HELD
James E. Bunitsky	Chief Financial Officer, Lottery (Scientific Games International)
John J. Walsh	Senior Vice President, Operations and Marketing (Scientific Games International)
Philip J. Bauer	Vice President, Corporate Counsel and Assistant Secretary (Scientific Games International)
Joseph Stewart	Vice President and Chief Procurement Officer (Scientific Games International)
Ronald O. Perelman	Board of Directors (Scientific Games Corporation)
David L. Kennedy	Board of Directors (Scientific Games Corporation)
Peter A. Cohen	Board of Directors (Scientific Games Corporation)
Gerald J. Ford	Board of Directors (Scientific Games Corporation)
Barry F. Schwartz	Board of Directors (Scientific Games Corporation)
Michael J. Regan	Board of Directors (Scientific Games Corporation)
Frances F. Townsend	Board of Directors (Scientific Games Corporation)
Paul M. Meister	Board of Directors (Scientific Games Corporation)
Debra G. Perelman	Board of Directors (Scientific Games Corporation)
Gabrielle K. McDonald	Board of Directors (Scientific Games Corporation)

Figure 3.2-8: Officers and Directors of Scientific Games

FINANCIAL MEANS

Scientific Games will fund the project from internal sources. We will not be borrowing any or all of the capital necessary to fulfill the requirements of the contract. Scientific Games does not have any major commitments and/or contingencies that are likely to impact its ability to fulfill the contract obligations. To the best of our knowledge, members of Scientific Games do not have interests in other similar or related firms.

Within this section, Scientific Games provides adequate information to permit an evaluation of our capabilities to undertake and complete satisfactorily any Contract awarded pursuant to the RFP. We have provided a letter from Scott Schweinfurth, Executive Vice President and Chief Financial Officer of Scientific Games Corporation, confirming that our parent corporation serves as financial guarantor of Scientific Games. We hereby demonstrate our ability to finance the project described by the vendor's submission. We do not intend to utilize any outside financial resources.

Scientific Games International, Inc. is a wholly owned subsidiary of Scientific Games Corporation, a publicly traded, U.S.-based company. Backed by the consolidated finances of this entity, Scientific Games International, Inc. is fully capable of executing the Central Monitoring System contract.

Scientific Games Corporation's Key Financial and Operating Metrics:

- 2013 revenue of $1.1 billion
- 2013 Attributable EBITDA of $383 million
- 2013 total assets of approximately $4.2
- Significant liquidity position of $411 million, including cash of $154 million and availability under revolving credit facility of $257 million, as of December 31, 2013
- Strong balance sheet with no significant near-term maturities; weighted average debt maturity of over six years as of December 31, 2013
- Net cash from operating activities of $171 million for the year ended December 31, 2013
- Significant focus on increasing returns to the business

Year-Over-Year Performance for Year Ended December 31, 2013:

- Revenue grew 17 percent
- Attributable EBITDA grew 13 percent
- Liquidity position as of year-end increased by 30 percent

Key Business Competencies:

- One of the largest regulated gaming and lottery central system providers
- Gaming products and content for an ever-changing gaming market
- Interactive products which serve customers around the globe
- Instant games supplier to 40 U.S. jurisdictions and approximately 50 countries
- Capacity to print in excess of 46 billion 2" x 4" instant tickets annually
- Five printing facilities on four continents
- Industry's leading portfolio of licensed properties for instant tickets

Scientific Games' corporate group completed the acquisition of the WMS corporate group in October 2013. WMS serves the gaming industry in the U.S. and internationally by designing, manufacturing and marketing games, video and mechanical reel-spinning gaming machines and video lottery terminals as well as placing leased participation gaming machines in regulated gaming venues. WMS also develops and markets digital gaming content, products, services and end-to-end solutions that address global online wagering and play-for-fun social, casual and mobile gaming opportunities. The merger combined two leading corporate groups in the lottery and gaming industries with the ability to offer an extensive range of products and services to public and private sector lottery and gaming customers around the world. The combination of Scientific Games' and WMS' respective groups' game content,

technology, operational capabilities, systems, field service and geographic footprint creates an enterprise that can deliver innovative content, world-class technology and industry-leading services.

In November 2014, Scientific Games' corporate group completed the acquisition of Bally Technologies, Inc. which brings together two exceptional organizations with a common culture of innovation and customer focus. With leading gaming, lottery and interactive content, as well as world-class systems capabilities and table game offerings, we believe that the combined company is uniquely positioned as a strategic partner for gaming and lottery operators, offering a highly diversified suite of value-enhancing products and services across multiple worldwide distribution channels and platforms. The transaction expands Scientific Games' group portfolio of products and solutions to include leading casino management systems and table products, including automatic shufflers, proprietary table games and electronic table systems. It also expands the range of Scientific Games' group social and real money iGaming and iLottery products and services. This expanded portfolio is expected to position Scientific Games' group to better cross-utilize content and technology across the lottery, gaming and interactive sectors to propel future growth. In addition, we believe our customers will see the benefit of the opportunities that will be created by combining each organization's core strengths in developing engaging gaming entertainment products, advanced technologies and systems, and providing value-added services to help our customers grow their revenues.

We believe it is important to consider a variety of financial metrics in assessing the financial strength of bidders in this RFP, as differences in accounting standards among vendors in U.S. and foreign jurisdictions have a significant impact on the comparability of standard financial metrics and ratios. Many of the standard analyses that are used to evaluate companies substantially understate the financial strength of Scientific Games' group for reasons detailed in this section. We believe that an objective evaluation of relevant financial metrics will demonstrate that Scientific Games is in fact the strongest among other vendors. As is the case for other vendors, a significant and increasing portion of Scientific Games' group's income and EBITDA (defined as earnings before interest, taxes, depreciation and amortization) is generated from its minority interests in joint ventures and equity investments. However, unlike many foreign vendors, U.S. GAAP accounting rules prevent Scientific Games Corporation from consolidating this income into its operating income; it is instead reported as earnings from equity investments, which is below the operating income line. In addition, none of the revenue or cash from Scientific

Games corporate group's joint ventures is consolidated into the revenue or cash of Scientific Games Corporation reported in its financial statements.

In contrast, some international lottery vendors who are not required to follow U.S. GAAP are able to consolidate revenue, income and cash from less-than majority-owned entities without adjusting for the benefit of the minority interest. This has a material and favorable impact on their reported financial results and metrics. These companies report their financials based on International Financial Reporting Standards (IFRS), which vary significantly from U.S. GAAP. In some cases, IFRS policies inflate the value of certain assets relative to how those assets would be valued under U.S. GAAP, which results in the inflation and enhancement of the ratios of companies reporting under IFRS compared to the ratios of U.S. GAAP reporting companies. For further details on the financial reporting standards of various lottery vendors, please refer to **Figure 3.2-9**.

VENDOR	COUNTRY	FINANCIAL REPORTING STANDARDS
GTECH	Italy	IFRS
Intralot	Greece	IFRS
Scientific Games	United States	U.S. GAAP

Figure 3.2-9: Financial Reporting Standards

As a result of the varying accounting treatment and different ownership percentages of equity investments among the lottery vendors, we believe one of the best ways to measure our financial strength is by looking at Scientific Games' Corporation's Attributable EBITDA, which includes its consolidated EBITDA as well as its share of the EBITDA of all of its equity investments. Scientific Games further believes that its liquidity position and cash flow provide useful information regarding Scientific Games' liquidity and ability to service debt and fund investments.

We appreciate a robust review of each bidder's financial strength and stand ready to provide whatever additional information you believe is helpful.

PARENT CORPORATION RESOURCES

As a wholly owned subsidiary of Scientific Games Corporation, Scientific Games International, Inc. does not have its own, separate financial statements. Therefore, Scientific Games International, Inc. is submitting the consolidated financial statements of its parent company, Scientific Games Corporation.

Scientific Games has not filed any financial reports with NASDAQ or NYSE within the past twelve months.

On the following page, please see a letter from Scott Schweinfurth, Executive Vice President and Chief Financial Officer, which certifies that Scientific Games International, Inc. will rely on the financial resources of Scientific Games Corporation to perform the contract. Scientific Games will fund the project from internal sources. We will not be borrowing any or all of the capital necessary to fulfill the requirements of the contract.

SCIENTIFIC GAMES®

March 5, 2015

Ms. Evelyn P. Melton
Department of Administration
Purchasing Division
2019 Washington Street East
Charleston, West Virginia 25305-0130

Re: Request for West Virginia Lottery CRFP LOT 1500000001, issued September 2014

Dear Ms. Melton:

Section 3.2.2, *Financial Viability,* of the above referenced RFP states that a bidder must provide the most recent audited financial statements and SEC filings to demonstrate its ability to provide satisfactory service on the Contract.

Please accept the following statement as supplemental information regarding this RFP requirement:

Scientific Games International, Inc., is a wholly-owned subsidiary of Scientific Games Corporation. Scientific Games Corporation does hereby certify that it will support Scientific Games International, Inc. in the performance of the requirements of the Contract and will make available to Scientific Games International, Inc. any and all of its resources, as required, to fulfill Scientific Games International, Inc.'s obligations under this Contract. Furthermore, Scientific Games Corporation agrees to be held accountable for all terms and conditions of the RFP and the resulting contract and shall execute the Contract as guarantor.

Sincerely,

Scott D. Schweinfurth
Executive Vice President and Chief Financial Officer

1500 Bluegrass Lakes Parkway • Alpharetta, Georgia 30004 • Tel: 770.664.3700 • Fax: 770.772.7606
www.scientificgames.com

3.2.3 INDUSTRY EXPERIENCE

A SUPERIOR SOLUTION

As a leader in the video gaming industry, Scientific Games brings a wealth of experience to understanding our customers' gaming businesses. Success in this area is driven by industry knowledge, skill, and an understanding of real-world customer issues. We have applied these three elements in diverse markets where we license and operate our systems to protect customers' businesses from fraud and financial discrepancy. Our response highlights how the SGVideo CMS is implemented and operated in diverse environments supported by our professional teams.

Our offering to the Lottery will alleviate any potential concerns about:

- Unapproved software configuration changes and illegal gaming machine manipulation
- Support for Gaming Standards Association's (GSA) open protocols
- The complexity of an unfamiliar system start-up and/or conversion
- Whether Scientific Games' CMS solution will provide a sure, simple and cost-efficient path to central control monitoring

SGVideo: The Result of Forward-Thinking Design

Scientific Games holds a position of increasing strength in the gaming systems market by consistently improving its product offerings to meet the industry's evolving needs while maintaining system security and integrity—which are crucial to regulated gaming.

Scientific Games has designed SGVideo with the functionality and communication protocol flexibility that enable our customers' businesses to thrive. Our systems allow full control and regulation of gaming, yet accommodate connectivity with a variety of hardware, software and service providers to allow the Lottery to optimize its' gaming environment. Scientific Games' SGVideo supports GSA SAS, G2S and S2S Protocols.

Superior Operations Management Capability

During the past two decades, we have implemented several gaming systems that are comparable in scope and function to what we anticipate for the Lottery. As a result, we understand what is necessary to properly control and regulate activities across the gaming environment. To be effective, operations must have a detailed view of the whole network. That view should include the ability to quickly verify gaming machine configurations and ensure only

approved, untainted games are available for play. SGVideo provides the operational capability to see and act on events from gaming machines across the network in real-time.

A Superior Partner

Scientific Games' knowledge and experience in the regulated video gaming market offers the Lottery confidence in a proven conversion process, a reliable and secure CMS with full GSA protocol compliance and expert operations support, because we have addressed these needs in other, complex video gaming networks. We can assure the Lottery that we are capable of providing the highest levels of network security and financial accountability available, and ensure the public's trust in the Lottery's gaming environment.

Our SGVideo solution successfully supports some of the largest distributed gaming networks in the United States on a daily basis, protecting those markets from fraud.

Advantages of Partnership with Scientific Games

Our corporate family is a proud supplier of video lottery systems, online lottery, instant ticket, sports wagering, electronic gaming devices and Internet wagering systems (where applicable by law). We pledge to continue our unchallenged record of ethical conduct in the regulated gaming market. We equip and support our customers' success in ways that will not give them cause to worry about the embarrassment of a compromised gaming environment.

From broad experience, we have developed an intimate understanding of the technical tools required to regulate and control video gaming. Scientific Games will be a partner that offers:

- **Years of Experience** – Proven implementation and operations experience backed by a team of experts with over two decades of video gaming experience (from South Dakota in 1989 to New Mexico in 2014).
- **Mitigated Risk** – We have a record of timely and seamless system implementations, start-ups, and data conversions.
- **Secure and Reliable Products and Services** – We will uphold public trust in the Lottery and ensure its future economic success.
- **A Committed Partnership** – As we see it, "Your success precedes our success." That is why we provide world class systems and operations solutions that will effectively regulate and control an important source of revenue to the Lottery.

- **Financial Strength** – We are ready to support the Lottery in creative, flexible ways to help the Lottery attain its goals and meet its commitments.

Scientific Games goes above and beyond what our customers typically expect, because we believe in partnering with our customers to anticipate and solve the challenges they face.

Our global experience and established track record as a pioneer in the video gaming market, affords Scientific Games the depth of knowledge and experience crucial to a successful monitoring and management of the Lottery's gaming environment.

We are uniquely qualified to deliver a system that will sustain and enhance your success. Our qualifications include:

- Local advanced technical expertise for designing and configuring Central Monitoring Systems hardware and software, networks, and intelligent monitoring, accounting, and reporting systems
- Strong customer support; whatever our customers desire, we have the depth of capability and resources to provide comprehensive support to help achieve their goals
- Access virtually endless array of gaming products offered across multiple channels
- Solid relationships with specialty subcontractors and suppliers with solid performance records
- Extensive Central System operations experience

Scientific Games' CMS Experience

SGVideo™ is the culmination of years of industry and customer experience. The expertise of Scientific Games' Central Monitoring System (CMS) design and implementation brings an extensive range of benefits to our partnerships with video gaming jurisdictions.

We know how to support any geographic environment, any Venue network size, any VLT population, any protocol, and, when asked, we can deliver system operations services and network-wide maintenance. We and our affiliates continue to provide highly acclaimed systems and services for some of the most complex gaming jurisdictions in the world.

As detailed throughout this document, we propose to deploy our SGVideo CMS. We understand the effort needed to deliver the equipment and services required by the Lottery. Scientific Games demonstrated the grasp of these challenges with the successful CMS implementation for the state of Illinois in 2012. We delivered a turnkey solution supporting more than 60,000 gaming machines in Illinois, projected to be one of the largest markets in North America. Most recently, Scientific Games completed a successful CMS implementation for the New Mexico Gaming Control Board in 2014. The SGVideo system deployed in New Mexico supports five large racinos and more than 60 smaller non-profit venues state wide. Our system manages all diverse and widely distributed gaming locations from a single location. In 2014, Scientific Games' affiliate entered into a 10-year contract with Independent Gaming Corporation, Ltd. of South Australia to install and support our SGVideo Central Monitoring System. The new system will monitor and control over 500 separate locations with 12,500 gaming devices.

Scientific Games is on a Roll

Scientific Games was selected through a competitive procurement process by the New Mexico Gaming Control Board and Scientific Games' affiliate was selected by the Independent Gaming Corporation Ltd. (IGC) as the provider of their new Central Monitoring and Control System.

We have several customers who own and operate our systems themselves. In addition to providing these customers with a system that maintains network integrity and enforces financial accountability, we also focus on providing them with reliable solutions backed by an intuitive and tightly controlled operational interface.

Our CMS consistently provides accurate financial reporting and stringent system security while managing the operation of thousands of gaming machines in regulated jurisdictions. Our system detects and guards against fraud and attempts to manipulate gaming machines; assuring our customers their network, financials, and public image are secure. We collect, analyze and verify financial data and use highly sophisticated analytical methods to ensure financial accuracy. We recognize the importance of network integrity and financial accountability.

Scientific Games has broad experience working with regulators to meet the unique gaming requirements and restrictions placed upon them. We use that same experience to propose a CMS solution that is simple to operate and highly configurable—a system that meets or exceeds the RFR requirements. SGVideo has stringent financial balancing processes, provides easy access to gaming data, and offers staff members a set of tools to analyze and format those data.

Our responsibilities begin with the collection of unique Lottery business requirements, continue through the implementation phase and extend through the life of the contract.

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CENTRAL MONITORING SYSTEMS

Figure 3.2-10 displays the Scientific Games corporate family's current CMS in production with details about each.

JURISDICTION	VLTS	VENUES	PLATFORM AND PROTOCOLS	VENUE TYPES
Delaware Lottery (USA)	7,200	11	■ AEGIS-Video™ ■ SAS v 5.10 – 6.02	Distributed Gaming Racino
Illinois Gaming Board	20,000	5,000	■ SGVideo ■ SAS v 6.01 – 6.02 ■ *G2S	Distributed Gaming
Independent Gaming Corp. (South Australia)	12,500	593	■ AEGIS-Video ■ VLC E2	Distributed Gaming
Islandsspil (Icelandic Gaming) (Iceland)	500	122	■ AEGIS-Video ■ VLC F3 ■ SAS v 5.10 – 6.02	Distributed Gaming
Maine Agency of Public Safety (USA)	1,713	2	■ AEGIS-Video ■ SAS v 6.02	Racino
New Mexico Gaming Control Board (USA)	3,226	60	■ SGVideo ■ VLC F2 ■ VLC F3 ■ SAS v 5.10 – 6.02	Distributed Gaming Casinos
South Dakota Lottery (USA)	8,092	1,400	■ AEGIS-Video ■ VLC D ■ SAS v 6.01 – 6.02	Distributed Gaming
West Virginia Lottery (USA)	15,757	1,558	■ AEGIS-Video ■ SAS v 2.85 – 6.02 ■ ICIS 2.12	Distributed Gaming Casino
TOTALS	**68,988**	**8,746**		

Figure 3.2-10: CMS Experience Matrix

*Anticipated protocol upgrade.

In addition to the customers listed above, Scientific Games' United Kingdom affiliate currently has 20,000 terminals in operation and has served the market place since 1999. In Mexico, our corporate family has 1,500 terminals and has operated there since 2007. In Puerto Rico, our corporate family has 1,800 terminals and has been in operations since 2009.

Client Accounts

Please reference Scientific Games corporate group's Video Contract List below.

LOTTERY NAME	VLTS	TERMS OF CONTRACT, INCLUDING EFFECTIVE DATES	REASON FOR CONTRACT TERMINATION OR EXPIRATION IF CONTRACT IS NO LONGER IN EFFECT	TYPES OF SERVICES PROVIDED
Delaware State Lottery McKee Business Park 1575 McKee Road, Suite 102 Dover, DE 19904 Mr. Vernon Kirk, Director Email: vernon.kirk@state.de.us Tel: 302-774-1600	7,200	2002-2018	Current	Providing design, implementation, installation, and operation of central monitoring system for three destination racinos and as of 2014 small retail locations per jurisdictional requirements
Illinois Gaming Board 160 North LaSalle, Suite 300 Chicago, Illinois 60601 Mr. Mark Ostrowski, Administrator Email: mark.ostrowski@igb.illinois.gov Tel: 312-814-4645	20,000	2011-2017	Current	Providing design, implementation, installation, and operation of central monitoring system for up to 16,000 small venues and 60,000 VLTs per jurisdictional requirements

Figure 3.2-11: Scientific Games' Corporate Family Video Contracts List

LOTTERY NAME	VLTS	TERMS OF CONTRACT, INCLUDING EFFECTIVE DATES	REASON FOR CONTRACT TERMINATION OR EXPIRATION IF CONTRACT IS NO LONGER IN EFFECT	TYPES OF SERVICES PROVIDED
Maine Gambling Control Board 45 Commerce Drive 87 SHS Augusta, Maine 04333-0087 Mr. Patrick J. Fleming, Executive Director Email: patrick.J.fleming@maine.gov Tel: 207-626-3900	1,713	2008-2018	Current	Providing design, implementation, installation, and operation of central monitoring system supporting two destination racinos per jurisdictional requirements
New Mexico Gaming Control Board 4900 Alameda Boulevard NE Albuquerque, New Mexico 87113 Mr. Frank Baca, Interim Executive Director Tel: 505-841-9700	3,226	2014-2017 with four one-year extensions available	Current	Providing design, implementation, installation, and support of central monitoring system supporting five racinos and 56 no-profit locations per jurisdictional requirements
South Dakota Lottery 711 East Wells Avenue Pierre, South Dakota 57501 Mr. Norman Lingle, Executive Director Email: norman.lingle@state.sd.us Tel: 605-773-5770	8,092	2009-2019 with five one-year extensions available	Current	Providing design, implementation, installation, and support of central monitoring system supporting approximately 1,350 small gaming venues and approximately 8,950 VLTs per jurisdictional requirements

Figure 3.2-11: Scientific Games' Corporate Family Video Contracts List

LOTTERY NAME	VLTS	TERMS OF CONTRACT, INCLUDING EFFECTIVE DATES	REASON FOR CONTRACT TERMINATION OR EXPIRATION IF CONTRACT IS NO LONGER IN EFFECT	TYPES OF SERVICES PROVIDED
West Virginia Lottery 900 Pennsylvania Avenue Charleston, West Virginia 25302 Mr. John C. Musgrave, Director Email: jmusgrave@wvlottery.com Tel: 304-558-0427	15,757	2006-2016	Current	Providing design, implementation, installation, and support of central monitoring system supporting five racinos and approximately 1,440 locations totaling approximately 14,500 VLTs per jurisdictional requirements; hardware and software maintenance
Independent Gaming Corporation 80 Greenhill Rd Wayville 5034 SOUTH AUSTRALIA Harry Bourlotos, General Manager Tel: 08 82130033	12,500	2014-2024	Current	Providing design, implementation, installation, and support of central monitoring system supporting more than 500 medium-size venues and 12,500 VLTs per jurisdictional requirements
Islandsspil Agung 11a Reykjavik ICELAND Email: islandsspil@islandsspil.is Tel: 535 5440	500	2006-2015 with three one-year extensions available	Current	Providing design, implementation, installation, and support of central monitoring system supporting 123 venues and approximately 475 VLTs per jurisdictional requirements

Figure 3.2-11: Scientific Games' Corporate Family Video Contracts List

LOTTERY NAME	VLTS	TERMS OF CONTRACT, INCLUDING EFFECTIVE DATES	REASON FOR CONTRACT TERMINATION OR EXPIRATION IF CONTRACT IS NO LONGER IN EFFECT	TYPES OF SERVICES PROVIDED
Manitoba Lottery Corporation 830 Empress Street Winnipeg, Manitoba R3G 3H3 CANADA Mr. Winston Hodgins, Chief Executive Officer Tel: 204-957-2500	N/A	N/A	Project successfully completed within contractual guidelines	Provided design, implementation, installation, and support of central monitoring system per jurisdictional requirements
Tabcorp Holdings Limited 5 Bowen Crescent Melbourne, Victoria 3004 AUSTRALIA David Attenborough, Managing Director and CEO Tel: +61 3 9868 2100	N/A	1995-2002	Project successfully completed within contractual guidelines	Provided design, implementation, installation, and support of central monitoring system per jurisdictional requirements
Tattersall's Tattersall's House 615 St. Kilda Road Melbourne, Victoria 3004 AUSTRALIA Robbie Cooke, Managing Director and CEO Tel: +61 3 8517 7777	N/A	1995-2005	Project successfully completed within contractual guidelines	Provided design, implementation, installation, and support of central monitoring system per jurisdictional requirements

Figure 3.2-11: Scientific Games' Corporate Family Video Contracts List

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3.2.4 CORPORATE GOODWILL

Scientific Games is committed to providing the highest level of products and services to our customers. Our team of account specialists and technical resources stand ready to quickly and seamlessly address any customer issues.

Scientific Games is in good standing with its customers and the business community. Scientific Games has not had any contracts terminated for cause or due to the company's default in the last five years.

Scientific Games has not had any video lottery fine, penalty, order, judgment or decree of any federal, provincial, tribal, or state authority barring, suspending or otherwise limiting the right of Scientific Games or its subsidiaries to engage in any business practice or activity in the last two years.

3.2.5 TECHNICAL CAPABILITIES AND RESOURCES

Scientific Games adheres to a strict software change control process that has been perfected over our decades of delivering gaming systems. In order to maintain our commitment to system integrity and security, we have put in place tools and procedures to protect our software resources from malware, bugs and corruption. We follow best practices as defined by the information technology industry and work under guidelines established by gaming organizations including the Multi-State Lottery Association (MUSL).

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3.2.6 PROJECT PLAN

IMPLEMENTATION TIMELINE

Scientific Games has created and will maintain a detailed project plan, subject to the West Virginia Project Manager's review and approval. This plan fully addresses and details all aspects of this undertaking, including the following:

- Contract execution
- Requirements collection
- Requirements documents
- Test script creation and publication
- Data center preparation
- Software preparation and testing
- Central System hardware integration and installation
- Venue hardware installation and testing
- Training
- Data migration and conversion from the legacy system
- Pilot operation
- Production launch
- Post-launch support and project wind down

The plan includes a description of each task involved with system installation and the related conversion efforts, and indicates the anticipated time frame required for each. The timeline will be updated as the installation and conversion efforts take place, and any changes in scope or schedule will be reflected in the revised plan. All modifications will be subject to review and approval by the Project Manager.

Please reference our response to **Section 4, Subsection 4.7** for the complete details and benefits of our proposed Accelerated Migration Plan (AMP).

Scientific Games will migrate the West Virginia Lottery from today's AEGIS-Video system to our SGVideo CMS in three simple phases: Preparation, Launch+Migration and Upgrade+Migration.

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3.2.7 PROJECT MANAGEMENT

IMPLEMENTATION STAFFING MODEL

The staffing model for the implementation phase of the contract will correspond to the proposed work breakdown structure, project schedule and overall project management plan. Scientific Games has a vast resource of experienced employees who can be assigned to the contract. The project will tap expertise from the following units within Scientific Games' Video Gaming Systems:

- Embedded Products
- Host Systems
- Product Development
- Quality Control
- Production and Operations Support

Personnel will also be drawn from the following Lottery Systems Group units:

- Project Management
- Information Services and Technology
- North American Operations
- Business Development

PROJECT MANAGEMENT

Lead Project Manager

The Lead Project Manager directs the SGVideo project and coordinates activities within cross functional teams. He oversees the budgetary and logistical side of the project, facilities, staffing, infrastructure, deployment, etc. The manager is responsible for ensuring that needed support is applied and maintained to all critical project tasks throughout the installation and the Lottery's acceptance testing phase of the project.

The Lead Project Manager ensures that project standards and processes are in compliance with PMI best practices. He oversees the requirements collection and documentation process to ensure that a clear understanding of all Lottery requirements are accurately captured. From requirements development to system delivery, the Lead Project Manager is the single point of contact for the Lottery.

To ensure dedicated local project representation, Scientific Games has assigned Steve McKinney, PMI certified Project Management Professional (PMP), as our Lead Project Manager throughout the duration of the project

implementation. Steve will be responsible for the successful completion of all work tasks and deliverables as defined within the project work plan. He will work under the direction of the Lottery's Project Manager and under oversight direction from the West Virginia Office of Technology (WVOT) Project Manager to ensure that all work is performed in accordance with the terms and conditions of the contract.

Steve will maintain a detailed project work plan through the full term of the implementation process. He will submit the updated plan to the Lottery's Project Manager and West Virginia Office of Technology Oversight Project Manager on a date and time that will be determined during contract negotiations.

Steve will use status reports to accurately track and report the following: schedule, scope, budget, issues, risks, specified performance indicators, and other metrics determined appropriate when establishing the project Charter. He will work directly with Lottery's Project Manager and the West Virginia Office of Technology Oversight Project Manager to establish, publish and follow a formal communications plan.

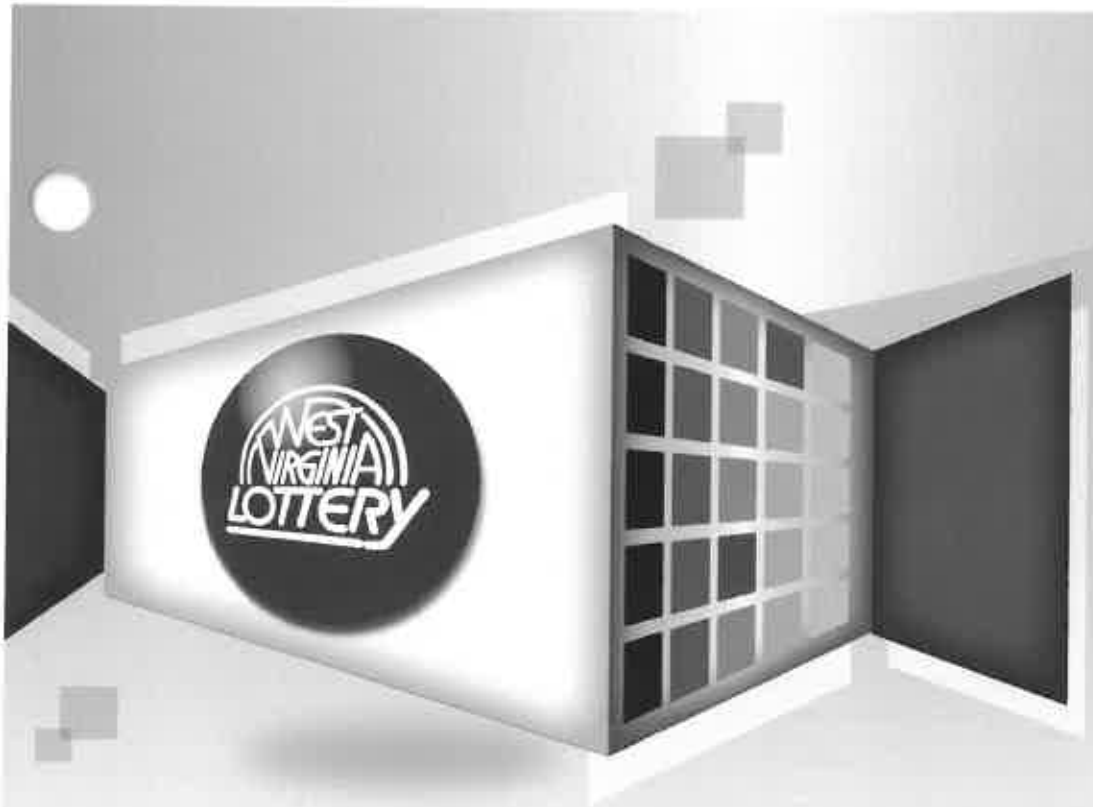
Steve has more than 15 years of project management experience. He has overseen various multi-disciplined IT (software, test and evaluation, facilities implementation and deployment) projects affecting mission critical systems for high profile companies in a variety of industries.

Additionally, Steve has delivered solutions to customers within schedule goals, meeting budget constraints in both domestic and international gaming environments.

With a technical understanding of delivered solutions, Steve has developed operational security procedures and management practices—audits and reviews. He has a proven track record of effectively advocating and presenting complex initiatives to senior management. Steve's hands-on deployment of secure robust data centers makes him an ideal candidate for the CMS project. Steve's resume can be found behind the "Supplemental Information" tab at the end of **Section 3**.

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SUPPLEMENTAL INFORMATION

SG
SCIENTIFIC GAMES



BAFFOUR ACHEAMPONG

System Support Engineer

CONTRACT ROLE

Baffour is responsible for implementation and system and operational support for video central monitoring systems and field service support.

SUMMARY OF EXPERIENCE

Baffour joined Scientific Games in 2011 as a System Support Engineer. He has assisted with roll-outs in West Virginia and Illinois. Baffour has the responsibility of researching, designing, and building the system infrastructure for new contracts. He also assists in the installation and configuration of operating systems and third party products that run on the video central monitoring system and works with the quality assurance and development teams to provide systems support.

WORK HISTORY

2011-Present, Scientific Games – System Support Engineer

- Provides assistance for system hardware and software problems
- Assists with product testing of in-house applications for customer roll outs
- Participates in on-site customer migrations to the current Scientific Games' system
- Installs and troubleshoots Red Hat Fedora Core 6/Core 9
- Installs and configures SQL Server 2005/2008 on Scientific Games' AEGIS-Video systems
- Creates and tracks software enhancements and fix requests
- Develops process and procedural documentation for assigned systems

2011, Victory World Church – Server Support

- Administered Windows 2008 servers by setting up security, troubleshooting, etc.
- Troubleshot/supported Windows 7 and Mac users; installed/upgraded third party applications
- Supported LAN/Wireless device issues within campus; performed software, hardware, system updates and security patches

2005-2010, Accu-Tech – Network Analyst

- Responsible for full network installs (Windows 2003/2008 server) from start to finish, Active Directory, DHCP, DNS, WINS configuration, and terminal services
- Managed and standardized distribution of security patches
- Handled troubleshooting calls over phone or on site; provided solutions to branch offices on current network infrastructure and up to date technologies available



STEVE ANGELO

Vice President, Video Gaming Systems

CONTRACT ROLE

Steve oversees the company's regulatory system product and business strategy. He is responsible for creating and delivering both commercial and operational objectives and strategies for the system market.

SUMMARY OF EXPERIENCE

Steve has worked in the gaming industry for 16 years. He has extensive experience with operations, strategic planning, and account management. Steve currently serves as Vice President, Video Gaming Systems where he directs strategy, growth, and expansion of new markets.

WORK HISTORY

2014–Present, Scientific Games – Vice President, Video Gaming Systems

- Responsible for P&L
- Directs strategy, growth, and expansion of new markets utilizing cross-functional teams
- Provides global focus with customers in Iceland, Australia, Eastern Europe and Caribbean

2012-2014, WMS – Vice President, Northern Division and Class II/Video Lottery Terminal (VLT)

- Responsible for developing and executing growth strategies for Northern Sales Division
- Global responsibility for Class II and VLT business and product lines

2010-2012, WMS – Vice President, VLT Business Operations

- Had global responsibility for VLT business and product line
- Had dotted line management of product management and field service staff
- Led Illinois Video Gaming initiative and market commercialization

2006-2010, Vice President, Strategic Accounts – WMS

- Managed top 20 corporate accounts, including Harrah's, MGM, and Oregon State Lottery
- Negotiated contracts with domestic and international corporations, state governments and vendors
- Responsible for government relations; collaborated and developed strategic relationships with legislators at the state and federal level

1999-2006, Director, National Accounts/Sales Manager/Sales Executive – WMS

- Responsible for eastern Canada, the Midwest and southern U.S. territories
- Responsible for new market development; successfully opened Florida and Pennsylvania
- Recruited, hired and developed cross-functional sales team comprised of national account managers, account executives and gaming ops managers

EDUCATION/CERTIFICATIONS

- University of Southern Mississippi, Hattiesburg, MS – B.S. Business Administration, 1995

SG SCIENTIFIC GAMES



VICTOR BROWN, JR.

Production Support Engineer

CONTRACT ROLE

Victor is responsible for the implementation, system, and operational support for video central monitoring systems and field services.

SUMMARY OF EXPERIENCE

Victor has 20 years of experience in electronics, information systems, and quality assurance. His Scientific Games experience includes serving as quality control manager and electronics technician.

WORK HISTORY

2014-Present, Scientific Games – Production Support Engineer

- Provide implementation, system, and operational support for video central monitoring systems and field service support
- Assist with installation and configuration of operating systems and third party products

2013-2014, Scientific Games – Quality Assurance Manager/Electronics Technician

- Responsible for designing and implementing best practices for quality control

2011-2013, Scientific Games – Electronics Technician

- Responsible for diagnosing, testing, and repairing multiple electronic circuit boards

2008-2010, Philips Arena Operations – Manager, Building Operations

- Managed the scheduling and engineering tasks all operational areas

2007-2008, Apollo Sign and Light – Lead Service Technician

- Responsible for cleaning, inspecting, and replacing lamps, wiring, and electronic ballasts

2006-2007, Precision Electronics – Electronics Technician

- Provided maintenance and repair of boards, panels and displays

2002-2006, Loews Cineplex Entertainment – Manager

- Managed day-to-day operational functions

2000-2003, British Areospace Systems – Field Engineer

- Provided troubleshooting and repair of systems and equipment

1995-2000, United States Air Force – Electronics Technician

- Provided troubleshooting and repairs for electronic systems

EDUCATION/CERTIFICATIONS

- Global Knowledge, Atlanta, GA, VMware – Install, Configure, Manage [V5.5], 2014



HAYES CALLAHAN
Training Specialist

CONTRACT ROLE
Hayes is responsible for researching, developing, and facilitating coursework materials that will be used in instructor-led and web-based training courses for internal and external customers.

SUMMARY OF EXPERIENCE
For over 15 years, Hayes was an educator at the middle school and university levels. Beyond being a classroom teacher, she has extensive training and experience developing and implementing curriculum and instruction for the adult learner, deliverable in traditional and virtual settings. Her experience allows her the ability to relate to how adults learn; creating effective instructions, incorporating the learners' prior knowledge, and delivering content in a concise, non-threatening manner.

WORK HISTORY

2014-Present, Scientific Games – Training Specialist

- Measures and evaluates training and program effectiveness and suggests alternatives and/or adaptations to new methods as needed
- Responsible for learning and understanding any required system, software, hardware, or product in order to develop course material for learning guides and training modules
- Serves as Training Lead for awarded contracts

2011-2013, Fulton County Schools – Special Education Teacher

2000-2009, Forsyth County School System – Graduation Coach, Teacher

2006-2007, Adjunct Faculty Member – Post Baccalaureate Program

EDUCATION/CERTIFICATIONS

- University of Phoenix, Atlanta, GA – Doctor of Education in Educational Leadership (Currently Enrolled)
- University of Georgia, Athens, GA – Master's Certificate Program, Educational Leadership, 2003
- University of West Georgia, Carrollton, GA – M.Ed. Health and Physical Education, 1998
- Valdosta State University, Valdosta, GA – B.S. Health and Physical Education, 1994



BARBARA "JAMIE" COLLIER

Manager, Knowledge Management Services

CONTRACT ROLE

Jamie is responsible for management of all training projects, including forecasting, scheduling, peer reviews, and implementation.

SUMMARY OF EXPERIENCE

Jamie has worked in the lottery industry for 12 years. She developed courseware materials and technical documentation for over 16 years prior to joining Scientific Games in 2003. Jamie's portfolio of lottery projects includes North Dakota, Maine, Puerto Rico, Iowa, Indiana, and Pennsylvania online conversions; South Dakota and West Virginia video lotteries; and Puerto Rico and Northstar CSP projects.

WORK HISTORY

2014-Present, Scientific Games – Manager, Knowledge Management Services

- Responsible for management of all training projects, including forecasting, scheduling, peer reviews, and implementation
- Supervises staff of training specialists

2008-2014, Scientific Games – Training Specialist

- Performs the administrative and logistical duties associated with the analysis, design, development, implementation, and evaluation of training and technical materials
- Applies the principles and techniques of instructional systems design and development to produce a variety of education and training programs for lottery staff, retailers, and Scientific Games' personnel

2003-2008, Scientific Games – Senior Technical Writer

- Researched and developed quick reference materials, online user documentation, functional specifications, retailer user manuals, and operation guides for lottery software for an instant ticket vending machine, client terminals, and software maintenance releases
- Served as Video Lottery Documentation Project Leader for the West Virginia Lottery Commission where the team produced ten technical documents including operational manuals, application user guides, quick reference cards, and online user documentation
- Served as Documentation Project Leader for company-wide process improvement initiatives (NASPL, CMMI); authored four of the 11 approved documents resulting from the defined process and served as an editor for remaining documents

EDUCATION/CERTIFICATIONS

- Hollins University, Roanoke, VA – B.A. Computation Sciences (Mathematics, Computers, and Statistics), 1987



MAUREEN A. COLLINS

Director, Software Development

CONTRACT ROLE

Maureen will work with video system implementation, training support, migration set-up and support, operational support and development support.

SUMMARY OF EXPERIENCE

Maureen has 17 years of experience in the casino and video gaming industry. She has worked in the areas of quality assurance, video development, production support, and software development.

WORK HISTORY

2011-Present, Scientific Games – Director, Software Development

- Responsible for interfacing with existing Scientific Games' AEGIS-Video customers to manage issues/concerns
- Responsible for managing the content, scheduling and delivery of maintenance releases for all SGVideo customers
- Responsible for managing and training SGVideo Production Support team

2007-2011, Scientific Games – Manager, Production and Development Support

- Responsible for installation and support of the AEGIS-Video system
- Responsible for implementation and migration of customer's existing Video Lottery Control system to the new AEGIS-Video system
- Led support team for troubleshooting and resolving production issues for Scientific Games' video lottery customers

2004-2007, Scientific Games – Video Developer

- Responsible for maintenance of AGS accounting and control system for existing government video lottery customers
- Maintained accounting and operational reports
- Provided operational support for AGS video lottery customers
- Responsible for installation and operational support of new AEGIS control system

2002-2004, IGT-Video Control Systems – Quality Assurance Engineer

1998-2002, VLC-Video Control Systems – Quality Assurance Engineer

EDUCATION/CERTIFICATIONS

- Montana State University, B.S. Electrical Engineering, 1996



MAURICE "MOE" CORRETTE

Senior Director, Logistics and Planning

CONTRACT ROLE

Moe and his team will provide all contract facility needs, from the design phase through final Certificate of Occupancy including office, data center and distribution facilities around the world. The team's responsibility continues for the life of the facility including the support of the infrastructure, lease extensions, and any tenant-landlord issues.

SUMMARY OF EXPERIENCE

Moe's experience includes facility selection, lease, space design, construction and design for mechanical, electrical and plumbing services. Moe and his team have been responsible for ongoing infrastructure of these facilities throughout the contract they are designed for. During his tenure at Scientific Games, he and his team have built and maintained more than 60 facilities for our customers. These facilities and data centers were built in support of lottery, gaming, and racing contracts.

WORK HISTORY

2014-Present, Scientific Games – Senior Director, Logistics and Planning

- Oversees all contract facility needs, from the design phase through final Certificate of Occupancy

2003-2014, Scientific Games – Director, Logistics and Planning

- Worked with brokers to determine which facilities are best suited to manage operations in relation to the guidelines of the contract
- Worked closely with legal staff in developing real estate contracts/leases for compliance and long-term accountability to suit contractual needs
- Analyzed contractual commitments, customer specifications, design changes, and other data to plan and develop contract facilities from conceptual stage through conclusion; includes the electrical/mechanical design and equipment purchase for the infrastructure support of facilities used in relation to gaming contracts
- Well versed in building standards including NEC, NFPA, Life Safety and ADA codes and requirements
- Planned, budgeted, and scheduled lease and modifications with cost estimates, bid sheets, layouts, and construction contracts
- Coordinated efforts of subcontractors and purchasing
- Inspected construction and installation progress to ensure conformance to specifications including building space allocation, layout, and communication services
- Oversaw and directed all repairs or maintenance on all facility infrastructure relating to contract gaming operations

2001-2003, Scientific Games – Manager, Logistics and Purchasing

EDUCATION/CERTIFICATIONS

- Manchester Community College, Manchester, CT – Coursework in Business Management



STAN DOLING (CCNA, MCSE & CCDA)

Senior Manager, Network Design and Implementation

CONTRACT ROLE

Stan is responsible for all corporate and jurisdictional network implementations.

SUMMARY OF EXPERIENCE

Stan has 15 years of experience in the lottery industry. As a Network Engineer, he has implemented data centers and established retailer communications. Stan is a Cisco® Certified Network Associate, a Microsoft Certified Systems Engineer, and a Cisco Certified Design Associate.

WORK HISTORY

2002-Present, Scientific Games – Senior Manager, Network Design and Implementation

- Manages the network team responsible for the implementation and support of 31 domestic and international lotteries
- Served as Project Manager for Connecticut online, Pennsylvania online, and Florida Cooperative Services Lottery network implementation efforts including the build-out of five data centers and deployment of five communications technologies to over 12,000 retailers
- Managed over 60 corporate enterprise and production projects

2001-2002, Scientific Games – Network Engineer

- Supported installation of Delaware video lottery network
- Served as Project Manager for Delaware Lottery wireless radio implementation

EDUCATION/CERTIFICATIONS

- Troy State University, Troy, AL – Bachelor of Music
- New Horizons – MCSE NT 4.0 Curriculum, Cisco Certified Network Associate (CCNA)
- Microsoft Certified System Engineer (MCSE)
- Cisco Certified Design Associate (CCDA)



MARGARET EKLUND

Video Production Support Manager

CONTRACT ROLE

Margaret oversees the SGVideo™ CMS systems support team, which is responsible for scoping, building, installing and supporting the SGVideo CMS application software and hardware.

SUMMARY OF EXPERIENCE

Margaret first joined Scientific Games in 1998 as an Assistant Operations Manager where she supported the installation and start-up of the Montana and Iowa online lottery systems. Between 2001 and 2012, she worked in desktop support and technical support in different industries before returning to Scientific Games in 2012.

WORK HISTORY

2012-Present, Scientific Games International – Video Production Support Manager

- Provide leadership, support and feedback to the Systems Support Team for scoping, scheduling, building, installation and migration of the SGVideo system

2010-2012, CJE Senior Life – Lead Help Desk Analyst

- Monitored, diagnosed and resolved issues with hardware, software, network connectivity and operating systems

2009-2010, Optimum Nutrition – Desktop Support Technician

- Provided assistance to users experiencing problems with hardware, software, networking, and other computer-related technologies

2008, Tek Systems – Technical Support Technician (contract position)

- Responsible for providing technical support for software and hardware issues

2008, National Engineering Corporation – Desktop Support Specialist (contract position)

- Responsible for the set-up and configuration of new desktop and laptop computers

2007-2008 Adecco – Technical Support Technician

- Provided help desk support and assistance to users

2001-2007, Security Armored Express/GARDA – Desktop Support Specialist

- Managed LAN/WAN installation, configuration, and support for network PCs

1998-2001, Scientific Games International – Assistant Operations Manager

- Assisted with the installation and startup of the Montana and Iowa online lottery systems
- Assisted with the management of 24/7/365 data processing operations

EDUCATION/CERTIFICATIONS

- College of DuPage, Glen Ellyn, IL – A.A.S, Computer and Internet working Technologies, 2004



LOREN ENGLISH

Director, Product Development, North America Gaming

CONTRACT ROLE

Loren will be the Lead Designer for the team that will design and develop software programs used for communication between the host system and Class B machine.

SUMMARY OF EXPERIENCE

Loren has been responsible for the design and development of site controllers utilizing numerous gaming industry standard and proprietary protocols. He has more than 30 years of experience in gaming and lottery-related software development. He has been responsible for the design and development of several gaming and lottery terminals as well as amusement games.

WORK HISTORY

2004-Present, Scientific Games – Director, Product Development, North America Gaming

- Serves as the Lead Designer for the team that designs and develops software programs used for communication between the host system and Class B machines

2001-2004, Smart Systems – Owner

- Lead programmer for British Columbia Lottery Corporation online self-service terminals
- Designed and implemented Autotote Systems' video gaming machine
- Primary designer of Eco-slot, an aluminum can recycling machine which dispenses retail coupons
- Consultant to Bally Gaming, Takasago USA, and Aristocrat Leisure in game design, virtual reel algorithms and random number generators

1999-2001, Purchase Pro Com – Director of Logistics

- Responsible for the design and implementation of logistics processes

1997-1998, Northstar Gaming – Vice President, Software Engineering

- Managed the design and development of a new generation of patented video gaming machines

1990-1996, Smart Systems – Owner

1988-1990, Bally Gaming – Senior Programmer

- Responsible for the creation of software tools used in the design and development process of gaming machines

EDUCATION/CERTIFICATIONS

- University of Nevada, Las Vegas, NV – M.B.A.
- University of Southern California, Los Angeles, CA – M.A. in Communications Management
- University of Southern California, Los Angeles, CA – B.A. in Telecommunications

SCIENTIFIC GAMES



JOHN GRIEGER

Network Engineer

CONTRACT ROLE

John is responsible for network architecture, configuration, installation, and support for secure scalable video system networks.

SUMMARY OF EXPERIENCE

John began working at Scientific Games in 2012 as a network administrator for a distributed video gaming jurisdiction. In 2014, he moved into his current position as network engineer. Prior to joining Scientific Games, John worked as a systems administrator for 1to1 Card, a company which supplies network prepaid card programs to some of the most recognizable brands in the world.

WORK HISTORY

2014-Present, Scientific Games – Network Engineer

- Responsible for network architecture and configuration, installation, and support for the video system networks

2012-2014, Scientific Games – Network Administrator

- Managed and provided Tier 3 support for a network of over 4,500 remote video sites running Red Hat Linux and connected to a central system through cellular modems
- Proactively worked with carriers to resolve connectivity issues to achieve maximum uptime between the primary site and cellular sites, back-up data center, and headquarters

2011-2012, 1to1 Card – Systems Administrator

- Engineered a redesign of the network infrastructure removing bottlenecks, segmenting traffic into VLANs, and configured a site-to-site VPN connection to their data center
- Installed a centralized patch management system

2002-2006, U.S. Army – Psychological Operations Specialist

- Served as non-commissioned officer with secret security clearance
- Prepared cultural studies and target audience analysis reports on how best to reach specific groups

EDUCATION/CERTIFICATIONS

- Western Illinois University, Macomb, IL – BBA in Information Systems, 2010
- Cisco® Certified Network Associate (CCNA)
- Cisco Certified Network Associate (CCNA) Security
- Committee National Security Systems (CNSS) 4011 certified



CYNTHIA HAYS

Executive Director, Global Technical Operations Services

CONTRACT ROLE

Cynthia manages the teams that create and provide the technical documentation and training for Scientific Games' lottery and gaming systems. She is also responsible for ensuring compliance with all rules, regulations and requirements.

SUMMARY OF EXPERIENCE

Cynthia is a certified paralegal and has more than 13 years of experience in the gaming industry. She is a gaming industry executive with demonstrated success in planning, managing, and obtaining regulatory approvals for varied gaming technologies.

WORK HISTORY

2014-Present, Scientific Games – Executive Director, Global Technical Operations Services

- Works with regulators and customers to define, obtain approval for and implement operational efficiencies, such as remote access for support, network monitoring and content distribution
- Ensures that training and documentation artifacts meet the needs of the Lottery

2012-2014, WMS Gaming, Inc. – Executive Director, Networked Gaming Technical Operations Services and Logistics

- Responsible for the regulatory approval strategy for networked gaming products
- Developed and executed a documentation and training strategy
- Implemented an user acceptance testing discipline for networked gaming products to ensure operational efficiency and usability as well as regulatory compliance

2009-2012, WMS Gaming, Inc. – Director, Networked Gaming Technical Operations

- Managed the deployment of the networked gaming product through customer and regulator education and managed the implementation strategy
- Created and maintained model internal controls for all applicable jurisdictions

2008-2009, Harrah's Entertainment – Director, Electronic Gaming Regulatory Affairs

- Served as point of contact with regulators for all electronic gaming technologies and systems

2007-2007, Harrah's Las Vegas and Flamingo Las Vegas – Director of Compliance

- Developed, maintained, and implemented systems, strategies and policies

EDUCATION/CERTIFICATIONS

- Kent State University, Kent, OH, Business Courses, 1987
- Ohio State University, Columbus, OH, 1983-1985
- University of California, Davis, CA – Legal Assisting Program Certification, 1996
- National Association of Legal Assistants – Certified Paralegal, 1997



KRIS-ANN HOSONITZ

Senior Director, Gaming Systems Implementation and Support

CONTRACT ROLE

Kris-Ann will manage four distinct teams that implement and support gaming systems.

SUMMARY OF EXPERIENCE

Kris-Ann has 11 years of experience in the lottery industry. She currently directs our Global Network Operations Center and Corporate Operations Support teams. Her experience includes technical project management as well as instructional design and development, and facilitation of learning solutions for the call center and telemarketing industries. Kris-Ann has worked on system implementations for Pennsylvania, Connecticut, Colorado, Oklahoma, Indiana, South Dakota, West Virginia, Delaware, Puerto Rico, and Mexico.

WORK HISTORY

2004–Present, Scientific Games – Senior Director, Gaming Systems Implementation and Support

- Sets strategic oversight for Technical Operations and directs resources for:
  - **Tier 1 Operations which runs out of our Global Network Operations Center** – This team includes an operations manager, two assistant managers and eight operators supporting systems, video, cooperative services, and iLottery customers
  - **Corporate Operations Support** – This team features a diverse group of system engineers whose responsibilities include setting up all systems during a product implementation and providing Tier 2 support for all Scientific Games customers worldwide
  - **Knowledge Management** – A group of instructional designers who analyze, design, develop, and facilitate learning solutions for Lottery employees, retailers, and internal support groups
  - **Technical Media** – A group of technical writers responsible for writing all technical documentation associated with a product implementation (Functional Specifications, Quick Reference Cards, etc.)

EDUCATION/CERTIFICATIONS

- Caldwell College, Caldwell, NJ – B.S. Business Administration, 1998
- Leadership Forsyth, 2013



EDWIN J. MCCARREN

Senior Business Analyst

CONTRACT ROLE

Ed will serve as the business analyst for the West Virginia Lottery account.

SUMMARY OF EXPERIENCE

Ed has extensive experience working in the lottery industry. He began his career as a customer service engineer before moving into terminal repair at Automated Wagering. He has worked in a variety of position for Scientific Games since 1988. Ed's experience includes supporting video lottery terminal installation for the West Virginia Lottery at approximately 1,600 sites.

WORK HISTORY

2006-Present, McCarren Enterprises, Inc. – Owner

- Provide technical support during planning and roll-out phases of new video and lottery terminal implementations and upgrades
- Provide technical documentation to support manufacture and repair of video and lottery terminals
- Developed repair manual for Iceland terminal; developed parts guide for Mexico CX terminal; and documented manufacturing process for Mexico CX terminal

2004-2006, Scientific Games – Manager, Corporate Field Support

- Provided management and technical support worldwide for lottery projects
- Supported implementations in Colorado, Oklahoma, Puerto Rico, Spain, and Mexico

1988-2004, Scientific Games – Various Positions

- Served in a variety of positions including Field Service Manager, Customer Service Manager, and Area Manager
- Managed installation and maintenance of 11,500 terminals
- Worked with Lottery to schedule and track training for 25,000 individuals and retailers

1983-1988, Automated Wagering International – Lead Technician

- Repaired and maintained terminals

1979-1983, Control Data Corporation – Customer Service Engineer

- Provided support of the online computer systems, associated peripherals and communications equipment

EDUCATION/CERTIFICATIONS

- Harrisburg Area Community College, Harrisburg, PA – AA in Business Administration, 1985



JOHN MCCORMACK

Vice President, Technology

CONTRACT ROLE

John manages the central system and terminal software development for the site solution.

SUMMARY OF EXPERIENCE

John has 23 years of gaming system development experience. His responsibilities include the development and implementation of the SGVideo solution, including Scientific Games' recent implementations in West Virginia and Illinois. John has been responsible for the development, implementation and support of the majority of Scientific Games' large customer facing systems including the SGVideo system, AEGIS online lottery system, and SciTrak Ultra Cooperative Services platform. He has also managed implementation projects for more than 36 large gaming systems.

WORK HISTORY

2006-Present, Scientific Games – Vice President, Technology

- Oversees Software Development department
- Manages staff that develops, customizes, and delivers all central system and terminal software on time for Lottery conversions

2003-2006, Scientific Games – Senior Director Central System Software Development

- Managed all aspects of central system product development, systems integration, and product integration for the Scientific Games product line
- Recruited all central system development engineers
- Reviewed new, emerging technologies

1992-2003, IGT-OES – Senior Group Manager/Technical Architect/Software Development

- Responsible for all aspects of OES central system product development, systems integration, and system implementations
- Established and initiated strategic and tactical plans
- Worked with product marketing and senior management to ensure on-time delivery

EDUCATION/CERTIFICATIONS

- St. John's University, New York City, NY – M.B.A., 1986
- State University of New York, Geneseo, NY – B.S. Business/Computer Science, 1984



STEVE MCKINNEY, PMP

Lead Project Manager

CONTRACT ROLE

Steve will manage the CMS implementation project and will coordinate all activities within cross-functional teams. He will be responsible for tracking progress and maintaining adherence to the project plan and schedule.

SUMMARY OF EXPERIENCE

Steve is a Certified Project Manager with broad-based experience in project planning, program planning, program management, technology enablement, strategic planning, systems engineering, and information technology.

WORK HISTORY

2014-Present, Scientific Games – Lead Project Manager

- Manages all project deliverables across multiple delivery teams, tracking progress and maintaining adherence to project plans and schedules

2009-2010, Scientific Games – Contract Project Manager

- Manages all project deliverables across multiple delivery teams, tracking progress and maintaining adherence to project plans and schedules
- Led a major systems upgrade initiative for the South Dakota Lottery

2012-2013, Nokia – Senior Technical Project Manager

- Managed end-to-end delivery of shared services in support of Nokia's service lines
- Led teams of highly skilled engineers and architects in the delivery of highly scalable, globally distributed infrastructure

2000-2009, Unisys Corporation – Senior Program Manager, Technology Director, Systems Architect

- Managed complex, high-profile information technology initiatives
- Conceptualized, designed, and implemented complex integrated solutions for entire enterprises and provided technical leadership and direction for project management, systems architecture, design, and systems test

1999-2000, BellSouth – Applications Engineering Manager

1996-1999, Panasonic – Senior Project Manager

1993-1996, Intertek – Senior Project Engineer

EDUCATION/CERTIFICATIONS

- The George Washington University, Washington, D.C - M.S. Project Management, 2006
- University of Tennessee, Knoxville, TN - B.S. Electrical Engineering, 1992
- PMI certified Project Management Professional (PMP)



JAMES MURPHY

Senior Network and Systems Engineer

CONTRACT ROLE

James will be responsible for the network architecture and configuration, installation, and support for the video systems networks.

SUMMARY OF EXPERIENCE

James has 17 years of experience with Scientific Games. He participated in the set-up and testing for New Mexico Gaming Control Board video system and currently provides support to the project. He supported the Maine video system network setup to include router, switch and firewall configurations. James has also provided the network architecture, set-up, and configuration for Illinois, West Virginia, South Dakota, Iceland, and South Australia.

WORK HISTORY

1999-Present, Scientific Games – Senior Network and Systems Engineer

- Responsible for the network architecture and configuration, installation, and support for video systems networks
- Participated in the order, installation, configuration, and go-live for 12 online jurisdictions, five of which included instant ticket or Cooperative Services systems; four of the jurisdictions were international
- Participated in the order, installation, configuration, and go-live for four Cooperative Services Programs that provide marketing, sales and distribution and administrative functions for instant lottery tickets
- Planned and executed the system upgrades to meet new MUSL security requirements for seven jurisdictions
- Completed server computer installations using the latest HP/Compaq technology with extensive experience using the Proliant series of servers including the G2 through G5 series
- Provided software installation of server based operating systems including Windows 2000 Server, Windows 2000 Advanced Server, SCO UNIX 7.11, and Red Hat Linux 7.x
- Responsible for hardware and operating systems on production, QA, and Test systems for six jurisdictions
- Planned the network architecture and participated in the order, installation, and configuration of six video jurisdictions

1993-1998, Petroleum Helicopters, Inc. – Commercial Pilot

1992-1993, Scientific Games – Shipping Supervisor

EDUCATION/CERTIFICATIONS

- University of South Florida, B.A. Sociology, 1979



JESSIE PACK

Senior Director, Service Delivery

CONTRACT ROLE

Jessie will provide corporate oversight for field service management, operations and implementations.

SUMMARY OF EXPERIENCE

Jessie has 27 years of lottery-related experience. He has responsibility for standardization and implementing best practices for field operations in North America. He has been the project manager for the implementation and management of new sites and equipment, in both online and instant ticket services accounts. His portfolio of lottery projects includes Connecticut, Delaware, Indiana, Iowa, Maine, Maryland, New Hampshire, Oklahoma, Pennsylvania, Puerto Rico, Vermont, West Virginia, South Carolina, Michigan, Nebraska, Missouri, Virginia, Florida, New York, Kentucky, South Dakota, Australia, and Canada.

WORK HISTORY

2005-Present, Scientific Games – Senior Director, Service Delivery

- Directs the management and implementation of best practices for field services
- Oversees implementation standards and processes
- Manages the out-of-box testing environment, war room, and deployments

2003-2005, The Gantt Agency – Director, Operations

- Managed the operations and maintenance of the IT and MIS systems offices throughout central Virginia

1998-2003, Electronic Visions – President

- Managed the field services and bench repair operations for Scientific Games instant ticket services and video lottery operations

1985-1998, Scientific Games – Director, Video Lottery

- Managed the implementations of new start-ups and conversions

EDUCATION/CERTIFICATIONS

- Community College of the Air Force – A.S. Electronic Technology, 1985



RON PEDERSON

Director, Corporate Operations Services

CONTRACT ROLE

Ron and his team are responsible for the facility build-out of data centers, business offices and warehouse locations for Scientific Games.

SUMMARY OF EXPERIENCE

Ron has 16 years of experience building lottery facilities for Scientific Games and Intralot. His portfolio of lottery projects includes facilities for Ohio, Arkansas, Louisiana, Vermont, New Hampshire, Washington DC, China, Peru, Pennsylvania, Connecticut, Maryland, Spain, Puerto Rico, Colorado, Oklahoma, South Carolina, Iowa, Maine and Florida.

WORK HISTORY

2014-Present, Scientific Games – Director, Corporate Operations Services

- Oversees all contract facility needs from design to final certificate of occupancy

2008-2014, Intralot – Facilities Coordinator

- Coordinated build-out of all data centers, business offices and warehouse facilities, including physical security and telephone systems
- Maintained all facility equipment maintenance service contracts for all sites

1997-2008, Scientific Games – Network and Facilities

- Worked with the network teams and the Director of Procurement and Logistics to build out facilities for numerous lotteries in the U.S. and abroad

1992-1997, Scientific Games – Maintenance Electrician and Supervisor

- Responsible for maintenance and modifications to the instant ticket printing and packaging equipment

EDUCATION/CERTIFICATIONS

- Chaffee College, Rancho Cucamonga, CA– Industrial Electricity, HVAC Maintenance and Repair
- U.S. Navy – Interior Communications A School and Basic Electricity and Electronics School
- C-10 Electrical Contractor License



COREY RILEY

Technical Documentation Manager

CONTRACT ROLE

Corey manages a team of technical writers who are responsible for producing a complete line of technical documentation which includes implementation requirements specifications, functional specifications, lottery staff end-user guides, and support guides.

SUMMARY OF EXPERIENCE

Corey has 12 years of experience with documenting software and hardware systems. Prior to joining Scientific Games in 2003, he worked for Teradyne as a Senior Technical Writer. Corey's portfolio of lottery projects includes Arizona, Atlantic Lottery Corporation, Catalonia, China, Colorado, Connecticut, Delaware, Illinois, Indiana, Iowa, Maine, Maryland, Mexico, Minnesota, North Carolina, Oklahoma, Pennsylvania, Peru, Philippines, Puerto Rico, Quebec, Tennessee, and West Virginia.

WORK HISTORY

2003-Present, Scientific Games – Technical Documentation Manager

- Manages a team of technical writers in the activities of researching, developing, designing, and writing a variety of technical documents and media

2000-2003, Teradyne – Senior Technical Writer

- Developed and edited online and printable end-user documentation including online help, user guides, and other supporting materials for supply chain execution software application

1998-2000, ExecuTrain Corporation – Technical Writer/Course Developer

- Developed and edited online and printable documentation for training course materials, including content plans, quick reference materials, training manuals, PowerPoint presentations, web-based training courses, and pre- and post-assessment tests

1995-1998, Clemson University – Accounts Receivable Manager

- Responsible for writing, revising and managing processes and procedures for various systems

EDUCATION/CERTIFICATIONS

- Clemson University, Clemson, SC – Masters of Human Resource Development, 1998
- Southern Wesleyan University, Central, SC – B.S. Business Administration, 1993



JOSEPH SMITH

Senior Database Architect, Video Lottery

CONTRACT ROLE

Joey is responsible for all aspects directly related to the SQL database including configuration of the database engine, database conversions, database performance, and third-level support.

SUMMARY OF EXPERIENCE

Joey has 20 years of experience in the software industry and 15 years of experience in database design and implementation.

WORK HISTORY

2014-Present, Scientific Games – Senior Database Architect, Video Lottery

- Responsible for all aspects directly related to the SQL database including configuration of the database engine, database conversions, database performance, and third-level support.

2011-2014, Scientific Games – Database Architect, Video Lottery

- Responsible for database performance evaluation and enhancement

2004-2011, BlueCubeSoftware/RedPrairie Software Inc. – Senior Development/QE DBA/Data Architect

- Responsible for approximately 100 different development and QE databases on seven different physical servers running approximately 15 instances of SQL Server
- Maintained Development, QA and Demo databases in SQL 2000, SQL 2005 &S QL 2008 including disaster recovery planning and daily maintenance jobs, performance monitoring and tuning
- Duties also include planning and execution of server configuration and build out

1995-2004, Radiant Systems Inc. – Various Positions

- Senior Development/QE DBA, Enterprise Division, 1/02 to 2/04
- Database Architect, 9/00 to 12/01
- Manager, Radiant Solutions Division, 6/00 to 8/00
- Senior Technical Analyst, Radiant Solutions Division, 3/99 to 5/00
- Software Developer/ DBA, Petroleum/C-Store Division, 7/97 to 2/99
- Senior Implementation Analyst, Petroleum/C-Store Division, 12/96 to 6/97
- Senior Upgrade Specialist, Petroleum/C-Store Division, 1/95 to 11/96

EDUCATION/CERTIFICATIONS

- Stockton State College, Pomona NJ – B.S. Mathematics
- Microsoft Certified Professional (MCP) – Multiple Certifications



MOHAN SRINIVASAN

Manager, Software Development

CONTRACT ROLE

Mohan manages central system resources, central system deliverables and central system development schedules.

SUMMARY OF EXPERIENCE

Mohan has 20 years of experience in the IT industry and 10 years of experience in the gaming industry. As a software developer, he has been involved in development for projects in South Australia, Iceland, South Dakota, Maine, Delaware, West Virginia, New Mexico and Illinois. Mohan was responsible for delivering host components for Illinois as well as upgrade projects for Maine, West Virginia, and New Mexico. In the past, he has developed a data conversion tool for South Australia and Iceland, a license billing module for South Dakota and a financial conversion application for Iceland.

WORK HISTORY

2011-Present, Scientific Games – Manager, Software Development

- Responsible for architecture and development of the SGVideo host product
- Design and development of web, database, middle tier, report and dashboard applications
- Manage central system resources, schedules and deliverables
- Provide maintenance releases to existing customers
- Provide system support and SYSCON

2007-2011, Scientific Games – Lead Software Engineer

- Provided a training and technical help to .NET® developers
- Developed data conversion tool for South Australia and Iceland
- Developed License billing module for South Dakota and Financial conversion application for Iceland

2005-2007, Scientific Games – Senior Software Engineer

- Converted .NET framework applications from 1.0 to 2.0
- Modified VLCS Manager layout and enhanced search functionalities
- Developed data conversion tool for Delaware and West Virginia
- Involved in Maine implementation

EDUCATION/CERTIFICATIONS

- Bharathidasan University, India – M.S. Physics, 1993
- Microsoft Certified Professional
- Microsoft Certified Application Developer for Microsoft.NET



SCOTT L. STEWART

Vice President, Account Services

CONTRACT ROLE

Scott will be the executive responsible for overseeing the execution of the implementation project and ongoing customer relationship.

SUMMARY OF EXPERIENCE

Scott has been a key part of Scientific Games' expansion in the regulated gaming business for the past 10 years. He has extensive experience in the full life cycle of the deployment of regulatory gaming system in both regulator and casino locations. Scott has more than 20 years of project and account management experience for both government and consumer products. Scott has a Bachelor's Degree in Electrical Engineering and also has his Project Management Professional certification from the Project Management Institute.

WORK HISTORY

2011-Present, Scientific Games – Vice President, Account Services

- Manages/directs global business initiatives for North American Gaming regulatory business unit
- Manages business/contractual relationships for all North American Gaming regulatory system accounts
- Establishes and manages sales strategy for new and existing video lottery products
- Performs direct sales of products and services in regulatory gaming sector
- Manages delivery of strategic products for assigned business area
- Manages development of costing and pricing strategies for assigned business areas

2007-2011, Scientific Games – Director, Account Services

- Executed sales of regulatory system and managed assigned customer accounts
- Oversaw implementation of contractually committed product deliveries
- Developed and delivered sales proposals to customers in regulatory gaming market

2005-2007, Scientific Games – Account Manager

- Customer liaison of five+ strategic accounts; managed delivery of customer enhancements
- Performed system presentations and demonstrations for new and existing customers

2004-2005, Scientific Games – Project/Product Manager

- Managed $100,000,000 - $5,000,000 implementation projects; 15+ member cross functional team; $2,000,000+ project budgets; $100,000,000+ software development projects

EDUCATION/CERTIFICATIONS

- Auburn University, Auburn, AL – Bachelor of Electrical Engineering (B.E.E.), 1995



MURALI VENKATARAMAN

Director, Video Services

CONTRACT ROLE

Murali is responsible for overall architecture, design and development of central system and site product components which includes presentation tiers, services to support configuration, control and monitoring devices, EGM operations, site controller and redemption device components.

SUMMARY OF EXPERIENCE

Murali has 16 years of experience in the design, development and implementation of video lottery control and monitoring systems for both domestic and international customers including South Dakota, Delaware, West Virginia, New Mexico, Maine, Iceland, Quebec and South Australia. He is a certified G2S Engineer and serves as Vice-Chairman of the S2S Committee for the Gaming Standards Association. Murali has over 25 years of full software development.

WORK HISTORY

2007-Present, Scientific Games – Director, Video Services

- Oversees design and development of central system and site product components
- Responsible for all aspects of engineering activities
- Provides integral communication with the business units and the Vice President of Technology to enable planning and execution of key initiatives
- Interfaces with customers for detailed requirement definition, resource allocation and manage cost and timing delivery of the central system components

2005-2007, Scientific Games – Software Development Manager

- Responsible for development of central system components for multiple customers
- Designed and developed web and windows applications for presentation tiers
- Designed and developed C# Windows services to implement middle tier business layer
- Responsible for coordinating with QC & GLI

2003-2005, Scientific Games – Senior Software Engineer

- Developed highly available systems based on client requirements
- Designed and Developed solutions involving systems programming, socket programming and embedded systems development utilizing multi-threaded applications

1999-2003, IGT – Software Application Engineer (Level 5)

- Responsible for design and development of central system product development

EDUCATION/CERTIFICATIONS

- AMIE, India – Bachelor of Science in Electrical Engineering
- University of Madras, India – B.S. Mathematics
- BDPS, India – Post Graduate Diploma in Computer Science



KATIE WARVEL
Training Specialist

CONTRACT ROLE
Katie is responsible for researching, developing, and facilitating coursework materials that will be used in instructor-led and web-based training courses for internal and external customers.

SUMMARY OF EXPERIENCE
Katie has 10 years of experience producing documentation for lottery software. Previously, she served as a technical writer for IBM and Cisco® where she collaborated with subject matter experts to produce end-user documentation for use by the general public. Katie's portfolio of lottery projects includes Oklahoma, Mexico, Connecticut, Delaware, Indiana, West Virginia, Iowa, Illinois, Puerto Rico, Maine, Minnesota, North Carolina, and North Dakota.

WORK HISTORY

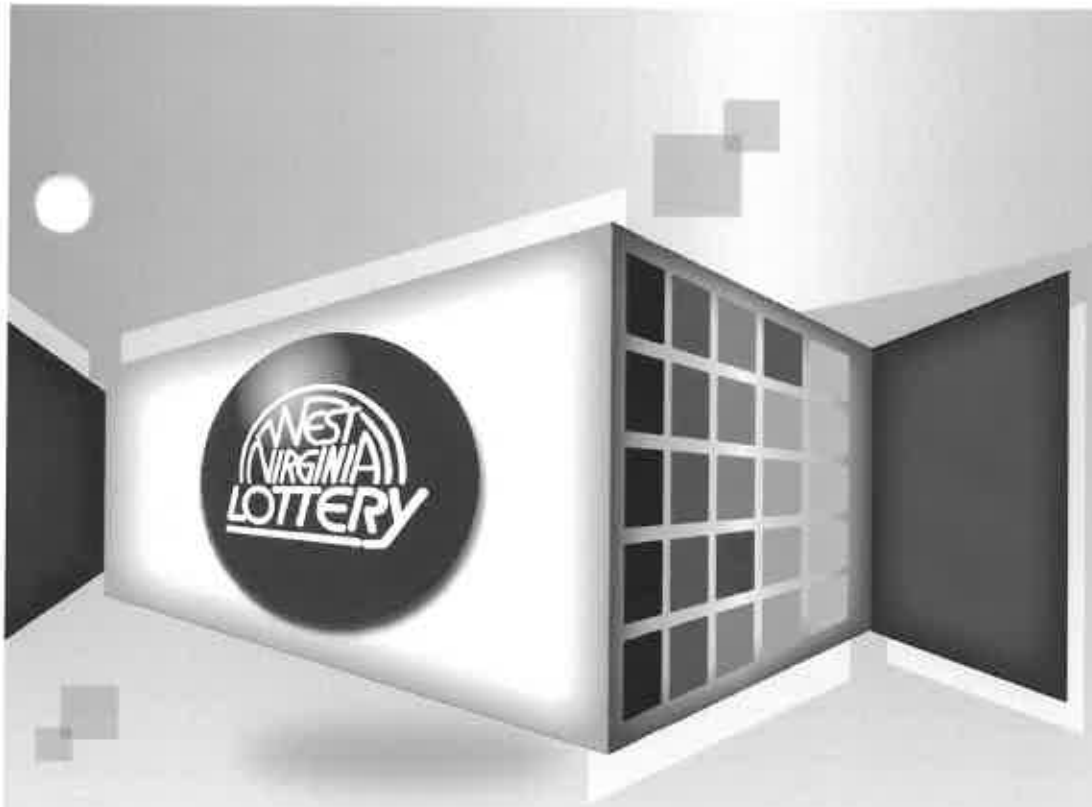
2014-Present, Scientific Games – Training Specialist
- Develops training materials for client usage
- Provides instruction to lottery and Scientific Games' staff on new technologies

2005-2014, Scientific Games – Technical Writer
- Created end user documentation for use by retailers and lottery personnel
- Designed and prepared training materials, teaching aids, skill evaluations, and final assessments for various products
- Wrote audience-appropriate content for documentation

2003-2005, IBM – Technical Writer
- Worked with subject matter experts to produce user guides and quick start guides for use by the general public
- Updated existing documents to reflect software and hardware changes
- Trained new team members in documentation procedures

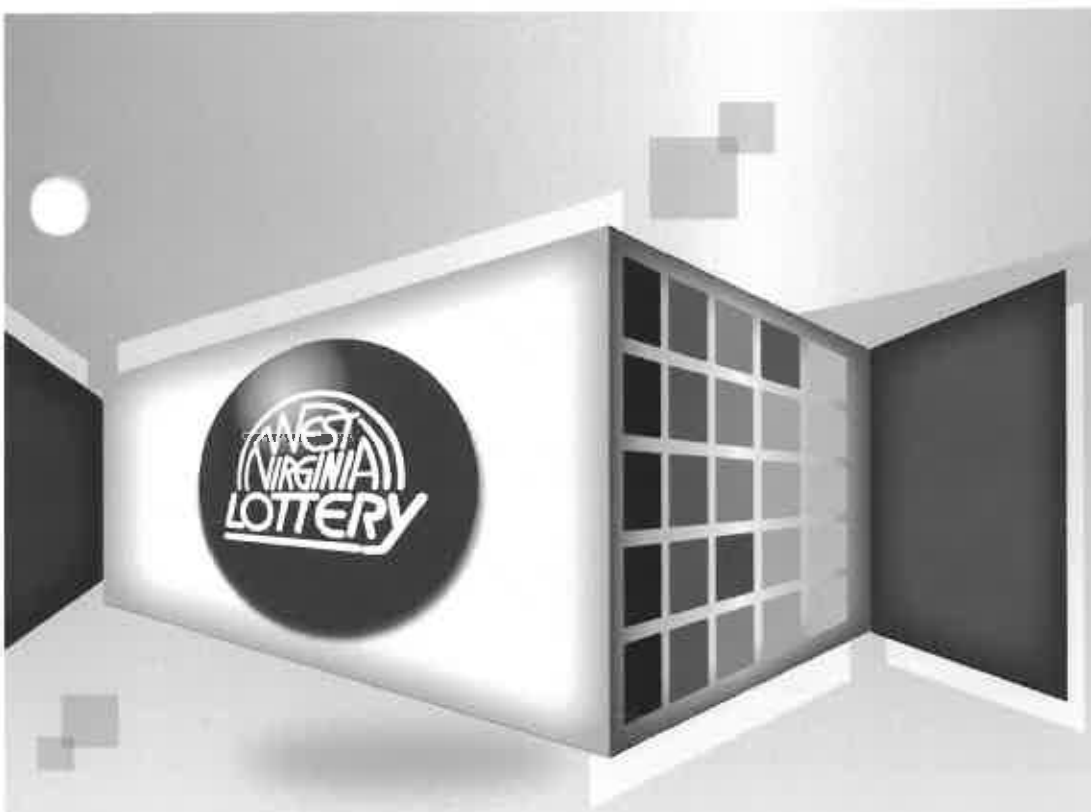
2002-2003, Cisco Systems – Technical Writer/Editor
- Researched and documented existing procedures through SME interviews to ensure accuracy, clarity, and completeness
- Created a new online documentation repository

EDUCATION/CERTIFICATIONS
- Elon University, Elon, NC – B.A. English, 2002



SECTION 4: PROJECT GOALS AND OBJECTIVES

SCIENTIFIC GAMES



SECTION 4.1: SYSTEM DESIGN

SCIENTIFIC GAMES



SECTION 4: PROJECT GOALS AND OBJECTIVES

4.1 SYSTEM DESIGN

4.1.1 SYSTEM DESIGN CONSIDERATIONS (SYSTEMS DESIGN)

4.1.1.1 CENTRAL CONFIGURATION

Scientific Games understands and concurs that we will acquire, build, install, maintain and assist in testing a state-of-the art, fault tolerant CMS central configuration. We propose a quadplex (primary-hot duplex at each data center) configuration similar to the AEGIS-Video™ system currently in West Virginia production. As we describe throughout this proposal, the SGVideo™ system delivers a high availability solution through the use of best-in-class hardware, resilient software and redundant components and communications links with server failover capabilities throughout.

In addition to the primary and back-up production configurations, we propose both a Lottery acceptance testing system and a similar system for the exclusive use of the Lottery's approved independent testing laboratory.

The SGVideo, the latest generation in the AEGIS-Video CMS lineage, will connect to, monitor and control the full, current network of West Virginia VLTs and be extensible to expand to new video gaming opportunities in the future. All gaming machines, Site

Controllers and games can be activated and deactivated as well as fully monitored via management terminals connected to the host servers. All components and software will be designed to meet all performance requirements stated in the Lottery's RFP.

Scientific Games will provide following major proposed hardware component categories:

- Primary Data Center (PDC) processing servers in a resilient primary-hot back-up configuration.
- Back-Up Data Center (BDC) processing servers in a resilient primary-hot back-up configuration.
- Full, separate test configuration for software acceptance testing.
- Separate test system for the Lottery's designated independent test laboratory.
- Wide Area Network (WAN) infrastructure to LVLs.
- Communications servers (i.e., front-end processors).
- Networking devices at both the data centers and LVLs (e.g., routers, firewalls, switches, protocol converters, LANs, etc.).
- Diagnostic and debugging devices (e.g., network traffic monitor, VLT status displays, etc.).
- Venue Site Controllers (compact chassis devices for LVLs and rack-mounted hardware for casinos).
- Hardware and software maintenance and support that will provide the Lottery with video gaming control and monitoring 24/7, year-around.

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Our response to **Section 4, Subsection 3.2.5** provides further details on our handling of software maintenance.

4.1.1.2 SYSTEM MAINTENANCE

Scientific Games will ensure that SGVideo hardware and software will be maintained to the satisfaction of the West Virginia Lottery using the same processes and people that have kept its AEGIS-Video CMS reliable and productive for the past eight years. We will ensure that the systems are covered by appropriate maintenance agreement renewals, updates or extensions throughout the contract period, including any contract extensions.

HARDWARE

System server hardware initially will be maintained under a five year HP Care Pack Services agreement that will expand and extend the standard warranty for HP hardware and software. The coverage provides hardware and software support, installation services, education services and premium support options. This agreement must be reestablished when the system completes its year-six refresh.

In addition to HP maintenance support, our 24/7 operations staff will keep watch over the servers through system health and anomaly notifications issued by HP Systems Insight Manager (HP SIM).

All other CMS hardware will be covered by maintenance agreements arranged with either the manufacturer or approved third parties.

If hardware upgrades are required, it will be accomplished by HP engineers, under the direction of Scientific Games staff. As done during our 2011 West Virginia AEGIS-Video system refresh, any such upgrade will be performed without affecting the system's management of gaming machines.

SOFTWARE

Operating software will be supported under maintenance agreements with either the manufacturer or approved third parties. Scientific Games will ensure that the most recent software version required by the Lottery will be loaded and fully tested before releasing for production use.

Scientific Games will provide semi-annual updates to SGVideo application software. The changes made will be prioritized by a Change Request list mutually determined by Lottery and Scientific Games staff.

Every change to application source code will be submitted to the independent testing lab for approval before being released for Lottery acceptance testing.

Each version will be accompanied by release notes that detail each change being made and required updates needed for test scripts.

Scientific Games staff will address emergency software updates as soon as possible. If source changes are required, we will work to expedite approval from the test lab and accelerate the acceptance testing efforts. If source changes are not required (e.g., database script changes that will not affect VLT management), we can install "hotfix" changes after suitable testing and with Lottery approval of the modification date.

4.1.1.3 METHODOLOGY FOR SOFTWARE MAINTENANCE

The installation of new, enhanced or upgraded software will be determined through meetings between Lottery employees and Scientific Games staff. Typically, the priorities assigned to Change Requests will determine which modifications are included in the next scheduled release. If a change is too critical to wait for the next semiannual release, we will determine if installation can be accelerated through expedited independent lab and Lottery acceptance testing schedules. A complete description of our Change Request process is provided in **Section 4, Subsection 3.2.5**.

We offer to the Lottery the following process for rapidly restoring SGVideo to a prior software version:

- Load the new version only on the production duplex pair.
- Disable database replication/synchronization to the backup duplex pair.
- Performing a failover to the backup systems will resume operation under the old application version with the most recent relevant database.
- Data processed by the disabled new version will be replicated to the backup machine as quickly as possible to ensure that all gaming activity is captured.

4.1.1.4 BACK OFFICE AND DATA WAREHOUSE

BACK OFFICE FUNCTIONALITY

Scientific Games has designed SGVideo to provide extensive back office and data warehouse features, offering a user-friendly single point of entry for all functions, including reporting, monitoring, network management, system management, and accounting. Please see our response to **Section 4, Subsection 4.4.9** for a more detailed description of this interface.

The back office screens and functions have access to real-time data. The system allows the Lottery to restrict data access to only specific job functions through user role definitions (as described in detail in **Section 4, Subsection 4.1.4.12.8.4**). The Lottery can allow a system operator to perform a wide range of powerful CMS management features, yet restrict that same user from viewing any operator or Venue financial data. SGVideo not only can mask data tables from users, it can control data viewing down to data element granularity.

These same role assignments can customize each user's menu entries, screen accesses and available function lists. For example a user assigned to an accounting group role will be presented with a menu of only invoicing screens and tools, yet the accounting manager may be allowed to access restricted EFT screen and be able to modify Venue fee schedules.

REPORTING MODULE

The reporting module relies on the power and flexibility of Microsoft SQL Server Reporting Services (SSRS), which delivers extremely fast report generation, flexible formatting options and a variety of data exporting file types. SSRS uses central repository (data warehouse) information to isolate report generation from adversely affecting the system's production gaming performance. The warehouse retains data from disparate sources and formats it for optimal lookup, analysis and reporting efficiency.

Data warehouse data are aggregated to a reduce level of granularity from those present on the operational database. For example, the ops database retains a record for each individual system event, yet those data records are combined on the data warehouse to support efficient analyses of event frequency. Financial data are also combined into broader data periods (i.e., daily into weekly). The consolidation of elements on the SGVideo data warehouse is very similar to the process used today on the West Virginia AEGIS-Video CMS.

Scientific Games will make sure that current or future changes to data elements will not adversely affect historical data retained on the data warehouse.

REPORTING PERFORMANCE

All SGVideo reports will be processed on the production system. Data warehouse reports that contain a single business day's data will take less than two minutes to generate, save and print. All other reports will take less than 15 minutes to generate, print and save. Please see our response to **Section 4, Subsection 4.6** for further details on our system's reporting capabilities and performance.

4.1.1.5 REAL-TIME TRANSACTION RESEARCH

The SGVideo CMS will provide the West Virginia Lottery the ability research transaction historical files by providing tools to search and view all transaction data in real time. For instance, an historical view of device level information can be done by specifying the component's Unique Identification Number (UID), resulting in, at least, the following data fields:

- Accounting meters received.
- Net meter calculations.
- Device enables.
- Device disables.
- Configurations changes.
- Software changes.
- Physical location changes (device moves).

The following are additional real-time research that can be done on SGVideo:

- Game Performance.
- CRC image validation failures.
- Device events (using the Event Monitor tool).

Returned transactions will be presented in reverse chronological order (i.e., beginning with the most recent event) for the lifetime of the machine so that all transactions can be reviewed via a menu option at the licensee and/or device level.

4.1.1.6 REQUIREMENTS

Scientific Games will provide to the Lottery, throughout the life of the contract, the deliverables described in our responses to **Section 4, Subsection 4.1.1.6.1** through **Section 4, Subsection 4.1.1.6.4**.

4.1.1.6.1 Changes

Following the initial CMS installation and production launch Scientific Games will continue to collaborate with the Lottery to define, design, develop, test and deploy system changes necessary to comply with statutory or judicial changes affecting casino and LVL gaming. We understand and concur that these changes must be operational in the production system by the effective date of the law change or court order.

4.1.1.6.2 Immediate Action to Achieve Compliance

Scientific Games understands and concurs that we will take immediate action to resolve any discovered issues of non-compliance. These remediation actions will be accomplished according to a Lottery-approved timetable.

4.1.1.6.3 Changes and Enhancements

Scientific Games will make CMS changes and enhancements requested by the Lottery.

4.1.1.6.4 Hotline

West Virginia Lottery and Venue staff can call into the Scientific Games National Response Center (NRC), using a toll-free phone number, 24/7, for trouble shooting, opening trouble tickets and obtaining resolution to questions and concerns. We maintain a staff of over 30 highly trained professionals at the NRC to ensure timely, professional and accurate responses to phone calls. Callers will be working with professionals who are accustomed to handling calls from other, similar gaming jurisdictions all over North America and who have specific knowledge about the West Virginia video gaming environment.

Scientific Games, National Response Center staff is fluent in spoken and written English. If dual languages are needed, it will be recorded as a data field that is accessible by the Hotline representative. The Scientific Games Hotline

representative will then pass the call to the appropriate language operator or service technician, through our language translation partner Trans-Perfect. We have access to a network of over 4,000 linguists supporting over 100 different natural languages. The wide array of language types that the National Response Center has handled includes Asian, Middle Eastern and Hispanic.

During the West Virginia SGVideo implementation project the NRC will have additional staff available to address an expected increase in questions and concerns. Following production launch, they will constantly adjust staff to handle the volume of call experienced from the jurisdiction. Throughout the contract the NRC, under the guidance of the Senior NRC Manager, will be responsible for call center, dispatch, incident escalation management, and Smart Services Management System.

Based on our experience with the West Virginia Lottery video gaming environment, calls concerning VLT outages will be routed to the Lottery's PDC staff, who can address the situation with their troubleshooting tools. If required, and contingent on Lottery approval, remote dial-in capabilities can allow Scientific Games technical staff to investigate problems remotely.

When a call is received an email is sent to the account executive and support management email group (which includes staff at our Georgia Technology Center and designated Lottery staff members). Any time an incident occurs and the first level of support has not returned a phone call or email within the allotted time frame, the second level support (the Data Center Operations Manager) is contacted to address the situation.

The Operations Manager closely monitors staff service levels in real time to make the necessary staffing adjustments and ensure that our service commitments are maintained. For issues requiring corporate support, special support staff will confer across a telephone conference bridge opened specifically for the current situation.

The appropriate team and management personnel will receive email alerts to request them to join the teleconference. Most issues are resolved by this initial team process, but additional resources are contacted if necessary. The General Manager, or designee, will contact all involved and bring them up to date.

4.1.1.7 SUPPORT LEVEL AGREEMENTS AND ESCALATION

Scientific Games has established escalation procedures to ensure that risks to daily operations are handled swiftly and effectively. We define an incident as:

"Any event which is not part of the standard operation of a service and which causes, or may cause, an interruption to, or a reduction in, the quality of that service." Scientific Games considers a "video incident" as a degraded service of any of the following:

- Communications delays or outages
- SGVideo central system malfunctions
- Gaming Venue equipment failures
- Reporting anomalies
- Inconsistent game play at multiple VLTs within a Venue

Any time an incident occurs, the first level of support is contacted immediately to assess the situation and escalate further if necessary.

The first level of contact is the customer hotline (NRC) or the supervisor depending on the nature of the incident and which group the incident affects most. Also at this time an email is sent to the executive and support management email group (which includes staff at our Georgia Technology Center).

Any time an incident occurs and the first level of support has not returned a phone call or email within the allotted time frame, the second level support (the Data Center Operations Manager) is contacted to address the situation.

The Operations Manager closely monitors staff service levels in real time to make the necessary staffing adjustments and ensure our service commitments are maintained. For issues requiring corporate support, special support staff will confer across a telephone conference bridge (SYSCON) opened specifically for the current situation.

The appropriate team and management personnel will receive email alerts and be invited to dial into the conference. Most issues are resolved by this initial team, but additional resources are contacted if necessary. The General Manager, or designee, will contact all involved and bring them up to date.

EMERGENCY SYSTEM SUPPORT

Scientific Games has extensive experience in managing and maintaining complex gaming systems of all kinds, including video gaming, online lotteries and internet wagering. The nature of this business environment requires a technical support infrastructure that can respond quickly to emergency production issues. Accordingly, Scientific Games follows a defined emergency escalation process for all of our contracts.

If an emergency arises that the CMS operations staff is unable to resolve, they can access a toll-free support number and immediately be put in contact with a technical operations support specialist who will coordinate resolution of the issue. The operations support specialist will have immediate access to on-call staff from all technical disciplines relating to the online lottery systems product in order to address the issue quickly and accurately.

4.1.1.8 HARDWARE AND SOFTWARE LICENSING

SGVideo will install, support and maintain all CMS hardware and software that will be licensed to the Lottery. The following are the items included under this support:

- Server and Site Controller operating systems
- CMS applications software
- Antivirus software
- Databases and data warehouses
- Data replication and backup utilities
- Communications (WAN and LAN) devices
- Peripherals (archival storage devices, printers, etc.)

4.1.1.9 TIME SYNCHRONIZING MECHANISM

SGVideo's Windows Time Service relies on data from a time service on the Lottery's admin LAN to synchronize the time in all servers (on the primary, secondary, backup and test systems) and intelligent network devices (e.g., Site Controllers). This time standard ensures consistent date-time stamps on reports, data entry, database modifications, system events and transactions. Because SGVideo internally uses Coordinated Universal Time (UTC) the time stamps will always be consistent with other government, facility, and company systems using the time synchronization service.

The system will be configured to display and report using Eastern Time, with appropriate adjustments during both standard and daylight seasons. The Windows Time Services will automatically make the change from/to daylight savings time on all system host servers. The time change is distributed to all networked devices (e.g., Site Controllers and VLTs) that run a synchronized clock.

4.1.1.10 VLT CAPACITY

Scientific Games will design and implement at initial production launch our SGVideo CMS to support, monitor and control a network of 30,000 VLTs and their connected Site Controllers, even during peak transaction activity. The system can easily scale to larger gaming machine populations without the need for major redesign or hardware replacement. In fact, GLI has documented its detailed load tests showing that SGVideo, running on hardware similar to that proposed to the Lottery, successfully managed 76,405 simulated video machines located at 16,000 separate locations.

4.1.1.11 VENUE CAPACITY

Scientific Games will design and implement at initial production launch our SGVideo CMS to support, monitor and control a network of VLTs located at 2,500 LVL Venues and 10 casinos, even during peak transaction activity. The system will easily scale to larger LVL and RVL Venue populations without the need for major redesign or hardware replacement.

4.1.1.12 INVOICING CAPACITY

Scientific Games will design and implement at initial production launch an SGVideo CMS to support, monitor, control and invoice a network of 700 owner/operators (permit holders) with as many as 9,000 permits and 10 casinos during peak transaction activity. The system will easily scale to handle larger populations of permit holders, permits and Venue without the need for major redesign or hardware replacement.

4.1.1.13 ACCEPTANCE TESTING

Scientific Games understands and concurs that all modifications to system configuration, processes or devices will be submitted to the Lottery's primary independent testing laboratory for certification. Those modifications must subsequently pass the Lottery's user acceptance testing executed on the Lottery's acceptance test system and be approved by the Lottery before being released into production.

Errors identified during either testing effort will be corrected by Scientific Games. We agree that all corrective software must pass through the certification, UAT and approval process before going into production.

4.1.1.14 24/7 ACCESS TO TEST SYSTEMS

For the duration of the contact Scientific Games will provide 24/7 access to and support of the SGVideo test systems installed at both the independent testing lab and the Lottery's test lab.

Scientific Games understands and concurs that we will be responsible for the costs related to West Virginia Lottery's independent testing laboratories from system production launch through the term of the contract. (Costs involved with the initial certification testing are the responsibility of the Lottery.)

4.1.1.15 CERTIFICATION BY THIRD PARTY LAB

Scientific Games understands and concurs that we will be responsible for costs involved in the post-launch primary independent testing laboratory certification of SGVideo hardware, software, configuration and process changes and updates.

4.1.1.16 ACCEPTANCE TEST SYSTEMS

Scientific Games proposes two separate, identical CMS test systems for the West Virginia Lottery. We will locate the first at the Lottery's PDC and ensure that it is available exclusively for Lottery acceptance testing. The second test system, providing the same functionality and capabilities, will be located at a non-Lottery site and be dedicated for testing by the Lottery's designated independent testing lab. We understand and concur that if the Lottery approves additional testing laboratories, each will be responsible, at its own expense, for acquiring a SGVideo system that can be used for acceptance testing and validation of software.

4.1.1.17 TEST SYSTEMS CONFIGURATION

The two proposed test systems (the PDC acceptance test configuration and the certification test laboratory system) will provide the same server functionality and operational software as the production CMSs at the PDC and BDC. The server-based architecture used on the production systems will be present in both test systems.

The two test systems will be able to run all applications and third-party software and perform all functions available to the production operators, but, as allowed by this requirement, they will not support failover operation, will

include reduced storage capacity and may deliver less processor speed. (SGVideo failover capability will be tested using the PDC and BDC systems prior to production launch.)

Any modifications to be made to the production systems will be replicated and tested first on the two test beds, including configuration, processes and devices. Scientific Games will ensure that these systems remain synchronized with any changes implemented in the production CMS.

4.1.2 COMMUNICATION PROTOCOLS (SYSTEMS DESIGN)

4.1.2.1 VLT STANDARD PROTOCOLS

Scientific Games understands and concurs that there are currently no G2S VLTs on the legacy AEGIS-Video system and that the new CMS must have the following characteristics:

- Absence of support for the ICIS protocol.
- Support for, and use of, the G2S protocol.
- Support for SAS version 6.02 SAS, including backward compatibility.
- Support for all future official GSA SAS versions.
- Support of other approved VLT protocol upgrades approved by the West Virginia Lottery.
- Ability to communicate with, control and enroll all VLTs approved (now and throughout the contract) for use by the Lottery.

4.1.2.2 COMMUNICATION AND CONTROL OF VLTS

Scientific Games has described how our proposed SGVideo CMS will communicate with and control the current network of VLTs through the concurrent use of SAS and G2S protocols on the following pages.

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4.1.3 REDUNDANCY (SYSTEMS DESIGN)

SGVideo is designed to be resilient, fault tolerant and without a single point of failure. Because there are four "separate" systems within the configuration, the CMS is able to perform the following two levels of failover:

- Transparent failover within a data center from the primary to the hot duplex.
- 20 minute failover from a PDC system to a BDC system (and vice versa).

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4.1.4 BACKUP/RESTORES (SYSTEMS DESIGN)

4.1.4.1 PRIMARY AND BACKUP DATA CENTER

Scientific Games understands and concurs that the PDC and BDC SGVideo systems will be designed and implemented as production systems and configured and used exclusively to support the West Virginia CMS. We will provide the same security, hardware and software for the BDC system as used on the PDC systems, ensuring that the duplex pair at the BDC will be capable of performing all functions associated with the VLTs, as detailed by the Lottery's RFP.

4.1.4.2 PRIMARY SYSTEM LOCATION

Scientific Games understands and concurs that we will install our primary SGVideo CMS at the Lottery's PDC located at 900 Pennsylvania Avenue, Room 215, Charleston, WV 25302.

4.1.4.3 FAILOVER

If the primary system at the PDC experiences any event that causes the database to be unavailable, the hardware will automatically failover to an equivalent device in the co-located hot duplex. This process takes place without any loss or corruptions of stored data or transactions. The process is usually transparent to players, Venues and Lottery management users.

HP SIM will notify operations personnel of any server malfunctions that must be addressed. Straight forward console commands can then be issued to immediately transfer that server's operation to the hot duplex equivalent.

The recovery process from the PDC to the BDC system takes place less than 20 minutes after Scientific Games staff is notified of the need. When this failover occurs, the entire communications network of VLTs and management terminals will be serviced.

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4.1.4.4 REMOTE FAILOVER

When the failover scenarios described in our response to **Section 4, Subsection 4.1.4.3** occur, the process takes place without loss of any data or transactions and is immediate for intra-site failover to the hot duplex. In both intra- and inter-site failovers, the system continues to service the communications network support for both VLTs and management terminal functions.

Those management users will be able to continue their system work despite the component outage.

4.1.4.5 BACK-UP SYSTEM LOCATION

Scientific Games understands and concurs that the current backup CMS (AEGIS-Video) currently operates at the Lottery's BDC, 9337 Middletown Mall Road, White Hall, WV 26554, but that this location may change. As indicated in our response to **Section 4, Subsection 4.1.4.14**, Scientific Games proposes to operate our backup SGVideo at our Alpharetta, Georgia, Global Network Operations Center (GNOC), providing the Lottery with contract cost savings, improved 24/7 operator oversight and reduced footprint at its White Hall data center. We understand that this BDC location must be approved by the Lottery.

4.1.4.6 BACK-UP SYSTEM MIRRORS PRIMARY SYSTEM

As described in our response to **Section 4, Subsection 4.1.1.1** the hardware configuration located at the BDC is a component-level duplication of the primary production system at the PDC. If the entire PDC is unavailable, the backup system can take over production processing without any loss of data. The SGVideo systems use the Microsoft AlwaysOn log shipping mechanism to makes sure that the transactions most recently processed at the PDC are available for processing at the BDC within 20 minutes of failover initiation. Scientific Games recommends that the Lottery incorporate in SGVideo procedures the same operator verification steps currently used to complete the AEGIS-Video failover process.

4.1.4.7 NETWORKS SUPPORT OF FAILOVER

Dynamic routing protocols within the network (i.e., independent of PDC resources) prevent a catastrophic failure at one data center from disrupting message routing to the other data center. The result: The BDC can support all operations required by the Lottery's RFP even when the PDC is not in service.

4.1.4.8 SEMIANNUAL FAILOVER TESTS

Scientific Games will support two controlled failover tests per year throughout the length of the contract, following procedures similar to the ones provided in **Figure 4.1-13**—additional steps may be added after the SGVideo system launches for production. We will ensure that all CMS remote access is logged and that the log is accessible by the Lottery to support system audits. The complete failover test plan will be continuously updated and submitted for Lottery approval at least thirty days prior to each failover test.

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4.1.4.9 BACKUP SYSTEM OPERATING IN PRODUCTION

Scientific Games will keep the backup system (located at the BDC) fully functional, connected to the state-wide network (WAN) and ready to assume production processing. At least twice a year (six months apart) we will purposefully failover to the backup system and operate it as the production system for a minimum of 24 hours; during this time, the primary system (located at the PDC) will function as the backup system. After the test, production will be transferred back to the PDC.

4.1.4.10 RESULTS OF TEST EXERCISES

Scientific Games understands and concurs that the results of any test exercises (e.g. production failover) will be reviewed by the Lottery and our technical staff within two business days. Within five business days of receiving written notification from the Lottery, we will correct any deficiencies discovered by audit findings or operational recovery testing.

4.1.4.11 DATA BACKUP

SGVideo supports a secure, reliable data backup technique very similar to that provided today to the West Virginia Lottery on its AEGIS-Video CMS. All backup data files are encrypted and protected from unauthorized access. The solution is fully automated with no need for daily user intervention.

The system supports daily data backups to (RAID) disks and digital tape and can retain resulting files on disk for one week with a rotation of tape backups to maintain a full 30 days of system backups. The SGVideo solution is scalable, secure, provides data integrity, supports disaster recovery and can replicate data from the PDC to the BDC and vice versa.

4.1.4.11.1 Automated Monitoring with Alert Notifications

SGVideo logs in a secure file the successful completion of each data backup job and notifies designated staff through console messages, emails and/or SMTP messages. The Microsoft SQL Server Database Alerts feature will be configured on SGVideo to notify the selected staff about any of the following events or conditions:

- Extreme database loading
- Security issues

- Database throughput problems
- Failed jobs or processes
- Rollbacks
- Deadlocks
- Prolonged process execution
- Expensive cached query plans

Notification triggers can include counts or frequency of events, Boolean logic (e.g., "if X occurs and then Y occurs"), and even the time of day of the occurrence(s). Notification of these situations is performed using DBMail, which will send emails to a pre-defined distribution list.

As a final protection against lost or corrupted data, our proposed CMS solution includes a high reliability backup device integrated into PDC systems; it can be used to move system data to archival media (e.g., magnetic tape) for long term backup retention.

4.1.4.11.2 Fast And Reliable Data Restoration

SGVideo complements its extensive backup processing with a rapid and reliable data recovery process, allowing systems administrators to efficiently recover data lost due to user error, storage corrupts or server hardware failure.

4.1.4.11.3 Backup Verification

SGVideo performs verifications on all data backup sets.

4.1.4.11.4 Data Deduplication

Scientific Games will provide third-party deduplication software tools to resolve the Lottery's data backup concerns. Alternatively, we recommend that the data compression offered by Microsoft SQL Server 2014 Enterprise Edition is sufficiently fast and full-featured to meet performance levels needed by Lottery staff.

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4.1.4.12.1 Lottery and State Security and Access Policies

Scientific Games recognizes that the most important aspect of a video gaming business is ensuring the privacy and integrity of the gaming environment. To that end we have designed and implemented highly secure systems and networks that protect our gaming partners' databases from unauthorized tampering or viewing and which complies with the Lottery and State Security and Access Policies provided in RFP Appendix 2.

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4.1.4.12.2 Secure Connections

SGVideo is designed to stringently restrict access to only authorized users and only from authorized management terminals. We will establish the system so that it can't be accessed from a terminal outside of the Lottery's control (i.e., external to the Lottery's secure network) without Lottery approval.

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External systems will connect to SGVideo using firewall and encryption protection.

Scientific Games understands and concurs that all SGVideo security approaches will be subject to Lottery approval.

4.1.4.12.3 Network Security Assessment and ISO Compliance

Scientific Games understands and concurs that the Lottery will contract with an independent firm to conduct a network security assessment subsequent to production launch of the SGVideo CMS.

Scientific Games has shown our commitment to these standards by being gaming industry trailblazers, including the following firsts:

- First U.S. lottery industry supplier to receive ISO 9001:2000 certification of its quality management system.
- First lottery vendor to earn ISO 9001:2008 certification for instant ticket production.



Through the years we have maintained and upgraded our certification and the system is reviewed yearly by third-party auditors and at least twice yearly by internal auditors.

Our Global Network Operation Center (GNOC)—the location we propose as the West Virginia Lottery's CMS BDC—has achieved ISO/IEC 27001:2005, which is an independent third party endorsement of our skillful and systematic development and deployment of best-in-class information security management systems (ISMS) for our own purposes, as well as our customers'.

The certification assures our customers that the company is able to securely manage, protect, store and control their information assets for the service and provisioning of electronic gaming facilities. By demonstrating our compliance with this independent standard, our customers are able to place full confidence in our understanding of the proper balance to be given process quality and applied knowledge in the development of solutions that ensure their mission critical information is both safe and appropriately accessible to the right personnel. Our quality commitment drives us to design solutions that address their present needs while also positioning them for future success. The site complies with all fire, safety, electrical, building and ADA codes. Scientific Games will maintain a Business Continuity Plans (BCP) for facilities supporting the West Virginia CMS contract. Our gaming data center in Wood Dale, Illinois also has achieved ISO/IEC 27001:2005 certification.

NASPL Certifications – Our Georgia GNOC and Global Lottery Business Center campus have adapted a number of proven industry quality standards to our service delivery methodology and support planning processes; these efforts were acknowledged within the industry when the company was awarded two NASPL QA best practices certifications.

4.1.4.12.4 National Computer Security Center's Security Standard

Scientific Games will ensure that at the time of implementation, the West Virginia SGVideo solution will meet or exceed security standards published by the National Computer Security Center.

4.1.4.12.5 Sensitive Data Encryption

Scientific Games will encrypt all Lottery data using algorithms equal to or exceeding the security level of AES256.

4.1.4.12.6 Checksums

The SGVideo Application Server is configured with a utility service that runs in the background to periodically (either on a regular schedule or at random times) perform an integrity validation of critical software images, software applications, data files, database-stored procedures and its own software. This capability guards against inadvertent or unauthorized changes to system software and data.

The SGVideo Application Server is configured to include a software service that runs an industry-standard file verification checksum algorithm in the background. This service periodically performs an integrity validation of all critical software images application, database-stored procedures, and itself using the standard SHA-1 file verification checksum (signature) algorithm. For added security this utility can be instructed by an authorized user to generate new signature seeds.

Whenever this routine runs, the checksums are compared to the original set of checksums (securely stored in the Central System) for the associated application components, and the result of each comparison is written to a Windows event log. These integrity checks can be configured to reoccur randomly within a specified window of time, currently configured to be between 60 and 180 minutes. The time-window values are configurable by authorized users.

4.1.4.12.7 Recertification of Modified Software

Scientific Games understands and concurs that we will not modify the SGVideo software design or database after a release/version has been certified by the independent test lab, unless and until all of those modifications have been recertified.

Our strict software deployment processes will ensure that only certified software will be deployed to the production system. System modules are validated throughout the day by image signature checks (i.e., CRC validation) to guarantee that the correct version is operational and that no modifications or corruptions have altered the system.

4.1.4.12.8 Encryption of User Account Data

Scientific Games' gaming systems always require every employee to have one unique account in all company and client systems. The security privileges define what that user can do and can't do on the specific system. The Lottery will have control over defining unique user accounts and assigning them to system users.

SGVideo relies on the proven Windows Active Directory feature to administer strict user identification and password data and enforce privileges established for each user. The system uses a two-level security protocol: a valid user ID and associated private password must be entered in order to gain access to the system.

During user sign-in, input password string characters are never shown on the user's terminal; each keystroke is indicated by an asterisk. Password strings are encrypted before being passed through the network and stored, so not even a highly privileged system administrator is able to read or "modify" the strings. An authorized user is able to enter a new (e.g., interim or "reset" password), so he/she is able to "assign" a password for a user.

The system logs all sign-on attempts—both successful and unsuccessful and makes these events available for review on the Security/User Access Report.

4.1.4.12.8.1 Log Successful and Unsuccessful Sign-On Attempts

The user access log includes the following captured data elements in support of subsequent security reviews:

- User ID
- User name associated with the ID
- Date-time stamp of the sign-on event
- Indicator of the sign-on result: success or failure
- Network address of the terminal on which the attempt was made

4.1.4.12.8.2 Log All System Changes

SGVideo retains logs of all system activity, including those actions carried out automatically by the system (e.g., scheduled jobs) and those associated with, or commands issued by, system users—even system administrators and "super users" (e.g., a user assigned every system privilege). These logs can be reviewed online or printed for detailed auditing purposes.

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When database accesses (e.g., reads, writes, modifies, etc.) are made, the database software keeps a separate, secure log of the all activity. By default the system always stores the date and time when records are populated or modified in the database.

SGVideo retains an audit trail of all changes made to the operational configuration and database content. That trail will include both "before" and "after" data content, allowing subsequent system reviews to determine exactly what changes were made and when they were made.

4.1.4.12.8.3 Security Log Files Accessible to Lottery

All SGVideo security log files will be directly accessible by Lottery each day.

4.1.4.12.8.4 User Groups and Privilege Assignments

SGVideo software access rights are based on the concepts of segregation of duties and the assignment of least-required user privileges. The assignment of system privileges relies on user groups, or "roles", with each role defining a unique set of system privileges that is required by a specific user (or group of users) to accomplish his/her job.

Each user (or group of users) is assigned one of many possible groups. Because role assignments are not dependent on any other security settings, hierarchical relationships are unnecessary. In other words a system operator may be assigned to a role directly defining his/her duties with no direct relationship to the role(s) assigned to his supervisor or general manager.

SECURITY GRANULARITY

The SGVideo management terminal application interface permits user access only to menus and commands that are allowed by his/her enabled privileges. For instance, if a user is not assigned the privilege to enable a VLT, his/her management screens will not even show the needed function buttons or menus linking to the required screen. On a finer scale, a user's security level may allow access to gaming machine operational parameters, but block all access to VLT meters. SGVideo access controls always conform to the principles of least privilege.

System and network access controls are set up using Active Directory security with all users and computers registered as system entities. Access rights (e.g., file, folder and reports), and security policies (e.g., complex user groups, sign-on, and password complexity) are managed through this Microsoft product.

Separate security groups can be created for administrators of key application management terminal functions: Command and Control, Event Monitor, VLCS Manager. Policies can be defined for each of these groups. When a new user is added to the system, appropriate groups can be associated to his/her account.

The Role Group management screen (**Figure 4.1-14**) is an appropriate example of the convenience (and user friendliness) of SGVideo end user screens. On this single screen, a system administrator with sufficient system privileges can create/name a role group and use mouse clicks to assign individual roll privileges to the group. Later, an employee's system capabilities can be defined quickly by simply assigning appropriate groups to his/her account security settings.

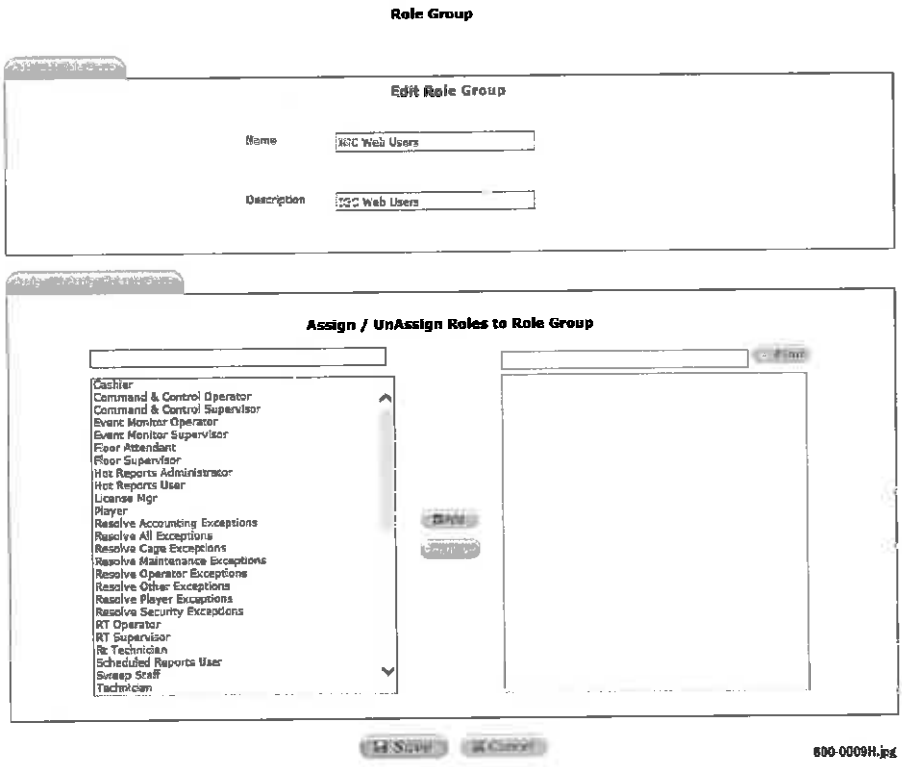


Figure 4.1-14: Add-Edit-Assign Roles to Group Management Screen

USER GROUP PRIVILEGE ASSIGNMENTS

SGVideo allows multiple users to be assigned to each user group and a user can be assigned to multiple groups. **Figure 4.1-15** gives an abbreviated example of how one-to-many and many-to-one assignments combine to simplify system privilege management. It also illustrates how a group can be assigned to multiple users with identical job responsibilities (e.g., all system operators) or a single user (e.g., manager of system security).

ROLE	PRIVILEGE(S)	GROUP A (SYSTEM OPERS)	GROUP B (BILLING CLERKS)	GROUP C (SECURITY MGR.)
1	Generate operational reports Enable/disable VLTs Run software signature validation utility	✓	–	–
2	Generate billing reports		✓	✓
3	Post financial adjustments	–	✓	–
4	Approve financial adjustments	–	–	–
5	Query Venue/operator financial data Generate ad hoc reports	–	✓	✓
6	Add new system users Change role assignments	–	–	✓

Figure 4.1-15: User Group Role Assignment Example

SEGREGATION OF DUTIES

Segregation of duties is crucial for managing the powerful system control commands available to system operators. When new software is installed on the CMS one individual is required to enter the appropriate software release identification and configuration information, while another employee is required to verify the integrity of the software and subsequently "enable" it for operation. Deft role definition/assignment allows security personnel to ensure that each user can only perform authorized actions.

Each security control can be associated with a role, and subsequently associated with each user assigned that role, so the control will be asserted regardless of the terminal on which that person accesses the system. To successfully sign onto the system, the user will have to input a valid user ID and associated (personally selected) password string.

System access is protected by a two level security sign-on process: each user must input his/her unique user account ID and the password string associated with the account. If the two strings do not match data stored in secure (encrypted) system files, the access attempt fails.

4.1.4.12.8.5 *Unique Access Account for Each User*

The SGVideo CMS allows the security administrator to assign access accounts that are unique to each user; the account's owner is then required to establish a unique, secret password string that will be used for future system access.

4.1.4.12.8.6 *Encryption of Stored Passwords*

The system stores each account's password string in a one-way encrypted form, which prevents anyone—even system administrators with top system privileges—from ever determining any user's password. This means that if a user forgets his/her password, the security administrator's only recourse is to establish a new (e.g., interim or "reset" password), for the account. The user must then successfully sign on to the system with the temporary password and immediately establish a new, private password string (which must comply with all security requirements).

4.1.4.12.8.6.1 User Passwords and Access Restrictions

Each individual SGVideo user will be assigned one unique user ID (account) and an initial (temporary) password by system administrators. The user is then responsible for replacing the initial string with a personal string known only to him/her. Subsequently, the user may manually change the password within the restrictions established by the password management rules established by the system security manager.

Each user (account) is assigned a series of system privileges defining the actions that can be legally taken and resources that can be accessed, including access to sensitive or confidential data, specific software programs, utilities and online CMS documentation. The use of software programs and routines to access to online disks, tapes and other media libraries and data vaults will also be configurable on a user account basis.

Scientific Games understands and concurs that SGVideo will allow users to access other resources and areas only when they are deemed by the Lottery to warrant such authorization.

4.1.4.13 SYSTEM SECURITY ADMINISTRATION

SGVideo relies on several features to monitor access to the CMS. It uses the proven Windows Active Directory feature to administer strict user identification and password data and enforce privileges established for each

user. The system provides logging and notification of events or situations that may indicate an attempt to breach system security. Security Administration includes the following capabilities and processes:

- Restricts both a user's view of, and actions on, the system.
- Tracks and monitors user access and activity.
- Maintains a log of user activity as a tool for lottery security management.
- Logs system events.
- Logs exceptions and anomalies.
- Provides for definition and reporting of pre-defined anomalies such as maintenance exceptions and security related exceptions.

Selected system anomalies are displayed on operator controls and can generate emails to a configured list of employees, allowing immediate action, including possible escalation. For critical security breaches, the Lottery can contact our 24/7 Hotline to initiate an investigation and start escalation procedures when necessary.

4.1.4.14 REMOTE BACKUP DATA CENTER (OPTION) AND HARDWARE REFRESH



As part of its continuing effort to offer the most cost effective gaming services, Scientific Games proposes to locate the Lottery's SGVideo BDC at our state-of-the-art Global Network Operations Center. The systems located at the BDC will log and process all VLT gaming transactions and be maintained to take over primary processing if the PDC systems are unavailable.

With the approval of the Lottery Scientific Games will locate the Backup Data Center at the Scientific Games Global Network Operations Center (GNOC) in Alpharetta, Georgia, (1500 Bluegrass Lakes Parkway, Alpharetta, Georgia, 30004). This facility complies with the locations requirements of being within the 48 contiguous states and yet greater than 50 miles from the Charleston data center.

As confirmed by the following description, the proposed BDC complies with all requirements for the location that will not be under direct operational control of the Lottery. The Lottery's SGVideo systems will be co-located with other customers' processing systems, yet strict physical and logical isolation will be maintained at all times. The Lottery's processing resources will be closely monitored by the latest video surveillance equipment with a live video stream available for viewing at Lottery headquarters.

The GNOC provides the Lottery with a major benefit by maintaining an around-the-clock operator vigilance—a staff that understands CMS operation and can appropriately react to any alarms issued by HP SIM running on the West Virginia SGVideo production system.

Scientific Games will be responsible for the costs to prepare the needed space for the Lottery's hardware and maintain the facility. The design and layout of this site will be pre-approved by the West Virginia Lottery.

THE SCIENTIFIC GAMES GLOBAL NETWORK OPERATIONS CENTER

We opened our modern, highly secure GNOC in 2008 and it is at the heart of our Global Lottery Business Center—a combination of highly skilled professional staff, a state-of-the-art data center and a separate Technology Center (Service Management Center, Software Development Center, Operations Support Team, and Communications Center).

The GNOC meets computing industry standards and practices for this type of facility, including multi-layered site security (e.g., remote camera monitoring, restricted access to operator and server rooms, etc.). The equipment will be physically and logically secure from other operations, subject to Lottery approval. Because it remains operational 24/7, the GNOC is available during all West Virginia gaming hours. Our facility is clearly the best choice to house the CMS hardware.

The team of professionals that manages the GNOC not only possesses critical management knowledge, but a wealth of lottery and gaming experience from the U.S. and abroad. Their experience includes lottery, video, and interactive Internet gaming. We are the only vendor capable of offering a facility with this breadth and depth of gaming experience and knowledge. The GNOC has an independent back-up power system and the highest quality security and access controls.

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ISO Certification. The lottery and gaming business demands impeccable security and integrity. Secure and verifiable system practices are critical to minimizing risk to a lottery or gaming operation. When lottery tickets are printed at our manufacturing facility with a client jurisdiction's name on it, we're cognizant of the trustworthiness that our customers' brands must evoke. Maintaining the public's trust in instant scratch games is foremost in our mission. Scientific Games demonstrates our exceptional security processes each and every day. The security and player protection features built into our products are proven millions of times each day as players successfully scratch and validate instant tickets, but we have the same commitment to our gaming and networking control systems.

Underscoring that commitment to quality systems development and operations, Scientific Games' Online Operations has been certified under ISO/IEC 27001:2005. This certification covers our GNOC and its full facilities management services in Alpharetta, Georgia. This certification has also been awarded to our Video Data Center in Wood Dale, Illinois, where we perform primary system operations for the Illinois Gaming Board.

This ISO standard specifies the requirements for establishing an organization's control framework for information security risks. The purpose for bringing information security under management control is that it is a prerequisite for sustainable, directed and continuous improvement—a process to which Scientific Games has always been committed. As proof, so far our game programming group in Alpharetta, Georgia, has achieved this industry leading ISO/IEC 27001:2005 security certification.

The certification is an independent third party endorsement of our skillful and systematic development and deployment of best-in-class information security management systems (ISMS) for our own purposes, as well as our customers'.

The certification assures our customers that the company is able to securely manage, protect, store and control their information assets for the service and provisioning of electronic gaming facilities. By demonstrating our compliance with this independent standard, our customers are able to place full confidence in our understanding of the proper balance to be given process quality and applied knowledge in the development of solutions that ensure their mission critical information is both safe and appropriately accessible to the right personnel. Our quality commitment drives us to design solutions that address their present needs while also positioning them for future success.

The intent behind the environmental and security design for the primary site facility is to reduce the risk of data compromise due to physical break-ins or

unauthorized access to server resources. Our goal is to provide safety and security to personnel and facilities. Security and safety features of the primary site include:

- Emergency exit doors equipped with alarms.
- Locking devices on all doors and all entry points.
- Electronic access system.
- Automatic fire extinguishing system.
- Compliance with NFPA Standards.
- Wall extensions from structural floor to structural floor.
- Fire doors.
- Fire and smoke dampers.

Technology Refresh

Scientific Games understands and concurs that the Lottery will make arrangements for a hardware refresh in contract years six and 11, but the costs involved are not included in our cost proposal. We will follow the same procedures that were successfully used during our November, 2011 refresh of the Lottery's AEGIS-Video CMS, where data integrity was maintained, operational procedures kept constant and the state's Venue customers saw no change to, or disruption of, their gaming activity.

We will provide any necessary software upgrades, including the CMS applications and operating system software and will provide the required hardware specifications for each refresh event.

4.1.5 SECURITY (SYSTEMS DESIGN)

4.1.5.1 VLT SOFTWARE IMAGE FILE AUTHENTICATION

SGVideo offers to the West Virginia Lottery the same convenient and reliable VLT software file validation features currently used on the state's AEGIS-Video CMS. The validation process calculates Cyclic Redundancy Check values (CRCs), or "image signatures", on software files (including game images stored in VLTs) present in Site Controllers and VLTs.

The resulting device values are then compared against those stored in the Central System. Successful CRC verification is required of every device,

including VLTs, before each can be brought online to perform gaming functions.

Further details of the SGVideo software validation process are presented in our response to **Section 4, Subsection 4.1.5.1.1** through **Section 4, Subsection 4.1.4.1.6.**

In addition to validating image CRCs, the system provides the ability to verify pay table information, serial numbers, denominations, game themes and progressive level information configured on the VLT to ensure that they also match configured values in the server before allowing game play.

All verification processes are configurable in the Central System. For example, the Lottery may choose to skip the serial number and game theme verification—either system wide or at the device level—if the VLT in use do not support serial number requests.

4.1.5.1.1 SAS Authentication Method

SGVideo stores game image files in encrypted form in the Game Asset Repository. It then uses the authentication methods defined in the GSA protocol standards to validate game images residing on either SAS or G2S gaming machines.

- **SAS** – The Central System issues a seed value to the VLT, which calculates the CRC and returns the result for the system to compare against its previously stored value.
- **G2S** – This protocol supports five different validation algorithms, such as MD5, CRC16, etc. The SGVideo Central System queries the VLT to determine which algorithm is in use before issuing the seed value. The Central System then validates the value sent from the gaming machine.

If the image signature validation process fails, the VLT is prevented from allowing game play—manual intervention is required to enable the device for play.

Scientific Games is prepared to implement any other authentication methods chosen by the Lottery.

4.1.5.1.2 Software Image Files

SGVideo will authenticate content located on any or all VLTs connected to the network. Validation can be performed on multiple images that are concatenated into a single image file. In that case, the system will calculate the

CRC from start-location to end-location within the file. This provides the ability to verify segments of the larger container, including parts associated with jurisdiction, main, personality and any programs that control communications and affect game outcome.

4.1.5.1.3 Initiation of VLT Software Authentication

The SGVideo Application Server is configured to include a software service that runs an industry-standard file verification checksum algorithm in the background. This autonomous service periodically performs an integrity validation of all critical VLT software images. Whenever this routine runs the checksums are compared to the original set of checksums (securely stored in the Central System) for the associated application components, and the result of each comparison is written to a Windows event log.

These integrity checks can recur randomly within a specified window of time, typically configured to be between 60 and 180 minutes. The time-window values are configurable by authorized users and can be set to times determined by the Lottery.

The long verification is done by default for any of the following conditions:

- VLT cabinet logic door has been opened
- VLT cabinet logic door has been closed.
- VLT offline event or communications loss with its Site Controller.
- VLT enrollment.
- Algorithm's seed set is changed (at the Central System).
- New program is installed.
- New software is downloaded.
- Controller power failure.
- RAM reset has occurred.

4.1.5.1.4 Seed Value Management

SGVideo provides a single user screen, available to the Lottery, that allows an authorized user to manually enter a seed value to be used in subsequent validation calculations of each VLT software image signature. In a manner similar to that available on the current West Virginia Lottery AEGIS-Video, SGVideo provides a user screen through which the frequency of automatic authentication seed changes can be configured: static (non-changing), per request, daily, monthly or yearly.

4.1.5.1.5 VLT Authentication Report

The outcomes of all signature checks are written into the Event Log for future analysis and for the creation of the Signature Validation Report, which will be configured to generate daily. There will be one variant reporting on VLTs and one showing all other (intelligent) network devices. Each report can be filtered to show all validation results or only failures.

Each report will include the following data elements:

- Report date
- Venue name or ID
- Manufacturer
- Poll address
- Value expected by the Central System
- Software version
- Seed used in the calculation
- Value returned from the device
- Last poll date
- Image name

4.1.5.1.6 Software Image Revocation Report

When an authorized user globally disables a VLT image (e.g., a game or gameset), SGVideo provides a comment field that can be filled in by the user to document why the module was taken out of production. Using this information, Scientific Games will provide the Lottery with a Revoked Image Report.

4.1.5.2 SITE CONTROLLER SOFTWARE AUTHENTICATION

In addition to authenticating VLT software and game images, SGVideo authenticates Site Controller software. This process is similar to the cyclic redundancy check (CRC) values generated and verified on VLT and central servers software.

When the latest modified version of Site Controller software is compiled and tested, Scientific Games integration specialists run a utility to calculate a value that incorporates every byte of the release source code. The resulting value and the seed value that was used to initiate the calculation are included with the software package as it progresses through independent lab testing and Lottery acceptance testing. The image CRC value and seed are encrypted and retained on a secure central system file.

The system validates each Site Controller's software by requesting it to generate and upload a CRC of the current software version, using the supplied seed value. If the newly calculated value does not match the one stored on the central server, the Site Controller will not be allowed to autonomously manage to its VLTs (which will block gaming at the gaming machines) or transmit any gaming data to the host. The software authentication process is initiated under any of the following conditions:

- Each time the Site Controller connects to the central server
- Every time the Site Controller is restarted
- Every time the Site Controller is enrolled on the network
- Every time the central servers receive a security violation event from the Site Controller
- When an authorized user issues a CRC validation request

A Site Controller that fails software authentication cannot be enabled until it successfully passes a valid CRC check.

4.1.5.2.1 Event-Driven Site Controller Software Authentication

SGVideo performs Site Controller authentication in the same way the Lottery's AEGIS-Video CMS does today. The software image validation process can be manually initiated for any or all Site Controllers at any time directed by the Lottery. Additionally, the system can autonomously trigger Site Controller software authentication in response to any of the following situations:

- Site Controller experiences an offline event
- Communications is lost with the Central System
- Enrollment of the Site Controller

4.1.5.2.2 Site Controller Authentication Report

SGVideo will generate a daily report showing which Site Controllers passed and which failed software authentication. The report will include the seed and signature value of each image as well as the result returned by the device.

4.1.5.3 VLT IMAGE FILE STORAGE

SGVideo will provide no less than two terabytes of hard disk space to support the storage of all VLT image files on the PDC production system, but will be

easily scalable (at no additional cost to the Lottery) to offer additional retention capacity. The image file hard disk will be located within the same hardware enclosure (i.e., rack) as the PDC central system.

VLT image files will be accessible through a remote network connection to the CMS' web server across the Lottery's administrative LAN.

4.1.5.3.1 VLT Image Files Backed Up

The VLT image files (and their associated CRC values) will be backed up daily, consistent with the requirements listed in RFP Section 4, Subsection 4.1.4.11.

4.1.5.3.2 Secured VLT Image Files

VLT and network device software image files (and their associated CRC values) are treated as sensitive data by system security, software processes and operations procedures. As stated in our response to **Section 4, Subsection 4.1.4.12,** access to these files can be accessed only by users with appropriate system security attributes (i.e., privileges). These privileged accounts are protected by the two-level user authentication processed used by all people accessing the system.

4.1.6 ARCHIVING (SYSTEMS DESIGN)

4.1.6.1 ARCHIVING AND PURGING OF DATA

SGVideo has the same daily archiving process used today on the West Virginia AEGIS-Video. It will run on the production system and move data to a data warehouse archival schema.

4.1.6.2 PURGE CYCLE

SGVideo provides an automatic database purge feature that will enforce the retention schedule set by the Lottery. This tool will allow financial data related to meters to be retained for 90 days while retaining event and other log files for 30 days. The system can also purge data warehouse data daily to enforce the required 36-month retention cycle.

4.1.7 HARDWARE AND SOFTWARE SPECIFICATIONS (SYSTEMS DESIGN)

4.1.7.1 HARDWARE AND SOFTWARE COMPONENTS

Scientific Games will provide SGVideo hardware and software components that satisfy all requirements included within the Lottery's RFP in general, and **Section 4, Subsection 4.1.7.1.1** through **Section 4, Subsection 4.1.7.2** in particular.

4.1.7.1.1 Standardized Fault Tolerance

SGVideo is designed to be resilient and fault tolerant, using redundant hardware with no single point of failure. Scientific Games will acquire, setup (build), configure and help test and launch the system.

Our proposed CMS solution relies on a modular server-based design that delivers to each of our customers easy scalability, extensive redundancy, and configuration flexibility. Each of the closely coupled servers executes specific software, yet they communicate effectively across reliable high bandwidth LANs. RAID (Redundant Array of Independent Disk) technology is used for the production database, providing fast data access with the resilience of automatic failover if a storage component malfunctions.

The server hardware will use high reliability memory modules, superior performance persistent memory (e.g., disk drives), and highly secure network cards, all protected by redundant power supplies and fans. The advantage of this configuration is that these servers can be used interchangeably and easily replaced.

Redundant LANs (and associated Network Interface Cards) provide an alternate system access route for local management users.

The system uses redundancy of each server and network component, hot-swappable RAID (redundant array of independent disks) persistent storage devices, multiple load-sharing power supplies, and duplicated cooling components. A failure of any component—CMS server, LAN, or wide area network—will not stop production operation.

4.1.7.1.2 Tested by Independent Testing Lab

Scientific Games will work with the Lottery to make sure that all hardware and software components are tested by its independent testing lab prior to production launch and before any subsequent modifications/upgrades are installed in the production systems.

As we have done with the West Virginia Lottery AEGIS-Video system, Scientific Games will configure, support and maintain the SGVideo CMS for the life of the contract.

4.1.7.1.3 Technology Refresh

Scientific Games will replace CMS hardware with new equipment (of the then-current component model/version) every five years. In compliance with **Section 4, Subsection 4.1.4.14** this technology refresh will be done in contract years six and eleven.

4.1.7.1.4 Fully Supported by Manufacturer/Supplier

Scientific Games will ensure that all West Virginia Lottery SGVideo hardware and software will be supported fully by the respective manufacturers or suppliers at all times throughout the contract. We will accomplish this by acquiring and maintaining maintenance agreements with each involved company. We understand that all maintenance agreements are subject to Lottery approval. We will make sure that all maintenance agreements comply with a 24 hour on-site response time from the manufacturers or suppliers.

4.1.7.1.4.1 Discontinued Support

If any SGVideo hardware module, component or software is discontinued by the manufacturer or supply, Scientific Games will replace the affected hardware or software at our cost prior to the end of support. We will inform the Lottery of any support discontinuation.

4.1.7.1.4.2 Hardware Module End-Of-Life

Scientific Games will inform the Lottery immediately if any in-production SGVideo hardware module, component or software is declared "end of life". We will collaborate with the Lottery to define a mutually agreeable schedule for component replacement.

4.1.7.1.4.3 *Vendor Sole Contact for Problem Determinations*

Scientific Games will be the Lottery's sole point-of-contact and responsible party during all SGVideo third-party hardware and software problem determination and remediation processes.

4.1.7.2 ENHANCEMENT OR MODIFICATION

Scientific Games will always obtain written Lottery approval before making any enhancements or modifications to SGVideo hardware or software configurations or procedures.

4.1.8 MANAGEMENT TERMINALS

Scientific Games understands and concurs that we are not required to furnish casino management terminals. We will supply any special application software required to allow those casino-furnished terminals to access the required SGVideo data using the dedicated network connection to the data center(s). The functionality will allow the Venue to run revenue reports, obtain monthly invoices and view broadcast messages. Additionally, we will provide software and hardware specifications for optimal performance of the casino management terminals.

4.1.8.1 WEB PORTALS

Scientific Games will deliver in the West Virginia Lottery SGVideo CMS its latest web-based Operator Portal, which will provide extensive data reporting tools to permit holders (both casinos and LVLs) and internal Lottery staff. The feature is accessed through industry standard web browsers, such as Internet Explorer (version 8 and higher), Firefox and Safari. We know of no compatibility problems between Operator Portal and any specific browser version.

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4.1.8.2 REPORT SECURITY

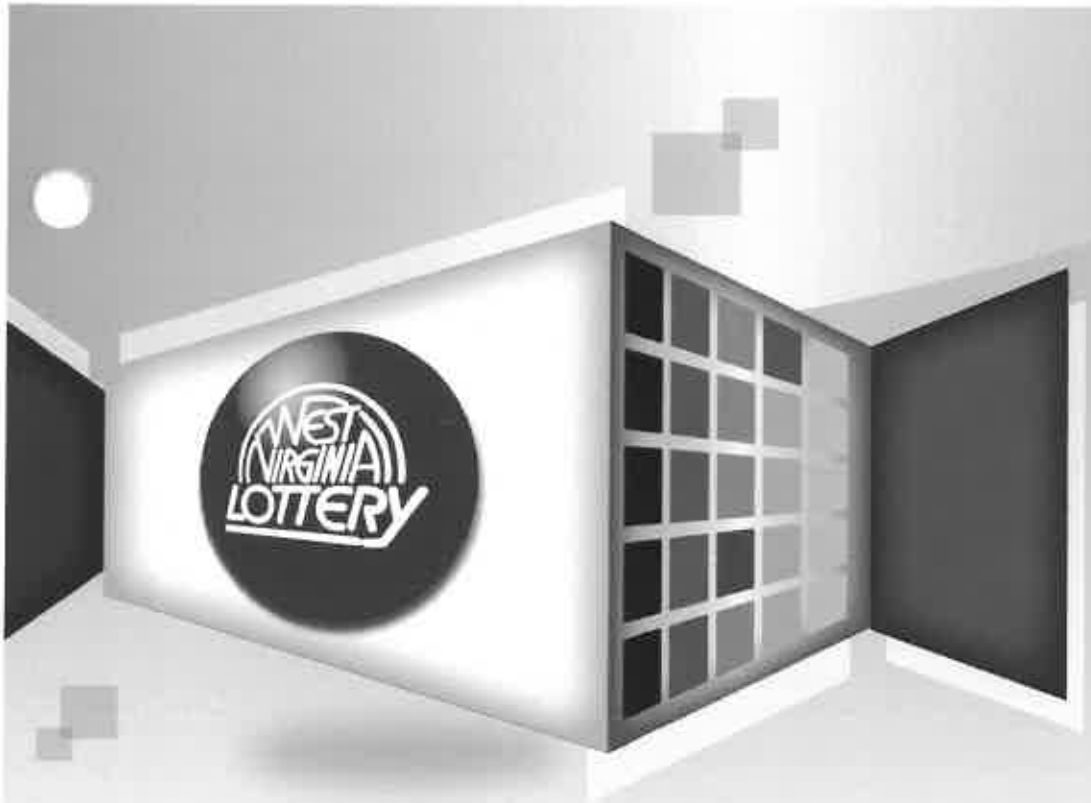
Venue staff will have the ability to access and print reports for VLTs unique to their gaming location(s), but will be unable to view or print data related to any other gaming sites. Likewise, operators and chains will be able to access and print reports for all Venues owned/operated by them, but be unable to access any other operator's data.

4.1.8.3 ENCRYPTION

Scientific Games will provide an SGVideo secure Web Portal through which each casino and LVL Venue will have encrypted, read-only access to the CMS to view/capture their own financial, VLT inventory and Venue network status data.

4.1.8.4 WEB PORTAL ACCESS

Access to the SGVideo Web Portal (and its CMS data) conforms to the "Data Security Requirements" covered in our responses to **Section 4, Subsection 4.1.4.12** through **Section 4, Subsection 4.1.4.12.8.6.1**.



SECTION 4.2: SITE CONTROLLERS

SG
SCIENTIFIC GAMES



SECTION 4: PROJECT GOALS AND OBJECTIVES

4.2 SITE CONTROLLERS (SITE CONTROLLERS)

CMS SITE CONTROLLERS

Scientific Games will install SGVideo Site Controllers at every Venue (casinos and LVLs) operating VLTs on the West Virginia Lottery network and maintain those controllers throughout the life of the contract.

LVL SITE CONTROLLERS

SGVideo Site Controllers located at LVL Venues will be compact chassis stand-alone PC-based devices, with sufficient processing power and storage to monitor and control as many as 100 VLTs and store their polling data pending forwarding to the Central System. These Site Controllers will support the following peripherals:

- Color touchscreen monitor
- Hand-held bar code scanner
- High speed thermal Printer

The bar code scanner will be used to scan winning tickets/vouchers issued within the Venue. The monitor displays the result of validation requests in addition to showing Site Controller reports and messages from the Central System. The compact thermal printer allows Venue staff to print reports and redemption receipts.

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4.2.1 LVL SITE CONTROLLER BILLING

Scientific Games understands and concurs with the specifics of this requirement. LVL permit holders will be billed directly for the Venue's Site Controllers purchased or leased from us and they will be responsible for the devices. Each permit holder will enter into a sales or lease agreement with Scientific Games for the acquisition, installation and maintenance of the hardware and software. Initial installation will be calculated and included as part of the purchase cost or lease fee. Leased Site Controller costs will be billed quarterly directly to the permit holder.

We have included in our response costs for LVL Site Controller communications, software and hardware as required by **Section 4, Subsection 4.2.1.2.**

SITE CONTROLLER DAILY REPORT

The LVL Site Controllers will provide the Venue with a Daily Cash Flow Report that will provide the following data for each connected VLT:

- Amount in
- Amount out
- Amount validated
- Net income
- Net balance

We will also provide a Vouchers Cashed Report that will show the count of validations and information about each validation performed.

Each Site Controller will retain a 45 day reporting history.

As currently being designed for the current AEGIS-Video CMS, SGVideo will allow the Lottery to display on the LVL Site Controller monitors information messages issued from the CMS.

4.2.1.1 ESTIMATED LVL SITE CONTROLLER COSTING

Scientific Games understands and concurs that LVL Site Controllers are a critical component of the CMS solution and that the Lottery must consider the costs borne by licensees and ensure that a certain level of maintenance is provided to these important Venues. Scientific Games concurs that the following LVL and RVL Site Controller costs (including maintenance) are not included in our response submitted on Attachment C: Cost Sheet.

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4.2.1.2 SITE CONTROLLER COSTING EVALUATED

Scientific Games understands and concurs that our RFP response will be evaluated based on initial estimated fees, margin of increase in estimate fees over the life of the contract and proposed response times for Site Controller maintenance requests. We understand that our Site Controller costing will be evaluated as part of the Project and Goals – Site Controller evaluation factor.

4.2.2 CASINO SITE CONTROLLERS

Scientific Games understands and concurs that we will provide either Site Controller equipment or hardware specifications to the casinos; we will support these controllers. We understand that, based on our specifications, casinos have the option to acquire from their own sources the hardware, which will then be the responsibility of the casino to acquire and implement.

4.2.2.1 SITE CONTROLLER MAINTENANCE

Scientific Games will provide the provisions for updating, maintenance, and necessary replacements of Casino Site Controller hardware and software as necessary for seamless operation of remote monitoring of all video lottery gaming as specified in this RFP. Per the RFP requirement, the maintenance plan, with response times for service call at the Venues, will be developed during the business requirements collection phase of the project.

MAINTENANCE AND REPAIR

We look forward to providing field maintenance, support and services to the Lottery for all field equipment that has been designated to be the responsibility of Scientific Games. As mentioned in the requirement we understand that Casino Site Controllers may be acquired from other vendors at the casino's option. Whether purchased from other vendors or from Scientific Games, we will include in our specifications for the vendor offered hardware maintenance plan. This ensures that the Casino gets on-site hardware replacement directly from the equipment manufacturer in a timely, professional manner. In addition the to the selected vendor's hardware replacement warranty, Scientific Games includes a spare server in each equipment rack to serve as an immediate replacement if needed. Scientific Games will provide field service technicians trained in the maintenance and support of our equipment to triage and manage hardware and software maintenance and support for all Casinos.

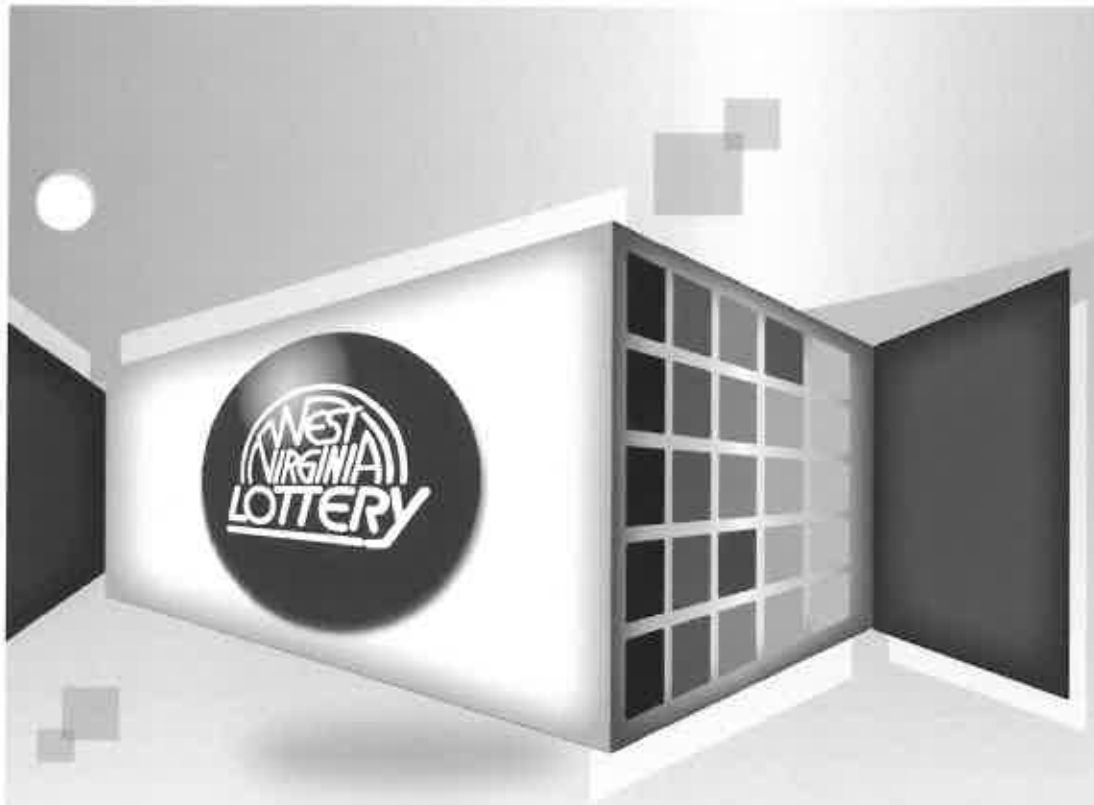
Scientific Games' Field Service Technicians (FSTs) are strategically located throughout the state of West Virginia to respond quickly to calls for service. Conducting Preventative Maintenance (PM) actions during regular service visits, FSTs check the general operation of the equipment while on-site. Timely responses, in combination with our Preventive Maintenance program, provide your venues with a high degree of satisfaction and ensure the highest level of service.

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4.2.2.2 SITE CONTROLLER DAILY REPORT

(This requirement was moved to **Section 4, Subsection 4.2.1** per West Virginia Lottery Addendum #2, Answer 27.)



SECTION 4.3: OVERALL NETWORK AND COMMUNICATIONS

SCIENTIFIC GAMES



SECTION 4: PROJECT GOALS AND OBJECTIVES

4.3 OVERALL NETWORK AND COMMUNICATIONS

4.3.1 NETWORK AND COMMUNICATIONS (NETWORK AND COMMUNICATIONS)

4.3.1.1 COMMUNICATIONS NETWORK AND NETWORK MONITORING

Scientific Games understands and concurs that we will install, operate and monitor the communications network for all VLTs throughout the life of the contract. **Figure 4.3-1** provides a high level view of the West Virginia video gaming wide area network proposed by Scientific Games—the networking infrastructure that we describe in our responses to **Section 4, Subsection 4.3** topics.

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4.3.1.2 COMMUNICATIONS NETWORK COSTS

Scientific Games understands and concurs that every casino, LVL operator or independent retailer is responsible for the equipment and communications costs from its locations to the PDC and BDC. We understand that WV Code (§29-22B-703) requires each permit holder to be responsible for the purchase or lease of any Site Controllers and associated communications network costs at their end of the network.

4.3.1.3 SITE CONTROLLER COMMUNICATIONS LOSS

Scientific Games Site Controllers are designed to operate autonomously if communication between the CMS central system and Venue is unavailable—this capability will prevent a communications outage from interrupting gaming. The length of this stand-alone operation can be configured by setting a system parameter, so SGVideo can easily satisfy the 36-hour requirement. During system set up, our staff will work with the Lottery to properly configure this system value.

Our gaming site equipment will continue to poll VLTs and collect meter information (gaming and financial data) as well as real-time events; on reestablishment of the connection the Site Controller will automatically resynchronize the gaming activity data with the CMS using our store-and-forward data processing model. Our system has unlimited capacity to continue collecting data and managing the gaming floor without connection to the host system.

4.3.1.4 LVL (WAN) COMMUNICATIONS NETWORK ADMINISTRATION

Scientific Games understands and concurs that we will design, implement, manage, support, maintain and monitor the most efficient solution LVL WAN possible. We will install all communications equipment and troubleshoot and repair communication outages. We understand that the Lottery will identify all new connections and any changes in the location of VLTs.

4.3.1.5 COMMUNICATIONS NETWORK AND ADMINISTRATIVE SERVICES

Scientific Games will provide, for the life of the contract, the communications network and administrative services described in the following six subsections.

4.3.1.5.1 Configuration Management

We will maintain an inventory of network resources and their operating parameters.

4.3.1.5.2 Fault Management

We will provide fault management, including the detection, isolation and correction of network faults.

4.3.1.5.3 Performance Management

Scientific Games will monitor network utilization and proactively manage resources to maximize message capacity. We will assist the Lottery with SGVideo performance management.

4.3.1.5.4 Maximize Network Uptime

Scientific Games will maximize network uptime through the following standard practices an procedures:

- Work with communications providers to identify, and subsequently confirm, that the most effective communications connections are installed for each LVL Venue.
- Interface with providers to resolve degraded or failed connections.
- Establish a plan of action to address Venue links that encounter chronic problems.
- Confirm with LVL retailers and operators that their network connections are meeting or exceeding expectations.
- Offer training to Lottery personnel in the use of network performance monitoring tools.
- Regularly review LVL network performance trouble reports.
- Ensure that any major PDC outages will be efficiently resolved by network dynamic routing during a failover to BDC processing.

4.3.1.5.5 Placement of Equipment and Inside Wiring

Scientific Games understands and concurs that we will be responsible for the placement of necessary equipment and inside wiring at LVL sites.

We will attempt to place equipment and wiring as requested by Venue management. At each location using cellular IP technology we will use signal measuring equipment to confirm the presence of sufficient signal strength and place communications equipment accordingly.

When cellular signal strength is marginal, we may use specialty antennas, external antenna placement or signal amplifiers. If a viable wireless signal is not available, we will install ADSL communications circuits and equipment.

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4.3.1.7 PER VENUE NETWORKING COSTING

Scientific Games will calculate the periodic (monthly) communications costs so that each location may be charged an appropriate standard fee. We utilize a pooled cellular IP service plan that "evens out" usage across all sites to accommodate any Venues that may exceed monthly bandwidth billing thresholds.

Each permit holder will directly pay us the monthly fee for each of its locations. The aggregate of all LVL fees will be sufficient to cover our expenses for design, installation and maintenance of the entire LVL communications network.

4.3.1.8 CASINO COMMUNICATIONS NETWORK

Scientific Games understands and concurs that all casinos are responsible for the acquisition and cost of communications lines and inside cabling needed to ensure the exchange of gaming messages between its VLTs and the SGVideo central systems. We further agree that the installation of all communications equipment and the troubleshooting and repair of all communications outages is the responsibility of the casino and relevant communications provider(s).

We will provide alerts to notify the casino, Lottery and our support staff of communications problems. We will be responsible for problem resolution and understand that the Lottery will monitor the status of the trouble ticket.

The Scientific Games AEGIS-Video central management systems currently in West Virginia production supports wireless CDMA (Code Division Multiple Access), GSM (Global System for Mobile communications), broadband and T1 connections; our proposed SGVideo likewise supports these technologies. Our SGVideo gaming solution supports fiber optic connections inside the casino (between the gaming floor and the Site Controller rooms) as well as interconnecting multiple controller rooms.

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Please reference **Figure 4.3-1** for a high level view of the West Virginia video gaming wide area network proposed by Scientific Games for the networking infrastructure that we describe in our responses.

4.3.1.9 COMMUNICATIONS SUPPORT TO CASINOS

Scientific Games will provide communications network and administrative services to each casino throughout the life of the contract, including the services detailed in the following five subsections.

4.3.1.9.1 Configuration Management

We will provide configuration management, relying on an inventory of network resources and their operating parameters.

4.3.1.9.2 Fault Management

Scientific Games staff will provide fault management services to the casinos, including monitoring of network hardware and circuit outages. In compliance to **Section 4, Subsection 4.3.1.8**, we will assist the circuit and/or hardware vendor to resolve all reported issues.

4.3.1.9.3 Performance Management

Scientific Games will assist the Lottery with performance management and maximizing throughput capacity by monitoring network utilization and managing resources.

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4.3.1.9.5 Resolution Of Outages

We will implement and maintain the network and assist with the resolution of WAN infrastructure outages, ensuring continued operation of the links between VLTs and the CMS central system.

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We will continue to examine new communications technologies as they are released to determine which, if any, will improve any characteristic of the West Virginia Lottery video gaming environment.

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4.3.2.3 REAL-TIME DISPLAY OF NETWORK AND EQUIPMENT STATUS

Scientific Games will provide the SolarWinds Orion Suite of network tools as the Lottery's real-time monitor of network and equipment status—we have provided details of this application's capabilities in our response to **Section 4, Subsection 4.3.2.1.** The application includes viewing and reporting capabilities and generates alerts of the disruption of any Venue connections. It provides tools for determining specific fault(s). The Orion Suite can display the down time of any and all equipment and/or communications circuit in the network over a period of time definable by the Lottery.

4.3.2.4 NETWORK MONITORING TOOLS

Scientific Games will provide to the West Virginia Lottery network monitoring tools for all of the networked devices, using a standard protocol such as SNMP. These tools will support monitoring end to end of each communications path and will immediately incorporate monitoring of new network devices.

4.3.2.5 COMMUNICATIONS MAINTENANCE TECHNICIANS

Scientific Games will make sure that communications maintenance technicians, trained in the use of network testing and monitoring equipment, will be present at the active (VLT-serving production) system whenever the Lottery requests.

4.3.2.6 VENUE TROUBLE REPORTING PROCEDURE

Scientific Games will extend the level of its current West Virginia Venue trouble reporting procedures to address reported problems during the new contract (and possible extensions). Hotline calls received from LVLs and Lottery staff will be included in these procedures. We will also be available for providing assistance to RVL Venues experiencing problems with their SGVideo services.

Each Venue trouble call will be logged by a hotline operator familiar with the West Virginia video gaming landscape. The request for action can be tracked from call initiation through problem resolution, whether that resolution

results from corrective action taken at the Venue or by the communications carrier.

If a critical incident is reported by the Lottery to a hotline operator, and the first level of support has not returned a phone call or email within the defined time frame, the second level support (the Data Center Operations Manager) is contacted to address the situation. This person will ensure that Scientific Games maintains its service commitments.

For issues requiring corporate support, special technical support staff will confer across a telephone conference bridge (i.e., SYSCON) opened specifically for the current situation. The appropriate team and management personnel will receive email alerts and an invitation to dial into the conference. Most issues are resolved by this initial team, but additional resources are contacted if necessary. We will pursue escalation procedures with communications carriers whose circuits/facilities appear to be at fault.

In compliance with **Section 4, Subsection 4.2.1.1** Scientific Games will propose to the Lottery a maintenance plan (including response times and escalation procedures) at the conclusion of the business requirements collection phase of the project.

4.3.3 VLT WIRING (NETWORK AND COMMUNICATIONS)

4.3.3.1 VLT WIRING

Scientific Games understands and concurs that the wiring within each Venue connecting the VLTs to the Site Controller(s) is to be, at a minimum, the currently used fiber optic cabling.

4.3.3.2 ALTERNATE CABLING METHODS

Scientific Games understands and concurs that we may propose cabling methods (e.g., serial RS232, serial RS485, CAT 5, CAT 6, etc.) in addition to the current fiber optic cabling to connect the VLTs to the SGVideo Site Controllers. The RS232 connections will use MCDs (Multi-drop Connectivity Devices) to connect to SAS VLTs, while CAT 5 and/or CAT6 will provide connections to G2S gaming machines. We will not include the costs of any alternate cabling within our response to this RFP with the exception of complying with **Section 4, Subsection 4.2.1.2.**

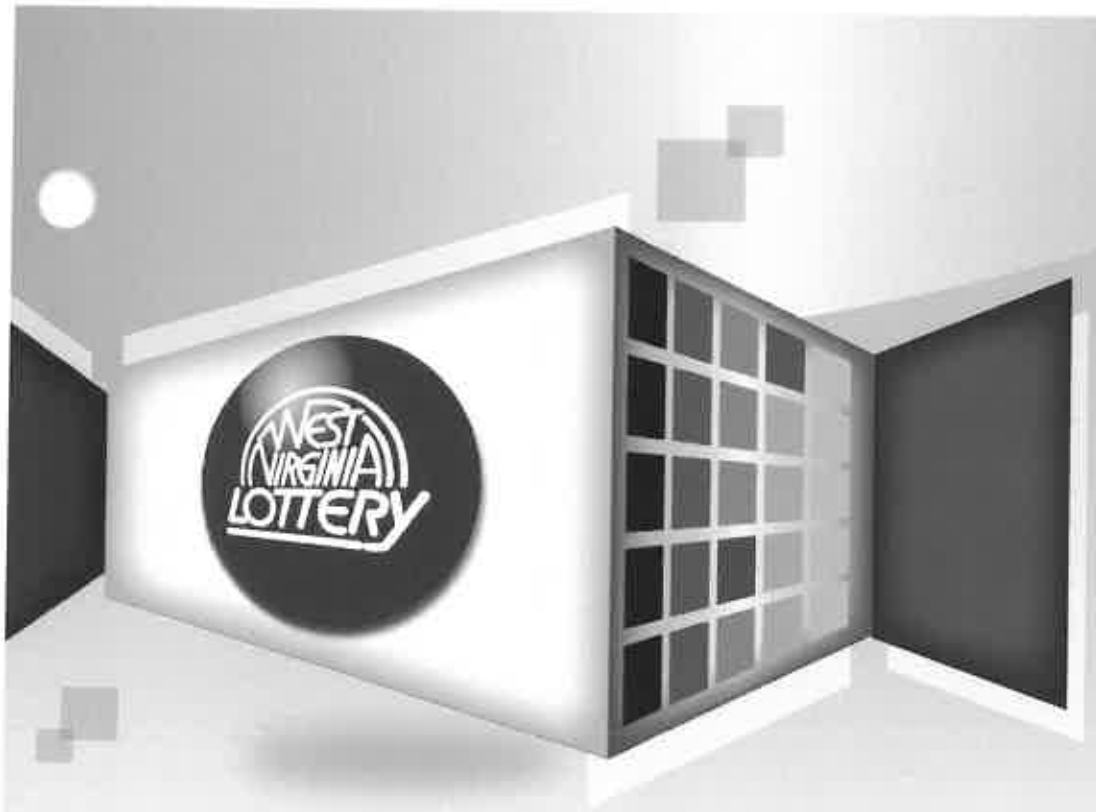
4.3.3.3 APPROVAL OF CONNECTIVITY METHOD

Scientific Games understands and concurs that we must have any floor wiring other than fiber optic cables reviewed and approved by the external testing lab and the Lottery before implementation at a Venue.

4.3.3.4 SOFTWARE-DRIVEN DIAGNOSTIC UTILITY

Scientific Games will provide the Lottery with a software-driven utility that can diagnose deficiencies present in the fiber loops connecting VLTs to Site Controllers at Venues. The Site Controller will provide a simple interface allowing authorized employees to transmit data onto a loop and provide a simple pass/fail analysis based on the data received at the opposite loop terminus. Non-loop connections will also be testable. LVL operators will use the touch screen monitor included with each Site Controller and casino staff will be able to use a keyboard-display present in the Site Controller racks.

System operators will be able to use our advanced Network Management System (NMS) tools to ping individual VLTs to determine whether the host has a viable connection to each.



SECTION 4.4: OPERATIONS

SG
SCIENTIFIC GAMES



SECTION 4: PROJECT GOALS AND OBJECTIVES

4.4 OPERATIONS

4.4.1 PROGRESSIVES (CMS CONTROLLED) (OPERATIONS)

4.4.1.1 COMMUNICATE WITH AND CONTROL PROGRESSIVE

The SGVideo product proposed by Scientific Games supports linked progressive video lottery games, allowing a group of VLTs within a single licensed gaming location to offer the following features across all participating SAS VLTs:

- Play of the same progressive video lottery game
- Game wagering providing the same win probability
- Resulting progressive jackpot award which increases by the same increments as progressive play occurs

In addition to this local area (single Venue) support, SGVideo supports wide area progressive games—multiple VLTs located in two or more licensed premises linked to the SGVideo central servers. **Figure 4.4-1** shows the system devices involved in supporting wide area progressives at an RVL. Each progressive is managed by a server that can be located either at the data centers for wide area or at a gaming Venue to support linked jackpots within that location.

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4.4.1.2 GLI-12 PROGRESSIVE STANDARDS

SGVideo will function according to the guidelines defined in the GLI-12 progressive standards and all other criteria specified in the West Virginia Lottery CRFP LOT 15000000001 RFP.

4.4.1.3 PROGRESSIVE SUPPORT FOR 150 VLTS

SGVideo is designed to support as many as 150 progressive VLTs contributing to the same progressive jackpot pool(s) in either a single Venue or multiple (wide area) Venues.

4.4.1.4 SUPPORT FOR ALL SAS VERSIONS

SGVideo is designed to support and use SAS 6.02 (with backward support for previous GSA-approved versions), and Scientific Games will ensure that our CMS will be upgraded to support newer SAS versions as they are officially approved. Additionally, the system natively supports G2S. SGVideo will communicate with and control all active progressive VLTs approved for use in West Virginia.

4.4.1.5 LINK MULTIPLE PROGRESSIVES

SGVideo is able to link multiple progressive VLTs at either one or multiple Venues to contribute to a common jackpot pool. It supports multi-level progressive jackpots with a minimum of, but not limited to, five jackpot levels per VLT.

4.4.1.6 THIRD PARTY PROGRESSIVE SUPPORT

SGVideo will support current Lottery-approved, third party progressive odometers and other paced-method meter displays as described in GLI-12 progressive standards.

4.4.1.7 REAL-TIME MONITORING OF PROGRESSIVE JACKPOTS

The SGVideo progressive management feature described in our response to **Section 4, Subsection 4.4.1.1** delivers real-time monitoring of all progressive

jackpots under CMS control. Lottery defined user groups and system privileges will ensure that only authorized users will have access to these data.

The system will update progressive displays with real-time jackpot amounts and jackpot award data. Our design ensures that the progressive meter will display the winning jackpot value within 15 seconds of the jackpot being recognized by SGVideo. If the Lottery prefers the implementation of "paced" updating displays, the progressive jackpot meter will display the winning value after the jackpot broadcast is received by the CMS central servers.

4.4.1.8 PROCESSING PROGRESSIVE WINS

The SGVideo progressive win support includes a feature that will cease all incrementing of a progressive jackpot and retire the active progressive jackpot levels after the win and reset the jackpot levels back to the base amount immediately after the win.

4.4.1.9 INDEPENDENT TESTING OF PROGRESSIVE HARDWARE AND SOFTWARE

Scientific Games understands and concurs that we must submit to the primary Lottery independent lab for certification any hardware and software used by our SGVideo CMS to link one or more progressive VLTs. These same components must also be approved by the Lottery after user acceptance testing.

4.4.1.10 DETAILED PROGRESSIVE REPORTS

The wide area progressive game support described in our response to **Section 4, Subsection 4.4.1.1** will provide a set of reports that will clearly demonstrate the method(s) used to arrive at the jackpot amount. They will include documentation of credits contributed from the beginning of the polling cycle (including those from the time period immediately following the previous jackpot) and all credits contributed up to and including the polling cycle that includes the jackpot signal.

Credits contributed to the system after the jackpot win occurs (in real time), but during the same polling cycle, will be considered to have been contributed to the progressive jackpot amount prior to the win.

In compliance with **Section 4, Subsection 4.4.12.3** Scientific Games will include at least the following progressive reports in the West Virginia SGVideo:

- Progressive VLTs
- Progressive Aggregate
- Progressive Detail
- Licensee Jackpot Contribution Invoice

4.4.1.11 LVL WAN PROGRESSIVE SUPPORT

Scientific Games has included in its configuration dedicated Wide Area Progressive servers, allowing us to support progressives across multiple RVLs and across multiple LVLs concurrently. We agree that wide area progressive games can only be supported at Venues with always-on connectivity to the central system.

4.4.2 DOWNLOADABLE GAMES (OPERATIONS)

4.4.2.1 SERVER BASED DOWNLOADABLE GAMING

When notified by the Lottery that the functionality is required, Scientific Games will provide all SGVideo equipment, hardware and software needed for server based G2S VLT game downloading, monitoring, authenticating and reporting.

Both the download and switch-to-downloaded-version times are configurable from the Central System. Despite the diverse methods used by VLT manufacturers to distribute, install and configure game software, SGVideo uses a single, generic set of commands to manage the process for any gaming machine.

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4.4.2.2 OPEN PROTOCOL SYSTEM ARCHITECTURE

Scientific Games is a staunch supporter of GSA protocol standards and has designed SGVideo to be compatible with both G2S and S2S, while still retaining its native support of the SAS protocol. We understand and concur that the system will support other open protocols approved for use within the state by the West Virginia Lottery.

4.4.3 PROMOTIONAL CREDITS (OPERATIONS)

SGVideo will provide a separate accounting of promotional credits, retained by VLT and Venue and will include both cashable and non-cashable promotional credits on financial reports.

We are familiar with the Lottery's quarterly threshold of non-taxable promotional credits. SGVideo will replicate today's AEGIS-Video system's reports on the status (i.e., authorized-issued-redeemed) of these promotional credits within the Lottery-established quarterly threshold.

4.4.4 TAXABLE WINNINGS (OPERATIONS)

Scientific Games understands that single event winnings of $1,200 or greater requires a player IRS Form W-2G for to document tax withholdings. We are also aware that a West Virginia VLT must lock-up when a win triggers a Form W-2G and that it must be reactivated by an attendant key. SGVideo will report these taxable winnings, with a time-date stamp, by the following attributes:

- County
- Venue
- Machine (VLT)
- Win monetary amount

4.4.5 TITO (TICKET-IN TICKET-OUT) (OPERATIONS)

Scientific Games is ready to provide our SGVideo TITO module as early as West Virginia production launch, if requested by the Lottery. The addition of the module to the SGVideo system will require a TITO-specific software release and the Lottery will be responsible for paying fees to the TITO license

holder from the day the software enters production, whether it is actually used or not. Scientific Games recommends that the Ticket-In Ticket-Out functionality deployment be scheduled to coincide with the first production need for the feature.

4.4.6 DATA FIELDS (OPERATIONS)

SGVideo maintains accurate records by using extended format meters from all VLTs. By relying on the Microsoft SQL Server database package, we can ensure that all data field are stored with the optimal width, (e.g., 14 digit meter fields to prevent data rounding or truncation) and we design screens and reports to show data elements with consistent widths.

4.4.7 DATA COLLECTION (OPERATIONS)

4.4.7.1 DATA COLLECTION METHOD

SGVideo uses a data collection method that reports events at the VLT and Site Controller level; these events include the time and date of occurrence. The Central System ensures that all events and gaming transactions are recorded (committed to the system's database) and accurate.

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4.4.7.3 VLT METER SIZES AND RECORD LENGTHS

The CMS will process all VLT meter sizes and record lengths with scalability for future growth or enhancement. SGVideo will automatically retrieve all meter data in real time across always-on (i.e., not dial-up) Venue links. We agree that manual meter reading will not be substituted for automated retrieval.

Overall game performance information, including gaming machine activity, game-level activity and revenue flow are stored and summarized in both the operational database and the data warehouse; each supports industry standard access using SQL commands and scripts. SGVideo retains data elements with as many as 14 digits of granularity, more than sufficient for VLT meter data.

4.4.7.4 SITE CONTROLLER FOR DATA COLLECTION

SGVideo relies on its Site Controllers to collect VLT data, hold those data securely in persistent memory until the information is transmitted to the central system. This transfer can be configured to occur at a scheduled frequency. At a minimum, the Site Controllers will upload metered data at the end of each business day. SGVideo provides the ability to perform data collection in response to an operator command.

Our Site Controller can autonomously monitor, control and collect data during periods when it is disconnected from the data center—the allowable length of time that a Site Controller can continue to allow local gaming without a link to the central system is configurable and easily satisfies the Lottery's requirement of 36 hours.

4.4.7.5 RECORD METER READINGS

SGVideo will maintain recorded meter readings associated with a unique VLT identification number. All readings will be accessible through the transaction history viewing tool, with the look-up result available for printing. The identification number will be the same value used within the asset tracking feature described in our response to **Section 4, Subsection 4.4.10**.

4.4.7.6 REPORTING ON METER ANOMALIES

The Scientific Games CMS will provide reporting of any VLT that has polled meters and events outside of Lottery configurable parameters. The system will allow easy setting of configuration values which the system will monitor for

anomalies. The reports will allow the user to select filtering and sorting using any of the following (when appropriate) attributes:

- Time, date.
- VLT population: single, all or all connected to a selected Site Controller.
- Single event parameters.

SGVideo will deliver the following two reports listing meter anomalies (as listed in the RFP Appendix 5) and provide the same content, format, and labeling as on today's AEGIS-Video CMS:

- **Meter Exceptions Report** – Shows all VLT machine and game level meters outside of expected parameters.
- **Meter Discrepancy Report** – Lists all variances between totals of game and machine level meters for any games played and games won during the reporting period.

4.4.8 ADJUSTMENTS (OPERATIONS)

SGVideo accepts and processes machine and game level adjustments at the VLT level, and includes mechanisms to specify the following values:

- Financial amount (dollars and cents).
- Count of games played or won.
- Explanation for the adjustment (comment field).

These adjustments will carry through all relevant reports and management screens.

Posting of adjustments is allowed from either a single management terminals screen or from computer files supplied by the Lottery. Only users with appropriate system security rights (based on their assigned user roles) will be allowed to issue adjustments through this screen.

4.4.9 DAILY TASKS (OPERATIONS)

4.4.9.1 SINGLE POINT OF ENTRY

SGVideo will provide a single point of entry for each management terminal users accessing the system on the Lottery's LAN.

This top level navigation screen will be comprised of clickable links to every available major function and tool, such as the following:

- Accounting and Invoices
- Adjustments
- Asset Management
- Event Monitor
- Licensing
- Network Management
- Progressives
- Reports
- System Security
- System Configuration
- System Health Monitoring
- Transaction Research
- VLT Management

4.4.9.2 AUTOMATIC RECORD UPDATING

SGVideo is designed to provide a single menu application that provides automatic updates to all records and control units at the time the operator either saves or exits the screen, without requiring further intervention by the operator. There will be no system degradation at the time these routine daily tasks are performed. While this functionality is available, Scientific Games recommends a commit verification popup screen to ensure that the entered data have been verified before the user purposefully or accidentally exits a screen. This safeguard protects against such dangerous situations as the system autonomously writing entered data that may be flawed or incomplete if the user's session times out (and closes the screen).

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Scientific Games has reviewed monthly LVL and RVL VLT maintenance activities listed in Appendix 3 of the RFP and agrees with those figures.

4.4.9.4 DISABLE/ENABLE

SGVideo provides a process for executing both scheduled and manual VLT shutdowns (disables) where gaming machines are prevented from functioning normally. The system also allows authorized users to execute both scheduled and manual VLT start-ups, which will start gaming functions in the designated device(s).

In addition to controlling individual gaming machines SGVideo supports VLT disabling or enabling at a Venue level or system wide (e.g., all VLTs on the network that have not been explicitly disabled) with a single command. Similarly, when a machine with a RAM failure has been disabled by an operator, the machine is prohibited from coming into play after a RAM clear. In all cases, a Site Controller's latest command (enable or disable) controls a machine when it resumes communication.

Our response to **Section 4, Subsection 4.4.9.5** offers additional flexibility in disabling and enabling multiple VLTs by a single command.

4.4.9.5 DISABLE/ENABLE VLTS BY GROUP

SGVideo provides to authorized users the enable and disable commands that immediately start or immediately cease gaming function of VLTs. As described in our response to **Section 4, Subsection 4.4.9.4**, the system can enable or disable individual gaming machines.

One example of the power of the SGVideo user interface is the ability to easily select a group of machines as the targets for operational commands. For instance, any of the following VLT attributes can be used to designate which devices will be enabled/disabled:

- Manufacturer
- Venue
- Operator
- Software version
- Software image
- Software image game slot
- License expiration date
- License number

- Site Controller
- Gaming floor spot

The CMS will never enable previously disabled software image without explicit computer operator intervention.

The selection criteria can be selected by a mouse click from drop-down list entries. **Figure 4.4-7** shows a current production C&C screen used to define VLT(s) that will be the target of a group command, such as enable or disable. To further increase the effectiveness of the concept, combinations of these characteristics can be selected to define the gaming machines to be affected. In this particular implementation a single mouse click can select all non-responding devices.

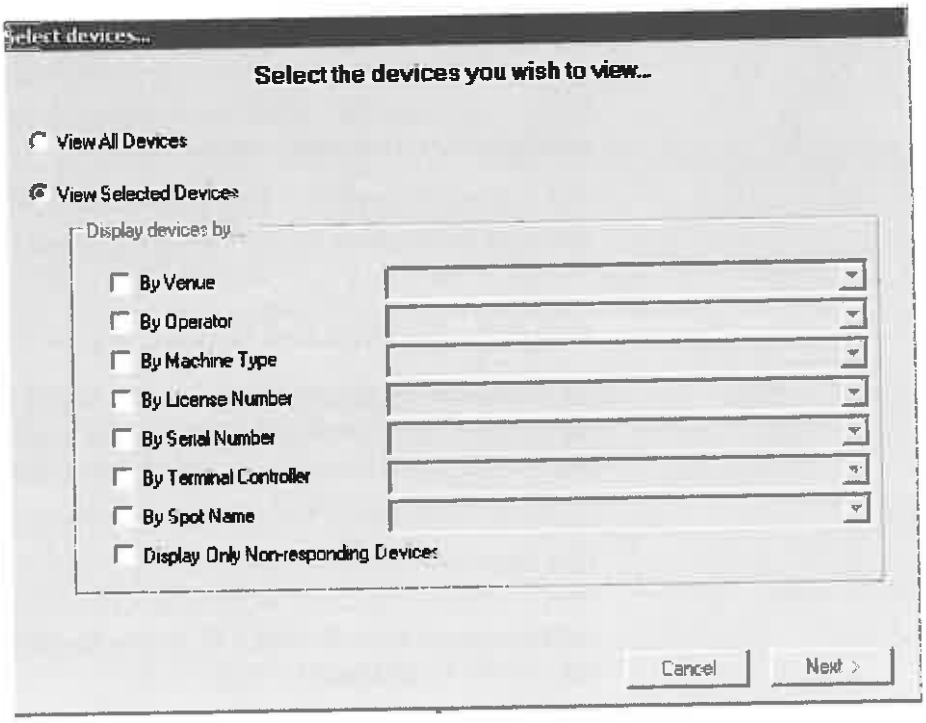


Figure 4.4-7: VLT Selection Screen

During the business requirements collection phase of the project Scientific Games staff will determine the exact VLT attributes to include on the selection screen.

4.4.9.6 DOCUMENTATION PROCEDURES AND PROCESSES

Scientific Games will provide documentation detailing screens, procedures and processes for activating, de-activating and re-activating VLTs base on any of the following attributes:

- Individual VLT
- All VLTs
- Group of VLTs
- Manufacturer
- Venue
- Operator
- Software version
- Software image and/or software image game slot
- License expiration

4.4.9.7 DISABLING/ENABLING CONDITIONS

Scientific Games assures the Lottery that SGVideo will not disable an enabled VLT when any of the following non-critical VLT configuration options/ attributes are changed:

- Game volume
- Data and time
- Game play options
- Any other non-critical settings specified by the Lottery

SGVideo will always disable a VLT when any of the following critical VLT configuration options are changed:

- Pay table percentage
- Game denomination
- SAS poll address
- Any other attributes/parameters as specified by the Lottery

4.4.10 ASSET TRACKING (OPERATIONS)

Our responses to the following ten subsections describe how SGVideo will provide the Lottery with a complete and effective asset tracking feature and how that subsystem will meet or exceed the needs of the Lottery.

4.4.10.1 ASSET MANAGEMENT SOFTWARE

Scientific Games will provide, as a part of its SGVideo solution, a database(s) and software tools for the management of assets, including VLTs, Site Controllers, ticket redemption terminals, management terminals and other equipment (e.g., printers, bar code scanners and monitors).The capabilities are summarized in our response to **Section 4, Subsection 4.4.10.2** through **Section 4, Subsection 4.4.10.8.**

Please review our response to the advanced asset tracking invited option (**Section 4, Subsection 4.4.10.9** and **Section 4, Subsection 4.4.10.10**) for further details about the functionality and structure of our asset tracking offering.

4.4.10.2 MAINTAIN FIELDS FOR LIFE OF THE MACHINE

SGVideo will maintain the following VLT, Site Controller, management terminal and other equipment asset data fields for the life of the contract:

- Device type
- Unique identification number
- Serial number
- State decal number
- Permit number
- Seal number
- Track number
- Manufacturer name
- Model number
- Date of installation
- Physical location
- Ownership of each

4.4.10.3 ACCESS TO HISTORY

We will create database search and reporting mechanisms that will allow the Lottery to access historic information on VLTs, Site Controllers, management terminals and other equipment, including the following information:

- Hardware status (active/inactive/decommissioned)
- Physical location

- Maintenance history
- Software change history
- Enable history
- Disable history
- Inventory status
- Permit number
- Seal number
- Track number
- Date of installation
- Ownership

4.4.10.4 ASSET MANAGEMENT SOFTWARE FOR TRACKING VLTS

Scientific Games will provide and configure an asset management feature that will allow the Lottery to track both operational VLTs (on the gaming floor) and those that are not active but remain within the state of West Virginia. The system will support tracking of warehoused gaming machines by owner/permit holder or manufacturer-owned VLTs stored within the state.

4.4.10.5 TRACKING VLT ACTIVITIES

SGVideo captures as a separate database record each device (e.g., VLT) event or change of status or location. Each record retains the information (e.g., time date stamp) needed to provide the Lottery with full activity reporting. The system is able to track each of the following VLT activities and statuses:

- Physical moves
- Gaming floor expansions (e.g., definition of device spots)
- Changes in status (e.g., to/from out of service, decommissioned, disabled, etc.)
- Locations (e.g., gaming floor spot, warehouse, repair depot, moved out of state, etc.)
- Production statuses (e.g., in test, not active for accounting or invoicing purposes)
- Software version changes
- No reporting device

Because each change is recorded as a separate record, SGVideo is able to track multiple statuses or locations logged in a single business day.

Many of the status changes are captured and logged automatically by the system, such as when a device is disabled, loaded with a new software version or is not reporting to the central system. Other data must be input to management screens by engineers or technicians performing the change (e.g., physical move within the Venue, move to warehouse, decommissioning).

4.4.10.6 INTERFACES TO EXTERNAL LOTTERY DATABASES

Scientific Games has proposed to integrate both basic and advanced (per **Section 4, Subsection 4.4.10.9**) asset tracking as an intrinsic capability of SGVideo. We will perform a database conversion from the extant "external" Lottery databases to populate the CMS database, supporting historic reporting directly on SGVideo management screens. We have reviewed and understand the Appendix 4 slot schema and will use it as a guide when performing the file transfer.

4.4.10.7 FIELDS FOR SEARCHING AND RETRIEVING

Scientific Games will ensure that the asset tracking feature will allow the database to be search based on the following VLT data fields:

- UID
- Serial number
- Decal number
- Seal number
- Permit number
- Casino number
- Physical Location

4.4.10.8 USER DEFINED FIELDS (UDF)

Scientific Games understands the requirement of the Lottery to have the flexibility to add new data fields to database records and display/update them on CMS management screens. We will include User Defined Fields (UDFs), which can be defined/configured by the Lottery and populated through a batch file (e.g., Excel). These fields will not previously exist in the CMS and will not require any database administrative actions to define and create them.

We will establish these data elements as character fields in order to provide the greatest flexibility in data field width and type. We will not place a limit on the count of UDFs that can be created for any logical data segment. Because these will be character fields, the CMS will perform no validation at data input time.

4.4.10.9 ADVANCED ASSET TRACKING FUNCTIONALITY



Scientific Games is eager to respond to the invited option for supplying an advanced asset tracking feature to the West Virginia Lottery. Building on the capabilities of our standard SGVideo asset database (as described in our response to **Section 4, Subsection 4.4.10.1** through **Section 4, Subsection 4.4.10.8**) our Advanced Asset Management (AAM) module will provide the flexibility, security, reliability and effectiveness required by the Lottery.

The SGVideo AAM is an open-ended system that relies on a Service Oriented Architecture (SOA) design to easily and securely interconnect with other software modules and systems. It will run on state-of-the art HP server hardware that will give the module reliability (using redundant, resilient hardware) and performance exceeding the Lottery's present external tracking database. The streamlined browser-based user interface will maximize employee productivity and minimize data input errors.

As part of the conversion project requirements collection phase, Scientific Games will document the current and desired asset tracking requirements identified by users of the Lottery's external database. We will include in our conversion plan the process through which we will migrate historic data from the Lottery's asset database to SGVideo.

AAM will include a comprehensive set of inventory management functions to maintain information on Lottery assets (e.g., VLTs, Site Controllers and ticket redemption terminals) and certified software. We will include all needed attributes for each asset and provide efficient data entry and review screens.

Both permit holders and internal Lottery staff will be allowed to initiate field orders by accessing asset management screens through a standard web browser running on their desktop or laptop computers. Permit holders can be allowed to modify pending work orders up to the point that the order is marked completed. All authorized parties will be able to see and report on completed orders.

4.4.10.10 EFFECTIVENESS OF ASSET TRACKING FUNCTIONALITY

We have provided several examples of AAM functionality in our response to **Section 4, Subsection 4.4.10.9**. Because the database will be an integral part of SGVideo, each device enrollment, move, removal, decommissioning and software version change will be captured automatically at the time the event is performed. Also, the integration of AAM provides the following user efficiencies:

- Users need only access a single system to review or update asset and gaming data
- All screens and procedures will be consistent across all functions
- Reporting and data exporting capabilities will be the same as on SGVideo
- No inter-system data synchronizing or reconciling will be needed

AAM will include various inventory report types and content (device, game, software, work order, physical movement, etc.). In particular, work orders can be generated and exported to standard file formats, such as PDF, Excel and CSV to both permit holders and internal Lottery staff.

The AAM servers will reside in a secure demilitarized zone (DMZ), providing maximum security yet allowing easy access by authorized users through standard web browsers.

Functionality and data will be protected by the standard SGVideo security features, including stringent system sign-in policies, segregation of duties and user group security roles. The asset tracking module will provide extensive database auditing capabilities, such as documenting all details about each data modification: who made it, when it was done, what field was changed and the before and after values of the field.

Integrating AAM as an internal SGVideo database benefits the Lottery by reducing the cost of hardware acquisition (as a small part of the larger CMS order), and inclusion in the overall system maintenance agreement. Because Scientific Games will be a single maintainer of both CMS and asset tracking software, the Lottery will experience reduced software maintenance costs and the convenience of a single documentation set and user helpline.

4.4.11 LICENSING (OPERATIONS)

Our responses to the following five subsections describe how SGVideo will provide the Lottery with a complete and effective license tracking feature and how that subsystem will meet or exceed the needs of the Lottery.

4.4.11.1 DATA ENTRY OF LICENSING INFORMATION

Scientific Games will deliver, as part of the West Virginia SGVideo CMS, a software feature supporting the entry of licensing information. We understand that regulatory controls demand that all required licensing information must be present on the system before an associated VLT can be enrolled.

We understand that in the LVL program, a licensed operator owns most machines, but that the law also allows for a retailer to obtain permits to own machines. We will provide functionality that will accommodate licensing data that vary depending on whether they relate to the owner of the machines or the retail Venue where the machines are placed. We will ensure that, in all cases, the SGVideo database will have the capability of managing information for both the owner and the retailer.

4.4.11.2 LICENSING DATA ELEMENTS

Scientific Games understands and concurs that the data elements listed in **Section 4, Subsection 4.4.11.2.1** through **Section 4, Subsection 4.4.11.2.4** will be included in the SGVideo CMS licensing database and there may be additional fields specified by the Lottery in the future. Attributes may be reported on, and linked to, financial data and statistical data as appropriate.

4.4.11.2.1 Key Licensing Fields

The following are the key data fields that will be supported by the SGVideo licensing database:

- License type (operator/owner, retailer/Venue)
- Retailer group (casino, LVL, chain, other)
- License number

4.4.11.2.2 Demographic Fields

SGVideo will accept, retain and report on the following license data fields:

- Business organization
- Legal structure type
- Business organization name
- DBA name
- Chain name
- Physical location address
- Physical location county
- Physical location region
- Mailing address
- Email address
- Phone number
- Alternate phone number
- Fax number
- Contact name
- Contact mailing address
- Contact email address
- Contact phone number

SGVideo will support Venue lookups by fields other than name.

4.4.11.2.3 LVL Fields

The SGVideo licensing feature will support the following LVL licensee data fields:

- License number
- Control number
- Chain number
- IP address
- Type (fraternal or non-fraternal)
- Operator name (for retailer-only Venues)
- Alcohol Beverage Control Administration (ABCA) license number
- Date licensed
- Date license expires
- Status (active or inactive)
- Date of latest site survey
- Date of latest compliance check

- Date of latest meter data reception
- Date Venue disabled
- Date of latest invoice
- Date machine(s) removed
- Comment

4.4.11.2.4 Additional User-Defined Fields (UDFs)

SGVideo will provide the Lottery with licensing user defined fields for all license types described in **Section 4, Subsection 4.4.10.8.**

4.4.11.3 ADVANCED VENUE LICENSING FUNCTIONALITY



Scientific Games is pleased to respond to the Lottery's invited option by proposing our Advanced Venue License Management (AVLM) module, which provides all the tools and features to track permit holder pre-licensing requirements, re-licensing requirements, renewals and current status. The feature adheres to SGVideo security policies and runs on resilient hardware to ensure that licensing data are always available to Lottery personnel. The feature will deliver reliability and performance improvements over the Lottery's current external database.

AVLM is a web-based (i.e., accessed through a standard browser), open-ended Service Oriented Architecture (SOA) system with several integration points to seamlessly combine with the SGVideo monitoring and control functionality. Integrating the licensing module with the SGVideo CMS eliminates duplication of Lottery hardware, software and operational maintenance while reducing human error by avoiding multiple manual data entry on disparate systems. Incorporating the licensing functionality with SGVideo also reduces staff resources by eliminating the cumbersome processes of data reconciliation between the separated systems.

Scientific Games staff will collect detailed business rules and requirements concerning the Lottery's current and anticipated licensing functions, workflows, employee assignments, regulatory requirements and license data elements. Our test scripts will fully exercise the module's functionality during acceptance and certification testing and make sure that each documented business rule is enforced throughout the permit process.

The proposed solution will support submission of permit applications through the browser-based application, serviced through the Internet using

demilitarized zone (DMZ) security techniques. An authorized user will be able to manage the compliance checklist associated with the application and keep track of the status of each application.

License tracking will include the tracking of bid fees (including renewals), award or loss of permits every ten years, permit limits, forfeitures and surrenders. The module also will maintain associations between each VLT and the permit holder to which it belongs.

The feature will provide extensive reporting (including outputting to LAN printers) capabilities on all licensing data fields.

4.4.11.4 EFFECTIVENESS OF ASSET TRACKING FUNCTIONALITY

The Scientific Games AVLM offers a wide range of license management functions—all of which are designed to improve Lottery staff effectiveness, streamline data maintenance tasks and eliminate hardware, software and maintenance costs inherent in running separate systems for VLT management and license management. One example of the effectiveness of our solution is the automatic email notification of designated staff when there are incomplete or missing licensing documents.

The following are just some of the module's powerful permit tracking functions:

- Associate each permit with Venue, operator, manufacturer and/or VLT
- Input/assign licensing association information through batch processes
- Track, from assignment through destruction, the history of each gaming machine associated with each permit
- Issue convenient, effective reports of permit data
- Support remote updating of statuses by field agents and/or security personnel
- Reuse permits that are surrendered (when allowed under gaming laws)
- Provide powerful, secure auditing of the licensing database and processes, including the following:
  - What changes took place
  - Data time the modifications were applied to the database
  - User ID of the person making the change
  - Previous data element value as well as the newly applied value
- Offer a wide range of reports, with the ability to output the data to a LAN printer and/or standard desktop file formats, such as PDF or Excel

AVLM security will be administered by the same role group mechanism used to safeguard access to the rest of SGVideo. Access to licensing screens will be controlled by privileges assigned to each user. Auditing capabilities will allow researching of details concerning database modifications.

Our licensing solution will run on the same powerful, reliable, resilient and redundant HP server hardware; local and PDC-to-BDC failover ensures that licensing data and management tools will always be available to Lottery staff. The servers will be serviced by HP technicians in the same way as they maintain critical SGVideo VLT management servers.

Integrating AVLM as an intrinsic part of SGVideo means that the Lottery will benefit financially through the reduced cost of the hardware acquisition (as a small part of the larger CMS order), and inclusion in the overall system maintenance agreement. Because Scientific Games will be a single maintainer of both CMS and licensing functionality, the Lottery will experience reduced software maintenance costs.

The Scientific Games AVLM is based on the Service Oriented Architecture (SOA), a widely-used technique of integrating multiple diverse software applications across separate processing hardware, even distant servers that are connected by a secure network. Each service within an SOA implementation performs a specific task that can be used by other modules conforming to the interface definition. This architecture greatly simplifies the integration of future Lottery systems and functionality.

4.4.11.5 ADVANCED VENUE COMPLIANCE FUNCTIONALITY



As part of our SGVideo CMS, Scientific Games will satisfy the invited option for a Venue compliance database, in order to provide the reliability, security and performance improvements that the SGVideo platform offers.

Our solution will provide the data elements and functionality defined during the project's business requirements collection phase. It will provide the following basic capabilities:

- Generate a 10-item site survey checklist
- Accept and store data entry of each completed checklist
- Generate a 20-item Venue compliance report checklist required for each retailer group
- Provide additional reporting of each checklist's data

- Track and report on compliance status, including checks that are due and overdue
- Track and report on Venues that are out of compliance
- Support reporting for about 20 different incident types and a multi-line comment field for each incident

The Venue compliance capabilities will also benefit from the economies of integration, reliability of resilient hardware and convenience of single-vendor software support.

4.4.12 PERMITS (OPERATIONS)

4.4.12.1 LVL MACHINE PERMIT NUMBER

Scientific Games understands that every West Virginia LVL gaming machine is assigned a unique permit number. We will provide a mechanism within SGVideo that will enforce permit limits and the system will not allow any permit holder to enroll more VLTs than the count allowed by the Lottery.

4.4.12.2 COMPLIANCE WITH PERMIT VLT COUNT

Scientific Games is familiar with the West Virginia Lottery's administration of VLT permits. We understand and concur that SGVideo will be able to assign each permit to a physical VLT and that permits are reconcilable to the count of active and stored gaming machines. The system will ensure that a permit holder can never have more VLTs than allowed by its permits. We will configure SGVideo to invoice each permit holder an appropriate annual permit fee.

4.4.12.3 REPORTS PER APPENDIX 5 – REQUIRED REPORTS

SGVideo will provide the West Virginia Lottery with the same reports as it has today on it AEGIS-Video system—there will be no need to interpret new formats, column headers, data element name, or calculated fields. We will develop the Lottery's new reports using our knowledge of its business processes and data needs, and collaborate on exact content and layouts.

Figure 4.4-8 lists the reports called for in the Lottery's RFP and the title of the SGVideo report that satisfies the stated content, structure and options.

REQ #	WV REPORT TITLE	SGVIDEO REPORT TITLE
ERROR AND ALERT		
4.1.5.1.5	Signature Validation (VLTs)	Signature Validation (VLTs)
4.1.5.2.2	Signature Validation (devices)	Signature Validation (devices)
4.11.3	Non-Reporting VLT (due to non-communications)	Non-Reporting VLT (due to non-communications)
—	Communication History	Communication History
4.4.7.6	Meter Exceptions	Meter Exceptions
4.4.7.2	Event Exceptions	Event Exceptions
4.4.7.1 4.4.7.2	Events by VLT	Events by VLT
4.4.7.2	Events by Venue	Events by Venue
4.4.7.2	Events by Event	Events by Event
4.1.4.12.8.1	Security/User Access	Security/User Access
4.1.4.12.8.4	Security/User Access Level	Security/User Access Level
—	Security Violation	Security Violation
4.1.4.12.8.2	Security Update	Security Update
4.1.4.12.6	System Checksum	System Checksum
4.1.12.8.2	Device Notes	Device Notes
4.1.5.1.6	Revoked Software Images	Revoked Software Images
ASSET TRACKING		
4.4.10.2	Asset History	Asset History
4.4.10.3	Maintenance	Maintenance
4.4.10.n	Inventory	Inventory
PERMITS		
4.4.12.3	Permit Summary	Permit Summary
4.4.12.3	Open Permit	Open Permit
4.4.12.3	Permit Status – Holder	Permit Status – Holder

Figure 4.4-8: Required CMS Reports

REQ #	WV REPORT TITLE	SGVIDEO REPORT TITLE
4.4.12.3	Permit Status – Operator	Permit Status – Operator
4.4.12.3	Permit Status – Operator with Detail	Permit Status – Operator with Detail
INVOICES		
4.4.13.1-3	Monthly Invoice/Billing Statement	Monthly Invoice/Billing Statement
4.4.13.1-3	Monthly Billing Summary	Monthly Billing Summary
4.4.13.1-3	EFT Sweep	EFT Sweep
4.4.13.1-3	Manual Adjustments Report	Manual Adjustments Report
4.4.13.8	Settlements	Settlements
SYSTEM ACCOUNTING		
4.4.14	Gross Terminal Income Summary	Gross Terminal Income Summary
4.4.14	Gross Terminal Income Detail	Gross Terminal Income Detail
4.4.14	Venue Summary	Venue Summary
4.4.14	Net Balance	Net Balance
4.4.14	Net Venue by County Detail	Net Venue by County Detail
4.4.14	Net Venue by County Total	Net Venue by County Total
4.4.14	LVL Financial	LVL Financial
4.4.14	Meter Discrepancy	Meter Discrepancy
4.4.14	Raw Meter	Raw Meter
4.4.3	Promotional Credits	Promotional Credits
4.4.14	Cash Flow Summary	Cash Flow Summary
4.4.4	Taxable Winnings	Taxable Winnings
4.4.14	Voucher Detail	Voucher Detail
4.4.14	Voucher Summary	Voucher Summary
4.4.8	Adjustments	Adjustments
4.4.13.6	Daily Aggregate Average	Daily Aggregate Average
4.4.14	Prize Payout (Game Performance)	Prize Payout (Game Performance)

Figure 4.4-8: Required CMS Reports

REQ #	WV REPORT TITLE	SGVIDEO REPORT TITLE
PROGRESSIVE GAMES		
4.4.1.10	Progressive VLTs	Progressive VLTs
4.4.1.10	Progressive Aggregate	Progressive Aggregate
4.4.1.10	Progressive Detail	Progressive Detail
4.4.1.10	Licensee Jackpot Contribution Invoice	Licensee Jackpot Contribution Invoice
LVL SITE CONTROLLERS		
4.2.2	<Set of Site Controller reports>	<Set of Site Controller reports>
LICENSING		
4.4.11.2.1, 2	— <License data, including process status and events>	— <License data, including process status and events>
4.4.11.2.3	— <LVL license data>	— <LVL license data>
4.4.11.3	— <Advanced Venue licensing data>	— <Advanced Venue licensing data>
4.4.11.5	— <Advanced Venue compliance data>	— <Advanced Venue compliance data>

Figure 4.4-8: Required CMS Reports

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4.4.13 FINANCE AND ADMINISTRATION (OPERATIONS)

4.4.13.1 MONTHLY INVOICING

SGVideo will be able to produce the same monthly invoice reporting that is used by the Lottery on its current AEGIS-Video system. The new CMS will accommodate invoicing requirements for LVLs and RVLs. SGVideo will replicate today's options for sorting by operator/chain and each invoice will include a cover page designed for postal delivery.

4.4.13.2 INVOICING FUNCTIONALITY

The invoicing features currently used on the Lottery's AEGIS-Video system will be available on the new SGVideo CMS. It will be variable and customizable for specific retailer groups. It will be easily configurable for tax rate changes that may occur during a specific tax period. The system will support user defined gaming date ranges to allow billing to accommodate the various governing acts in the West Virginia Code.

4.4.13.3 BILLING TAXATION PROCESSING

As the Lottery's incumbent CMS vendor, Scientific Games is very familiar with the current billing process. We will ensure that SGVideo will be able to apply variable tax rates, which may be customized for each retailer group. The system will allow the Lottery to reconfigure the tax rate structure when needed without the need for recoding. Updates to the tax rate will be identifiable to a tax period. The system also provides a screen on which the Lottery can apply manual adjustments at the Venue level.

4.4.13.4 DATA DOWNLOADING

SGVideo is able to download to tape or disk (or other standard storage devices) information necessary for the Lottery to perform EFT sweeps of LVL permit holders. The system is able to generate that information in the following file formats or compatibilities: Excel, tab-delimited and .xml. Further details can be found in our response to **Section 4, Subsection 4.6.1.2.**

4.4.13.5 DELIVERY OF INVOICES

The SGVideo CMS provides invoice delivery options other than by the U.S.P.S. by providing an operator portal through which invoices can be retrieved and printed locally as desired only by authorized Venue personnel. SGVideo has options to define invoice recipients by LVL location so that each operator and its accounting staff can obtain the data in addition to the retailer. An operator or chain can view all retailers under their control but no retailer can view another retailer's invoice. We understand that some operators will delegate this function to an independent accountant.

4.4.13.6 AGGREGATE DAILY AVERAGE GROSS REVENUE

SGVideo can calculate an aggregate daily average gross Venue revenue based on the prior three months results, in order to determine a percentage of gross profits due the Lottery for LVL Venues in the next period.

4.4.13.7 EXTRACT FILES

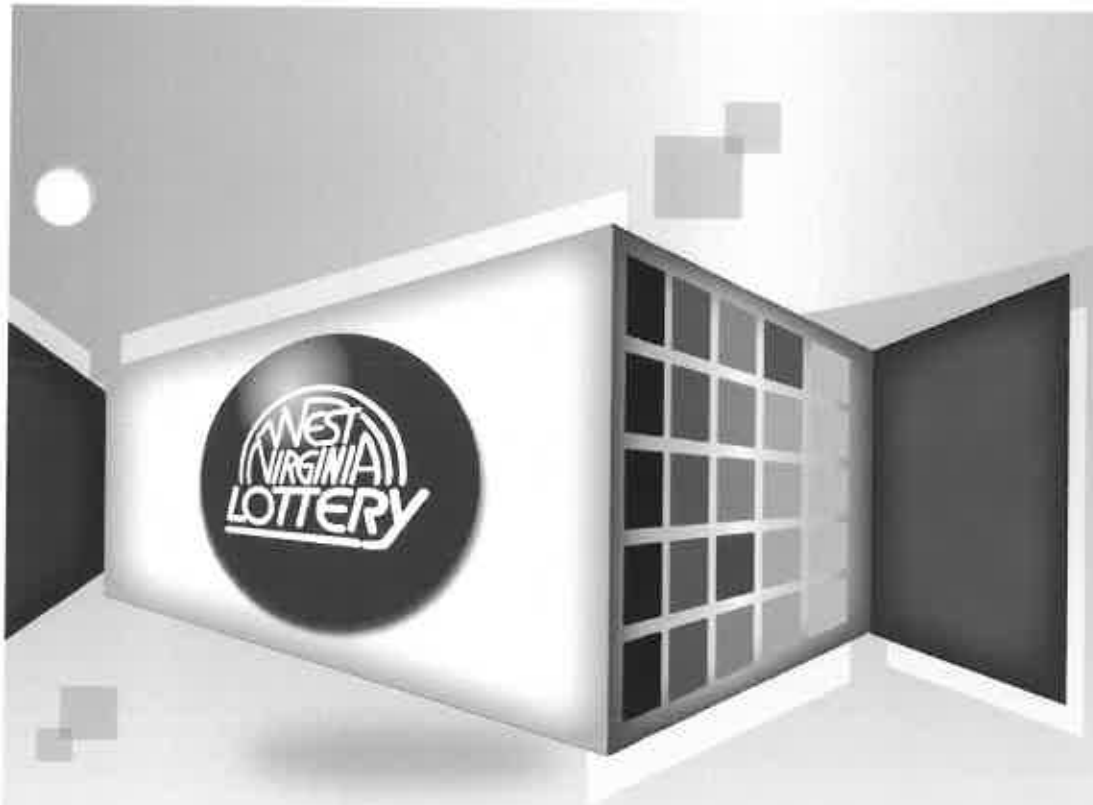
SGVideo can calculate and provide extract files report on Venue distributions to counties and municipalities by specific fund types as established by code. The CMS provides the data used to calculate these payouts on a periodic basis for LVLs and RVLs. The payout is distributed according to relative populations and SGVideo can carry forward a negative calculation (e.g., if a high payout impacts a specific county/municipality) to a forward period. RVL distributions also include benchmark criteria which will impact the calculated distribution.

4.4.13.8 SETTLEMENT REPORTS

Scientific Games will make sure that the West Virginia SGVideo CMS has the ability to calculate settlement reports between a non-independent LVL retailer and its associated operator. We will implement an email routing system combined with an e-signature process, resulting in the creation and retention of a settlement report according to Venue sweep cycles. We will configure the CMS to retain these settlement reports two complete fiscal (June 30 year-end) cycles.

4.4.14 SYSTEM ACCOUNTING AUDIT AND ANALYSIS (OPERATIONS)

Scientific Games has designed SGVideo to monitor and control individual SAS and G2S VLTs connected across a wide area network. It currently supports version 6.02 of SAS, with backward compatibility to legacy versions, and we will maintain support for commands and meter code values added or modified in future approved GSA versions.



SECTION 4.5: INTERFACES

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SECTION 4: PROJECT GOALS AND OBJECTIVES

4.5 INTERFACES

4.5.1 INTERFACES (DATABASES)

4.5.1.1 INTERFACE TO LOTTERY OFF-SYSTEM DATABASES

SGVideo uses a relational database management system that is both OLE and ODBC compliant. We will provide a definition for the flat file to be exchanged and ensure that the system will be able to transmit and receive all required data elements in order to exchange data with the Lottery's subsystem.

4.5.1.2 CONFIDENTIAL DATA

Scientific Games understands and concurs that all CMS data are confidential and are the sole property of the West Virginia Lottery.

4.5.1.3 DATABASE SCHEMA

Scientific Games has provided on the DVD located behind the **"Supplemental Information"** tab at the end of **Section 4, Subsection 4** an Entity Relationship description and data table definitions of the SGVideo data warehouse. Prior to the start of initial system acceptance testing, Scientific Games will provide the Lottery with an updated schema that includes all modifications made during the West Virginia development phase of the CMS project.

4.5.1.4 SECURITY MODEL

The SGVideo security model is similar to that currently used by the West Virginia Lottery on its AEGIS-Video CMS. In addition to nearly four dozen individual user roles that are used to assign system privileges, our latest CMS offers the convenience of user groups. With these groups, the Lottery is able to quickly and accurately assign like privileges to a number of users. We provide a detailed description of user security assignments in our response to **Section 4, Subsection 4.1.4.12.8.4.**

4.5.1.5 MICROSOFT SQL SERVER 2008 INTERFACE

SGVideo relies on the latest version of Microsoft SQL Server for database and data warehouse management, allowing it to be capable of interfacing with older versions (e.g., 2008).

4.5.1.6 REAL-TIME DATA WAREHOUSE

SGVideo retains historic data in its data warehouse, a specially structured MS SQL Server database that supports rapid reporting of data without affecting the performance of gaming management duties. The production system data warehouse receives data in real time; the data warehouse running at the backup (i.e., non-production site) data center is kept synchronized throughout the day through data logging across the broadband link. As with all operating system software, Scientific Games will ensure that the data warehouse and operational database software is maintained at the current version released for use by the Microsoft.

4.5.1.7 METADATA MODEL AND DATABASE DIAGRAM

Scientific Games will design and maintain a metadata model and database diagram of the data warehouse to assist the Lottery to understand the relationships between tables. This model will be in an organized format so that the Lottery's DBA and related "super users" can easily identify data elements and their relationship.

4.5.1.8 RELATIONAL DATABASE MODEL

SGVideo will offer to the Lottery a relational database that contains data elements and relationships mutually agreed on by the Lottery and Scientific Games. Data items will be made current in real time or as close to real time as possible. The database will include all information collected by the system. Using the relational architecture, Lottery system users will be able to develop, modify, save and schedule individual reports. All information retrieved from the relational database architecture in user-developed reports will be able to be indexed and sorted.

4.5.1.9 PRE-DESIGNED REPORTS

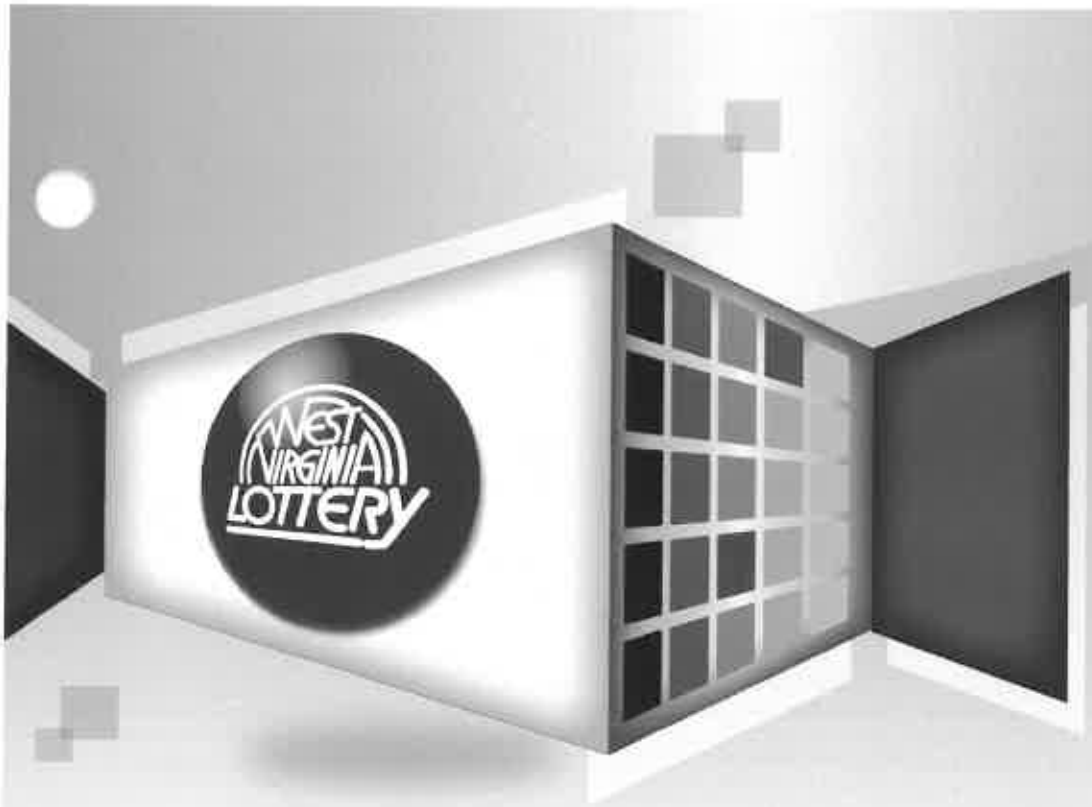
Scientific Games has proposed to integrate both basic and advanced (per **Section 4, Subsection 4.4.10.9**) asset tracking as an intrinsic capability of SGVideo. We will perform a database conversion from the extant "external" Lottery databases to make the CMS the primary asset tracking system, obviating the need to pass gaming machine status updates back to the Lottery maintained database. If such data transfers are required, we will develop a definition of a flat file that will be transferred between the two systems.

4.5.1.10 FLOW OF DATA BETWEEN SEPARATE DATABASES

Scientific Games will implement needed data connections between SGVideo databases and the Lottery's external databases, including the control of the traffic flow and data integrity.

The primary control will be the validation that the communicating databases are allowed to exchange data, using well defined, secure integration points. Secondly, traffic flow can be controlled by establishing flat file data transfers at designated times or frequencies. Scientific Games concurs that the content, format and controls of these files would be defined during business requirements collection.

Data accuracy (e.g., object identity and element content validation) would protect both ends of the data exchange from having invalid or corrupted information.



SECTION 4.6: REPORTING

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SECTION 4: PROJECT GOALS AND OBJECTIVES

4.6 REPORTING

4.6.1 REPORTING REQUIREMENTS (REPORTING)

4.6.1.1 BUSINESS DAY FORMAT

Based on our experience in supporting the current West Virginia Lottery CMS, we understand and concur that SGVideo will define a business day as the period from 6:00:00 a.m. through 5:59:59 a.m. (inclusive) on the following calendar day. The business date will always be defined as the calendar day that begins at 6:00:00 a.m.

4.6.1.2 EXTRACTION/REPORTING TOOLS

Data can be extracted from the system in the form of reports, which can be viewed on the screen and then saved (exported) to desktop applications such as Excel, Access and text processors. **Figure 4.6-1** shows an example of generating the Game Performance Report (also known as the Theoretical Hold vs Actual Hold Report), then saving the data to an Excel spreadsheet that can then be analyzed/ manipulated on the desktop. This feature supports the following common data formats:

- Excel
- PDF
- XML
- CSV

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4.6.1.3 GENERATING REPORTS AND INVOICES

SGVideo will be able generate daily, weekly, monthly and yearly reports and invoices. The system is also capable of generating ad hoc reports was requested by the Lottery utilizing user-defined date ranges.

4.6.1.4 PROCESSING REPORTS

SGVideo relies on Microsoft's SQL Server Report Services (SSRS) to generate reports extremely quickly and without affecting system performance. The service uses multi-threading to allow a user to request a report and yet continue with other system management activities, and monitor the status of report generation on a progress bar. The workstation will not be locked while the report is being built.

4.6.1.5 CANCELLING REPORTS

The user will be able to cancel a requested or queued report without degrading system operation.

4.6.1.6 MAXIMUM REPORTING FLEXIBILITY

SGVideo will provide the Lottery with extensive flexibility when accessing and reporting on system data. The system will generate reports based on a number of attributes and allow the use of multiple concurrent attributes to filter and sort the output.

The graphical interface to the reporting tools will allow the user to add or remove (i.e., include or exclude) attributes as needed. The following are basic attributes that will be available to the end user; each can be included or excluded, and combined with others, when appropriate to the report being generated:

- Date
- Venue
- VLT
- Operator/owner
- Region
- County
- Retailer group
- Chain

- Software version
- VLT manufacturer
- Site Controller

4.6.1.7 REPORTING SUB-SYSTEM

SGVideo provides two types of reporting sub systems: standard, recurring (scheduled) reports and ad hoc report generation capabilities.

Scheduled reports will be generated automatically by the system and stored in a standard location for user collection or emailed to individuals who have subscribed to each. This process is provided by our Operator Portal, which allows both Lottery staff and authorized permit owner employees to obtain system generated data.

Ad hoc reporting will be provided to authorized Lottery staff through the Microsoft SQL Server Reporting Services (SSRS), where data source, filtering, sorting, layout, labeling and other attributes can be specified by the user.

Access to standard reports and the ability to create/modify ad hoc reports will be strictly controlled by standard SGVideo security mechanisms and be assignable at the user group level. Users will be able to review/access only the data elements allowed to them by system security settings.

Scientific Games understands that new reports and report modifications will be required throughout the life of the contract, and routine requests (i.e., Scientific Games Change Requests) will be satisfied within a mutually agreed on schedule—delivery within 20 business days after the functional specification are approved.

Scientific Games understands that ad hoc report writing will be made available to the Lottery at a user group level adjustment.

4.6.1.8 INTEGRATED REPORT WRITING TOOL

Scientific Games has integrated the Microsoft SQL Server Reporting Services report writing tool into SGVideo to provide a streamlined way of designing and generating reports with the desired filtering, grouping, sorting and data granularity. This package will be able to generate the finished reports for output to a LAN printer (i.e., "paper") or to any of the following file formats:

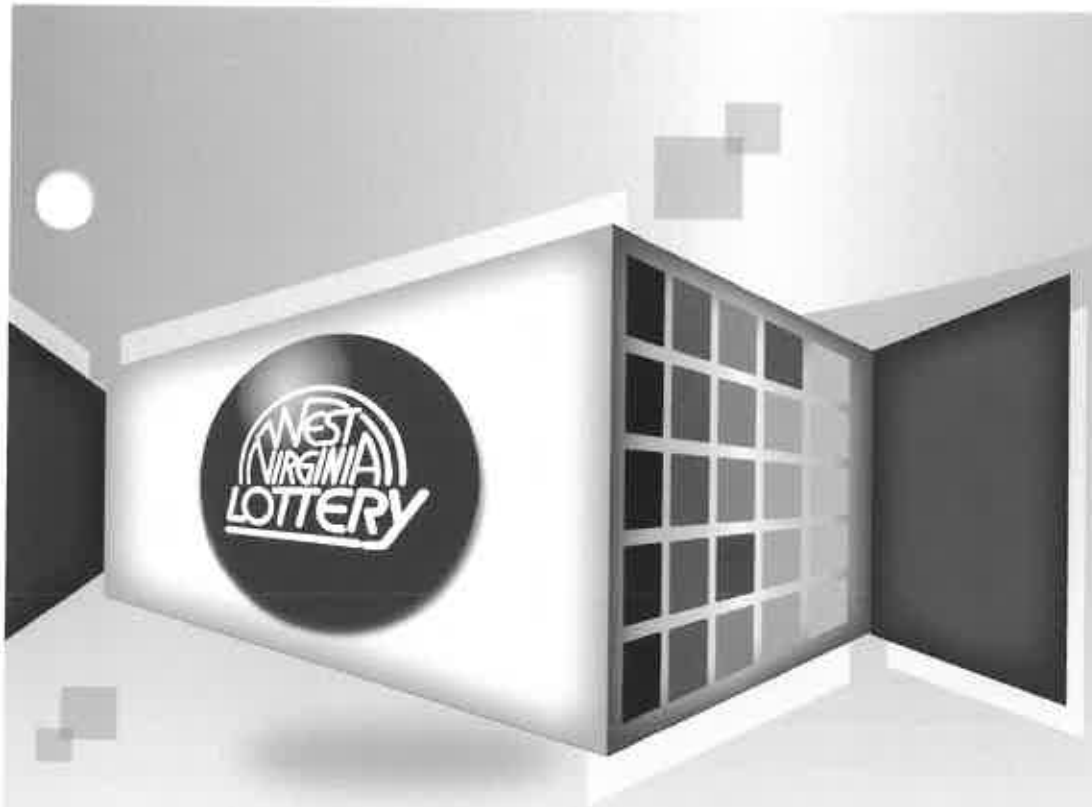
- PDF
- Excel
- XML
- CVS

4.6.1.9 PRE-DESIGNED REPORTS

SGVideo will use proven AEGIS-Video techniques to generate accurate pre-designed reports requested by the Lottery, thus ensuring that there are no surprises when the new CMS enters production. The reports will be and readily available for generation when the Lottery calls for them. We have reviewed the reports listed in the RFP Appendix 5 (and subsequent addenda) and we know that SGVideo will meet or exceed Lottery expectations. Please see our itemized response to the RFP Appendix 5 included in **Section 4, Subsection 4.4.12.3**.

4.6.1.10 HOW REPORTS WILL MEET REQUIREMENTS

SGVideo will meet West Virginia Lottery reporting requirements by providing the exact same reports generated today on its AEGIS-Video system. Simply stated: The new CMS' reports will provide the content, format, sorting, filtering and labeling required today by the Lottery. Where new reports are required, Scientific Games will assign software developers and database administrators who are already familiar with the people, processes and procedures used in West Virginia. There is no fear of having to start from scratch in order to obtain the critical data needed to run the Lottery's everyday business.



SECTION 4.7: CONVERSION

SCIENTIFIC GAMES



SECTION 4: PROJECT GOALS AND OBJECTIVES

4.7 CONVERSION

4.7.1 CONVERSION REQUIREMENTS (CONVERSION)

4.7.1.1 PROPOSED CONVERSION PLAN

Scientific Games has provided in our responses to **Section 4, Subsection 4.7.1.2** through **Section 4, Subsection 4.7.1.6** an overview of our proposed conversion plan. We understand and concur that we will submit for Lottery review a detailed project plan, including timeline, no later than 60 days following the Lottery's Notice to Proceed (contract execution). We further agree that the Lottery's approval will mean that the plan becomes the binding basis for the conversion to SGVideo.

4.7.1.2 CONVERSION PLAN

Scientific Games will provide the West Virginia Lottery with a detailed Conversion Plan, which will include at least the topics covered in **Section 4, Subsection 4.7.1.2.1** through **Section 4, Subsection 4.7.1.2.5**.

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4.7.1.2.2 High Level Conversion Plan

As we present in our response to **Section 4, Subsection 4.7.1.2.1**, Scientific Games will migrate the West Virginia Lottery from today's AEGIS-Video system to our SGVideo CMS in three simple phases: Preparation, Launch+Migration and Upgrade+Migration.

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4.7.1.2.3 Conversion

Scientific Games has included in its detailed project plan (Gantt timeline) itemized components that must be delivered, installed, tested and operational by specified dates in order to complete the migration of West Virginia VLTs to SGVideo before the Lottery's February, 2018 deadline. In fact, the Scientific Games project plan specifies that SGVideo will enter production on November 1, 2016, with all Venues being upgraded to new hardware and software by July 19, 2017.

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4.7.1.2.4 Project Reporting and Monitoring Requirements

Scientific Games will assign a full-time Project Manager who will be in West Virginia throughout the implementation project. The staff member will attend the regularly scheduled weekly project review meeting in person. In exceptional cases, the Project Manager may attend the meeting through teleconferencing.

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4.7.1.2.5 Definition of Business Requirements

Scientific Games understands and concurs that during the first 60 calendar days after receiving the Lottery's Noticed to Proceed, we will assign business/technical analysts to thoroughly study and document the Lottery's business processes, operational procedures and business policies toward the goal of producing detailed and complete business requirements documents. We will also fully familiarize ourselves with the Venues' business operations as it relates to their VLTs connected to the CMS network. The assigned analysts will observe the business processes and meet with end users in order to obtain the information needed to define the operation, functionalities and capabilities of the West Virginia SGVideo system.

Our on-site analysts will be the same CMS experts that have supported the West Virginia Lottery AEGIS-Video system. Unlike any other prospective bidder, Scientific Games will provide a requirements collection team that, on day one of the project, will be fully familiar with the Lottery's employees, procedures, practices, processes and operational needs.

4.7.1.3 DELIVERY OF BUSINESS REQUIREMENT DOCUMENTS

Scientific Games understands and concurs that, at the conclusion of the 60 calendar day requirements collection period, will deliver to the Lottery a separate business requirements specification document for each major functional area ("Business Requirements"). These documents will demonstrate our complete and accurate understanding of the Lottery's operational needs.

We further concur that the Lottery will review and approve these documents within 30 days of receipt.

The documents will address each business process currently performed by the Lottery as it relates to the CMS and will identify any modifications to current processes. At a minimum, we will produce a separate business requirements document for each of the following functional areas that apply to the system:

i. System administration
ii. Daily operations
iii. Maintenance
iv. Accounting and billing

v. Licensing
vi. Security/compliance/asset tracking

4.7.1.4 SOFTWARE REQUIREMENTS SPECIFICATION (SRS)

Scientific Games understands and concurs that within 45 business day following the Lottery's approval of the requirements documents, we will develop and submit for approval corresponding Software Requirements Specification (SRS) documents.

4.7.1.5 SOFTWARE FUNCTIONALITY AT START-UP

Our SRS documents will specify the functionality of the SGVideo software applications that we will provide to the Lottery at system start-up. The applications will support Lottery business processes related to VLTs connected to the CMS and include the topics and procedures described in **Section 4, Subsection 4.7.1.5.1** through **Section 4, Subsection 4.7.1.5.4.2.**

4.7.1.5.1 Reference To Each Business Requirement or Process

Each SRS specification will reference the corresponding business requirement or the individual process(es) in a corresponding business specification document.

4.7.1.5.2 Functionality of Base System

For each SRS specification we will indicate whether the functionality exists in the base SGVideo system. If it does not exist, or if modifications to the base system functionality are required, we will provide an estimate of the time it will take to either develop the new functionality or modify the existing functionality to satisfy the requirement.

Scientific Games understands and concurs that the estimate, development and/or modification will be done at no additional cost to the Lottery.

4.7.1.5.3 Subsequent Changes

Scientific Games understands and concurs that we must obtain Lottery approval before making any SRS modifications subsequent to SRS approval. We understand and concur that the Lottery may identify changes required during software development and acceptance testing.

4.7.1.5.4 Modifications Or Enhancements

Scientific Games understands and concurs that if SGVideo modification or enhancements are required, we must meet the objectives described in the following two subsections.

4.7.1.5.4.1 Software Development

Scientific Games understands and concurs that the start-up software will meet the Lottery's business requirements. Future changes to the software are to be made in a timely manner while accurately meeting those business requirements.

4.7.1.5.4.2 Planned Software Applications

Scientific Games will demonstrate our understanding of the Lottery's business requirements and processes before SGVideo CMS software applications are written or modified. We will provide the Lottery ample opportunity to thoroughly understand and agree to functionality included in the planned software applications. This requirement applies to both software at initial system start-up and included in subsequent software releases.

4.7.1.6 CONVERSION STRATEGY/CONVERSION PLAN

Scientific Games understands and concurs that if awarded the CMS contract, we will provide as a project deliverable, a detailed conversion plan for implementing the CMS at each Venue (both RVLs and LVLs). Our plan will include processes and procedures for migration to the new SGVideo CMS. We will also include risks, required resources, potential system downtime, CMS functionality and estimated timeframes for project phases.

We have provided in **Section 4, Subsection 4.7.1.2.2** a detailed conversion plan and time chart (Gantt) detailing the transition from our AEGIS-Video

system to our latest generation SGVideo. Our Venue migration plan identifies the major milestones to be accomplished and their start and end dates.

The Gantt will also provide the preparation tasks, such as business requirements definition, equipment delivery, software programming, installation, testing and database migration). Our presentation makes clear where items are on the critical path for timely project completion. We have reviewed RFP Appendix 7 LVL Venue Location Map which provides information related to the physical location of LVL sites.

We understand and concur that further detailed project plan information will be provided subsequent to contract award.

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We have provided in our response to **Section 4, Subsection 4.9.1.6** a brief bullet list of the steps executed during an LVL migration.

4.7.1.7 CONVERSION TEAMS

The CMS conversion project will rely on teams from three main areas: Scientific Games, West Virginia Lottery and West Virginia gaming Venues.

SCIENTIFIC GAMES PROJECT TEAM

Scientific Games will be responsible for acquiring the needed CMS and communications hardware, building and testing the systems, loading software and making sure the resulting system cabinets are safely installed at the PDC and BDC. As the conversion efforts begin, we will ensure that Venues requirements are satisfied by the delivery and installation of appropriate communications and Site Controller equipment (and LVL floor cabling). A primary goal of the Scientific Games team is to make sure that the entire project is invisible to gamers.

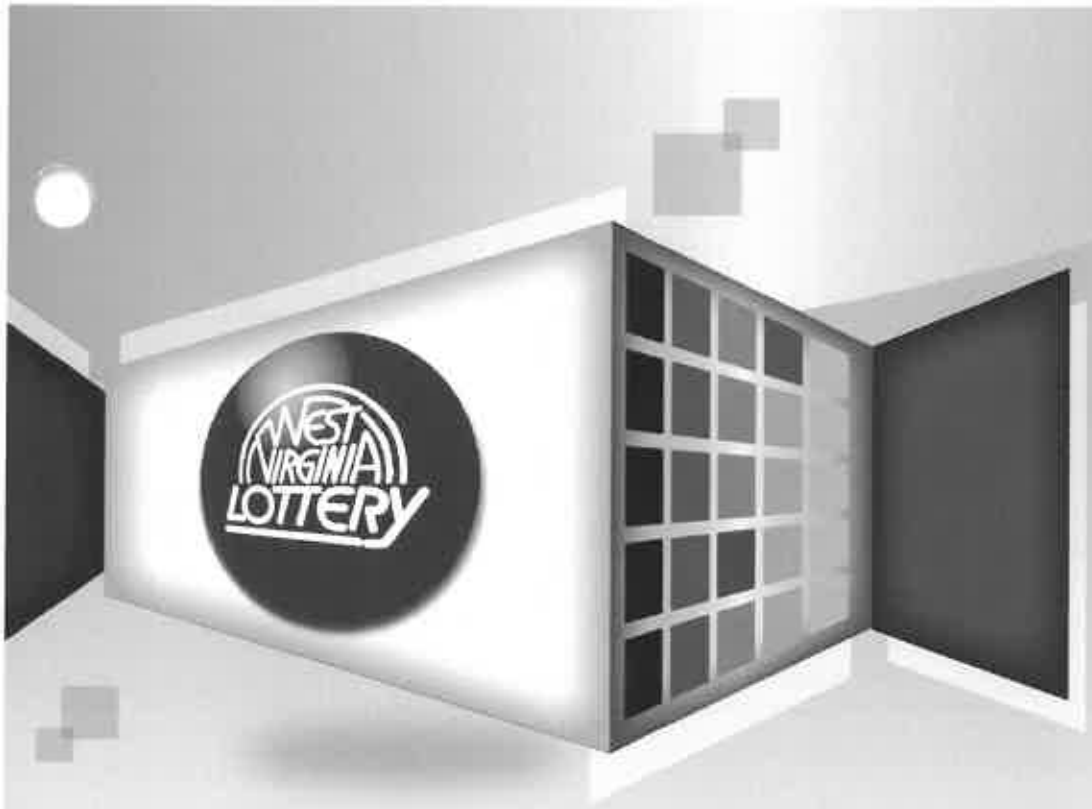
The company will begin development tasks using business requirement and SRS documents approved by the Lottery. All application software will be fully tested in house before being submitted to the Lottery's selected third party test lab for approval. We will assist in the subsequent user acceptance testing on the Lottery's PDC test system.

We will assign staff to coordinate and perform all Venue installations, man the hotline, track trouble tickets and regularly report on conversion status.

Managing all of these efforts will be the designated Scientific Games Senior Project Manager, Steve McKinney. Steve will be the primary point of contact for the Lottery throughout the conversion project and be the driving force behind the project. He will lead the weekly status meetings held in West Virginia.

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SECTION 4.8: TRAINING

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SECTION 4: PROJECT GOALS AND OBJECTIVES

4.8 TRAINING

4.8.1 TRAINING REQUIREMENTS (TRAINING)

4.8.1.1 TRAINING ON SYSTEM OPERATIONS AND USER INTERFACES

Scientific Games will provide training on system operations and user interfaces for all applications. We will provide the materials, equipment, training personnel, and temporary Venues for licensee training efforts. We acknowledge that the Lottery will provide space for on-site training of Lottery employees.

Scientific Games has provided details of staff training requirements including in-house training and recommended operating system/ application courses.

Personnel will be trained on the applicable, relevant information of the requirements suited to the technological level of the audience. Training documentation will be provided in the form of workbooks and supporting materials. We are confident that your staff will be proficient and excited to operate the new systems and equipment upon completion of their training.

After initial training Scientific Games will provide annually, at the Lottery's request, one to two day training sessions on system enhancements installed since the previous class. The training will take place at Lottery-provided facilities.

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4.8.1.2 PROPOSED TRAINING PROGRAM

The SGVideo Training Curricula listed in **Figure 4.8-2** describe the recommended SGVideo training classes that cover system concepts, including key competencies for users. The final training details, including class duration, class size and content will vary based on the final agreement between the Lottery and Scientific Games. All classes are customized to the Lottery's actual process, job functions of the employees, existing skill level of the participants, as well as the class sizes.

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Qualified Training Staff

Maureen Collins our subject matter expert will assist the Knowledge Management Team with providing training and additional support for the SGVideo system implementation, migration setup and support, operational support and development support. Maureen is a 17-year video gaming veteran and played a key role in the system installation and migration for West Virginia and she currently provides the level of ongoing operational support that is expected by the Lottery. Margaret Eklund will also be assisting Maureen and the Knowledge Management Team with the training and additional support for the SGVideo system implementation. Margaret joined Scientific Games in 2012 as Operations Manager for Illinois. In 2014, she transitioned into her current role as Video Production Support Manager. Her experience includes serving as Lead Helpdesk Analyst for CJE Senior Life and as a Desktop Support Technician for Optimum Nutrition.

Please reference Maureen and Margaret's resumes at the end of **Section 4.8.1.2** for additional details.

Additional Qualified Training Support

Scientific Games' commitment as a company is to focus our efforts in growing your profits and helping you to reach new players. Scientific Games' Knowledge Management group custom designs, develops, and delivers all related facets of the instructor-led, online, web-based comprehensive learning solutions. Scientific Games' Technical Media group, led by Corey Riley, interacts daily with the Knowledge Management group to design, develop, and deliver all customized technical documentation and media-related material for this group, as well as the Scientific Games' customers. These teams approach commitment with one major objective: to educate and excite operator to successfully sell products and operate Venue equipment. By meeting this objective, the operators will become enthusiastic salespeople who in turn will motivate players to play the games.

In addition to Maureen, our Knowledge Management trainers are experts on the technology and games that we are proposing to the Lottery. Our trainers have experience in the fields of instructional design, facilitation, measurement, analytics, monitoring, and coaching. We bring a wealth of knowledge to each project. The majority of our Training Specialists have gaming industry experience and have worked on several implementations and conversions.

Our Knowledge Management group is led by Jamie Collier who joined Scientific Games in 2003 as a Technical Writer, moved into a Training Specialist position in 2008, and is now the Knowledge Manager for the group. Katie Warvel, Training Specialist III, and Hayes Callahan, Customer Facing Trainer, will be assisting Jamie and Maureen with the Lottery's SGVideo system training.

Jamie and her team of professionals have many years of experience in the fields of instructional design, content development, facilitation, evaluation, coaching and mentoring. In addition, this team has gaming-specific experience, which assures the Lottery that we come to the table ready, willing and able to support your staff and operators.

The following Scientific Games' Knowledge Management group will serve on the Implementation Project Team and work with Maureen and the Lottery to provide training support and related documentation.

Please reference Corey, Jamie, Katie and Hayes' resumes on the following pages for additional details.



MAUREEN A. COLLINS

Director, Software Development

CONTRACT ROLE

Maureen will work with video system implementation, training support, migration set-up and support, operational support and development support.

SUMMARY OF EXPERIENCE

Maureen has 17 years of experience in the casino and video gaming industry. She has worked in the areas of quality assurance, video development, production support, and software development.

WORK HISTORY

2011-Present, Scientific Games – Director, Software Development

- Responsible for interfacing with existing Scientific Games' AEGIS-Video customers to manage issues/concerns
- Responsible for managing the content, scheduling and delivery of maintenance releases for all SGVideo customers
- Responsible for managing and training SGVideo Production Support team

2007-2011, Scientific Games – Manager, Production and Development Support

- Responsible for installation and support of the AEGIS-Video system
- Responsible for implementation and migration of customer's existing Video Lottery Control system to the new AEGIS-Video system
- Led support team for troubleshooting and resolving production issues for Scientific Games' video lottery customers

2004-2007, Scientific Games – Video Developer

- Responsible for maintenance of AGS accounting and control system for existing government video lottery customers
- Maintained accounting and operational reports
- Provided operational support for AGS video lottery customers
- Responsible for installation and operational support of new AEGIS control system

2002-2004, IGT-Video Control Systems – Quality Assurance Engineer

1998-2002, VLC-Video Control Systems – Quality Assurance Engineer

EDUCATION/CERTIFICATIONS

- Montana State University, B.S. Electrical Engineering, 1996



MARGARET EKLUND

Video Production Support Manager

CONTRACT ROLE

Margaret oversees the SGVideo™ CMS systems support team, which is responsible for scoping, building, installing and supporting the SGVideo CMS application software and hardware.

SUMMARY OF EXPERIENCE

Margaret first joined Scientific Games in 1998 as an Assistant Operations Manager where she supported the installation and start-up of the Montana and Iowa online lottery systems. Between 2001 and 2012, she worked in desktop support and technical support in different industries before returning to Scientific Games in 2012.

WORK HISTORY

2012-Present, Scientific Games International – Video Production Support Manager

- Provide leadership, support and feedback to the Systems Support Team for scoping, scheduling, building, installation and migration of the SGVideo system

2010-2012, CJE Senior Life – Lead Help Desk Analyst

- Monitored, diagnosed and resolved issues with hardware, software, network connectivity and operating systems

2009-2010, Optimum Nutrition – Desktop Support Technician

- Provided assistance to users experiencing problems with hardware, software, networking, and other computer-related technologies

2008, Tek Systems – Technical Support Technician (contract position)

- Responsible for providing technical support for software and hardware issues

2008, National Engineering Corporation – Desktop Support Specialist (contract position)

- Responsible for the set-up and configuration of new desktop and laptop computers

2007-2008 Adecco – Technical Support Technician

- Provided help desk support and assistance to users

2001-2007, Security Armored Express/GARDA – Desktop Support Specialist

- Managed LAN/WAN installation, configuration, and support for network PCs

1998-2001, Scientific Games International – Assistant Operations Manager

- Assisted with the installation and startup of the Montana and Iowa online lottery systems
- Assisted with the management of 24/7/365 data processing operations

EDUCATION/CERTIFICATIONS

- College of DuPage, Glen Ellyn, IL – A.A.S, Computer and Internet working Technologies, 2004



COREY RILEY

Technical Documentation Manager

CONTRACT ROLE

Corey manages a team of technical writers who are responsible for producing a complete line of technical documentation which includes implementation requirements specifications, functional specifications, lottery staff end-user guides, and support guides.

SUMMARY OF EXPERIENCE

Corey has 12 years of experience with documenting software and hardware systems. Prior to joining Scientific Games in 2003, he worked for Teradyne as a Senior Technical Writer. Corey's portfolio of lottery projects includes Arizona, Atlantic Lottery Corporation, Catalonia, China, Colorado, Connecticut, Delaware, Illinois, Indiana, Iowa, Maine, Maryland, Mexico, Minnesota, North Carolina, Oklahoma, Pennsylvania, Peru, Philippines, Puerto Rico, Quebec, Tennessee, and West Virginia.

WORK HISTORY

2003-Present, Scientific Games – Technical Documentation Manager

- Manages a team of technical writers in the activities of researching, developing, designing, and writing a variety of technical documents and media

2000-2003, Teradyne – Senior Technical Writer

- Developed and edited online and printable end-user documentation including online help, user guides, and other supporting materials for supply chain execution software application

1998-2000, ExecuTrain Corporation – Technical Writer/Course Developer

- Developed and edited online and printable documentation for training course materials, including content plans, quick reference materials, training manuals, PowerPoint presentations, web-based training courses, and pre- and post-assessment tests

1995-1998, Clemson University – Accounts Receivable Manager

- Responsible for writing, revising and managing processes and procedures for various systems

EDUCATION/CERTIFICATIONS

- Clemson University, Clemson, SC – Masters of Human Resource Development, 1998
- Southern Wesleyan University, Central, SC – B.S. Business Administration, 1993



HAYES CALLAHAN

Training Specialist

CONTRACT ROLE

Hayes is responsible for researching, developing, and facilitating coursework materials that will be used in instructor-led and web-based training courses for internal and external customers.

SUMMARY OF EXPERIENCE

For over 15 years, Hayes was an educator at the middle school and university levels. Beyond being a classroom teacher, she has extensive training and experience developing and implementing curriculum and instruction for the adult learner, deliverable in traditional and virtual settings. Her experience allows her the ability to relate to how adults learn; creating effective instructions, incorporating the learners' prior knowledge, and delivering content in a concise, non-threatening manner.

WORK HISTORY

2014-Present, Scientific Games – Training Specialist

- Measures and evaluates training and program effectiveness and suggests alternatives and/or adaptations to new methods as needed
- Responsible for learning and understanding any required system, software, hardware, or product in order to develop course material for learning guides and training modules
- Serves as Training Lead for awarded contracts

2011-2013, Fulton County Schools – Special Education Teacher

2000-2009, Forsyth County School System – Graduation Coach, Teacher

2006-2007, Adjunct Faculty Member – Post Baccalaureate Program

EDUCATION/CERTIFICATIONS

- University of Phoenix, Atlanta, GA – Doctor of Education in Educational Leadership (Currently Enrolled)
- University of Georgia, Athens, GA – Master's Certificate Program, Educational Leadership, 2003
- University of West Georgia, Carrollton, GA – M.Ed. Health and Physical Education, 1998
- Valdosta State University, Valdosta, GA – B.S. Health and Physical Education, 1994



KATIE WARVEL

Training Specialist

CONTRACT ROLE

Katie is responsible for researching, developing, and facilitating coursework materials that will be used in instructor-led and web-based training courses for internal and external customers.

SUMMARY OF EXPERIENCE

Katie has 10 years of experience producing documentation for lottery software. Previously, she served as a technical writer for IBM and Cisco® where she collaborated with subject matter experts to produce end-user documentation for use by the general public. Katie's portfolio of lottery projects includes Oklahoma, Mexico, Connecticut, Delaware, Indiana, West Virginia, Iowa, Illinois, Puerto Rico, Maine, Minnesota, North Carolina, and North Dakota.

WORK HISTORY

2014-Present, Scientific Games – Training Specialist

- Develops training materials for client usage
- Provides instruction to lottery and Scientific Games' staff on new technologies

2005-2014, Scientific Games – Technical Writer

- Created end user documentation for use by retailers and lottery personnel
- Designed and prepared training materials, teaching aids, skill evaluations, and final assessments for various products
- Wrote audience-appropriate content for documentation

2003-2005, IBM – Technical Writer

- Worked with subject matter experts to produce user guides and quick start guides for use by the general public
- Updated existing documents to reflect software and hardware changes
- Trained new team members in documentation procedures

2002-2003, Cisco Systems – Technical Writer/Editor

- Researched and documented existing procedures through SME interviews to ensure accuracy, clarity, and completeness
- Created a new online documentation repository

EDUCATION/CERTIFICATIONS

- Elon University, Elon, NC – B.A. English, 2002

4.8.1.3 MATERIALS

Scientific Games will provide all required training documentation on the SGVideo CMS and updates to the documentation as needed for system enhancements and changes.

4.8.1.4 PERIODIC TRAINING UPDATES

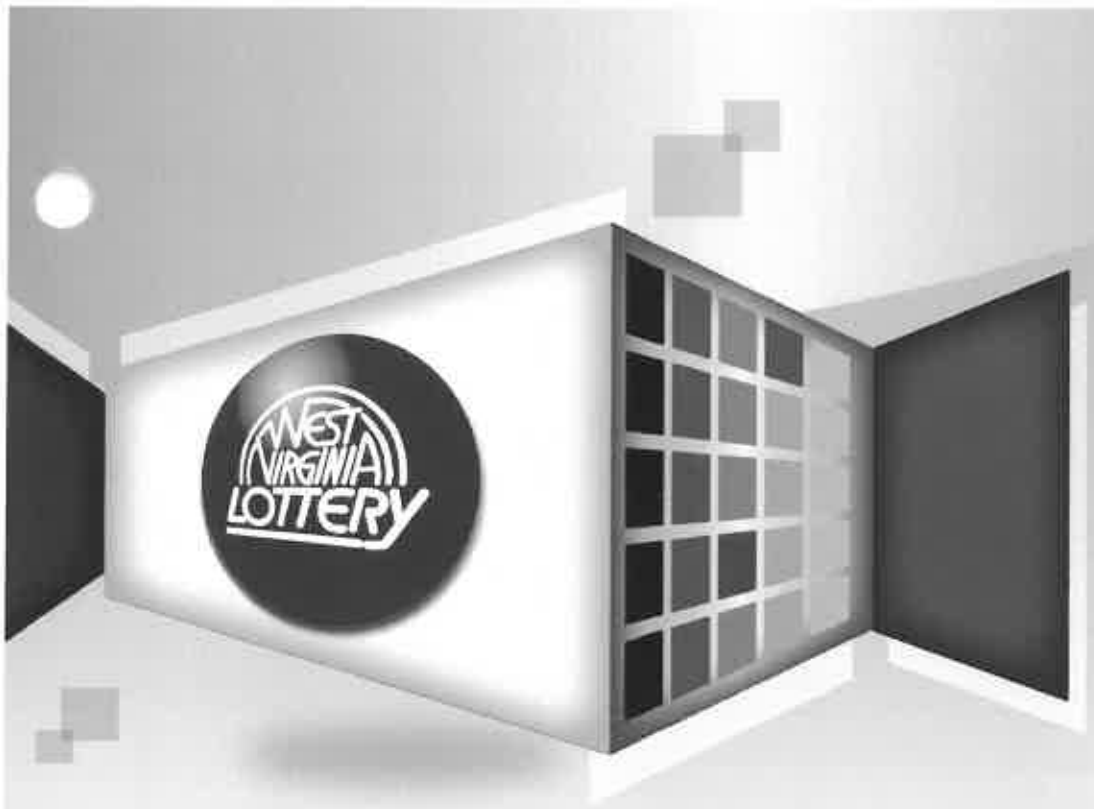
Scientific Games will provide periodic training updates on an ongoing basis throughout the life of the contract and extension years in addition to the provision of any training necessitated by upgrades or other system changes. We will work directly with the Lottery to design a training plan that best suits the Lottery's training needs. The training will take place at the Lottery-provided facilities in West Virginia.

Scientific Games will offer training for designated Venue personnel using a conference call plus web portal. Scientific Games will offer the Venue training at the Lottery's request throughout the life of the contract.

Please reference the SGVideo CMS Training Plan on the following pages for further details on our proposed training plan.

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SECTION 4.9: ACCEPTANCE TESTING

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SECTION 4: PROJECT GOALS AND OBJECTIVES

4.9 ACCEPTANCE TESTING

4.9.1 ACCEPTANCE REQUIREMENTS (ACCEPTANCE TESTING)

4.9.1.1 INITIAL CERTIFICATION BY TEST LAB

Scientific Games understands and concurs that we will be solely responsible for the costs involved in testing SGVideo to achieve certification by the Lottery's independent test laboratory and confirming approval by its own test team. We will provide a test system for the exclusive use of the test laboratory. A second test system will be installed at our cost in the Lottery's PDC for initial acceptance testing and ongoing testing of software upgrades and VLT interoperability. These systems will be similar in performance and will offer identical functionality. Neither will match the production systems' processing power, storage or failover capabilities. Please see our response to **Section 4, Subsection 4.1.1.16** and **Section 4, Subsection 4.1.1.17** for design and capabilities details of these two test systems.

4.9.1.2 INITIAL ACCEPTANCE TESTING

Scientific Games understands and concurs that the Lottery will conduct acceptance testing during the initial installation of the SGVideo CMS. In the same way we have supported West Virginia Lottery testing on the AEGIS-Video system, we will provide sufficient and suitable technical support in Charleston throughout the initial acceptance testing phase of the CMS project.

4.9.1.3 SERIES OF ACCEPTANCE TESTS

Scientific Games understands and concurs that the Lottery (or its designee) will conduct a series of acceptance tests toward approval for production launch of the SGVideo CMS. We further understand that the acceptance testing must be completed and the system approved by the Lottery before initiation of Venue VLTs.

We will ensure that the following resources are installed and operational at least 60 days prior to system launch (first VLT Venue made operational):

- PDC productions and test system hardware
- Communications hardware
- Operating system and CMS application software
- Test VLTs
- BDC backup system hardware and software

4.9.1.4 ACCEPTANCE TESTING PROCESSING

Scientific Games will ensure that acceptance testing will include processing through daily, weekly and monthly tasks. For the initial (i.e., pre-production launch) acceptance testing, we will also perform the following series of failover tests:

- Between primary and hot duplex within the PDC
- Between the primary and hot duplex within the BDC
- From the PDC system to the BDC system
- From the BDC system to the PDC system

We will also perform tests on file backup and restore processes and hardware.

4.9.1.5 VENUE ACCEPTANCE

Scientific Games understands and concurs that the Lottery takes a comprehensive approach to casino Venue acceptance and retains the right to perform any acceptance test that it deems necessary at any Venue. We understand that the test results will determine whether the Lottery approves the Venue to implement the CMS. We concur that the Lottery has the sole right to determine the pass or fail decision for each of the Venue acceptance and test components.

4.9.1.6 VENUE ACCEPTANCE TEST SCRIPTS

Scientific Games understands and concurs that the Lottery's acceptance test script will include, but not be limited to, following components:

- Validate diverse points of communications circuits entry into Venue
- Validate disparate backbone paths
- Validate CMS IDF complete (cable racks)
- Monitoring systems installed and operational
- All terminations clean and labeled
- CMS racks installed, secured and functioning
- All wires neat, using horizontal and vertical management
- All cabling/terminations certified
- CMS communicating between both PDC and BDC and the Venues
- CMS communicating to VLT banks
- CMS communicating to each VLT

BRINGING A NEW LVL ONLINE

Scientific Games adheres to a specific sequence of actions to prepare the SGVideo central servers and local Site Controller for the initial connection of a new gaming Venue—in this example, an LVL. These steps—which add specific details to some of the previous high-level script entries—are taken both to establish a Venue on test system in advance of running acceptance tests and when a real gaming site is connected to the production network for the first time.

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4.9.1.7 TESTING OF SUBSEQUENT RELEASES

Scientific Games fully understands the Lottery's comprehensive approach to acceptance testing—a process that will commence after receiving conditional approval from the external testing lab. We agree that this dual-level testing approach will be used during the initial implementation and migration of the CMS and for all subsequent software releases. We understand and concur that the Lottery has the right to perform any acceptance tests that it deems necessary.

4.9.1.8 LOTTERY TEST LABORATORY

Scientific Games understands and concurs that, following conditional approval by the certification lab, the acceptance testing at the Lottery test lab will encompass a complete monthly billing cycle and that the results of these tests will determine whether or not the Lottery accepts the CMS. We further understand and concur that the Lottery has the sole right for determining the pass or fail decision for each of the tests and test components and will notify the independent testing lab to issue the final certification.

4.9.1.9 COOPERATIVE EFFORT

Scientific Games fully agrees that acceptance testing should always be a close collaborative effort of the vendor and the Lottery. As we have done during all West Virginia AEGIS-Video acceptance tests, Scientific Games will ensure that the appropriate technical support resources are present in the state and immediately available to the Lottery throughout the testing period. We will be there solely to assist the Lottery in conducting and evaluating the acceptance tests.

The test system proposed to the Lottery will be in place and operational in its PDC. It will be dedicated to the test team's and will be kept in operational condition during the test period. We will ensure that the correct software is loaded, release notes are available and that the test "network" of VLTs is operational and replicates the configurations found at true Venues. Our in-state personnel resources will provide the following expertise:

- System configuration and operations department processes
- Networking
- Database content and management
- Test script and expected results
- Problem debugging and software modifications

4.9.1.10 ON-SITE PERSONNEL

Scientific Games understands and concurs that throughout the acceptance testing period we will provide on-site, full-time personnel capable of analyzing test results, troubleshooting concerns and modifying the support system and CMS. These resources will be experienced with the following SGVideo areas being tested:

- Hardware
- Software
- Network communications
- CMS application and Lottery processes and procedures
- Test scripts and expected results

4.9.1.11 PERFORMANCE CRITERIA

Scientific Games ensures that all CMS support, including networks, software and hardware will meet or exceed documented specification and standards. We understand that SGVideo must pass performance testing criteria and be approved by the Lottery in order to be in compliance with the contract.

4.9.1.12 MAJOR CENTRAL SYSTEM TASKS

Scientific Games understands and concurs that the major system tasks that will be completed during the Lottery's acceptance testing of the new SGVideo CMS will include, at a minimum, the following processes and features:

- Installation of machines at a Venue.
- Machine moves.
- Machine software changes.
- Enable and disable a machine.
- Enable and disable of a section of track or Venue.
- Enable and disable of a Venue.
- Enable and disable of all machines on the system.
- Enable and disable VLTs based on full floor, zone, bank or spot (individual VLT).
- Global disable of a game.
- Global disable of software.
- Global disable of binary files.
- Setup of software for games.
- Setup of software for Site Controllers.

- Downloading of software to Site Controllers.
- Setup of a Venue start to finish.
- Make accounting adjustments.
- Make adjustments for billing (debit and credits) on invoices.
- Merge files to create a binary image for software.
- Test format of EFT flat file.
- Verify TITO accuracy (CMS out meters reconcile against casino's management system).
- Verify CMS and VLT general functionality and response time.
- Verify all CMS that reporting and accounting is accurate and complete.
- Real-time polling of full set of VLT meters.
- Validate a full set of VLT meters.
- Validate and balance accounting reports.
- Validate and balance performance reports.
- Perform transaction look-ups.
- Test distribution and response of monthly invoice.
- Validate and balance the results of a coin test during installation.
- Balance cash activity against machine financial data.
- Verify exporting of reports in all formats.
- Print and validate all security reports.
- Verify asset tracking software.
- Verify system Venue circuit failover.
- Verify CMS failover.
- Verify Venue failure/Site Controller failure and data recovery when back online.
- Check for proper CMS response to thresholds by forcing the CMS to reach its failure levels (e.g., transactions, meters, etc.).
- Force VLT failures to verify proper system notification (e.g., printer jams, power loss, communication cable disconnect, door open, etc.).
- Force primary and backup system failures to verify proper CMS recovery (e.g., power loss, communication cable disconnect, improper CMS operation, etc.).
- Force VLT, network, and system failures by volume testing system performance (transaction rate and processing capacity).



BARBARA "JAMIE" COLLIER

Manager, Knowledge Management Services

CONTRACT ROLE

Jamie is responsible for management of all training projects, including forecasting, scheduling, peer reviews, and implementation.

SUMMARY OF EXPERIENCE

Jamie has worked in the lottery industry for 12 years. She developed courseware materials and technical documentation for over 16 years prior to joining Scientific Games in 2003. Jamie's portfolio of lottery projects includes North Dakota, Maine, Puerto Rico, Iowa, Indiana, and Pennsylvania online conversions; South Dakota and West Virginia video lotteries; and Puerto Rico and Northstar CSP projects.

WORK HISTORY

2014-Present, Scientific Games – Manager, Knowledge Management Services

- Responsible for management of all training projects, including forecasting, scheduling, peer reviews, and implementation
- Supervises staff of training specialists

2008-2014, Scientific Games – Training Specialist

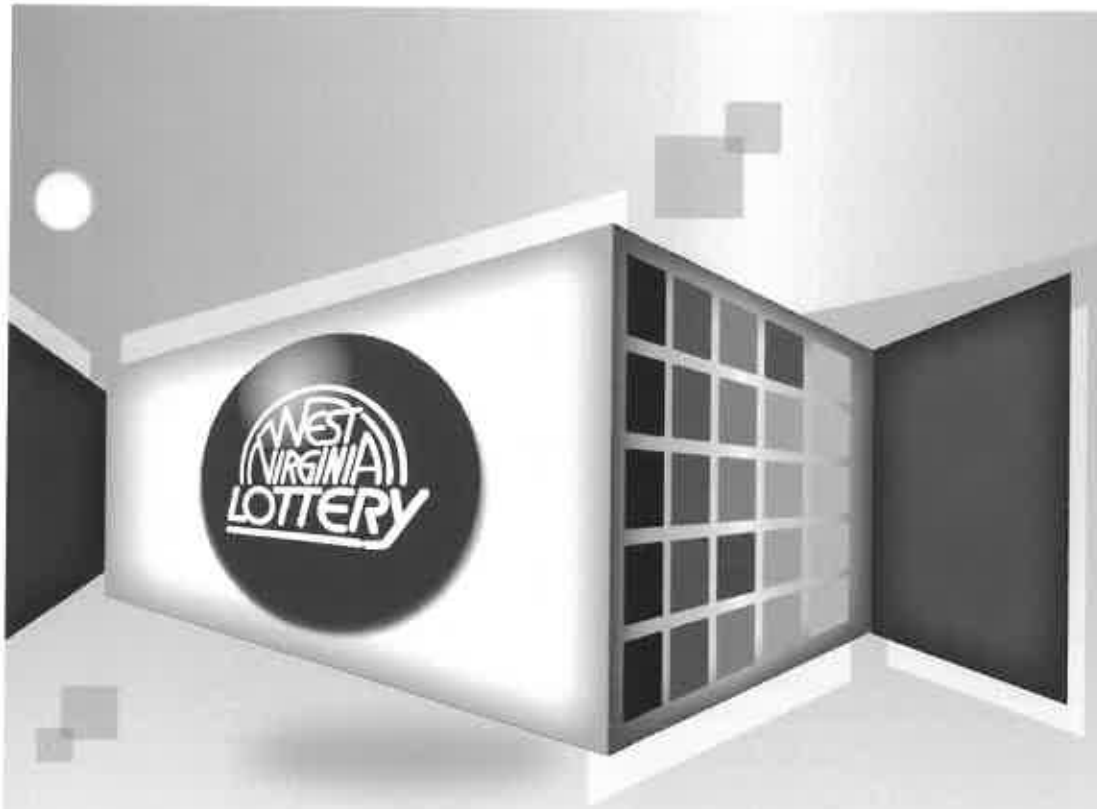
- Performs the administrative and logistical duties associated with the analysis, design, development, implementation, and evaluation of training and technical materials
- Applies the principles and techniques of instructional systems design and development to produce a variety of education and training programs for lottery staff, retailers, and Scientific Games' personnel

2003-2008, Scientific Games – Senior Technical Writer

- Researched and developed quick reference materials, online user documentation, functional specifications, retailer user manuals, and operation guides for lottery software for an instant ticket vending machine, client terminals, and software maintenance releases
- Served as Video Lottery Documentation Project Leader for the West Virginia Lottery Commission where the team produced ten technical documents including operational manuals, application user guides, quick reference cards, and online user documentation
- Served as Documentation Project Leader for company-wide process improvement initiatives (NASPL, CMMI); authored four of the 11 approved documents resulting from the defined process and served as an editor for remaining documents

EDUCATION/CERTIFICATIONS

- Hollins University, Roanoke, VA – B.A. Computation Sciences (Mathematics, Computers, and Statistics), 1987

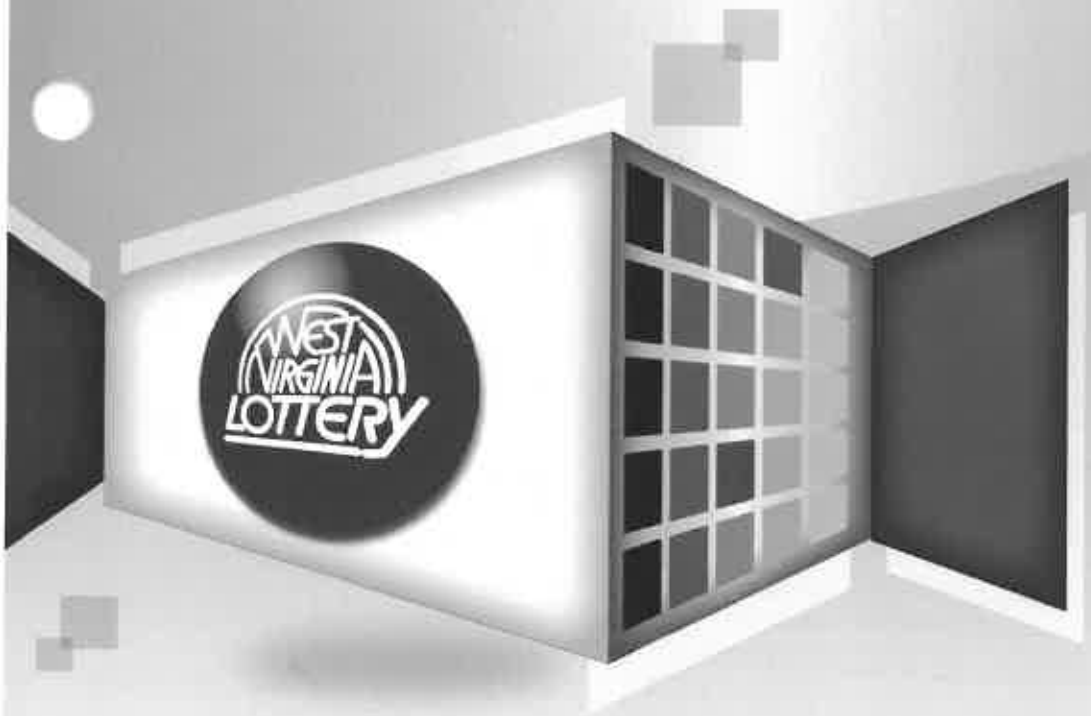


OPTIONAL PRODUCTS AND SERVICES

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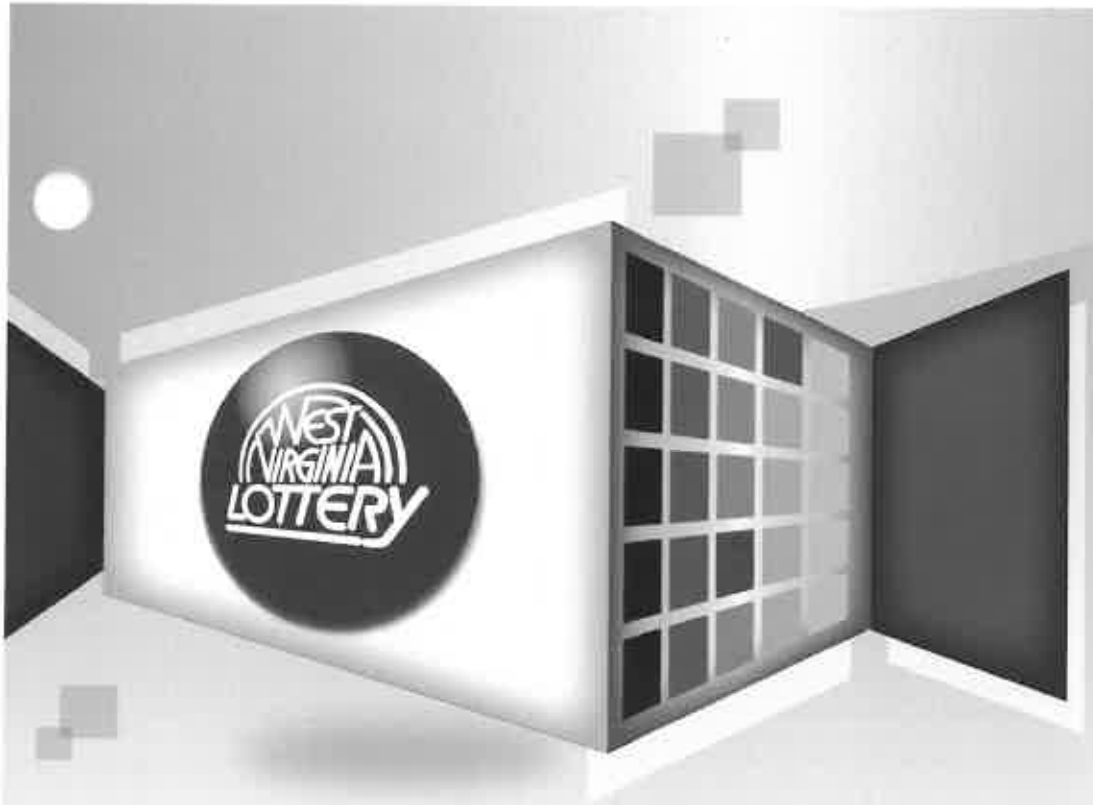


SUPPLEMENTAL INFORMATION

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ATTACHMENT B: MANDATORY SPECIFICATIONS

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ATTACHMENT B: MANDATORY SPECIFICATION CHECKLIST

RFP Requirement: *List mandatory requirements contained in Section 4, Subsection 5:*

Section 4, Subsection 5.1: The Vendor MUST have experience in the North American state regulated market with the installation, including conversion, of multiple video gaming networks in the past five years.

Scientific Games has read, understood, and complied with the requirements set forth in Attachment B: Section 4, Subsection 5.1. Please reference our detailed response in **Section 5.1** following Attachment B.

RFP Requirement: *Section 4, Subsection 5.2: The Vendor's Project Manager MUST have been involved in prior video gaming network conversions. In addition, that Project Manager MUST be assigned to the project through the final conversion process with significant on-site presence during major phases of the project.*

Scientific Games has read, understood, and complied with the requirements set forth in Attachment B: Section 4, Subsection 5.2. Please reference our detailed response in **Section 5.2** following Attachment B.

RFP Requirement: *Section 4, Subsection 5.3: The Vendor MUST propose alternatives to dial-up communications at the LVL locations. The Lottery believes that multiple technologies, including but not limited to limited dial-up, VSAT and cellular, will be required due to the locations of current LVL machines.*

Scientific Games has read, understood, and complied with the requirements set forth in Attachment B: Section 4, Subsection 5.3. Please reference our detailed response in **Section 5.3** following Attachment B.

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RFP Requirement: *Section 4, Subsection 5.4 The Vendor MUST support advanced communication protocols, at no additional cost to the Lottery, including G2S when the Lottery believes it is appropriate to start migration away from SAS. The Vendor does not have to support ICIS.*

Scientific Games has read, understood, and complied with the requirements set forth in Attachment B: Section 4, Subsection 5.4. Please reference our detailed response in **Section 5.4** following Attachment B.

RFP Requirement: *Section 4, Subsection 5.5 Vendor SHALL schedule meetings relating to the Project Plan at dates and times approved by the Lottery upon Contract Award.*

Scientific Games has read, understood, and complied with the requirements set forth in Attachment B: Section 4, Subsection 5.5. Please reference our detailed response in **Section 5.5** following Attachment B.

RFP Requirement: *Section 4, Subsection 5.6 Hardware and Software: The components of all hardware and software MUST be new and unused. Hardware and software MUST be compliant with current electronic technology standards (such as IEEE and ANSI) and be of then-current manufacturer model equivalent or better equipment in the event a proposed device is phased out or replaced.*

Scientific Games has read, understood, and complied with the requirements set forth in Attachment B: Section 4, Subsection 5.6. Please reference our detailed response in **Section 5.6** following Attachment B.

RFP Requirement: *Section 4, Subsection 5.7 All CMS hardware and software MUST be licensed to the Lottery and installed, supported, and maintained by the Vendor. This hardware and software includes, but is not limited to, operating systems, antivirus, database, replication, backup, and communications.*

Scientific Games has read, understood, and complied with the requirements set forth in Attachment B: Section 4, Subsection 5.7. Please reference our detailed response in **Section 5.7** following Attachment B.

RFP Requirement: *Section 4, Subsection 5.8 If a Vendor proposes the use of technologically-equivalent equipment in lieu of either controllers or modems, or both controllers and modems, the Vendor MUST provide live site demonstration of this equipment solution as it is actually installed in another jurisdiction or business application.*

Scientific Games has read, understood, and complied with the requirements set forth in Attachment B: Section 4, Subsection 5.8. Please reference our detailed response in **Section 5.8** following Attachment B.

RFP Requirement: *Section 4, Subsection 5.9 Vendor is required to submit any hardware or software used by the CMS to link one or more progressive VLTs to the primary Lottery independent testing lab for certification and all hardware and software MUST also pass user acceptance testing by the Lottery, and be approved by the Lottery.*

Scientific Games has read, understood, and complied with the requirements set forth in Attachment B: Section 4, Subsection 5.9. Please reference our detailed response in **Section 5.9** following Attachment B.

RFP Requirement: *Section 4, Subsection 5.10 Vendor MUST also support progressives in the LVL wide area network. Progressives will only be supported in a LVL location that does not utilize dial-up connections.*

Scientific Games has read, understood, and complied with the requirements set forth in Attachment B: Section 4, Subsection 5.10. Please reference our detailed response in **Section 5.10** following Attachment B.

RFP Requirement: *Section 4, Subsection 5.11 Conversion Testing (Data Transfer/Conversion): The Vendor MUST import certain active data from the current CMS for use in the new system. This data may be exported from the current system in the form of a report, by file transfer, or other appropriate format. All data MUST be audited, reviewed, and approved by the Lottery prior to being imported and after importation.*

Scientific Games has read, understood, and complied with the requirements set forth in Attachment B: Section 4, Subsection 5.11. Please reference our detailed response in **Section 5.11** following Attachment B.

RFP Requirement: *Section 4, Subsection 5.12 The Lottery requires a rolling conversion, or phase-in, of the new CMS. Under this approach, the VLTs at the casinos and LVL Venues MUST be converted to operate under the new CMS on a group at-a-time basis with minimal downtime and no loss of revenue. The Lottery will be operating two CMS systems during this time period with converted Venues operating under the new CMS which is the objective of this RFP and those awaiting conversion operating under the existing CMS.*

Scientific Games has read, understood, and complied with the requirements set forth in Attachment B: Section 4, Subsection 5.12. Please reference our detailed response in **Section 5.12** following Attachment B.

RFP Requirement: *Section 4, Subsection 5.13 Historical Data: The Vendor MUST convert at least 18 months of pre-existing data so that the Lottery will see a continuity of data in reports from before, during, and after the startup. The Vendor will develop a conversion process for historical data subject to the approval of the Lottery. Vendor's response MUST contain a description of this process detailing how and where this data will be stored and how it will be retrieved.*

Scientific Games has read, understood, and complied with the requirements set forth in Attachment B: Section 4, Subsection 5.13. Please reference our detailed response in **Section 5.13** following Attachment B.

RFP Requirement: *Section 4, Subsection 5.14 VLTs and servers MUST communicate with an open protocol system architecture that is designed to Gaming Standards Association ("GSA") recommendations for utilizing Game to System ("G2S") and System to System ("S2S") protocols or other protocols approved for use in West Virginia. At a minimum, the CMS is to meet GSA and SAS 6.02 Protocol Requirements.*

Scientific Games has read, understood, and complied with the requirements set forth in Attachment B: Section 4, Subsection 5.14. Please reference our detailed response in **Section 5.14** following Attachment B.

RFP Requirement: *Section 4, Subsection 5.15 The CMS MUST be capable of accepting and processing machine and game level adjustments at the VLT level, to include specification of financial amounts (dollar and cent), the number of games played or won and an explanation for the adjustment. These adjustments are designed to carry through all relevant reports and screens. Posting of adjustments is designed to be allowed from either management terminals or from computer files supplied by the Lottery. The CMS design provides for a single screen for meter adjustments. The adjustment function is to be limited based on user or group security rights.*

Scientific Games has read, understood, and complied with the requirements set forth in Attachment B: Section 4, Subsection 5.15. Please reference our detailed response in **Section 5.15** following Attachment B.

RFP Requirement: *Section 4, Subsection 6.1 Project Deliverables: The Vendor MUST comply with all requirements in this section related to report formats, timeframes and delivery. Each subsection MUST be addressed in the Vendor Response:*

6.1.1 Deliverable Submission and Acceptance Process

6.1.2 Final Drafts

6.1.3 Format of Final Deliverable

6.1.4 Acceptance Testing

6.1.5 Final Written Deliverables

Scientific Games has read, understood, and complied with the requirements set forth in Attachment B: Section 4, Subsection 6.1.1, Subsection 6.1.2, Subsection 6.1.3, Subsection 6.1.4 and Subsection 6.1.5. Please reference our detailed response in **Section 6.1.1**, **Section 6.1.2**, **Section 6.1.3**, **Section 6.1.4** and **Section 6.1.5** following Attachment B.

RFP Requirement: *Section 4, Subsection 6.2 Manuals: The Vendor MUST provide manuals and schematics as discussed in this section, including timeframes for delivery. Each subsection MUST be addressed in the Vendor Response:*

6.2.1 Electronic Documents

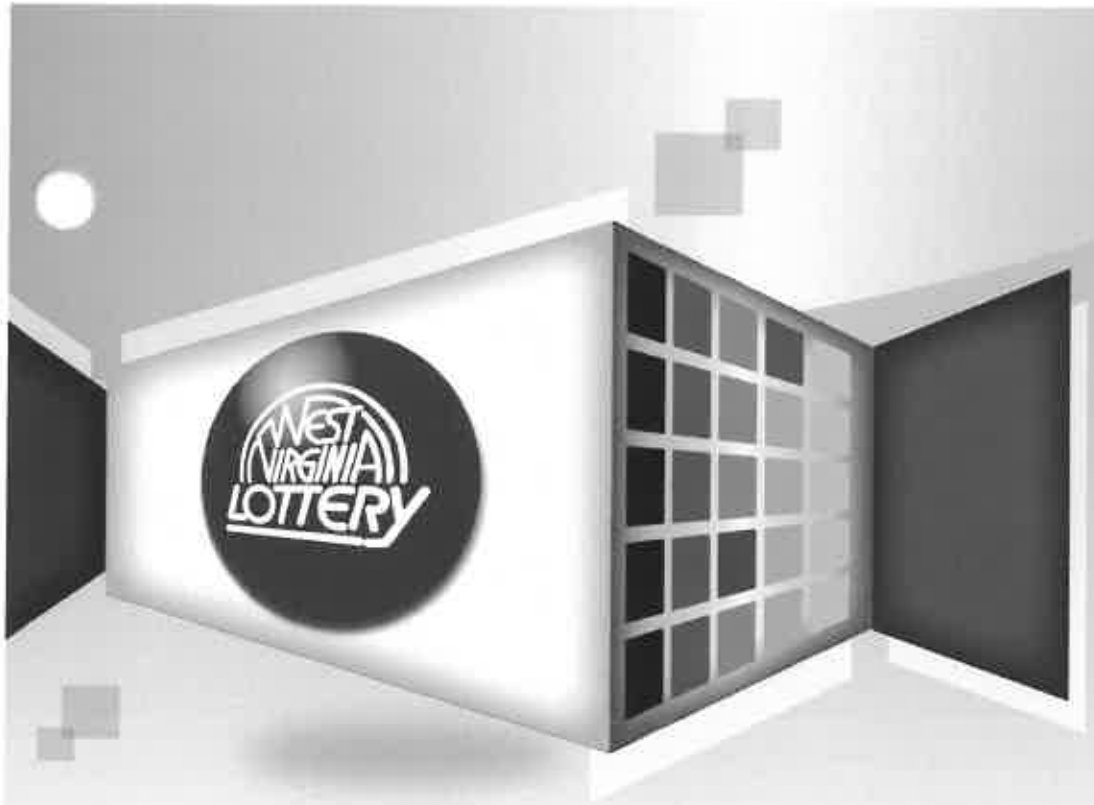
6.2.2 Service Manuals

6.2.3 Circuit Schematics

6.2.4 Preliminary Documents

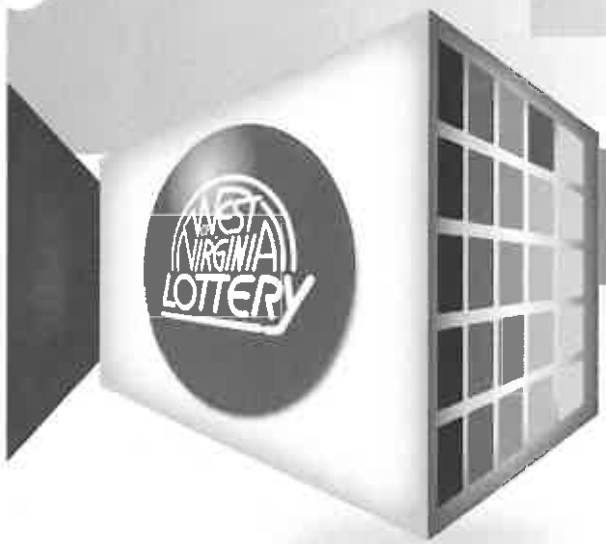
Scientific Games has read, understood, and complied with the requirements set forth in Attachment B: Section 4, Subsection 6.2.1, Subsection 6.2.2,

Subsection 6.2.3, and Subsection 6.2.4. Please reference our detailed response in **Section 6.2.1, Section 6.2.2, Section 6.2.3**, and **Section 6.2.4** following Attachment B.



SECTION 5: MANDATORY REQUIREMENTS

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SECTION 5: MANDATORY REQUIREMENTS

Scientific Games acknowledges that the following mandatory requirements in **Section 5** must be met by the Vendor as a part of the submitted proposal. We understand that failure on the part of the Vendor to meet any of the mandatory specifications shall result in the disqualification of the proposal. We are aware that decisions regarding compliance with any mandatory requirements shall be at the sole discretion of the Purchasing Division.

5.1 EXPERIENCE

SCIENTIFIC GAMES' CMS EXPERIENCE

SGVideo™ is the culmination of years of industry and customer experience. The expertise of Scientific Games' Central Monitoring System (CMS) design and implementation brings an extensive range of benefits to our partnerships with video gaming jurisdictions.

We know how to support any geographic environment, any Venue network size, any VLT population, any protocol, and, when asked, we can deliver system operations services and network-wide maintenance. We and our affiliates continue to provide highly acclaimed systems and services for some of the most complex gaming jurisdictions in the world.

As detailed throughout this document, we propose to deploy our SGVideo CMS. We understand the effort needed to deliver the equipment and services required by the Lottery. Scientific Games demonstrated the grasp of these challenges with the successful CMS implementation for the state of Illinois in 2012. We delivered to Illinois, a turnkey solution supporting up to 60,000 gaming machines projected to be one of the largest markets in North America. Most recently, Scientific Games completed a successful CMS implementation for the New Mexico Gaming Control Board in 2014. The SGVideo system deployed in New Mexico supports five large racinos and over 60 smaller non-profit venues state wide. Our system manages all diverse and widely distributed gaming locations from a single location. In 2014, Scientific Games entered into a 10-year contract with Independent Gaming Corporation, Ltd. of South Australia to install and support our SGVideo Central Monitoring System. The new system will monitor and control over 500 separate locations with 12,500 gaming devices.

Scientific Games is on a Roll

Scientific Games was selected through a competitive procurement process by the New Mexico Gaming Control Board and Scientific Games' affiliate was selected by the Independent Gaming Corporation Ltd. (IGC) as the provider of their new Central Monitoring and Control System.

We have several customers who themselves own and operate our systems. In addition to providing these customers with a system that maintains network integrity and enforces financial accountability, we also focus on providing them with reliable solutions backed by an intuitive and tightly controlled operational interface.

Our CMS consistently provides accurate financial reporting and stringent system security while managing the operation of thousands of gaming machines in regulated jurisdictions. Our system detects and guards against fraud and attempts to manipulate gaming machines; assuring our customers their network, financials, and public image are secure. We collect, analyze and verify financial data and use highly sophisticated analytical methods to ensure financial accuracy. We recognize the importance of network integrity and financial accountability.

Scientific Games has broad experience working with regulators to meet the unique gaming requirements and restrictions placed upon them. We use that same experience to propose a CMS solution that is simple to operate and highly configurable—a system that meets or exceeds the RFR requirements. SGVideo has stringent financial balancing processes, provides easy access to gaming data, and offers staff members a set of tools to analyze and format those data.

Our responsibilities begin with the collection of unique Lottery business requirements, continue through the implementation phase and extend through the life of the contract.

CENTRAL MONITORING SYSTEMS

Figure 5-1 displays the Scientific Games corporate family's current CMS in production with details about each.

JURISDICTION	VLTS	VENUES	PLATFORM AND PROROCOLS	VENUE TYPES
Delaware Lottery (USA)	7,200	11	■ AEGIS-Video™ ■ SAS v 5.10 – 6.02	Distributed Gaming Racino
Illinois Gaming Board	20,000	5,000	■ SGVideo ■ SAS v 6.01 – 6.02 ■ *G2S	Distributed Gaming
Independent Gaming Corp. (South Australia)	12,500	593	■ AEGIS-Video ■ VLC E2	Distributed Gaming
Islandsspil (Icelandic Gaming) (Iceland)	500	122	■ AEGIS-Video ■ VLC F3 ■ SAS v 5.10 – 6.02	Distributed Gaming
Maine Agency of Public Safety (USA)	1,713	2	■ AEGIS-Video ■ SAS v 6.02	Racino
New Mexico Gaming Control Board (USA)	3,226	60	■ SGVideo ■ VLC F2 ■ VLC F3 ■ SAS v 5.10 – 6.02	Distributed Gaming Casinos
South Dakota Lottery (USA)	8,092	1,400	■ AEGIS-Video ■ VLC D ■ SAS v 6.01 – 6.02	Distributed Gaming
West Virginia Lottery (USA)	15,757	1,558	■ AEGIS-Video ■ SAS v 2.85 – 6.02 ■ ICIS 2.12	Distributed Gaming Casino
TOTALS	**68,988**	**8,746**		

Figure 5-1: CMS Experience Matrix

*Anticipated protocol upgrade.

In addition to the customers listed above Scientific Games' U.K. affiliate currently has 20,000 terminals in operation and has served the market place since 1999. In Mexico, our corporate family has 1,500 terminals and has operated there since 2007. In Puerto Rico, our corporate family has 1,800 terminals and has been in operations since 2009.

5.2 PROJECT MANAGER

STEVE MCKINNEY, LEAD PROJECT MANAGER



Steve McKinney

Steve will coordinate conversion of the CMS and each Venue. He will be the primary point of contact between Scientific Games and the Lottery for all conversion matters. Steve is a PMI certified Project Management Professional (PMP) with broad-based experience in project/program planning and management, technology enablement, strategic planning, systems engineering, and information technology. Steve has a Masters Degree in Project Management and 15+ years of project and program management experience, and will remain on-site until the conversion is complete and maintain an on-site presence with direct focus on all major phases of the project.

Steve will manage all project deliverables across multiple delivery teams, tracking progress and maintaining adherence to project plans and schedules. He will perform day-to-day management of the project, identify issues and risks, and recommend possible issue and risk mitigation strategies for the project. He will ensure that work performed is within the scope, consistent with requirements, and delivered on time; identify critical paths, tasks, dates, testing, and acceptance criteria; and monitor issues and provide resolutions for up-to-date status reports; and demonstrate excellent writing and oral communications skills.

Steve played a key role in the systems upgrade initiative for the South Dakota Lottery. He has worked on the system conversions/implementations for CAGE (Caribbean Islands), Mexico, Illinois Gaming Board and Independent Gaming Corporation Ltd. (IGC).

5.3 ALTERNATIVE TO DIAL-UP COMMUNICATIONS

Scientific Games has used a wide range of connectivity technologies to connect our gaming systems to retailer locations: cellular, satellite, broadband and dial-up, so we are comfortable choosing the most effective technology for each West Virginia gaming location. We intend to rely on cellular IP as the primary means for always-on connectivity between LVLs and the data centers. Our analysis of West Virginia wireless coverage indicates that the vast majority of LVLs will have usable connectivity via cellular signals.

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5.4 ADVANCED COMMUNICATION PROTOCOLS

Scientific Games is currently G2S certified by GSA and stands ready to implement any G2S-compliant VLTs installed in West Virginia. SGVideo also supports SAS gaming machines. We understand that we will not have to support the ICIS protocol with our SGVideo solution.

5.5 PROJECT PLAN MEETINGS

Scientific Games follows a rigorous implementation plan which includes regular project status meetings and monthly executive steering committee meetings. Our proposed Lead Project Manager, Steve McKinney, will schedule meetings directly related to the Project Plan at dates and times approved by the Lottery, upon Contract Award.

5.6 NEW AND UNUSED HARDWARE AND SOFTWARE

The hardware and software components will be new and unused and will be compliant with the current electronic technology standards (such as IEEE and ANSI) and be of then-current manufacturer model equivalent or better equipment in the event a proposed device is phased out or replaced.

The proposed SGVideo CMS is the product of Scientific Games' three decades experience in the video and online lottery control system market. We will work closely with the Lottery to implement a system that securely communicates with all of today's West Virginia VLTs and is in full compliance with all applicable gaming laws.

Our CMS will connect to, monitor, and control the full network of VLTs located at gaming locations throughout West Virginia. All gaming machines, Site Controllers and games can be activated and deactivated as well as fully monitored via management terminals connected to the host servers.

We have selected the current state-of-the-art equipment from HP, one of the world's largest and most lauded manufacturers of enterprise quality hardware. We understand that all hardware supplied throughout the project must be acceptable to the Lottery. Further, we will ensure that all supplied hardware is compliant with today's electronic technology manufacturing standards.

The hardware specified by Scientific Games is in production at the time of proposal submission; at production launch each component will represent the then-current equivalent or better model or version.

5.7 LICENSED CMS HARDWARE AND SOFTWARE

All SGVideo CMS hardware and software will be licensed to the Lottery and installed, supported, and maintained by Scientific Games. This hardware and software includes, but is not limited to, operating systems, anti-virus, database, replication, backup, and communications.

5.8 TECHNOLOGICALLY-EQUIVALENT EQUIPMENT

In the event Scientific Games decides to propose the use of technologically-equivalent equipment in lieu of either controllers or modems, or both controllers and modems, we will provide a live site demonstration of this equipment solution as it is actually installed in another one of our jurisdiction or business applications.

5.9 CERTIFICATION OF PROGRESSIVE HARDWARE AND SOFTWARE

Scientific Games will provide all CMS hardware and software to link one or more progressive VLTs to the primary Lottery independent testing lab for certification. All CMS hardware and software will pass the Lottery's user acceptance testing and meet the Lottery's approval.

5.10 LVL PROGRESSIVE SUPPORT

The SGVideo CMS will support progressives in the LVL wide area network. We can configure progressives to be supported in LVL locations that do not utilize dial-up connections.

5.11 CONVERSION TESTING DATA TRANSFER/CONVERSION

Scientific Games will import all Lottery-required active data from the current CMS for use in the new SGVideo CMS. This data will be exported from the current system in the form of a Lottery-approved report, by file transfer, or other appropriate format. All data will be audited, reviewed, and approved by the Lottery prior to being imported and after the import is complete.

5.12 ROLLING CONVERSION

Scientific Games has taken advantage of the flexibility offered by requirement Section 4, Subsection 4.7.1.6 by proposing an "alternative conversion strateg[y] ..." to a true rolling (phased-in) conversion. For milestones, dependencies, start and end dates for our entire conversion plan, please refer to our responses to **Section 4, Subsection 4.7.1** through **Section 4, Subsection 4.7.17**. Greater detail will be provided in the conversion project plan to be delivered to the Lottery at the specified time after contract execution.

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5.13 HISTORICAL DATA

The Scientific Games proposed migration technique offers the Lottery the great benefit of ensuring that every bit of AEGIS-Video™ data will be replicated in the new SGVideo system. The Lottery need not limit itself to 18 months of historic data.

The move to SGVideo will be essentially the same process used to perform the November 2011 technology refresh, where the Lottery was moved to new server hardware yet the databases retained all of the data present before the upgrade.

5.14 OPEN PROTOCOL SYSTEM ARCHITECTURE

Endorsing the industry's accelerated move toward open protocols, our system is built on a framework supporting GSA standard protocols. Our solution is compliant both with the GSA G2S standard for VLT support, while concurrently supporting the SAS protocol.

No company can flourish today without joining with its peers to agree upon designs and concepts. We embrace, and contribute to, industry organization developing and administering standards, and we have incorporated that philosophy into every aspect of our design. With SGVideo, we offer the Lottery a solution that will interconnect with all VLTs now, and in years to come, and provide a system that will be delivering unsurpassed value for the next decade and beyond.

Scientific Games is a long-time supporter of GSA and a strong advocate for that agency's standards. We are active participants in GSA activities, including making significant technical contributions to ongoing design committee efforts. We are dedicated supporters of open protocols and are committed to providing gaming solutions that support GSA standard SAS, Games to System (G2S) and System to System (S2S) protocols.

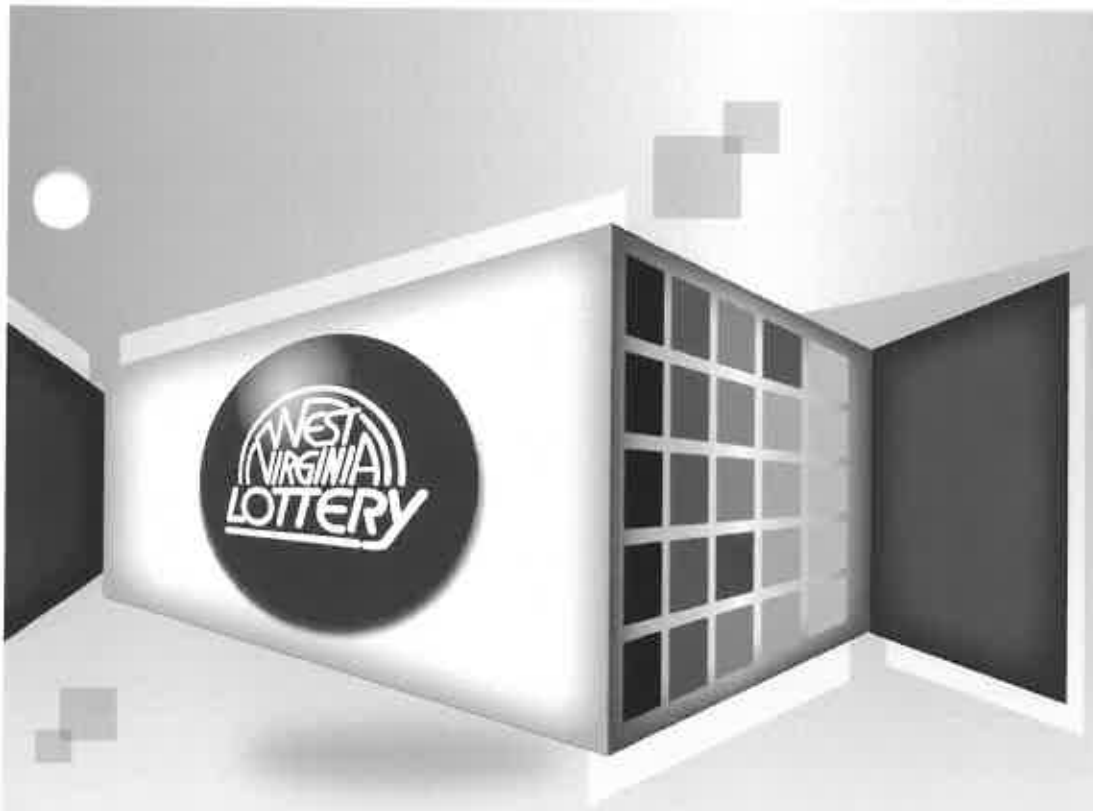
We are committed to supporting the latest standard protocols internally as well as in our product offerings. Our staff includes employees who are G2S trained and officially recognized by GSA as Certified G2S Engineers.

Scientific Games led the industry with the introduction of the first fully GSA-compliant SAS-based CMS, and continues to set the bar today, as evidenced by our introduction of the first S2S-approved system. We plan to continue this

lead in future offerings by delivering solutions which provide native G2S support.

5.15 MACHINE AND GAME LEVEL ADJUSTMENTS

SGVideo CMS is capable of accepting and processing machine and game level adjustments at the VLT level, which includes specification of financial amounts (dollar and cent), the number of games played or won and an explanation for the adjustment. These adjustments can be carried through to all relevant reports and screens. Posting of adjustments can be allowed from either management terminals or from computer files supplied by the Lottery. The CMS design provides for a single screen for meter adjustments and the adjustment can be limited based on user or group security rights.



SECTION 6: MANDATORY DELIVERABLES

SCIENTIFIC GAMES



SECTION 6: MANDATORY DELIVERABLES

6.1 PROJECT DELIVERABLES

Scientific Games has complied with all requirements in this section related to report formats, time-frames, and delivery.

6.1.1 DELIVERABLE SUBMISSION AND ACCEPTANCE PROCESS

Scientific Games will submit to the Lottery Project Manager one hard copy and one electronic copy for each draft and final written deliverable.

6.1.2 FINAL DELIVERABLE DRAFTS

Scientific Games acknowledges that all drafts of the final deliverables are required at least two weeks in advance of all final deliverable due dates. The written deliverables defined as draft documents will demonstrate due diligence in meeting the scope and requirements of the associated final written deliverable. The draft written deliverable may contain limited structural errors but will:

- Be presented in a format appropriate for the subject matter and depth of discussion
- Be organized in a manner that presents a logical flow of the deliverable's content
- Represent factual information reasonably expected to have been known at the time of submittal

- Present information that is relevant to the section of the deliverable being discussed
- Represent a significant level of completeness towards the associated final written deliverable that supports a concise final deliverable acceptance process

6.1.3 FINAL DELIVERABLE

Upon completion of a deliverable, Scientific Games will document each deliverable in final form to the Lottery Project Manager for acceptance and memorialize such delivery in a receipt of deliverable form to be provided by the Lottery. We understand that the Lottery Project Manager will countersign the receipt of deliverable form indicating receipt of the contents described therein.

6.1.4 ACCEPTANCE TESTING

Upon receipt of a final deliverable, Scientific Games understands that the Lottery Project Manager will commence acceptance testing or review of the deliverable as required to validate the completeness and quality in meeting requirements. Upon completion of validation, the Project Manager will issue to Scientific Games notice of acceptance or rejection of the deliverables in a certified acceptance of deliverable form. In the event of rejection, Scientific Games will correct the identified deficiencies or non-conformities. We acknowledge that subsequent project tasks may not continue until deficiencies with a deliverable are rectified and accepted by the Lottery Project Manager who has specifically issued in writing a waiver for conditional continuance of project tasks. We understand that once the Lottery's issues have been resolved and accepted by the Lottery Project Manager, Scientific Games will incorporate the resolutions into the deliverable and resubmit the deliverable for acceptance.

6.1.5 FINAL WRITTEN DELIVERABLES

When presented for acceptance, Scientific Games' written deliverable defined as a final document will satisfy the scope and requirements of the RFP for that deliverable. Our final written deliverables will not contain structural errors such as poor grammar, misspellings, or incorrect punctuation and will:

- Be presented in a format appropriate for the subject matter and depth of discussion

- Be organized in a manner that presents a logical flow of the deliverable's content
- Represent factual information reasonably expected to have been known at the time of submittal
- Present information that is relevant to the section of the deliverable being discussed

6.2 MANUALS

Scientific Games will provide manuals and schematics as discussed in this section, including time-frames for delivery.

6.2.1 ELECTRONIC DOCUMENTS

Scientific Games will provide, electronically to the extent possible, all associated operation manuals, service manuals, and relevant schematic diagrams, such as network circuit diagrams. Any customization of third party software will be documented. Operation manuals and service manuals will be expressed in terms that are directly relevant to the approved and installed CMS and searchable electronically.

The Lottery can expect the highest possible style, completeness, clarity, detail and quality of SGVideo™ documentation. Our documents will be maintained at both the PDC and BDC and will be used both for initial employee training as well as left with the Lottery's staff for ongoing reference.

We will provide user manuals for third party products and tools, such as the SolarWinds™ Orion suite of network analysis and configuration tools, HP SIM, McAfee virus protection software, printers, tape drives, etc.

In all cases the documents will reflect the final approved version of the system and constituent components. They will accurately and adequately describe the CMS and the following topics will be described in the provided documentation:

- Database structure
- System configuration (e.g., control parameters)
- Disaster recovery procedures
- User account administration
- Commands to configure and control facility equipment (e.g., SCs)
- VLT configuration and control
- Event reporting and auditing

- Protocol interoperability
- System upgrade and refresh procedures

The in-jurisdiction training that will be provided as part of the implementation project will be in accordance with standards, criteria and subject matter specified by the Lottery and will include, but not be limited to the following:

- System functionality
- Audit capabilities
- Back-up and disaster recovery procedures
- Password and security features
- Other subject as specified by the customer

We will also work directly with the Lottery to provide the following manuals in a mutually agreed upon timely manner.

- Operator Portal User's Manual
- Site Controller User's Manual
- Network Monitoring Tools
- Advanced Asset Tracking Manual
- Advanced Licensing Manual

6.2.2 SERVICE MANUALS

All service manuals will accurately depict the CMS which the manual is intended to cover.

6.2.3 CIRCUIT SCHEMATICS

6.2.3.1 PDC AND BDC COMMUNICATIONS NETWORK(S) AND WIRING

Scientific Games will provide all required circuit schematic diagrams that will:

- Accurately depict the PDC and BDC communications network(s) and wiring at each Venue (when such diagrams becomes available and at a time frame that is mutually acceptable to the Lottery and Scientific Games)

6.2.3.2 ADEQUATE DETAIL

Scientific Games will provide all required circuit schematic diagrams that will:

- Provide adequate detail with clear wording and visual images so that qualified technical staff may perform an evaluation on the design of the component

6.2.3.3 PROFESSIONALLY DRAFTED

Scientific Games will provide all required circuit schematic diagrams that will:

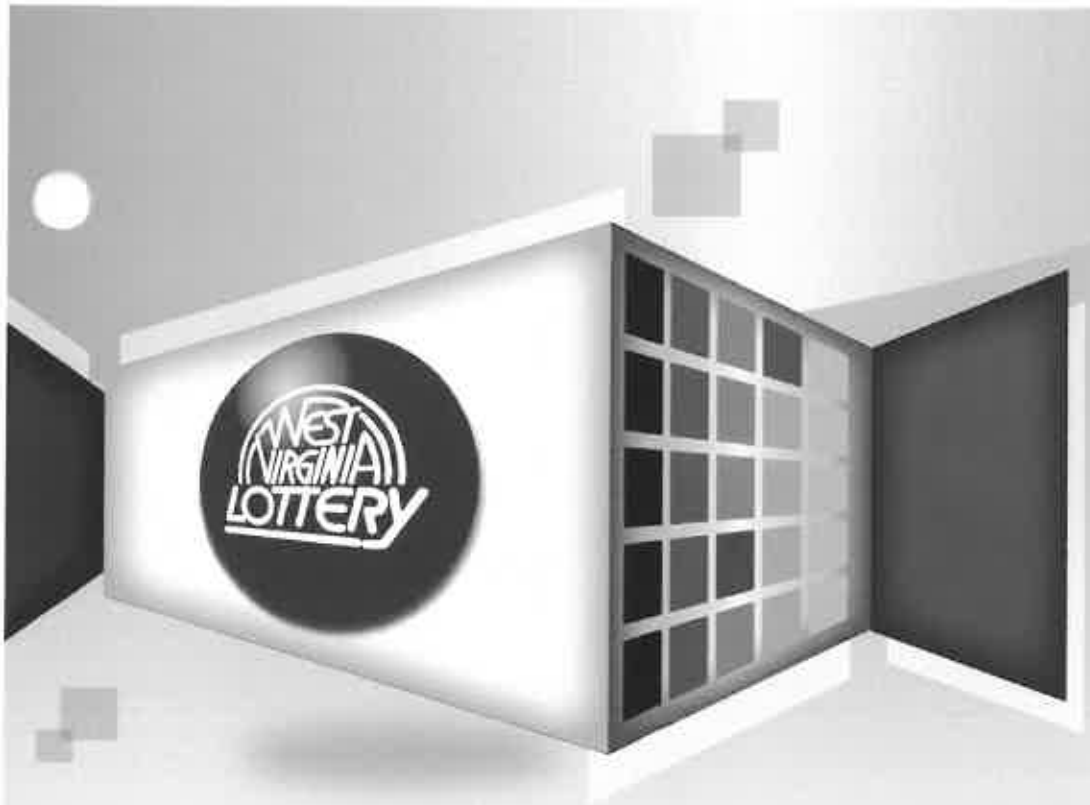
- Be professionally drafted and kept up-to-date at all times

6.2.3.4 UPDATED

Scientific Games will provide all updates that will be submitted simultaneously with any testing submission.

6.2.4 PRELIMINARY DOCUMENTS

All preliminary documents will be delivered within thirty days of contract execution and Notice to Proceed so that the Scientific Games and the Lottery can collaborate during the business analysis phase to ensure that the CMS is developed with a mutual understanding of the Lottery's business processes and practices.



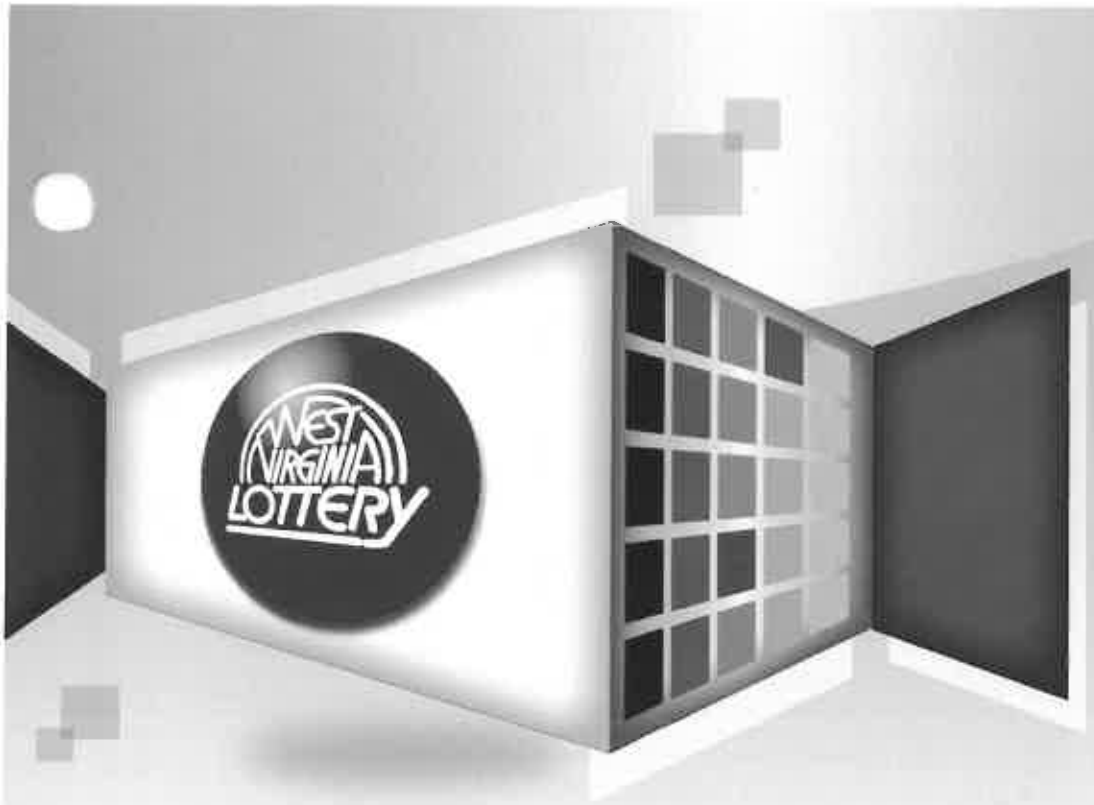
ATTACHMENT C: COST SHEET

SCIENTIFIC GAMES



ATTACHMENT C: COST SHEET

Please reference Scientific Games' Attachment C Cost Sheet in the separately sealed envelope labeled "Cost Proposal".



SECTION 7: ORAL PRESENTATIONS

SG
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SECTION 7: ORAL PRESENTATIONS (AGENCY OPTION)

Scientific Games concurs that the Agency has the option of requiring oral presentations of all Vendors participating in the RFP process. We acknowledge that if this option is exercised, it would be listed in the Schedule of Events (Section 1.3) of this RFP.

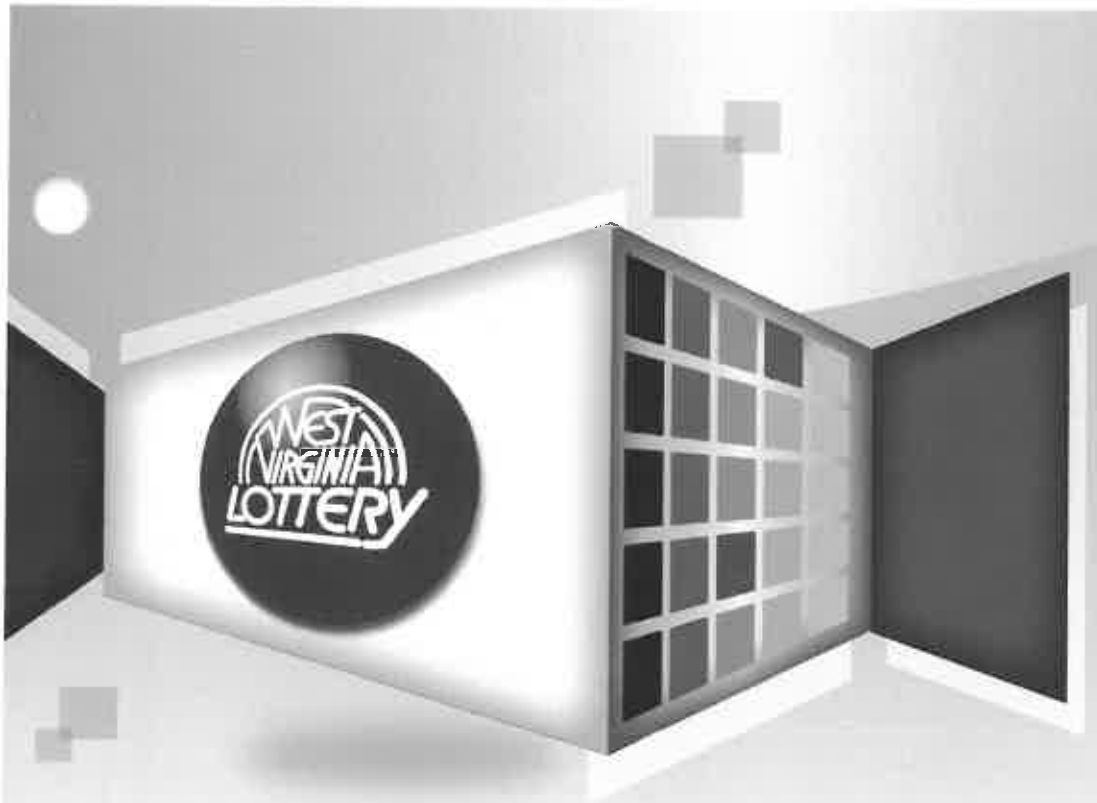
We understand that during the oral presentations, Scientific Games may not alter or add to our submitted proposal, unless RFP response clarification information is required. We concur that it is encouraged to present any information, in writing, that supports our proposal and this information shall be cross referenced back to specific sections in our RFP response.

7.1 CLARIFICATION QUESTIONS

Scientific Games concurs that subsequent to review of the technical portion of the RFP, questions will be generated relative to each bidder and a consolidated list will be generated and sent to all bidders with oral presentations scheduled as applicable.

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SECTION 3.2: CORPORATE CAPABILITIES

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ORGANIZATIONAL STRUCTURE AND STAFFING PLAN

Our proposed team of experienced video lottery and gaming personnel is prepared to dedicate themselves to perform your installation in an aggressive timeframe without protocol compatibility concerns or delays. Only Scientific Games can offer this level of experience with a single motivation to deliver systems products and services as a vehicle to drive future success of the Lottery.

We will use a four-tiered management model for the Lottery's implementation project. Each tier consists of a team with specific roles and responsibilities that will cohesively guide the project along each phase to a timely and successful completion.

The following descriptions indicate the roles of each team:



John McCormack

1. **Executive Management Team** – With a global corporate group presence, Scientific Games understands that management direction begins at the executive level. Our corporate executives are linked with each customer as they work in concert to define our business itinerary and make key decisions for our customer's business initiatives. Key executives from Scientific Games will be assigned to fulfill this role in our interactions with the Lottery.



Steve Angelo

2. **Project Steering Committee** – Scientific Games' corporate organization will interface with the Lottery's Project Implementation and Lottery's Operations Support teams through the Project Steering Committee. Taking direction from the executive sponsors—John McCormack, Vice President Technology, Systems Support and Steve Angelo, Vice President of Video Gaming Systems—the Scientific Games Project Steering Committee will be comprised of corporate representatives from Scientific Games' departments, such as project management, operations support, product assurance and software development.

The steering committee will ensure that resources needed for the implementation and operations support teams are properly allocated, and that key project milestone are met. Additionally, the committee assures that ongoing system operations function in a way that meets the Licensees' and Operators' needs and that the Lottery continues to grow and prosper. The Project Steering Committee will meet regularly with the Lottery. Comprised of experienced and dedicated industry professionals that are focused on the

delivery and effectiveness of our global product offerings, Scientific Games' executives embrace their dual role. The executives serve as:

- Active participants in the corporate environment, including advocacy for our customers and support for their mission to increase growth for higher returns
- Valuable resources for the on-site team committed to disseminating their industry expertise and best practices to support operational improvements that enhance our partnership with the Lottery

To demonstrate our commitment to partnership with the Lottery, Steve Angelo and John McCormack will provide advocacy for the Lottery's interests at the highest levels of our business. They provide a direct link to Laveti Sridhari, Senior Vice President, Gaming Systems, Bally Technologies, and Derik Mooberry, Executive Vice President, Group Chief Executive Gaming, Scientific Games Corporation, for quick response to any of the Lottery's business concerns.

We believe this approach provides the infrastructure and continual support required by a solid staffing business. Our executives are visible during implementation and readily available to provide their considerable industry expertise.

Collectively, our corporate account support group has hundreds of years of industry and institutional knowledge. Over the past two years, we have realigned our corporate support groups to be even more customer focused for rapid service delivery.

3. **Implementation Project Team** – As a demonstration of our commitment to the Lottery, Scientific Games will provide the Lottery with a team of system professionals with extensive CMS implementation experience. Guided by the Steering Committee and supported by our implementation and local operations teams, we will bring a team to the West Virginia project with unmatched experience and knowledge of the system, gaming location base, and defined business requirements. Appropriate team staff levels will be maintained throughout the project to meet timelines identified on the implementation plan.
4. **Operations Support Team** – Scientific Games will provide the Lottery with a proven, dedicated and cohesive team of industry professionals. They will provide an unparalleled level of customer service to the Lottery. Master licensees and location operators ongoing success requires the continual integration of the Lottery's knowledge and expertise from project inception through the life of the contract. With the four key

management groups described in this section, the Lottery benefits from having the supplier with the most comprehensive staffing and support services available in the industry.

Scott Stewart, Account Services Vice President



Scott Stewart

As the Lottery's Account Services Vice President, Scott Stewart will serve as the point of contact for business and contract related activities during and after the project. He will serve as the corporate escalation point for any business issues that cannot be resolved by the project team. Scott also participates as a member of the project team where he is responsible for ensuring that the Lottery's interests are represented during the duration of the project.

After project completion, Scott is responsible for maintaining the long term relationship with the customer, assessing current and future customer needs, and providing that information back to the organization to be addressed.

Scientific Games will work closely with the Lottery during the project initiation phase to take full advantage of the new opportunities that this migration presents. Scientific Games is well versed on how the Lottery operates its business; on "DAY ONE" Scientific Games will be poised to immediately assist the Lottery in taking full advantage of the enhanced benefits and advancements of our SGVideo CMS.

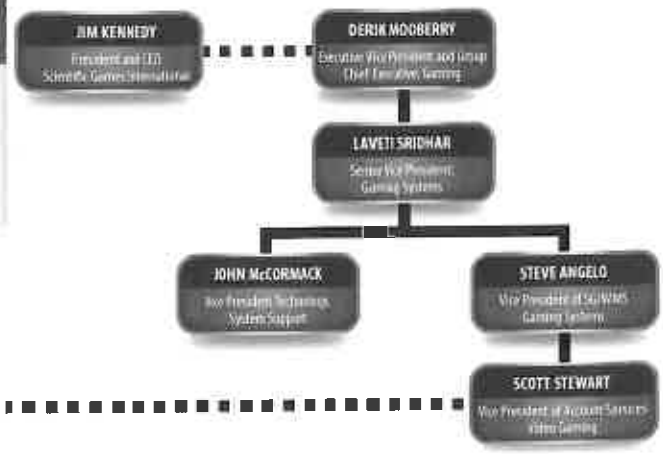
Qualified Staff

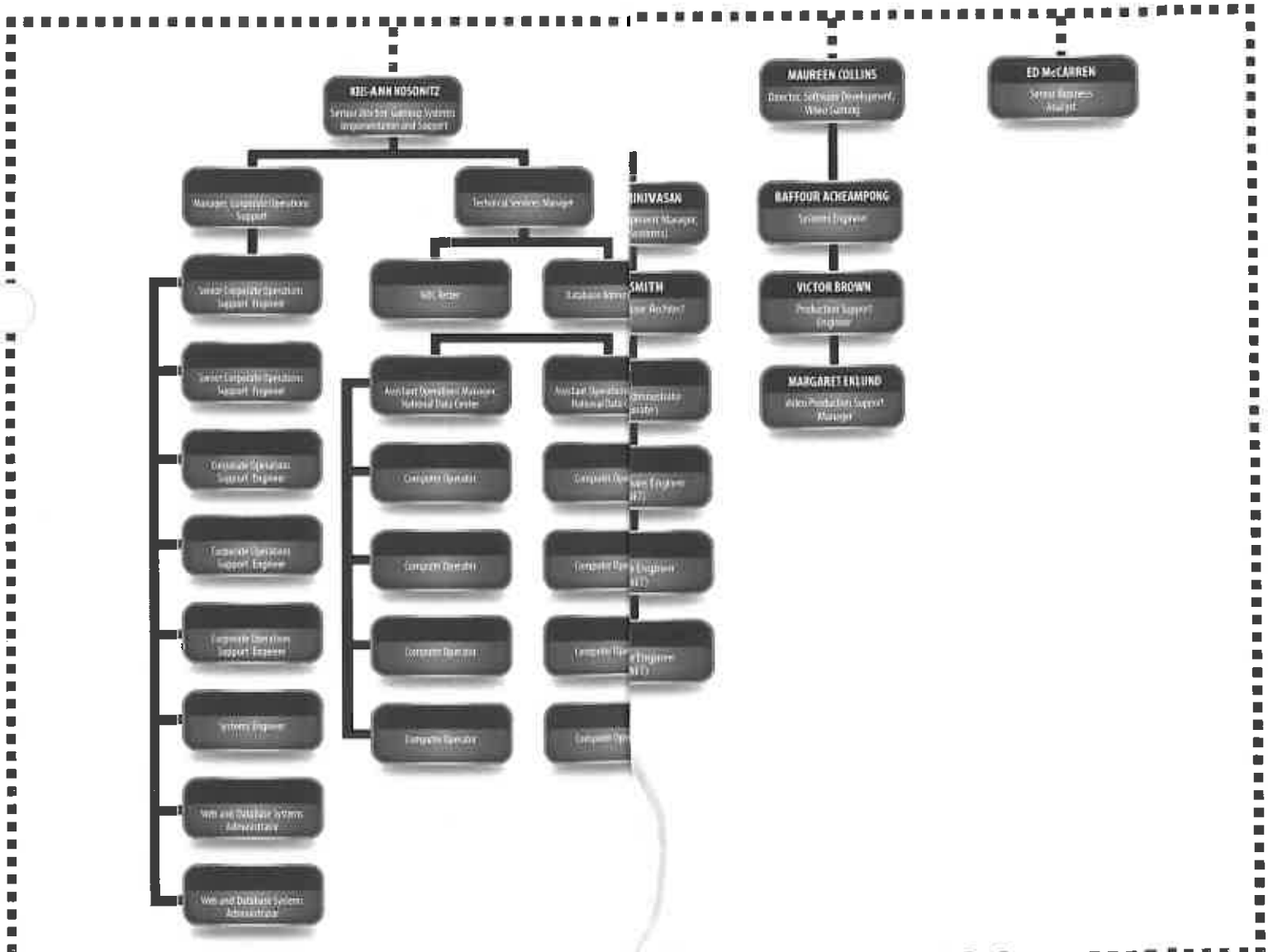
We will provide a proven, dedicated and cohesive team of industry professionals. They will give unparalleled customer service to the Lottery, the gaming location Operators, and your players, while advancing the Lottery to the next generation of technology and tools to drive the business.

Ongoing success requires the continual integration of industry knowledge and expertise from project inception through the life of the contract. With the four key management groups described in this section, the Lottery benefits from having the vendor with the most comprehensive staffing and support services available in the industry. Scientific Games will work closely with the Lottery during the project initiation phase to take full advantage of the new opportunities that this implementation presents.

Figure 3.2-3 details our Video Gaming Systems Implementation and Conversion Support Team that will deliver world-class performance to the Lottery. In addition, resumes of key contributors are included behind the "Supplemental Information" tab at the end of **Section 3.**

FIGURE 3.2-3 VIDEO GAMING SYST





CORPORATE RESOURCES SUPPORT

Scientific Games' knowledgeable implementation professionals assure the Lottery will experience a swift and seamless conversion to the SGVideo CMS platform that will deliver the new features and functionality the Lottery seeks. These individuals possess skill, talent, creativity and, most importantly, West Virginia specific knowledge. Our teams' years of experience and understanding of the Lottery's procedures, processes and people—that will be critical to assisting the Lottery's along is path of innovation and growth. In this age of business uncertainty, operational stability is paramount and our SGVideo CMS will deliver a solid gaming infrastructure.

Scientific Games has a highly capable team that is well known to the Lottery and has proven to be firmly committed to its business. Led by Murali Venkataraman and supported by Maureen Collins, Baffour Acheampong, and Jim Murphy (as well as the rest of the Scientific Games technical resources), our team has served you with pride and enthusiasm through the past eight years. Each member looks forward to helping you usher in another decade of business and gaming success.

- Corporate Video Gaming Systems Support Group
  - Murali Venkataraman, Director, Video Gaming Services and his team
  - Loren English, Director, Site Product Development and his team
  - Mohan Srinivasan, Manager, Software Development and his team
  - Maureen Collins, Director, Software Development and her team
  - Baffour Acheampong, Engineering Systems, Video Support Services
  - Jim Murphy, Senior Network Engineer, Network Design and Implementation
  - Jessie Pack, Senior Director Service Delivery, Field Support and his team



Figure 3.2-4: Corporate Video Gaming Systems Support Group

- Corporate Systems Support Group
- Corporate Educational Services/Training Group
- Corporate Technical Documentation/Media Group
- Corporate Telecom Services Group (Network Design and Implementation)
- Corporate Networking Group
- Global Response Center (GRC)
  - Smart Services
  - System Escalation

- Dispatch Hotline
- Quality Assurance Services
- Global Network Operations Center (GNOC)
  - Operational Support

IMPLEMENTATION AND CONVERSION SUPPORT STAFF

Qualified Staff

As shown in **Figure 3.2-5**, our proven, dedicated, and cohesive implementation and conversion support staff will work closely with the Lottery during the project initiation phase to take full advantage of the new opportunities that this implementation presents.



Figure 3.2-5: Proposed West Virginia Staff

— CONFIDENTIAL INFORMATION ENDS HERE —

— CONFIDENTIAL INFORMATION BEGINS HERE —

Scientific Games' Success Stories

Over the past two decades, Scientific Games' corporate family has repeatedly proven the ability to implement, convert, and successfully operate a CMS for regulators around the globe. Our corporate family's skilled team of installers and operations professionals has successfully implemented 11 systems similar in scope and functionality to what we propose for the Lottery.

As a CMS provider and operator, Scientific Games has continually achieved what we believe is the most successful track record of gaming network integrity and financial accountability. Our experience in the implementation, conversion and operation of gaming systems reflects a history of unfettered success in the industry and assures our customers that gaming machine manipulation and accounting irregularities are not acceptable operating risks.

Scientific Games develops, delivers and operates video control systems that ensure the integrity the gaming environment. We are proud of our record of achievement and pleased to share some of our success stories.

Proud of Our Partnership with West Virginia

One of our major accomplishments with the Lottery was the replacement of the system hardware infrastructure during transition to your new facility on Pennsylvania Avenue. Our team, led by Maureen Collins, worked closely with your Video Lottery staff to upgrade the central system hardware without issue or delay.

Our team successfully switched over between systems in a two-hour time window.

As part of your current RFP, you have requested a hardware refresh at the six-year and 11-year point. Scientific Games can say unequivocally that no other vendor has the experience or firsthand knowledge like we already do in West Virginia to complete this request.

We understand what is required to provide the Lottery the specifications needed to purchase the hardware for the refresh. We understand the testing your team will do to validate the system when delivered, and we understand exactly how to upgrade the system without impact to the gaming network. Scientific Games understands your business like no other. You can be confident that the system refresh will be performed without issues.

New Mexico System Replacement Without a Hitch

In 2013, we were selected, through an open procurement process, to deliver a CMS designed for five racinos and over 60 non-profit locations in the State of New Mexico. The system includes support for GSA® SAS 6.02 protocol, and provides the capability to upgrade to the G2S® protocol at the Board's request. A true testament to our capabilities, beginning in January 2014, we were able to deliver and achieve acceptance of a system that supports the GSA open protocols, and was operationally ready by July 2014.

Our system delivery included providing the New Mexico Gaming Control Board a primary and back- up and test Central Monitoring System, providing new system updates and functionality. What makes this upgrade remarkable was our unfailing ability to seamlessly implement our new system while avoiding impact to daily operations. The planning, testing and technical expertise of our teams allowed the existing CMS to be taken out of production, with fully functional Primary and Backup systems replacement operational within two hours. This implementation provided for a smooth transition to the new system with site migrations occurring once the new system was in production. This is just one of many examples of how we provide our customers the highest levels of service and support.

Illinois Video Network Launch Comes Up Aces

In 2012, Scientific Games successfully delivered and launched our CMS for the Illinois Gaming Board.

We were selected, through an open procurement process, to deliver a CMS designed to ultimately support as many as 60,000 video gaming machines located at 15,000 venues. It also had to support the GSA® SAS 6.02 protocol, and provide the capability to upgrade to the G2S® protocol within six months of the Board's request. A true testament to our capabilities, beginning in January 2012, we were able to deliver and achieve acceptance of a system that supports the GSA open protocols, and was operationally ready by July 2012.

Illinois mandated ticket redemption via a secure cash solution. This was the first of its kind in the gaming industry.

Scientific Games successfully worked with various manufacturers, several who were new to gaming and the GSA SAS protocol, to integrate their redemption devices with our CMS, demonstrating our ability to meet unique jurisdictional requirements and work with third party vendors.

The implementation included all necessary steps to build and staff an operations center, receive system certification by an independent third party laboratory, and bring the system into production in less than seven months. This project was managed by the same team of professionals who are ready to implement your CMS.

The highly successful Illinois implementation was a true start-up in a new jurisdiction, and unquestionably reflects the level of success we can achieve.

The Illinois Back Story

We successfully completed the implementation phase by executing the following six-step process:

1. Locate and acquire the right Primary Data Center (PDC) for the project.
2. Build out the location to the specifications of the Illinois Gaming Board and securely house the required networking and hardware.
3. Hire and train the staff to operate and maintain the PDC and all of the systems located there.
4. Install the equipment necessary for the operation of the center and the workplace it provides.
5. Acquire ISO 27001 Certification for security and data management—a certification level above the normal requirements of similar facilities.
6. Receive the approval of the Illinois Gaming Board to open and operate the site.

Those familiar with the intricacies of system installation, certification and testing will recognize that creating a data center with the advanced technological features, network infrastructure and redundant power systems of this building within the timeline required—and on budget—is an accomplishment only an industry leader in video lottery systems could achieve.

The Illinois CMS is actually three systems: a primary (primary – duplex pair), back-up (primary-duplex pair) and test system. It delivers the following capabilities:

- Monitor the entire gaming network 24/7, including the validation of every gaming machine
- Meet all jurisdictional gaming, security, and reporting requirements
- Maintain a database of Video Gaming Terminal (VGT) configurations as well as security and accounting information

- Poll the Site Controller at each Venue, completing the connectivity to the VGTs
- Control VGT enrollment
- Enable and disable individual (or groups of) gaming machines
- Check the validity of game program signatures in each VGT before allowing play
- Generate standard and customized reports from collected meters and events

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Although the Lottery is aware of Scientific Games' ability to perform as your CMS partner, please contact the following references to confirm our capability:

SCIENTIFIC GAMES' CMS CUSTOMER/ PARTNERS REFERENCES		
Illinois Gaming Board 160 North LaSalle, Suite 300 Chicago, Illinois 60601 Mr. Mark Ostrowski Administrator Email: Mark.ostrowski@igb.illinois.gov Tel: 312-814-4646	**Delaware State Lottery** McKee Business Park 1575 McKee Road, Suite 102 Dover, DE 19904 Mr. Vernon Kirk, Director Email: vernon.kirk@state.de.us Tel: 302-774-1600	**Maine Gambling Control Board** 45 Commerce Drive 87 SHS Augusta, Maine 04333-0087 Mr. Patrick J. Fleming, Executive Director Email: patrick.j.fleming@maine.gov Tel: 207-626-3900

Figure 3.2-12: Scientific Games' CMS Customer/Partners References

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Our SGVideo system is carefully designed to prevent accidental or overt unauthorized modifications to the software code base. We follow strict development processes that are carefully crafted to maintain the highest possible quality and security, including check points and regular reviews.

All changes to source code are documented, controlled, protected, audited and unit tested by development staff. Modifications then go through a thorough quality control process before being released to the field, and ultimately the customer's production environment.

The Scientific Games development process requires that all software modules be stored in a secure repository. Modules can only be checked out and returned by authorized personnel (e.g., software engineers specifically assigned to make changes). All changes are logged in secure system files along with details of the change(s) made and the person making the modifications. We apply stringent management oversight to all development activities.

As with all of our computer systems, the system on which the software repository resides is constantly protected against malware by virus and integrity scans. User IDs and associated security privileges are closely monitored to guard against corruption or theft by unauthorized persons.

Software signatures are calculated and applied to each binary image at system integration time and those signatures are checked every time a test or production system loads or initiates the module. Every discrepancy generates an alert to signify the need for further investigation. This essentially eliminates the chance that a piece of software can transport a virus, worm or trojan into a critical system.

Finally, Quality Assurance, our jurisdiction contact management personnel, user acceptance testing staff and operations support staff review and double check the accuracy and applicability of every entry in every software release report; only the appropriate software is allowed on a test or production system.

CHANGE REQUEST PROCESS

The primary tool used to initiate and track the change request process is the Change Request form, which is submitted to the involved company manager (i.e., Lead Project Manager during implementation. In addition to the details of the requested change, it records the expected impact, planned resolution and, ultimately, approver decision.

Personnel involved in the change management process include the original requestor, manager, project sponsors and sponsor advisors. The review and approval of the Change Request is done by the Change Control Committee (CCC).

Request

All requests for change will be documented using the Change Request. The form will be completed by the requestor. This is critical for the effective review and sound estimating of efforts required to understand and plan for the change. **Figure 3.2-13** outlines the steps involved in processing an individual Change Request, including the project member(s) responsible for each step.

Categorize the Change

The requestor and the Scientific Games point-of-contact will assess the urgency and the area(s) of impact of the change based on a well-defined list of categories.

Prioritize the Change

The person submitting the Change Request and the Scientific Games point-of-contact will assess the urgency and the impact of the change using the following priorities:

- **Critical** – Significant impact on product functionality with no known workaround.
- **Serious** – Significant impact on product functionality with a known workaround.
- **Moderate** – Moderate impact on product functionality.
- **Minor** – Cosmetic; insignificant impact on product functionality.

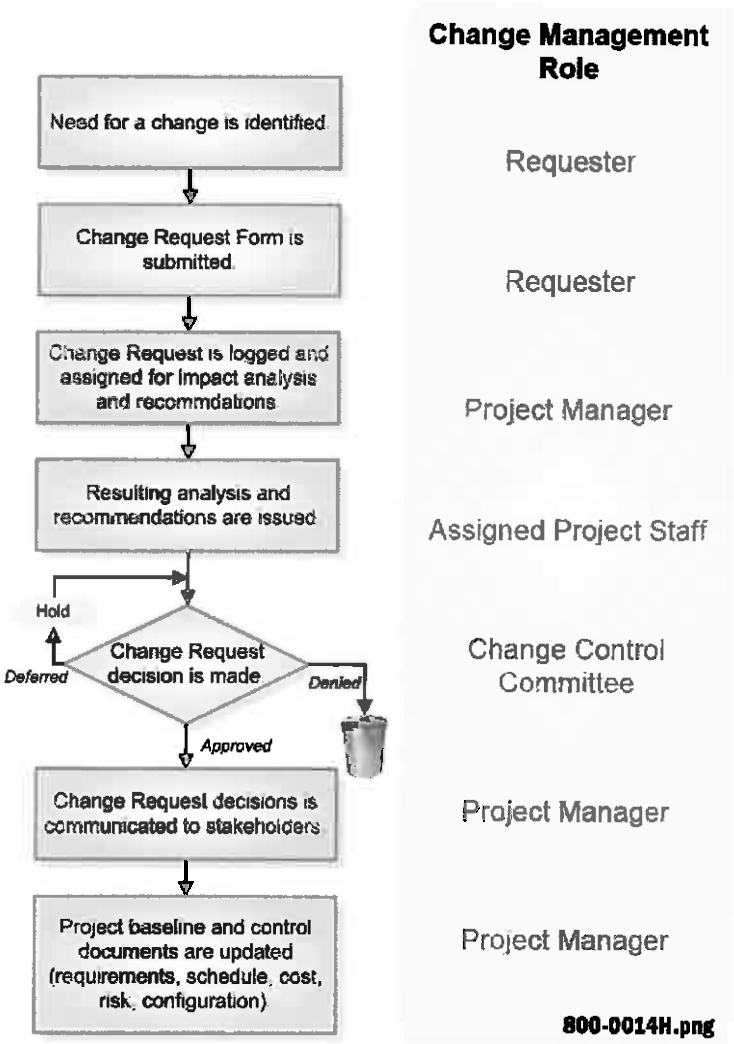


Figure 3.2-13: Change Request Process

Analyze and Justify the Change

The Scientific Games point-of-contact works with the change requester to develop specific justification(s) for the change and to identify how the change may impact the business operations and financials. The point-of-contact will create a tracking entry including all pertinent information for the development manager to estimate the development scope, Quality Control resources, and implementation effort to complete the modification(s).

Approve and Schedule the Change

The point-of-contact timely submits the change request along with the supporting information related to the change. It will then be discussed during the weekly Change Control Committee (CCC) review meeting. The request usually will be emailed to board members for their review in preparation for discussion during the meeting. The Change Control Committee will decide whether the change will be approved as submitted, denied, or deferred.

A request may be deferred because it exceeds the scope of the original deliverables or appears to be an entirely new feature or capability outside the contracted system. This situation often requires contractual meetings between the customer and Scientific Games work together to determine how the request will be handled.

Plan and Complete the Implementation of the Change

This process includes developing the technical requirements, reviewing the specific implementation steps, and then effecting the change with minimal impact on the infrastructure and end users.

Review After Implementation

A post-implementation review is conducted to ensure that the change has achieved the desired goal(s). Following are the post-implementation actions:

- Decide to accept, modify or back-out the change.
- Contact the requestor to validate success of the modification.
- Finalize the change request through e-mail confirmation.
- Close the entry on the Changer Request Log and in JIRA® (tracking software).

Change Process Rules

- All change requests are submitted by the project-specific deadline.
- The Change Control Committee will review and make decisions on change requests on a regularly scheduled basis.
- The Project Manager will coordinate all activity related to a change request.
- All change requests will go through an impact analysis.
- As part of the impact analysis, the Resource Manager will be consulted regarding commitment of resources.
- All change requests will be distributed to the appropriate parties for informational purposes.
- The Change Control Committee will meet as needed.
- Project team members will not commit to modifications or incorporate changes into project deliverables until the change has been formally approved.
- The project Change Control Committee or sponsor(s) will not commit to any change to project deliverables before the impact of the change is quantified and approved.
- Requestors should not be the ones to approve their own change requests.
- Any change request remaining in "hold" status at the end of implementation will be addressed in the project's summary exit plan.

Newly submitted change requests (and their current statuses) will be included in the regular project status report.

If the commitment of resources to perform an impact analysis on the change request negatively affects the project's timeline, the project sponsor(s) will be asked to make a priority decision regarding the change request.

Testing And Tracking

All software updates go through a series of rigorous tests before being delivered to the Lottery for acceptance testing.

The first level of testing is done by the developer, where the specific code that was created or altered is verified as performing properly according to the design spec and/or Change Request form. After the software module is certified at this unit level, it is securely stored using our standard software source management procedures to ensure it is not modified by unauthorized personnel or corrupted.

Scientific Games uses a number of software development tools and repositories to keep track of the history of all changes to documentation, technical manuals, specifications, and program source and object code so that any prior software releases or versions of a specific file may be safely regenerated.

Shared access to development data is supported by storing all files and information on a central server. As developers check out files from the server they are tagged with the developers' identity, plus the time and date. After developers have made the requisite changes, they check the file back into the server and are required to associate that modification with a Change Request in Atlassian JIRA. The system prevents people from making concurrent modifications.

Each build of the system is given a new version number, incremented from the last build. This version number is a key part of the release notes when delivering software as is the list of Change Requests included in the release. The version number is tracked throughout the test cycles, and referenced in the test summary document.

At this point, the software is subjected to integration testing—verifying that the changes have not adversely altered the operation of the entire system. Regression testing is a key part of this verification phase. Only after these tests have been successfully completed is the software permitted to leave the development center.

The system software is now eligible for submission to an independent testing laboratory to verify that it does not violate any jurisdictional requirements or regulations. After the lab has approved the release, it will be delivered to West Virginia Lottery personnel for testing and authorization for installation. If required, Scientific Games will supply technical assistance during the acceptance testing period.

Each software update is delivered with detailed release notes, including the Change Requests that were incorporated. Where applicable, the release notes will contain special testing procedures or data structures required to verify the proper execution of the latest software changes during acceptance testing. If the new software demonstrably changes operations procedures or user commands, updated manual pages will be included with the software delivery.

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PREPARATION

Starting at contract award, Scientific Games will work diligently toward a November 1, 2016 production launch of SGVideo. We will collaborate with the Lottery to execute the contract, while starting on the gathering of requirements from Lottery and Venue staff. Those requirements will evolve into SRS design documents which must be approved by the Lottery before we proceed with our software development effort.

Our engineering staff will order the required data center and Venue hardware. They will assemble and test the systems and site equipment and arrange for shipping to their destinations. New RVL hardware will be included in this effort, setting the hardware in place (and testing it) in preparation for post-launch upgrading of each of the casinos.

We will perform internal (developer and QA) testing of all software destined for West Virginia and manage the external testing (independent testing lab and Lottery acceptance) processes.

Our staff will produce end user documentation, provide stakeholders with SGVideo training.

The preparation phase sets everything in place as a prelude to production launch.

LAUCH+MIGRATION

This process will take place during a single business day—November 1, 2016. On this day, our video engineering specialists, in cooperation with Lottery operations staff, will migrate the entire AEGIS-Video gaming dataset to SGVideo. All five RVLs will be switched to have their communications circuits terminate in the new system's servers. At the same time, we will execute the move of all SAS-only LVLs to be serviced, using dial-up connections, by SGVideo.

As of the end of November, 1, 2016, the only Venues managed by AEGIS-Video will be any LVLs still operating ICIS gaming machines. If no ICIS VLTs remain on the network, the Lottery may power down the AEGIS-Video servers at its convenience.

UPGRADE+MIGRATION

Starting on November 8, 2016, Scientific Games will begin to upgrade Venue hardware. During the first month, we will move RVL production to the SGVideo Site Controllers and communications put in place and tested prior to launch. LVLs will be upgraded by a team of field technicians with the target of completing all sites by July 19, 2017—well ahead of the Lottery's mandated deadline of February, 2018.

Figure 3.2-14 provides individual tasks and events, including start and end dates.

PROJECT TASK OR EVENT	START	END
Contract award	05.04.15	
Contract Execution (NTP)	05.05.15	06.15.15
Produce detailed implementation plan for Lottery review	05.26.15	07.02.15
Develop Business Requirements Documents	06.16.15	09.09.15
Install, test, certify new PDC-BDC communications	10.21.15	02.29.16
Primary Data Center readied for systems	10.23.15	12.14.15
Backup Data Center (Scientific Games GNOC) readied for systems	10.23.15	12.15.15
Create SRS based on Business Requirements	10.28.15	11.24.15
Acquire central server hardware at Scientific Games integration facility	11.06.15	12.08.15
Develop SGVideo application software (deliver to Scientific Games QA)	12.16.15	04.13.16
Build, test, certify central server hardware and software	01.04.16	02.08.16
Final approved by Lottery of all design documents	01.18.16	
Test, certify (Quality Assurance) SGVideo application software	02.02.16	07.25.16
Build, test, certify RVL Venue hardware and software	02.11.16	02.11.16
Install, test, certify Lottery test SGVideo hardware at PDC	03.31.16	04.05.16
Install, test, certify SGVideo hardware at PDC and BDC	04.06.16	04.13.16
Install, test, certify new RVL hardware (production remains on AEGIS-Video)	04.14.16	05.04.16
Create Disaster Recovery/Business Continuity Plan to Lottery	05.26.16	07.13.16
Certification from independent test lab and Lottery acceptance testing	06.10.16	08.01.16
Train Lottery, Venue, field service staff	06.13.16	10.28.16
Migrate all gaming data from AEGIS-Video to SGVideo	11.01.16	11.01.16
Migrate all RVLs to SGVideo	11.01.16	11.01.16
Migrate all SAS-only LVLs to SGVideo	11.01.16	11.01.16

Figure 3.2-14: Key Project Tasks and Events

PROJECT TASK OR EVENT	START	END
SGVideo production launch	11.01.16	
Upgrade all RVLs to new site hardware and software	11.08.16	12.05.16
Upgrade all LVLs to new site hardware, software and comms	12.12.16	07.19.17
Extended project support	07.25.17	08.31.17
(Lottery designated Project deadline)	(02.01.18)	
Contract award	05.04.15	

Figure 3.2-14: Key Project Tasks and Events

ROLES AND RESPONSIBILITIES

Scientific Games has provided a detailed description of the CMS project roles, responsibilities and staff interactions in our response to **Section 4, Subsection 4.7.1.2.4.**

DEPENDENCIES

As with all large technology projects, involving a dozen different organizations, the CMS conversion project is a long series of dependencies. For instance, if contract award is delayed by a month, it jeopardizes the entire timeline and requires exceptional procedures to bring the deliverables and tasks back to the original Gantt dates.

Scientific Games invests considerable resources to make sure that all contributors to the project adhere to dates documented in the final conversion plan document(s). The following are processes/events that will be closely managed to ensure that the project progresses smoothly:

- Contract award
- Collection of ***all*** pertinent business requirements and process rules
- Business requirements and SRS document review by the Lottery
- Hardware acquisition and delivery
- Software development and testing (avoidance of scope creep)
- Timely certification by independent testing lab
- Efficient, successful user acceptance tests
- Venues collaboration (site surveys, equipment installation/testing, migration)
- Circuits and support provided by communications carriers
- Timely elimination of ICIS protocol VLTs

TIMELINE

Scientific Games has provided on the following pages the overview Gantt timeline, starting on the anticipated contract award date and continuing through the Preparation, Launch+Migration and Upgrade+Migration phases.

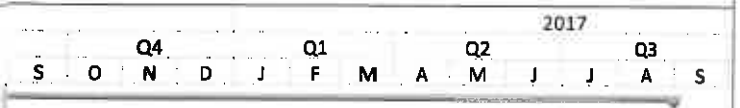
PDC, BDC, CASINOS, AND LVL VENUES IMPLEMENTATION SUPPORT

Scientific Games has advantageous experience working with and supplying your systems, network, business practices and staff. You know our team, and we know your staff and operators. When we call to schedule an installation with an operator or retailer, they will speak with a familiar company that knows their business and has been working with them for 10 years. This understanding and knowledge will provide a smooth transition to a new system.

We will establish an Implementation Roll Out (IRO) office that will serve as the backbone of our support efforts during implementation. During your implementation, we will staff the IRO with key members of our video support staff, including implementation specialists, system support specialists, network specialists and VLT integration specialists.

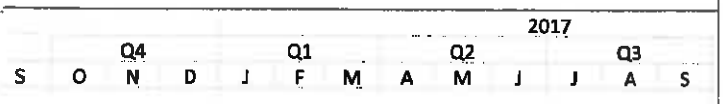
Our implementation and support team will include familiar faces that will continue supporting you in the future. Team members providing support at the primary and back-up data centers, casinos, and LVL venues during the implementation will include Maureen Collins, John Grieger, Jim Murphy, Margaret Eklund, Baffour Acheampong, Victor Brown, Murali Venkataraman, Mohan Srinivasan, Jessie Pack, and other engineering and support team members.

ID	WBS	Task Name
0		**West Virginia SGVideo (CMS) Implementation Schedule**
1	1	**PROJECT MANAGEMENT**
2	1.1	**Project Activities**
3	*1.1.1*	***Contract Award***
4	1.1.2	Contract Negotiation & Approval
5	*1.1.3*	***Contract Execution (NTP)***
6	1.1.4	Prepare Project Plan
7	1.1.5	Develop Implementation Plan for CMS Upgrade
8	1.1.6	Prepare Project Kick-Off Materials
9	1.1.7	Conduct West Virginia Project Kick Off Meeting
10	*1.1.8*	***Submit Project Plan & Detailed Conversion Schedule***
11	1.1.9	West Virginia Review and Sign-Off of Project Plan
12	*1.1.10*	***Conversion Plan for CMS Upgrade Complete / Approv***
13	2	**West Virginia PDC & BDC Facilities**
14	2.1	**West Virginia PDC & BDC Preparation**
15	*2.1.1*	***West Virginia Reviews Architectural / Mechanical / El***
16	2.1.2	**West Virginia PDC Facility Upgrades**
17	2.1.2.1	West Virginia Reviews PDC Equipment Specification
18	2.1.2.2	West Virginia Create's PO's to have PDC Upgrades C
19	2.1.2.3	West Virginia Schedules & Completes PDC Upgrades
20	*2.1.2.4*	***West Virginia PDC Completed - Ready for Productic***
21	2.1.3	**BDC Facility Upgrades**
22	2.1.3.1	Review BDC Equipment Specifications (from SGI)
23	2.1.3.2	Create's PO's to have BDC Upgrades Completed
24	2.1.3.3	Schedules & Completes BDC Upgrades (Electrical, H
25	*2.1.3.4*	***BDC Completed - Ready for Production Systems***
26	*2.1.3.5*	***PDC/BDC Facilities Preparation Complete***
27	3	**DISASTER RECOVERY FAILOVER PLAN**
28	3.1	**Disaster Recovery Failover Plan**
29	3.1.1	Identify West Virginia System Failover Requirements
30	3.1.2	Develop Operations Failover Plan
31	*3.1.3*	***Submit Operations Failover Plan to West Virginia***
32	3.1.4	West Virginia Failover Plan Review
33	3.1.5	Revise Operations Failover Plan
34	*3.1.6*	***Disaster Revovery Operations Failover Plan Complete***
35	4	**WEST VIRGINIA DELIVERABLES**
36	*4.1*	***Documentation of all VLTe models, by manufacturer, cu.***
37	*4.2*	***Documentation of all approved chip sets***
38	*4.3*	***Samples of all chips sets which are currently in productic***
39	*4.4*	***One gaming machine from each approved manufacture.***
40	5	**INFRASTRUCTURE PREPARATION AND INSTALLATION**
41	5.1	**Facilities Specifications**
42	5.1.1	SGI Reviews System HW/SW Specifications
43	5.1.2	SGI Reviews Network Specification
44	5.1.3	SGI Reviews Telecom Specifications
45	*5.1.4*	***SGI Facilities Specs Complete***
46	5.2	**Site Surveys**
47	5.2.1	Conduct Site Survey for Region 1
48	5.2.2	Conduct Site Survey for Region 2
49	5.2.3	Conduct Site Survey for Region 3
50	5.2.4	Conduct Site Survey for Region 4
51	*5.2.5*	***Site Surveys Complete***
52	5.3	**SGVideo Hardware Installation**



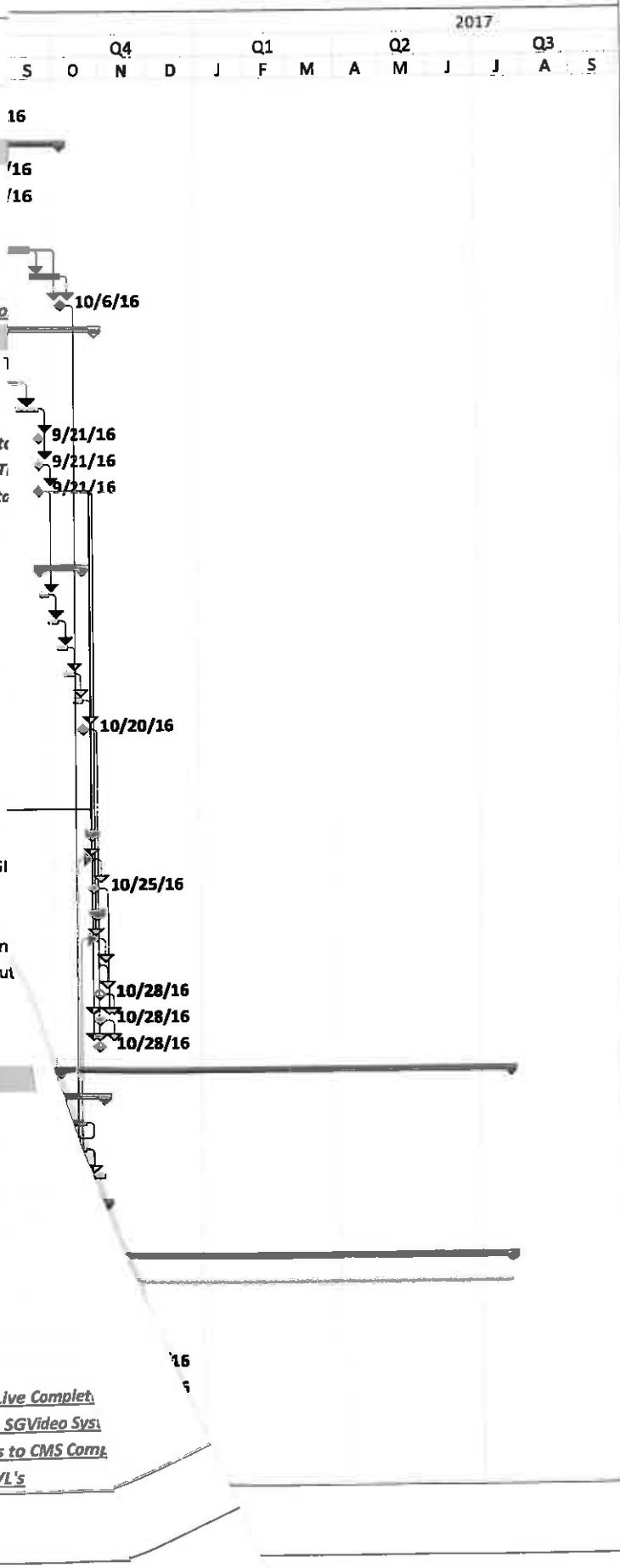
ID	WBS	Task Name	2017 Q4 S	O	N	D	Q1 J	F	M	A	Q2 M	J	J	Q3 A	S
53	5.3.1	SGI Orders HW/SW (PDC Test System) / (Test System)													
54	5.3.2	SGI Orders HW/SW (Primary, Backup)													
55	*5.3.3*	***SGI Receives PDC, BDC, Test Equipment @ Alpharetta***													
56	5.3.4	Order HW/SW RaceTrack/Resort Equipment													
57	*5.3.5*	***Receive Race Track/Resort Equipment***													
58	**5.3.6**	**Assemble equipment for PDC, BDC, Test racks**													
59	*5.3.6.1*	***Assemble Racks, Install UPS, PDU, etc***													
60	*5.3.6.2*	***Install Servers, Network Equipment, MSA, etc***													
61	5.3.6.3	Install O/S on all servers													
62	5.3.6.4	Install 3rd Party Software													
63	5.3.6.5	Install SGVideo Software													
64	5.3.6.6	Install Firewalls, Switches, Routers, etc.													
65	5.3.6.7	Rack Connectivity Testing													
66	5.3.6.8	System Connectivity Testing													
67	5.3.6.9	Poll Testing (at SGI)													
68	5.3.6.10	Validate Test System													
69	5.3.6.11	Failover													
70	**5.3.7**	**Assemble equipment for Race Track/Resort racks**													
71	*5.3.7.1*	***Assemble Racks, Install UPS, PDU, etc***													
72	*5.3.7.2*	***Install Servers, Network Equipment, MSA, etc***													
73	5.3.7.3	Install O/S on all servers													
74	5.3.7.4	Install 3rd Party Software													
75	5.3.7.5	Install SGVideo Software													
76	5.3.7.6	Install Firewalls, Switches, Routers, etc.													
77	5.3.7.7	Rack Connectivity Testing													
78	5.3.7.8	System Connectivity Testing													
79	5.3.7.9	Poll Testing (at SGI)													
80	*5.3.8*	***PDC, BDC, Test, Race Track/Resort Systems Build Com***													
81	**5.3.9**	**Shipping**													
82	5.3.9.1	PDC/BDC/Test/Race Track/Resort Systems Inventory													
83	*5.3.9.2*	***PDC/BDC/Test Systems Delivered (Begin Install)***													
84	*5.3.9.3*	***Race Track/Resort Equipment Delivered (Begin Inst***													
85	**5.4**	**Communications Lines**													
86	*5.4.1*	***West Virginia Reviews Communication Line for PDC/B***													
87	*5.4.2*	***Communications Line Install - Comm's Circuit from PD***													
88	5.4.3	Communications Line Install - Test System Support Cor													
89	*5.4.4*	***PDC to BDC SGVideo (CMS) Communications Complet***													
90	**5.4.5**	**Onsite Install - Test Systems**													
91	5.4.5.1	Install Equipment (All wiring, all racks)													
92	5.4.5.2	Perform Data Entry, Initial Polling test machines													
93	5.4.5.3	Perform SGI System Validation													
94	*5.4.5.4*	***Test Systems "Commissioning" Complete***													
95	**5.4.6**	**Onsite Install - PDC/BDC Systems**													
96	5.4.6.1	Install Equipment (All wiring, all racks)													
97	5.4.6.2	Perform SGI System Validation													
98	*5.4.6.3*	***Production Systems "Commissioning" Complete***													
99	**5.4.7**	**Onsite Install - Mardi Gras TC Racks**													
100	5.4.7.1	Install Equipment (All wiring, all racks)													
101	5.4.7.2	Perform SGI System Validation													
102	*5.4.7.3*	***Systems Install Complete***													
103	**5.4.8**	**Onsite Install - Wheeling Island TC Racks**													
104	5.4.8.1	Install Equipment (All wiring, all racks)													
105	5.4.8.2	Perform SGI System Validation													

ID	WBS	Task Name
106	*5.4.8.3*	***Systems Install Complete***
107	**5.4.9**	**Onsite Install - Mountaineer TC Racks**
108	5.4.9.1	Install Equipment (All wiring, all racks)
109	5.4.9.2	Perform SGI System Validation
110	*5.4.9.3*	***Systems Install Complete***
111	**5.4.10**	**Onsite Install - Hollywood TC Racks**
112	5.4.10.1	Install Equipment (All wiring, all racks)
113	5.4.10.2	Perform SGI System Validation
114	*5.4.10.3*	***Systems Install Complete***
115	**5.4.11**	**Onsite Install - Greenbrier TC Racks**
116	5.4.11.1	Install Equipment (All wiring, all racks)
117	5.4.11.2	Perform SGI System Validation
118	*5.4.11.3*	***Systems Install Complete***
119	*5.4.12*	*Site Surveys, Systems Hardware Procured, Delivered, I*
120	**6**	**BUILD FUNCTIONAL SPECIFICATIONS**
121	6.1	Develop Preliminary Business Requirements Document (CI
122	*6.2*	***Submit CRD to West Virginia***
123	6.3	Customer Review & Comment re: CRD
124	6.4	Revise CRD Document
125	6.5	Customer Review & Approval of CRD Delta Document
126	*6.6*	*Business Requirements Document Completed & Accepted*
127	6.7	Develop Software Requirements Specification (SRS)
128	*6.8*	***Submit SRS to West Virginia***
129	6.9	Customer Review & Comment re: SRS
130	6.10	Revise SRS Document
131	*6.11*	*SRS Completed & Accepted*
132	**7**	**HOST CUSTOMIZATION/DEVELOPMENT SUPPORT**
133	7.1	Requirements Phase/CRD/FS/Design docs
134	7.2	Host & SC Customization
135	7.3	Protocol Support
136	*7.4*	***Host & SC Customization Completed***
137	**7.5**	**Environment Setup-Configuration**
138	7.5.1	Prepare Development Environment
139	7.5.2	Prepare Integration Test Environment
140	**7.6**	**Integration Testing**
141	7.6.1	Build and Configuration
142	7.6.2	Development Integration Testing
143	*7.6.3*	***Release to QA***
144	7.6.4	Development Fix/Release Cycle
145	*7.7*	*Host/Site Controller Development Complete*
146	**8**	**QUALITY ASSURANCE**
147	8.1	Initial Requirements Review
148	8.2	Test Plan and Test Case Creation
149	8.3	Environment Set Up
150	8.4	New Functionality Testing
151	8.5	System Regression Testing
152	*8.6*	***Release to Independent Test Lab***
153	8.7	Protocol Testing
154	8.8	Final Regression Testing
155	*8.9*	*SGI QA Testing Complete*
156	**9**	**INDEPENDENT TEST LAB TESTING**
157	*9.1*	*Test Lab System Testing and Validation for CMS Upgrade*
158	9.2	Environment Prep and Training



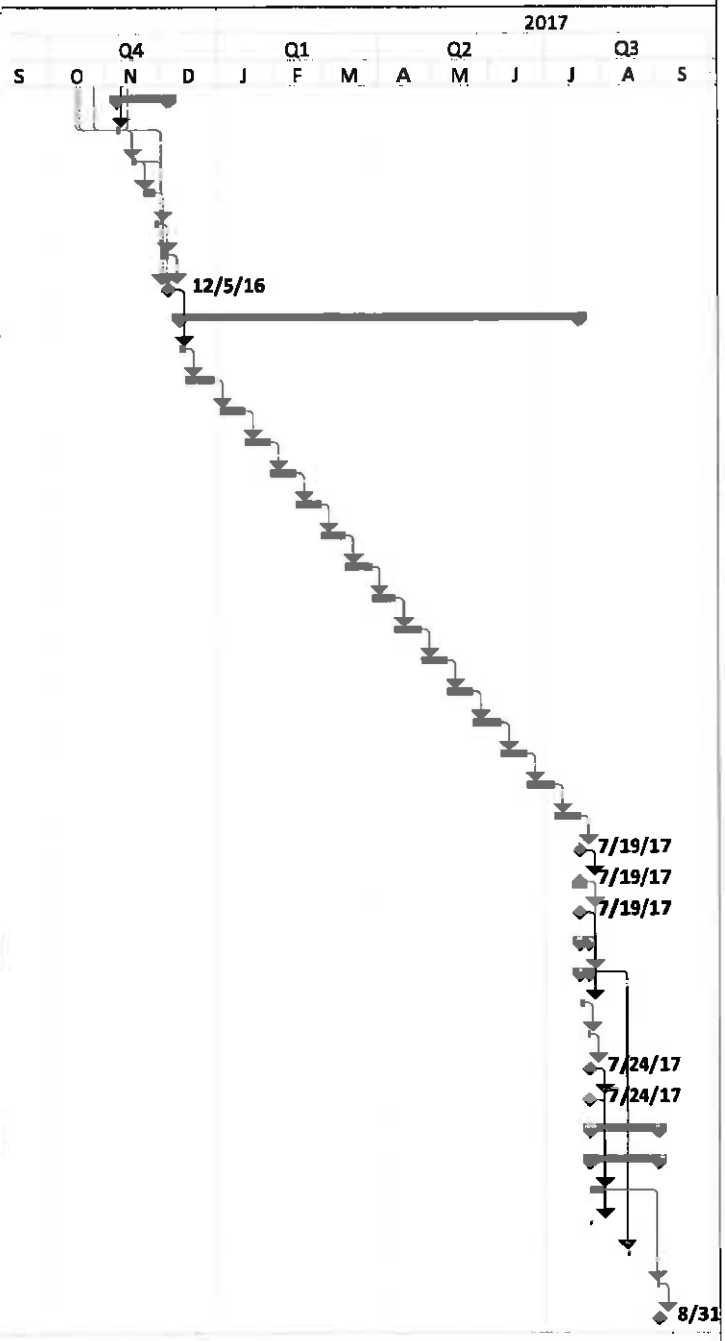
Confidential

ID	WBS	Task Name
159	9.3	System Testing and Validation for CMS Upgrade
160	*9.4*	***Independent Test Lab Testing Complete***
161	**10**	**WV UAT, ACCEPTANCE SIGNOFF**
162	***10.1***	***UAT System Testing and Validation for CMS Upgrade***
163	***10.2***	***Core Functionality Test Scripts***
164	10.3	Functionality and Requirements Test Scripts
165	10.4	Regression Test Scripts for VLCS Manager
166	10.5	Regression Test Scripts for C&C and EM
167	***10.6***	***UAT System Testing and Validation for CMS Upgrade Co***
168	**11**	**TRAINING PREPARATION**
169	11.1	Update Training Material (End User / Remote Operators T
170	11.2	Update Licensed Facility Installer Training Material
171	11.3	Review & Approve Training Materials
172	***11.4***	***Training Material Approved (End User / Remote Operat***
173	***11.5***	***Training Material Approved (Licensed Facility Installer T***
174	***11.6***	***Documentation for CMS staff, Remote Operators & Insta***
175	11.7	Onsite UAT Training Set Up
176	11.8	Train West Virginia for UAT Testing
177	**11.9**	**Train Staff - End User Advanced Operations Training**
178	11.9.1	Systems Overview
179	11.9.2	Systems Operations
180	11.9.3	Introduction to User Manuals
181	11.9.4	Systems Setup and Configuration
182	11.9.5	Operating the System
183	***11.9.6***	***Staff Training & Documentation for CMS Complete***
184	**11.10**	**Site Survey Training**
185	11.10.1	Perform Site Survey Training for Field Staff
186	***11.10.2***	***Site Survey Training Complete***
187	**11.11**	**Site Controller Training - West Virginia & Technicians**
188	11.11.1	Perform SC & IP Cellular Training to West Virginia / SGI
189	***11.11.2***	***SC & IP Cellular Training Complete***
190	**11.12**	**Licensed Facility Installer Training**
191	11.12.1	Perform Field Service Staff Training - (Phase 1 - Trial In
192	11.12.2	Perform Field Service Staff Training - (Phase 2 - Roll-Out
193	***11.12.3***	***FS Licensed Facility Installers Training Complete***
194	***11.12.4***	***Field Staff Training Complete***
195	***11.12.5***	***Documentation and Training Complete***
196	**12**	**PRODUCTION GO-LIVE & LICENSED FACILITY ROLLOUT**
197	**12.1**	**SGVideo Support**
198	12.1.1	Data conversion setup and testing
199	12.1.2	Migration Preparation
200	12.1.3	Data conversions for migrations
201	**12.2**	**Host support**
202	12.2.1	Engineering Support for Migration
203	**12.3**	**Site Support**
204	12.3.1	Installation support
205	**12.4**	**Production Go-Live**
206	12.4.1	Prepare SGVideo Systems & Environment for Go-Live
207	***12.4.2***	***CMS Production Go-Live***
208	***12.4.3***	***Data Conversion / Migration & Environment for Go-Live Complet***
209	***12.4.4***	***All RVL's and SAS-Only LVL's Immediately Migrate to SGVideo Sys***
210	***12.4.5***	***Production Go-Live & Migration of Gaming Machines to CMS Comp***
211	***12.4.6***	***Begin Venue Migrations at Race Track/Resort and LVL's***



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ID	WBS	Task Name
212	**12.5**	**Venue Migrations**
213	12.5.1	Go-Live Equipment Replacement #1 (Mardi Gras)
214	12.5.2	Go-Live Equipment Replacement #2 (Wheeling Island)
215	12.5.3	Go-Live Equipment Replacement #3 (Mountaineer)
216	12.5.4	Go-Live Equipment Replacement #4 (Hollywood)
217	12.5.5	Go-Live Equipment Replacement #5 (The Greenbrier)
218	*12.5.6*	*Race Track/Resort Equipment Installation Complete*
219	**12.6**	**Equipment Replacement and Comms Installation -(1500**
220	12.6.1	Go-Live Equipment Replacement - TRIAL
221	12.6.2	Go-Live Equipment Replacement (Cycle 1)
222	12.6.3	Go-Live Equipment Replacement (Cycle 2)
223	12.6.4	Go-Live Equipment Replacement (Cycle 3)
224	12.6.5	Go-Live Equipment Replacement (Cycle 4)
225	12.6.6	Go-Live Equipment Replacement (Cycle 5)
226	12.6.7	Go-Live Equipment Replacement (Cycle 6)
227	12.6.8	Go-Live Equipment Replacement (Cycle 7)
228	12.6.9	Go-Live Equipment Replacement (Cycle 8)
229	12.6.10	Go-Live Equipment Replacement (Cycle 9)
230	12.6.11	Go-Live Equipment Replacement (Cycle 10)
231	12.6.12	Go-Live Equipment Replacement (Cycle 11)
232	12.6.13	Go-Live Equipment Replacement (Cycle 12)
233	12.6.14	Go-Live Equipment Replacement (Cycle 13)
234	12.6.15	Go-Live Equipment Replacement (Cycle 14)
235	12.6.16	Go-Live Equipment Replacement (Cycle 15)
236	*12.6.17*	*LVL Equipment Replacement and Comms Installation (
237	*12.6.18*	*CMS Install @ (4) Site Race Tracks, (1) Resort & (1500*
238	*12.6.19*	***7 x 24 Support Services Activated***
239	**13**	**PROJECT TRANSITION to West Virginia**
240	**13.1**	**Post Live - West Virginia Phase Out & Turnover Plan**
241	13.1.1	Prepare West Virginia Phase Out & Turnover Plan
242	13.1.2	Distribute & Review Phase Out & Turnover
243	*13.1.3*	***Phase Out & Turnover Plan Complete***
244	*13.1.4*	*West Virginia Conversion Complete*
245	**14**	**PROJECT REVIEW**
246	**14.1**	**SGI Internal Post Project Review**
247	14.1.1	Prepare & Distribute Final Post SGI Internal Project Rev
248	14.1.2	Prepare & Distribute Final Turnover Documentation
249	14.1.3	Post Live 20 Day Checkpoint Status and Transition Mee
250	14.1.4	Post Live 30 Day Checkpoint Status and Transition Mee
251	*14.1.5*	*Project Complete*



— CONFIDENTIAL INFORMATION BEGINS HERE —

IMPLEMENTATION APPROACH

Since our implementation of the first networked video lottery project in South Dakota in 1989, Scientific Games has been a leading provider of Central Monitoring Systems (CMS) to the gaming industry.

We have structured your project implementation using Project Management best practices and quality performance as the driver. We have learned during our history of designing and installing gaming control systems that not only is the project structure itself important, but also how that structure interacts with the Lottery and Venue operations.

A high level view of the implementation structure clearly delineates the boundaries of communication, coordination and collaboration. The three primary points of contact for the project are:

- The Lead Project Manager, Steve McKinney
- The Account Services – Account Manager, Scott Stewart
- A West Virginia-designated Project Manager

The structure of our implementation organization (presented in **Figure 3.2-15**) ensures that project status and escalation of project issues are always overseen by senior management. Each group lead has a direct line to a senior manager within the corporate offices, with each of those senior managers having quick access to a direct line to top management.



Figure 3.2-15: Structure of the SGVideo Project Implementation Teams

We have incorporated a high-level corporate management structure and process into our project management, including the following:

- **Executive Sponsorship**
- **Corporate Placement of the Project Organization**

- **Monthly Project Reviews** – Scientific Games will run monthly senior management project reviews to scrutinize every element of the implementation.
- **Lead Project Manager** – Steve McKinney, a Project Management Institute (PMI) certified Project Management Professional (PMP), will remain on site until the conversion is complete and provide valuable experience in project planning and management.
- **PMI and NASPL Methodologies** – This approach is based on Project Management Institute (PMI) and NASPL (North American Association of States and Provincial Lotteries) best practices and capitalizes on our experience to best coordinate the activities of implementation and operations teams, ensuring that the implementation progresses smoothly and effectively.
- **10-20-30 Day Transition Program** – To be certain that our project management organization has attained all objectives, we build a transition phase into our project that begins directly after production go-live. This program keeps the implementation team involved in the project after handover for a period of up to 30 days, ensuring a smooth operational transition from the implementation team to the operations team.

As discussed earlier in **Section 3**, Scientific Games will use a four-tiered management model. As **Figure 3.2-16** illustrates, each tier consists of a team with specific roles and responsibilities that will cohesively guide the project along each phase to a timely and successful completion.

These teams are identified as:

- Executive Management Team
- Project Steering
- Implementation Project Team
- Operations Support Team

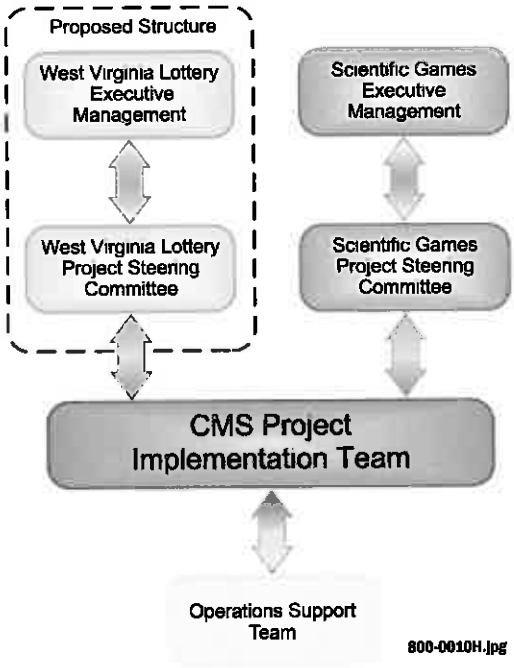


Figure 3.2-16: Project Lines of Communications

Scientific Games will work closely with the Lottery during the project initiation phase to take full advantage of the new opportunities that this implementation presents. Scientific Games will be well versed in how you operate your business and on "DAY ONE" the Lottery can be confident that Scientific Games will be fully poised to immediately assist you in taking full advantage of the enhanced benefits and advancements.

INSTALLATION ROLLOUT OFFICE (IRO)

A feature of our implementation strategy that specifically aids communications and coordination is the use of an Installation Rollout Office (IRO). The IRO is the nerve center and command post for managing the logistics of the implementation. From this single point, our low impact seamless approach allows us to:

- Provide a toll free number to venues for any needed schedule changes and tracking
- Manage all communications installation approvals
- Interface with hotline specialists
- Coordinate all field installation activities with venues
- Schedule a Venue installation
- Coordinate third party vendors
- Coordinate with trainers and gaming locations
- Interface with the operations department
- Assign aborted installations to a specialized communications team
- Manage scheduling, tracking and systems support

This additional corporate support, focusing on project related installations and implementation, allows our operations team to focus on managing SGVideo's servers, Venue devices and network. Following our best practices, Scientific Games has made a conscious effort to keep the implementation and production operations under one management structure—Service Management.

This structure will not only provide a service-focused installation experience for each Venue, but also support a seamless transition from implementation to ongoing field operations following the migration period.

Reduced Risk

Scientific Games' customized approach allows the installation of our SGVideo Site Controllers and communications devices to be handled much like a

routine service call. This implementation responsibility resides within our operations organization.

Our installation service technician will install and test the new communications device to be used at each location. After the link to the central site is confirmed, the technicians will position the new Site Controller in its place. As an additional risk mitigation effort, we will perform a pilot installation of a number of locations to verify operation and functionality prior to a full rollout of the CMS.

This allows us to test our installation procedures and make last minute changes to improve installation times and Venue satisfaction as well as ensure that the Site Controller and communication equipment are functioning properly on the new CMS.

It also allows both the Lottery and Scientific Games to observe how the application is functioning by observing the venues' activity, getting their feedback and making any small modifications to the applications which will improve performance.

Active Feedback

In our experience dealing with a wide range of Venue environments, we have learned that all installations are a unique experience. What works at one location may not always work at others.

As part of our "always improve" initiative, we incorporate installation feedback into the IRO to allow us to assess the effectiveness of our procedures and how we are interacting with venues. Early and constant feedback from venues is analyzed by the IRO to see if the gaming site staff is having a good experience with installation teams.

USER ACCEPTANCE TESTING AND CERTIFICATION

This phase of the project will include certification testing of the SGVideo solution, including gaming location hardware and software. Scientific Games will provide quality assurance support resources to assist the Lottery with this testing effort, particularly in diagnosing and reporting potential deviation from expected test results.

Scientific Games will provide support resources throughout acceptance testing to assist in the following areas:

- Testing the SGVideo CMS
- Diagnosing and reporting defects to the software engineering group

- Answering questions regarding functionality
- Providing the management and logistics of releasing updated applications

The engineer(s) will be the same experts who are involved in the quality control testing phase of the project. This will allow us to bring continuity to the testing cycle as these engineers will be extremely familiar with the functionality of SGVideo and the Lottery's specific requirements. These engineers will be present at the testing facility throughout the testing phase of the project.

The Quality Assurance Engineers will have a direct reporting line to the Project Manager and the associated software engineers to expedite defect resolution or answers to technical issues. We believe that this organizational structure will provide the optimum support for the customer during the project and will allow us to augment the on-site support as needed.

We believe that in order to create and maintain a satisfied customer, a strong collaboration effort is needed between both the Lottery and Scientific Games. This requires that both organizations must contribute to the defining and documenting of requirements, plans and certification criteria. Our technical support for this project phase starts at the very beginning of the project.

Scientific Games follows the NASPL best practices initiatives to keep in line with the methodologies established by the gaming industry. To that end, as part of the process for system certification, we work with our gaming partners to implement these best practices into the project to establish our path to excellence. Key efforts toward a successful CMS project include the following:

- **Test Plan** – Outlines the methods, environments, timelines and topics that will be generated, used and followed during the certification cycle by both the Lottery and Scientific Games.
- **Acceptance Testing Entry/Exit Criteria** – Defines the criteria that must be met for the system to progress through the Lottery's certification cycle of the project.
- **Component Level Test Cases** – Defines the individual tests that will be performed to certify that the various defined requirements have been met. These test cases ensure that all of the components function as defined.
- **Anomaly Level Test Cases** – Defines the individual tests that will be performed that certify the hardiness, recoverability and self-healing aspects of the system.

- **Certification Test Script** – Utilized during the final phase of acceptance test cycle, this effort defines the exact steps to be taken in a controlled manner to certify that all of the system components are working as designed and specified. It ensures that all components work in harmony with each other and that the integrity has been established and maintained.

PROJECT REPORTING AND MONITORING

Project Reporting And Monitoring

In a project of this scope, it is important that project management best practices and processes are in place and used on a day-by-day basis. Most of our lead project team members are certified and each member practices these processes throughout the project implementation cycle and beyond. Project implementation team members will be dedicated to the SGVideo implementation.

Scientific Games will focus on keeping the Lottery up to date on all facets of the project. Following are some of the communications techniques we will use:

- Regularly scheduled (weekly) project status reporting
- Monthly scheduled meetings between the Lottery and Scientific Games project steering committees
- Real-time status reporting and monitoring on project information stored in a centralized SharePoint repository.
- Automated project work flow alerts to key members of the project team and executive steering committee members

Project Data Repository. One of the main functions of SharePoint is to provide a centralized repository of all project records. This includes categories such as the following:

- Meeting Minutes
- Status Reports
- System Specifications
- User Documentation
- Diagrams and Workflows
- Project Schedules
- Risk Items and Issues
- Change Request Forms

Collaboration Center. We will support effective collaboration among the team members; everyone can get the latest documents and read the latest issues or discussions that are going on within the project.

- Project calendars allow everyone to see when upcoming meetings or events are scheduled.
- On-site calendars let all staff know where each team member will be at any given time.
- Project announcements keep everyone informed.
- Project discussion groups provide a forum for discussion and contribution.

Process Control Workflow and Automated Alerts. A workflow is set up to maintain a proper and consistent process for dealing with issues that require multiple groups to process and monitor project related events. A good example of this kind of workflow would be risk management, under which risks are identified and assigned to an owner. The team then monitors ongoing status and tracks risk level and expected resolution date. This format for risk management provides great detail and visibility for all members of the project team and leadership for both the Lottery and Scientific Games.

As the implementation transitions out of project mode and into the operational and support mode, Scientific Games will use this website to allow all authorized team members to monitor project management tasks, schedules and issues—both resolved and open.

The SharePoint repository will remain operational and active throughout the contract period. It will continue to help the operational and support team members strengthen collaboration across the company by allowing participants to share knowledge, work together smoothly and respond quickly to change. Specifically, it enables following actions:

- Provide both the Lottery team and Scientific Games operations support staff with web-based access to real-time project data so their decisions are more timely and informed
- Implement a central tracking system in which operations support staff record, assign and resolve issues, thereby increasing accountability
- Gain higher quality and efficiency by jointly developing and organizing a centralized delivery mechanism using a central document repository with version and edit controls

Project Reporting. Maintaining an aggressive approach toward communications and group coordination is a key component to the implementation process. Reporting components are used to maintain a clear communication to the Lottery regarding the project status including the following reports:

- **Project Flash Report** – This report is focused on providing the Lottery project oversight employee(s) with a high level report of how the project currently stands and how it is trending. To a certain extent this is a dashboard view of the project. It is typically issued weekly in the early cycles of the project. After additional activities are underway it will likely become a daily deliverable.
- **Monthly Steering Committee Summary Review** – This review is focused on providing the executive management status information. The summary review is presented through a Microsoft PowerPoint presentation and usually adheres to the following structure:
  - **Meeting Scope** – Defines the extent of the current summary review
  - **Meeting Agenda** – Identifies what will be covered in detail during the presentation
  - **Project Review** – Presents implementation strategies and tactics
  - **High Risk Items** – Discusses project issues that require action from the executive steering committee
  - **Project Group Focal Points** – Provides status of each project group and its respective trend
  - **Project Accomplishments** – Shows progress being made against the project schedule
  - **Project Milestones** – Forecasts, in a two-month rolling window, the coming milestones to be met within the project schedule

VLT Manufacturers. Scientific Games has maintained highly effective relationships with gaming machine vendors worldwide. We have proven that we can work with technical representatives stationed at major casinos and often collaborate with them during anomaly investigations and resolution. We also work frequently with VLT manufacturer corporate staff.

Our on-site technicians will work with both the Facility staff and VLT personnel to perform inside device moves and installs while avoiding negative impact on players or Facility employees.

Certification Vendors. We have a long-standing working relationship with the widely used certification vendor, Gaming Laboratories International (GLI). We have learned through the certification of multiple protocols, features and jurisdiction releases how to streamline the process and ensure that our customers receive approved software as quickly as possible. We will similarly work with the certification lab designated by the Lottery.

Coordination with the Lottery and Facility Staff. We understand the value of coordinating our work and schedules with those of the Lottery employees and the Facility operators. Our implementation and ongoing technical support teams know how to adjust standard Scientific Games procedures in order to minimize adverse impact on those gaming organizations. For instance, we often incorporate jurisdictional or operator (physical) forms into a work process, even to the extent of providing electronic tracking of that information.

Similarly, we work with the Facility personnel to make sure our parts inventory includes the key data elements needed by the jurisdiction's procedures.

SHARED RECORDS FOR CHANGE MANAGEMENT

A project of this scope can only be effectively and successfully accomplished if all stakeholders—the Lottery, Scientific Games, third parties and Venue operators—take joint responsibility. As we have done in previous gaming system implementations, our gaming partner's staff will be able to continually monitor the progress toward the next release by accessing the shared change management tracking system; included in data maintained by this system are descriptions of the change, estimated completion dates, current status, and all testing results.

PROJECT REQUEST DATABASE

Scientific Games will provide a project request database management system for the sole use of the Lottery to issue request changes or enhancements to system features and resources including the following:

- Scheduling changes
- New protocols
- Modified Venue list
- Changes to training program
- Revoked media
- System enhancements

- Problem resolution
- Researches
- New reports

We will use the tracking system to receive and review the requests and as a forum to document our progress (including assigned resource(s) and implementation time estimates) on the changes. Any rejected requests will be adequately documented along with the identity of the employee issuing the rejection, and Scientific Games project management staff will immediately inform the requester should this occur.

We use the issue management and tracking product, Atlassian JIRA. This browser-based application, shown in **Figure 3.2-17** and **Figure 3.2-18**, delivers point-and-click simplicity on easy-to-understand screens. The system allows authorized personnel to enter extensive detail about change requests and securely stores the input for later use.

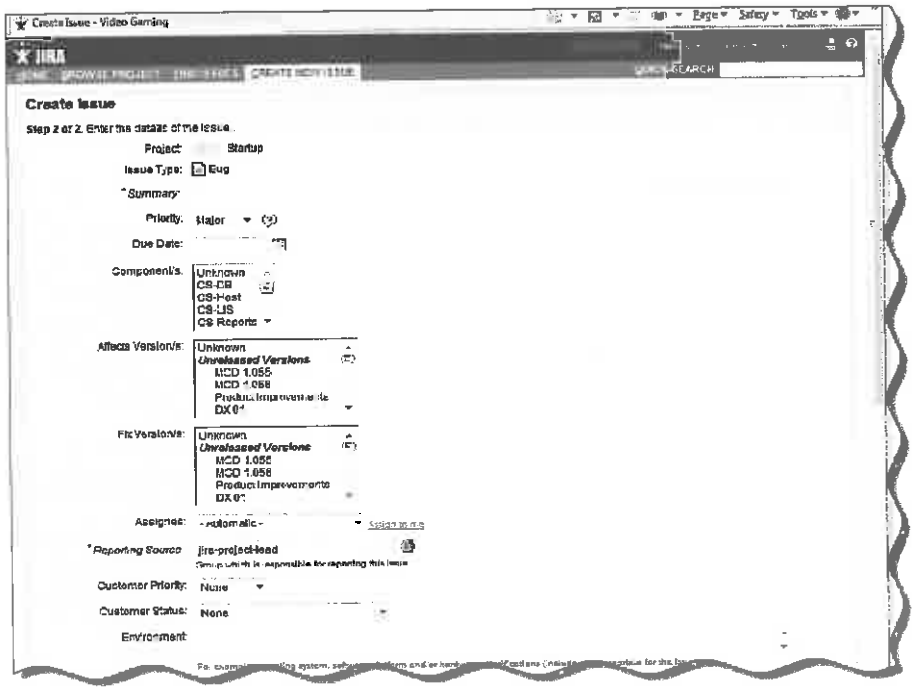


Figure 3.2-17: JIRA Create New Issue – Page 1

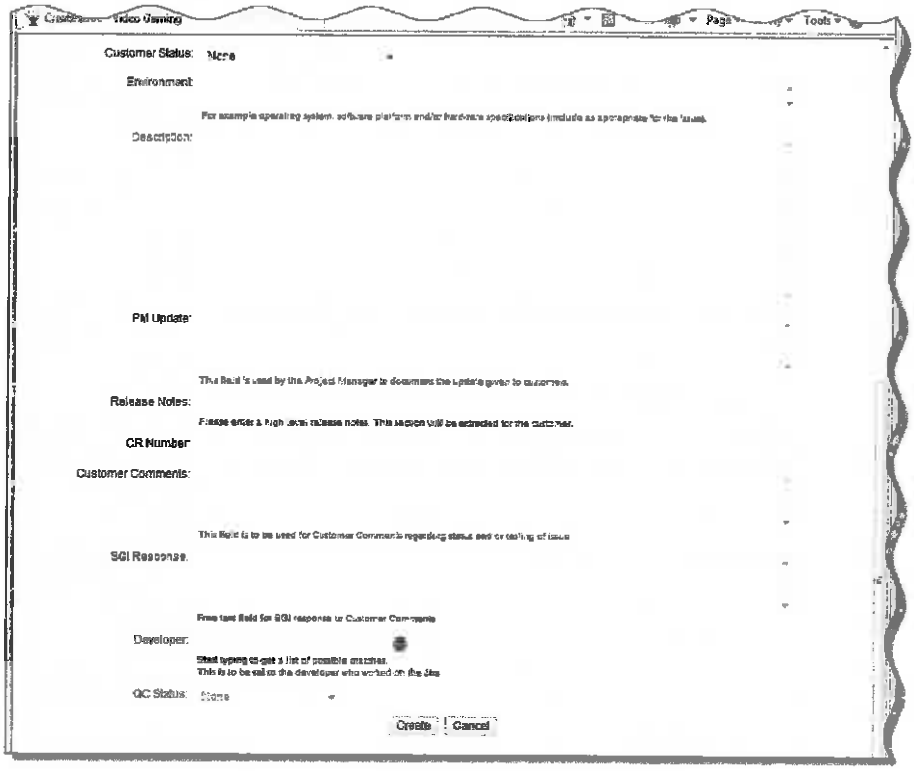
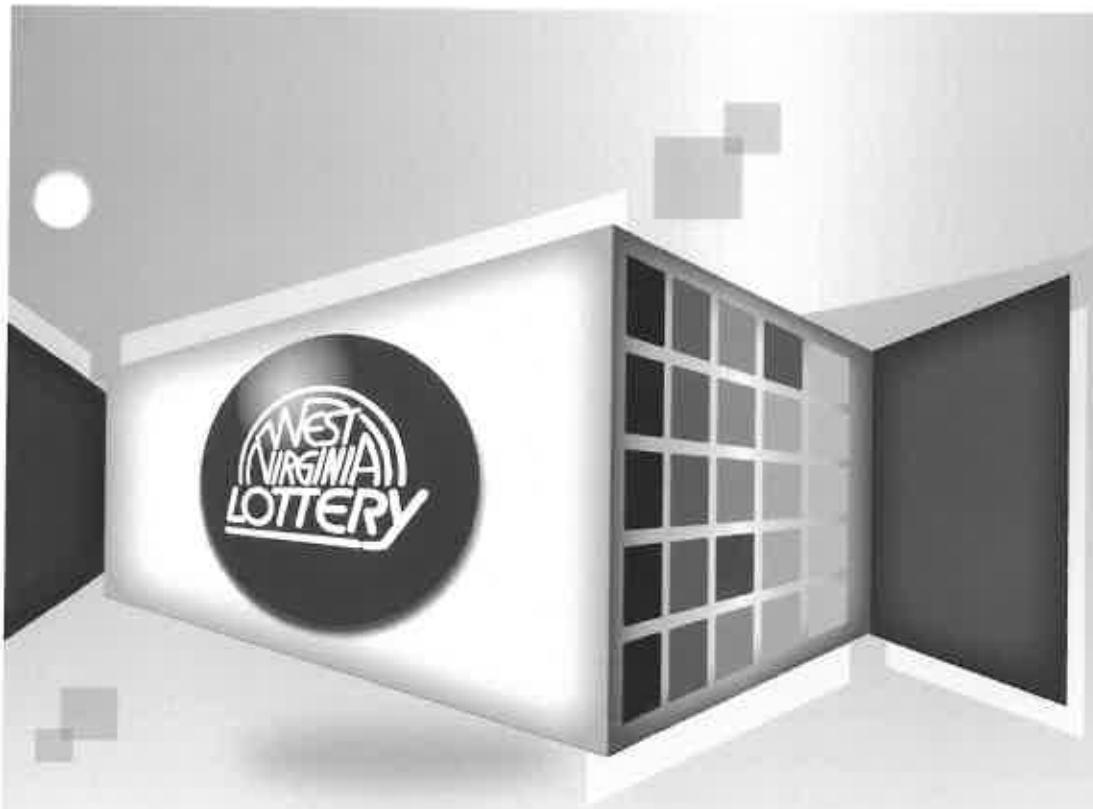


Figure 3.2-18: JIRA Create New Issue – Page 2

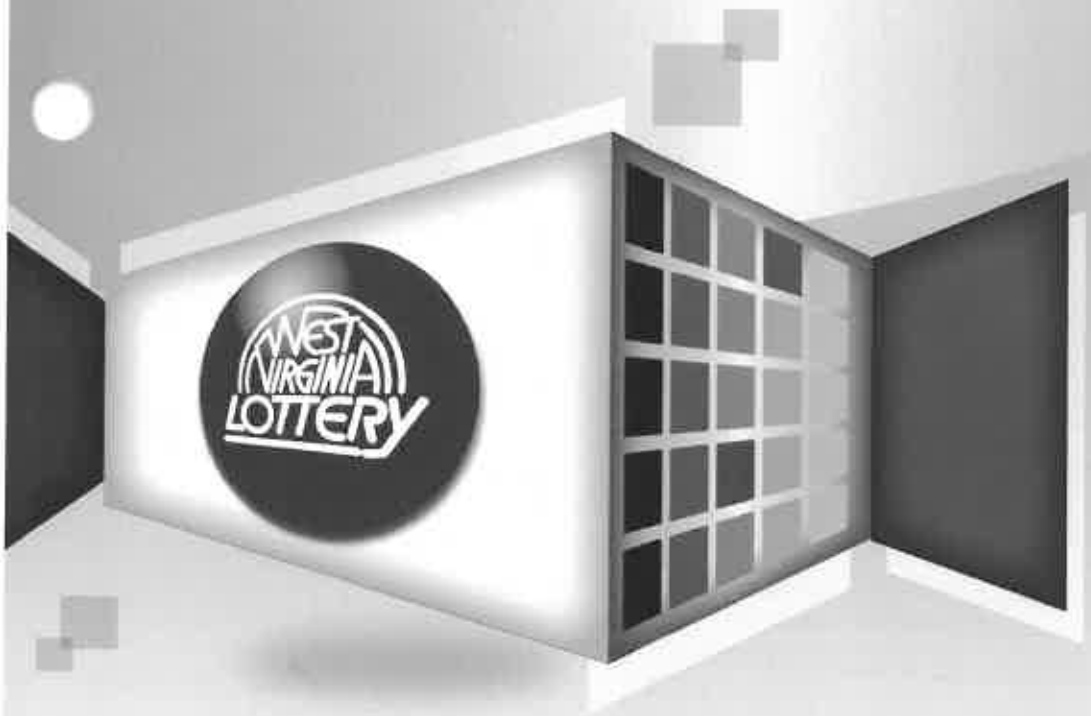
Additional Atlassian JIRA screens allow the review of all project issues or specific subsets. The application has been used successfully in previous SGVideo projects.

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SECTION 4.1: SYSTEM DESIGN

SCIENTIFIC GAMES

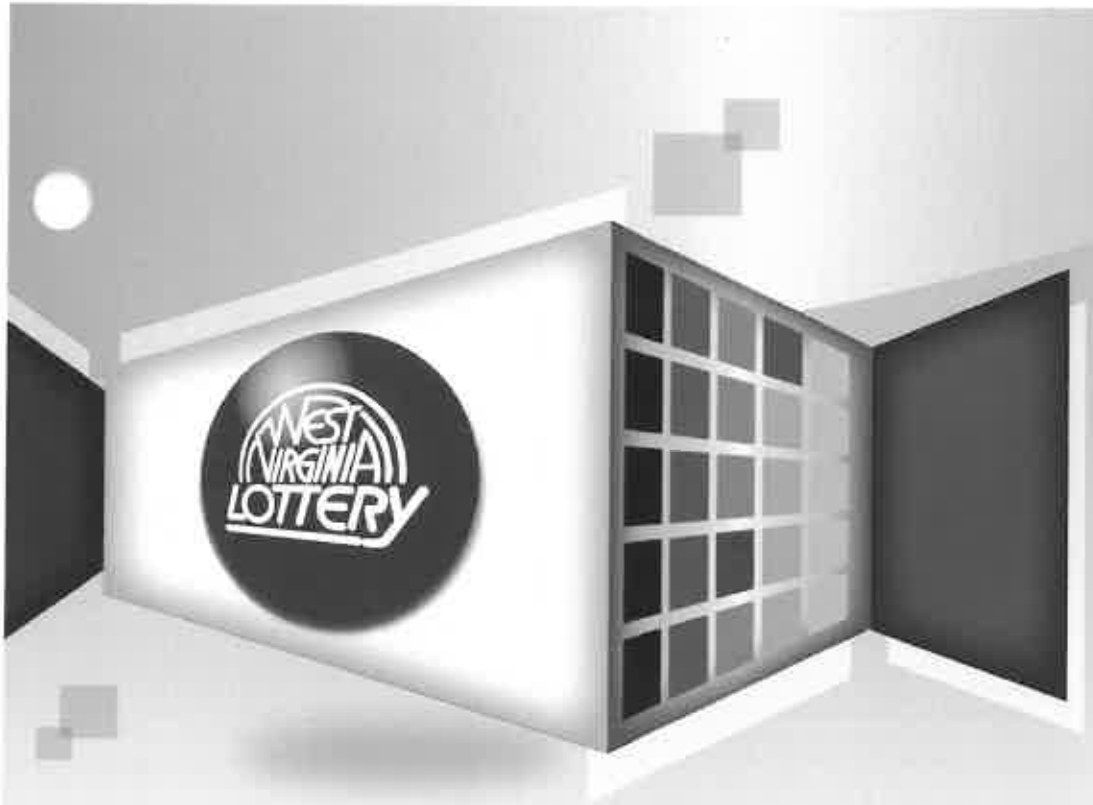


SUPPLEMENTAL INFORMATION

SG
SCIENTIFIC GAMES

Confidential Information has been removed from this section and placed in a separately sealed envelope labeled "Confidential Information" at the end of the Original Technical Proposal Binder.

This information is exempt from disclosure under West Virginia Code Chapter 29B Freedom of Information and any other applicable state law or regulation. This information falls into the categories in West Virginia Code Chapter 29B Article 1 Section 4(a) that are specifically exempt from disclosure, including among others, subsections 4(a)(1) and 4(a)(14). The confidential nature of this information gives Scientific Games a business advantage over its competitors, and accordingly the information comprises trade secrets. Public disclosure of this information would cause significant injury to Scientific Games by depriving it of this competitive advantage. In addition, maintaining the confidential nature of certain of this information is necessary to the security and integrity of video gaming in West Virginia and other states to which Scientific Games supplies video gaming products and services. Access to this information could give individuals with intent to do harm insight into Scientific Games' products and processes, assisting their attacks upon the security and integrity presently upheld by these products and services.



ATTACHMENT B: MANDATORY SPECIFICATIONS

SG
SCIENTIFIC GAMES



ATTACHMENT B: MANDATORY SPECIFICATION CHECKLIST

RFP Requirement: *List mandatory requirements contained in Section 4, Subsection 5:*

Section 4, Subsection 5.1: The Vendor MUST have experience in the North American state regulated market with the installation, including conversion, of multiple video gaming networks in the past five years.

Scientific Games has read, understood, and complied with the requirements set forth in Attachment B: Section 4, Subsection 5.1. Please reference our detailed response in **Section 5.1** following Attachment B.

RFP Requirement: *Section 4, Subsection 5.2: The Vendor's Project Manager MUST have been involved in prior video gaming network conversions. In addition, that Project Manager MUST be assigned to the project through the final conversion process with significant on-site presence during major phases of the project.*

Scientific Games has read, understood, and complied with the requirements set forth in Attachment B: Section 4, Subsection 5.2. Please reference our detailed response in **Section 5.2** following Attachment B.

RFP Requirement: *Section 4, Subsection 5.3: The Vendor MUST propose alternatives to dial-up communications at the LVL locations. The Lottery believes that multiple technologies, including but not limited to limited dial-up, VSAT and cellular, will be required due to the locations of current LVL machines.*

Scientific Games has read, understood, and complied with the requirements set forth in Attachment B: Section 4, Subsection 5.3. Please reference our detailed response in **Section 5.3** following Attachment B.

SG SCIENTIFIC GAMES

RFP Requirement: *Section 4, Subsection 5.4 The Vendor MUST support advanced communication protocols, at no additional cost to the Lottery, including G2S when the Lottery believes it is appropriate to start migration away from SAS. The Vendor does not have to support ICIS.*

Scientific Games has read, understood, and complied with the requirements set forth in Attachment B: Section 4, Subsection 5.4. Please reference our detailed response in **Section 5.4** following Attachment B.

RFP Requirement: *Section 4, Subsection 5.5 Vendor SHALL schedule meetings relating to the Project Plan at dates and times approved by the Lottery upon Contract Award.*

Scientific Games has read, understood, and complied with the requirements set forth in Attachment B: Section 4, Subsection 5.5. Please reference our detailed response in **Section 5.5** following Attachment B.

RFP Requirement: *Section 4, Subsection 5.6 Hardware and Software: The components of all hardware and software MUST be new and unused. Hardware and software MUST be compliant with current electronic technology standards (such as IEEE and ANSI) and be of then-current manufacturer model equivalent or better equipment in the event a proposed device is phased out or replaced.*

Scientific Games has read, understood, and complied with the requirements set forth in Attachment B: Section 4, Subsection 5.6. Please reference our detailed response in **Section 5.6** following Attachment B.

RFP Requirement: *Section 4, Subsection 5.7 All CMS hardware and software MUST be licensed to the Lottery and installed, supported, and maintained by the Vendor. This hardware and software includes, but is not limited to, operating systems, antivirus, database, replication, backup, and communications.*

Scientific Games has read, understood, and complied with the requirements set forth in Attachment B: Section 4, Subsection 5.7. Please reference our detailed response in **Section 5.7** following Attachment B.

RFP Requirement: *Section 4, Subsection 5.8 If a Vendor proposes the use of technologically-equivalent equipment in lieu of either controllers or modems, or both controllers and modems, the Vendor MUST provide live site demonstration of this equipment solution as it is actually installed in another jurisdiction or business application.*

Scientific Games has read, understood, and complied with the requirements set forth in Attachment B: Section 4, Subsection 5.8. Please reference our detailed response in **Section 5.8** following Attachment B.

RFP Requirement: *Section 4, Subsection 5.9 Vendor is required to submit any hardware or software used by the CMS to link one or more progressive VLTs to the primary Lottery independent testing lab for certification and all hardware and software MUST also pass user acceptance testing by the Lottery, and be approved by the Lottery.*

Scientific Games has read, understood, and complied with the requirements set forth in Attachment B: Section 4, Subsection 5.9. Please reference our detailed response in **Section 5.9** following Attachment B.

RFP Requirement: *Section 4, Subsection 5.10 Vendor MUST also support progressives in the LVL wide area network. Progressives will only be supported in a LVL location that does not utilize dial-up connections.*

Scientific Games has read, understood, and complied with the requirements set forth in Attachment B: Section 4, Subsection 5.10. Please reference our detailed response in **Section 5.10** following Attachment B.

RFP Requirement: *Section 4, Subsection 5.11 Conversion Testing (Data Transfer/Conversion): The Vendor MUST import certain active data from the current CMS for use in the new system. This data may be exported from the current system in the form of a report, by file transfer, or other appropriate format. All data MUST be audited, reviewed, and approved by the Lottery prior to being imported and after importation.*

Scientific Games has read, understood, and complied with the requirements set forth in Attachment B: Section 4, Subsection 5.11. Please reference our detailed response in **Section 5.11** following Attachment B.

RFP Requirement: *Section 4, Subsection 5.12 The Lottery requires a rolling conversion, or phase-in, of the new CMS. Under this approach, the VLTs at the casinos and LVL Venues MUST be converted to operate under the new CMS on a group at-a-time basis with minimal downtime and no loss of revenue. The Lottery will be operating two CMS systems during this time period with converted Venues operating under the new CMS which is the objective of this RFP and those awaiting conversion operating under the existing CMS.*

Scientific Games has read, understood, and complied with the requirements set forth in Attachment B: Section 4, Subsection 5.12. Please reference our detailed response in **Section 5.12** following Attachment B.

RFP Requirement: *Section 4, Subsection 5.13 Historical Data: The Vendor MUST convert at least 18 months of pre-existing data so that the Lottery will see a continuity of data in reports from before, during, and after the startup. The Vendor will develop a conversion process for historical data subject to the approval of the Lottery. Vendor's response MUST contain a description of this process detailing how and where this data will be stored and how it will be retrieved.*

Scientific Games has read, understood, and complied with the requirements set forth in Attachment B: Section 4, Subsection 5.13. Please reference our detailed response in **Section 5.13** following Attachment B.

RFP Requirement: *Section 4, Subsection 5.14 VLTs and servers MUST communicate with an open protocol system architecture that is designed to Gaming Standards Association ("GSA") recommendations for utilizing Game to System ("G2S") and System to System ("S2S") protocols or other protocols approved for use in West Virginia. At a minimum, the CMS is to meet GSA and SAS 6.02 Protocol Requirements.*

Scientific Games has read, understood, and complied with the requirements set forth in Attachment B: Section 4, Subsection 5.14. Please reference our detailed response in **Section 5.14** following Attachment B.

RFP Requirement: *Section 4, Subsection 5.15 The CMS MUST be capable of accepting and processing machine and game level adjustments at the VLT level, to include specification of financial amounts (dollar and cent), the number of games played or won and an explanation for the adjustment. These adjustments are designed to carry through all relevant reports and screens. Posting of adjustments is designed to be allowed from either management terminals or from computer files supplied by the Lottery. The CMS design provides for a single screen for meter adjustments. The adjustment function is to be limited based on user or group security rights.*

Scientific Games has read, understood, and complied with the requirements set forth in Attachment B: Section 4, Subsection 5.15. Please reference our detailed response in **Section 5.15** following Attachment B.

RFP Requirement: *Section 4, Subsection 6.1 Project Deliverables: The Vendor MUST comply with all requirements in this section related to report formats, timeframes and delivery. Each subsection MUST be addressed in the Vendor Response:*

6.1.1 Deliverable Submission and Acceptance Process

6.1.2 Final Drafts

6.1.3 Format of Final Deliverable

6.1.4 Acceptance Testing

6.1.5 Final Written Deliverables

Scientific Games has read, understood, and complied with the requirements set forth in Attachment B: Section 4, Subsection 6.1.1, Subsection 6.1.2, Subsection 6.1.3, Subsection 6.1.4 and Subsection 6.1.5. Please reference our detailed response in **Section 6.1.1**, **Section 6.1.2**, **Section 6.1.3**, **Section 6.1.4** and **Section 6.1.5** following Attachment B.

RFP Requirement: *Section 4, Subsection 6.2 Manuals: The Vendor MUST provide manuals and schematics as discussed in this section, including timeframes for delivery. Each subsection MUST be addressed in the Vendor Response:*

6.2.1 Electronic Documents

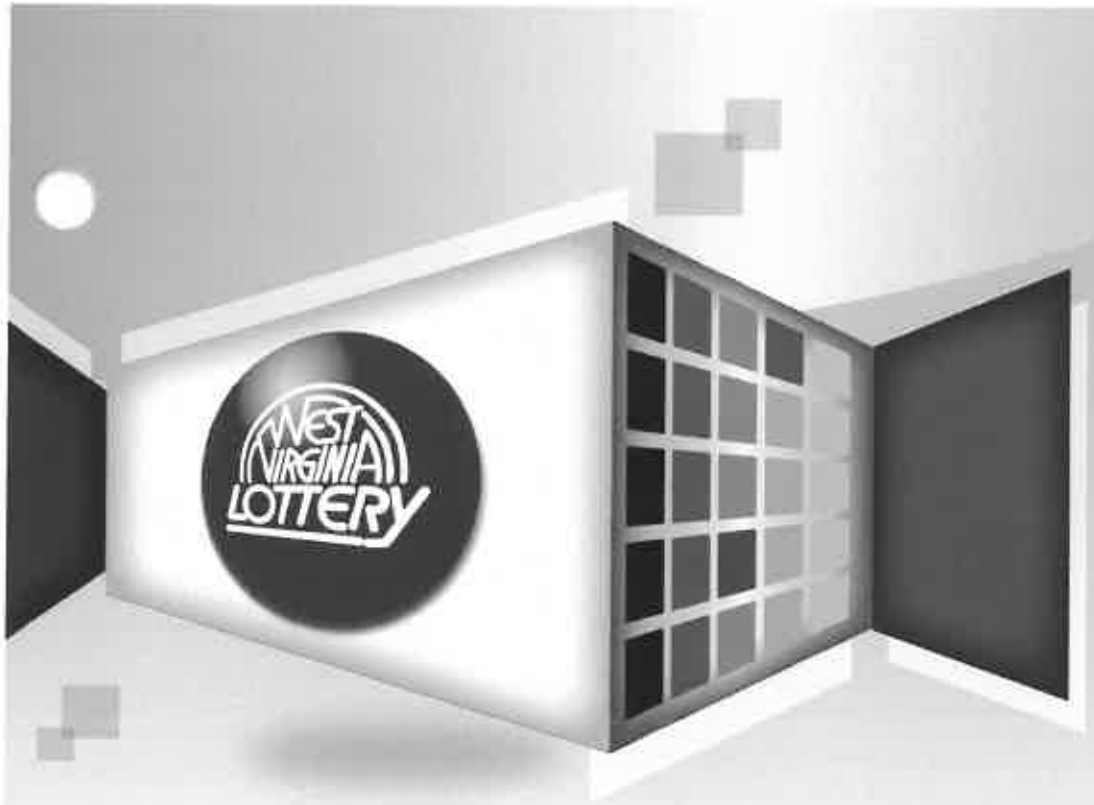
6.2.2 Service Manuals

6.2.3 Circuit Schematics

6.2.4 Preliminary Documents

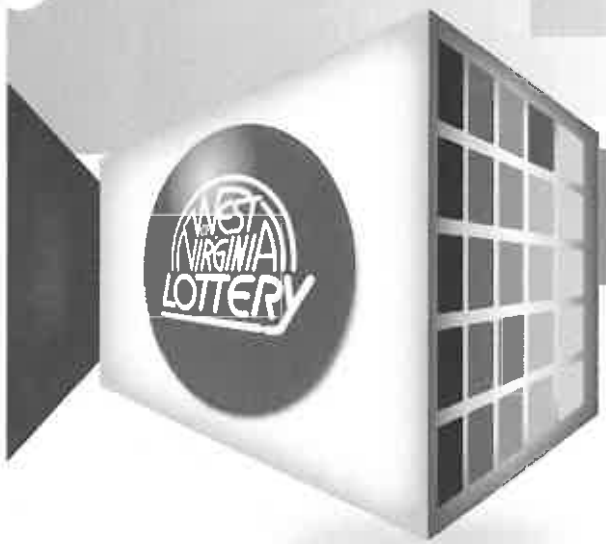
Scientific Games has read, understood, and complied with the requirements set forth in Attachment B: Section 4, Subsection 6.2.1, Subsection 6.2.2,

Subsection 6.2.3, and Subsection 6.2.4. Please reference our detailed response in **Section 6.2.1, Section 6.2.2, Section 6.2.3**, and **Section 6.2.4** following Attachment B.



SECTION 5: MANDATORY REQUIREMENTS

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SECTION 5: MANDATORY REQUIREMENTS

Scientific Games acknowledges that the following mandatory requirements in **Section 5** must be met by the Vendor as a part of the submitted proposal. We understand that failure on the part of the Vendor to meet any of the mandatory specifications shall result in the disqualification of the proposal. We are aware that decisions regarding compliance with any mandatory requirements shall be at the sole discretion of the Purchasing Division.

5.1 EXPERIENCE

SCIENTIFIC GAMES' CMS EXPERIENCE

SGVideo™ is the culmination of years of industry and customer experience. The expertise of Scientific Games' Central Monitoring System (CMS) design and implementation brings an extensive range of benefits to our partnerships with video gaming jurisdictions.

We know how to support any geographic environment, any Venue network size, any VLT population, any protocol, and, when asked, we can deliver system operations services and network-wide maintenance. We and our affiliates continue to provide highly acclaimed systems and services for some of the most complex gaming jurisdictions in the world.

As detailed throughout this document, we propose to deploy our SGVideo CMS. We understand the effort needed to deliver the equipment and services required by the Lottery. Scientific Games demonstrated the grasp of these challenges with the successful CMS implementation for the state of Illinois in 2012. We delivered to Illinois, a turnkey solution supporting up to 60,000 gaming machines projected to be one of the largest markets in North America. Most recently, Scientific Games completed a successful CMS implementation for the New Mexico Gaming Control Board in 2014. The SGVideo system deployed in New Mexico supports five large racinos and over 60 smaller non-profit venues state wide. Our system manages all diverse and widely distributed gaming locations from a single location. In 2014, Scientific Games entered into a 10-year contract with Independent Gaming Corporation, Ltd. of South Australia to install and support our SGVideo Central Monitoring System. The new system will monitor and control over 500 separate locations with 12,500 gaming devices.

Scientific Games is on a Roll

Scientific Games was selected through a competitive procurement process by the New Mexico Gaming Control Board and Scientific Games' affiliate was selected by the Independent Gaming Corporation Ltd. (IGC) as the provider of their new Central Monitoring and Control System.

We have several customers who themselves own and operate our systems. In addition to providing these customers with a system that maintains network integrity and enforces financial accountability, we also focus on providing them with reliable solutions backed by an intuitive and tightly controlled operational interface.

Our CMS consistently provides accurate financial reporting and stringent system security while managing the operation of thousands of gaming machines in regulated jurisdictions. Our system detects and guards against fraud and attempts to manipulate gaming machines; assuring our customers their network, financials, and public image are secure. We collect, analyze and verify financial data and use highly sophisticated analytical methods to ensure financial accuracy. We recognize the importance of network integrity and financial accountability.

Scientific Games has broad experience working with regulators to meet the unique gaming requirements and restrictions placed upon them. We use that same experience to propose a CMS solution that is simple to operate and highly configurable—a system that meets or exceeds the RFR requirements. SGVideo has stringent financial balancing processes, provides easy access to gaming data, and offers staff members a set of tools to analyze and format those data.

Our responsibilities begin with the collection of unique Lottery business requirements, continue through the implementation phase and extend through the life of the contract.

CENTRAL MONITORING SYSTEMS

Figure 5-1 displays the Scientific Games corporate family's current CMS in production with details about each.

JURISDICTION	VLTS	VENUES	PLATFORM AND PROROCOLS	VENUE TYPES
Delaware Lottery (USA)	7,200	11	■ AEGIS-Video™ ■ SAS v 5.10 – 6.02	Distributed Gaming Racino
Illinois Gaming Board	20,000	5,000	■ SGVideo ■ SAS v 6.01 – 6.02 ■ *G2S	Distributed Gaming
Independent Gaming Corp. (South Australia)	12,500	593	■ AEGIS-Video ■ VLC E2	Distributed Gaming
Islandsspil (Icelandic Gaming) (Iceland)	500	122	■ AEGIS-Video ■ VLC F3 ■ SAS v 5.10 – 6.02	Distributed Gaming
Maine Agency of Public Safety (USA)	1,713	2	■ AEGIS-Video ■ SAS v 6.02	Racino
New Mexico Gaming Control Board (USA)	3,226	60	■ SGVideo ■ VLC F2 ■ VLC F3 ■ SAS v 5.10 – 6.02	Distributed Gaming Casinos
South Dakota Lottery (USA)	8,092	1,400	■ AEGIS-Video ■ VLC D ■ SAS v 6.01 – 6.02	Distributed Gaming
West Virginia Lottery (USA)	15,757	1,558	■ AEGIS-Video ■ SAS v 2.85 – 6.02 ■ ICIS 2.12	Distributed Gaming Casino
TOTALS	**68,988**	**8,746**		

Figure 5-1: CMS Experience Matrix

*Anticipated protocol upgrade.

In addition to the customers listed above Scientific Games' U.K. affiliate currently has 20,000 terminals in operation and has served the market place since 1999. In Mexico, our corporate family has 1,500 terminals and has operated there since 2007. In Puerto Rico, our corporate family has 1,800 terminals and has been in operations since 2009.

5.2 PROJECT MANAGER

STEVE MCKINNEY, LEAD PROJECT MANAGER



Steve McKinney

Steve will coordinate conversion of the CMS and each Venue. He will be the primary point of contact between Scientific Games and the Lottery for all conversion matters. Steve is a PMI certified Project Management Professional (PMP) with broad-based experience in project/program planning and management, technology enablement, strategic planning, systems engineering, and information technology. Steve has a Masters Degree in Project Management and 15+ years of project and program management experience, and will remain on-site until the conversion is complete and maintain an on-site presence with direct focus on all major phases of the project.

Steve will manage all project deliverables across multiple delivery teams, tracking progress and maintaining adherence to project plans and schedules. He will perform day-to-day management of the project, identify issues and risks, and recommend possible issue and risk mitigation strategies for the project. He will ensure that work performed is within the scope, consistent with requirements, and delivered on time; identify critical paths, tasks, dates, testing, and acceptance criteria; and monitor issues and provide resolutions for up-to-date status reports; and demonstrate excellent writing and oral communications skills.

Steve played a key role in the systems upgrade initiative for the South Dakota Lottery. He has worked on the system conversions/implementations for CAGE (Caribbean Islands), Mexico, Illinois Gaming Board and Independent Gaming Corporation Ltd. (IGC).

5.3 ALTERNATIVE TO DIAL-UP COMMUNICATIONS

Scientific Games has used a wide range of connectivity technologies to connect our gaming systems to retailer locations: cellular, satellite, broadband and dial-up, so we are comfortable choosing the most effective technology for each West Virginia gaming location. We intend to rely on cellular IP as the primary means for always-on connectivity between LVLs and the data centers. Our analysis of West Virginia wireless coverage indicates that the vast majority of LVLs will have usable connectivity via cellular signals.

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This information is exempt from disclosure under West Virginia Code Chapter 29B Freedom of Information and any other applicable state law or regulation. This information falls into the categories in West Virginia Code Chapter 29B Article 1 Section 4(a) that are specifically exempt from disclosure, including among others, subsections 4(a)(1) and 4(a)(14). The confidential nature of this information gives Scientific Games a business advantage over its competitors, and accordingly the information comprises trade secrets. Public disclosure of this information would cause significant injury to Scientific Games by depriving it of this competitive advantage. In addition, maintaining the confidential nature of certain of this information is necessary to the security and integrity of video gaming in West Virginia and other states to which Scientific Games supplies video gaming products and services. Access to this information could give individuals with intent to do harm insight into Scientific Games' products and processes, assisting their attacks upon the security and integrity presently upheld by these products and services.

5.4 ADVANCED COMMUNICATION PROTOCOLS

Scientific Games is currently G2S certified by GSA and stands ready to implement any G2S-compliant VLTs installed in West Virginia. SGVideo also supports SAS gaming machines. We understand that we will not have to support the ICIS protocol with our SGVideo solution.

5.5 PROJECT PLAN MEETINGS

Scientific Games follows a rigorous implementation plan which includes regular project status meetings and monthly executive steering committee meetings. Our proposed Lead Project Manager, Steve McKinney, will schedule meetings directly related to the Project Plan at dates and times approved by the Lottery, upon Contract Award.

5.6 NEW AND UNUSED HARDWARE AND SOFTWARE

The hardware and software components will be new and unused and will be compliant with the current electronic technology standards (such as IEEE and ANSI) and be of then-current manufacturer model equivalent or better equipment in the event a proposed device is phased out or replaced.

The proposed SGVideo CMS is the product of Scientific Games' three decades experience in the video and online lottery control system market. We will work closely with the Lottery to implement a system that securely communicates with all of today's West Virginia VLTs and is in full compliance with all applicable gaming laws.

Our CMS will connect to, monitor, and control the full network of VLTs located at gaming locations throughout West Virginia. All gaming machines, Site Controllers and games can be activated and deactivated as well as fully monitored via management terminals connected to the host servers.

We have selected the current state-of-the-art equipment from HP, one of the world's largest and most lauded manufacturers of enterprise quality hardware. We understand that all hardware supplied throughout the project must be acceptable to the Lottery. Further, we will ensure that all supplied hardware is compliant with today's electronic technology manufacturing standards.

The hardware specified by Scientific Games is in production at the time of proposal submission; at production launch each component will represent the then-current equivalent or better model or version.

5.7 LICENSED CMS HARDWARE AND SOFTWARE

All SGVideo CMS hardware and software will be licensed to the Lottery and installed, supported, and maintained by Scientific Games. This hardware and software includes, but is not limited to, operating systems, anti-virus, database, replication, backup, and communications.

5.8 TECHNOLOGICALLY-EQUIVALENT EQUIPMENT

In the event Scientific Games decides to propose the use of technologically-equivalent equipment in lieu of either controllers or modems, or both controllers and modems, we will provide a live site demonstration of this equipment solution as it is actually installed in another one of our jurisdiction or business applications.

5.9 CERTIFICATION OF PROGRESSIVE HARDWARE AND SOFTWARE

Scientific Games will provide all CMS hardware and software to link one or more progressive VLTs to the primary Lottery independent testing lab for certification. All CMS hardware and software will pass the Lottery's user acceptance testing and meet the Lottery's approval.

5.10 LVL PROGRESSIVE SUPPORT

The SGVideo CMS will support progressives in the LVL wide area network. We can configure progressives to be supported in LVL locations that do not utilize dial-up connections.

5.11 CONVERSION TESTING DATA TRANSFER/CONVERSION

Scientific Games will import all Lottery-required active data from the current CMS for use in the new SGVideo CMS. This data will be exported from the current system in the form of a Lottery-approved report, by file transfer, or other appropriate format. All data will be audited, reviewed, and approved by the Lottery prior to being imported and after the import is complete.

5.12 ROLLING CONVERSION

Scientific Games has taken advantage of the flexibility offered by requirement Section 4, Subsection 4.7.1.6 by proposing an "alternative conversion strateg[y] ..." to a true rolling (phased-in) conversion. For milestones, dependencies, start and end dates for our entire conversion plan, please refer to our responses to **Section 4, Subsection 4.7.1** through **Section 4, Subsection 4.7.17**. Greater detail will be provided in the conversion project plan to be delivered to the Lottery at the specified time after contract execution.

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This information is exempt from disclosure under West Virginia Code Chapter 29B Freedom of Information and any other applicable state law or regulation. This information falls into the categories in West Virginia Code Chapter 29B Article 1 Section 4(a) that are specifically exempt from disclosure, including among others, subsections 4(a)(1) and 4(a)(14). The confidential nature of this information gives Scientific Games a business advantage over its competitors, and accordingly the information comprises trade secrets. Public disclosure of this information would cause significant injury to Scientific Games by depriving it of this competitive advantage. In addition, maintaining the confidential nature of certain of this information is necessary to the security and integrity of video gaming in West Virginia and other states to which Scientific Games supplies video gaming products and services. Access to this information could give individuals with intent to do harm insight into Scientific Games' products and processes, assisting their attacks upon the security and integrity presently upheld by these products and services.

5.13 HISTORICAL DATA

The Scientific Games proposed migration technique offers the Lottery the great benefit of ensuring that every bit of AEGIS-Video™ data will be replicated in the new SGVideo system. The Lottery need not limit itself to 18 months of historic data.

The move to SGVideo will be essentially the same process used to perform the November 2011 technology refresh, where the Lottery was moved to new server hardware yet the databases retained all of the data present before the upgrade.

5.14 OPEN PROTOCOL SYSTEM ARCHITECTURE

Endorsing the industry's accelerated move toward open protocols, our system is built on a framework supporting GSA standard protocols. Our solution is compliant both with the GSA G2S standard for VLT support, while concurrently supporting the SAS protocol.

No company can flourish today without joining with its peers to agree upon designs and concepts. We embrace, and contribute to, industry organization developing and administering standards, and we have incorporated that philosophy into every aspect of our design. With SGVideo, we offer the Lottery a solution that will interconnect with all VLTs now, and in years to come, and provide a system that will be delivering unsurpassed value for the next decade and beyond.

Scientific Games is a long-time supporter of GSA and a strong advocate for that agency's standards. We are active participants in GSA activities, including making significant technical contributions to ongoing design committee efforts. We are dedicated supporters of open protocols and are committed to providing gaming solutions that support GSA standard SAS, Games to System (G2S) and System to System (S2S) protocols.

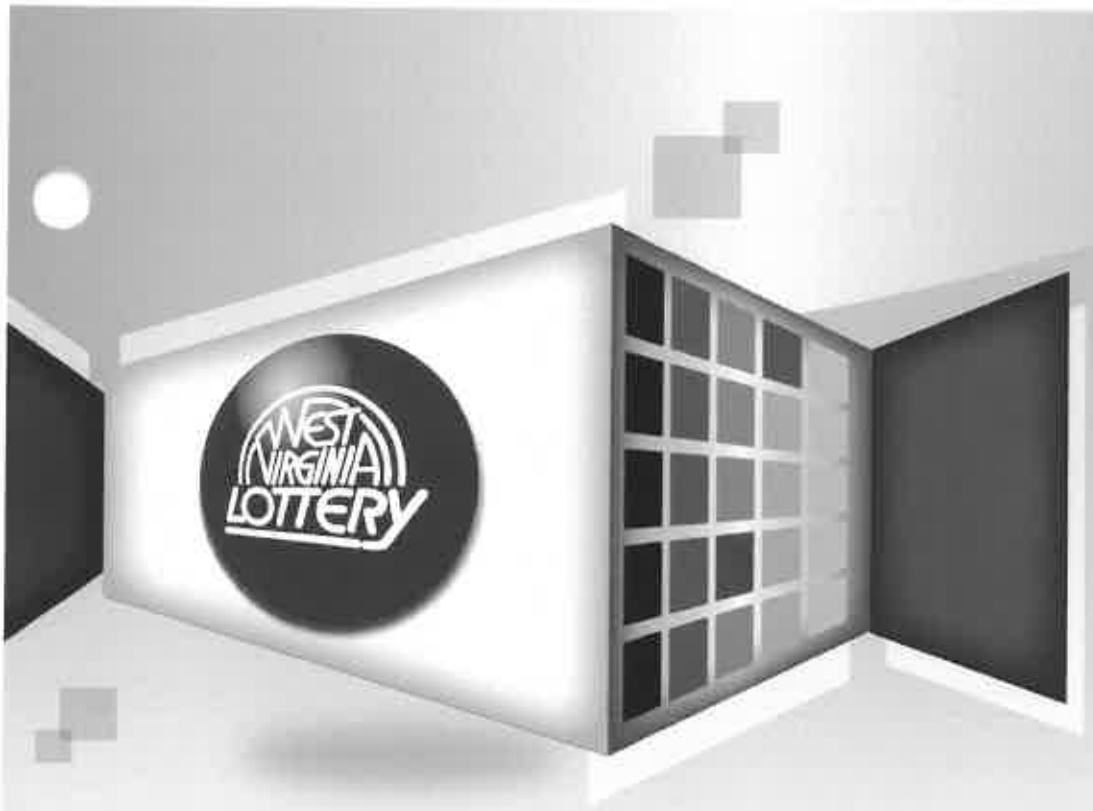
We are committed to supporting the latest standard protocols internally as well as in our product offerings. Our staff includes employees who are G2S trained and officially recognized by GSA as Certified G2S Engineers.

Scientific Games led the industry with the introduction of the first fully GSA-compliant SAS-based CMS, and continues to set the bar today, as evidenced by our introduction of the first S2S-approved system. We plan to continue this

lead in future offerings by delivering solutions which provide native G2S support.

5.15 MACHINE AND GAME LEVEL ADJUSTMENTS

SGVideo CMS is capable of accepting and processing machine and game level adjustments at the VLT level, which includes specification of financial amounts (dollar and cent), the number of games played or won and an explanation for the adjustment. These adjustments can be carried through to all relevant reports and screens. Posting of adjustments can be allowed from either management terminals or from computer files supplied by the Lottery. The CMS design provides for a single screen for meter adjustments and the adjustment can be limited based on user or group security rights.



SECTION 6: MANDATORY DELIVERABLES

SCIENTIFIC GAMES



SECTION 6: MANDATORY DELIVERABLES

6.1 PROJECT DELIVERABLES

Scientific Games has complied with all requirements in this section related to report formats, time-frames, and delivery.

6.1.1 DELIVERABLE SUBMISSION AND ACCEPTANCE PROCESS

Scientific Games will submit to the Lottery Project Manager one hard copy and one electronic copy for each draft and final written deliverable.

6.1.2 FINAL DELIVERABLE DRAFTS

Scientific Games acknowledges that all drafts of the final deliverables are required at least two weeks in advance of all final deliverable due dates. The written deliverables defined as draft documents will demonstrate due diligence in meeting the scope and requirements of the associated final written deliverable. The draft written deliverable may contain limited structural errors but will:

- Be presented in a format appropriate for the subject matter and depth of discussion
- Be organized in a manner that presents a logical flow of the deliverable's content
- Represent factual information reasonably expected to have been known at the time of submittal

- Present information that is relevant to the section of the deliverable being discussed
- Represent a significant level of completeness towards the associated final written deliverable that supports a concise final deliverable acceptance process

6.1.3 FINAL DELIVERABLE

Upon completion of a deliverable, Scientific Games will document each deliverable in final form to the Lottery Project Manager for acceptance and memorialize such delivery in a receipt of deliverable form to be provided by the Lottery. We understand that the Lottery Project Manager will countersign the receipt of deliverable form indicating receipt of the contents described therein.

6.1.4 ACCEPTANCE TESTING

Upon receipt of a final deliverable, Scientific Games understands that the Lottery Project Manager will commence acceptance testing or review of the deliverable as required to validate the completeness and quality in meeting requirements. Upon completion of validation, the Project Manager will issue to Scientific Games notice of acceptance or rejection of the deliverables in a certified acceptance of deliverable form. In the event of rejection, Scientific Games will correct the identified deficiencies or non-conformities. We acknowledge that subsequent project tasks may not continue until deficiencies with a deliverable are rectified and accepted by the Lottery Project Manager who has specifically issued in writing a waiver for conditional continuance of project tasks. We understand that once the Lottery's issues have been resolved and accepted by the Lottery Project Manager, Scientific Games will incorporate the resolutions into the deliverable and resubmit the deliverable for acceptance.

6.1.5 FINAL WRITTEN DELIVERABLES

When presented for acceptance, Scientific Games' written deliverable defined as a final document will satisfy the scope and requirements of the RFP for that deliverable. Our final written deliverables will not contain structural errors such as poor grammar, misspellings, or incorrect punctuation and will:

- Be presented in a format appropriate for the subject matter and depth of discussion

- Be organized in a manner that presents a logical flow of the deliverable's content
- Represent factual information reasonably expected to have been known at the time of submittal
- Present information that is relevant to the section of the deliverable being discussed

6.2 MANUALS

Scientific Games will provide manuals and schematics as discussed in this section, including time-frames for delivery.

6.2.1 ELECTRONIC DOCUMENTS

Scientific Games will provide, electronically to the extent possible, all associated operation manuals, service manuals, and relevant schematic diagrams, such as network circuit diagrams. Any customization of third party software will be documented. Operation manuals and service manuals will be expressed in terms that are directly relevant to the approved and installed CMS and searchable electronically.

The Lottery can expect the highest possible style, completeness, clarity, detail and quality of SGVideo™ documentation. Our documents will be maintained at both the PDC and BDC and will be used both for initial employee training as well as left with the Lottery's staff for ongoing reference.

We will provide user manuals for third party products and tools, such as the SolarWinds™ Orion suite of network analysis and configuration tools, HP SIM, McAfee virus protection software, printers, tape drives, etc.

In all cases the documents will reflect the final approved version of the system and constituent components. They will accurately and adequately describe the CMS and the following topics will be described in the provided documentation:

- Database structure
- System configuration (e.g., control parameters)
- Disaster recovery procedures
- User account administration
- Commands to configure and control facility equipment (e.g., SCs)
- VLT configuration and control
- Event reporting and auditing

- Protocol interoperability
- System upgrade and refresh procedures

The in-jurisdiction training that will be provided as part of the implementation project will be in accordance with standards, criteria and subject matter specified by the Lottery and will include, but not be limited to the following:

- System functionality
- Audit capabilities
- Back-up and disaster recovery procedures
- Password and security features
- Other subject as specified by the customer

We will also work directly with the Lottery to provide the following manuals in a mutually agreed upon timely manner.

- Operator Portal User's Manual
- Site Controller User's Manual
- Network Monitoring Tools
- Advanced Asset Tracking Manual
- Advanced Licensing Manual

6.2.2 SERVICE MANUALS

All service manuals will accurately depict the CMS which the manual is intended to cover.

6.2.3 CIRCUIT SCHEMATICS

6.2.3.1 PDC AND BDC COMMUNICATIONS NETWORK(S) AND WIRING

Scientific Games will provide all required circuit schematic diagrams that will:

- Accurately depict the PDC and BDC communications network(s) and wiring at each Venue (when such diagrams becomes available and at a time frame that is mutually acceptable to the Lottery and Scientific Games)

6.2.3.2 ADEQUATE DETAIL

Scientific Games will provide all required circuit schematic diagrams that will:

- Provide adequate detail with clear wording and visual images so that qualified technical staff may perform an evaluation on the design of the component

6.2.3.3 PROFESSIONALLY DRAFTED

Scientific Games will provide all required circuit schematic diagrams that will:

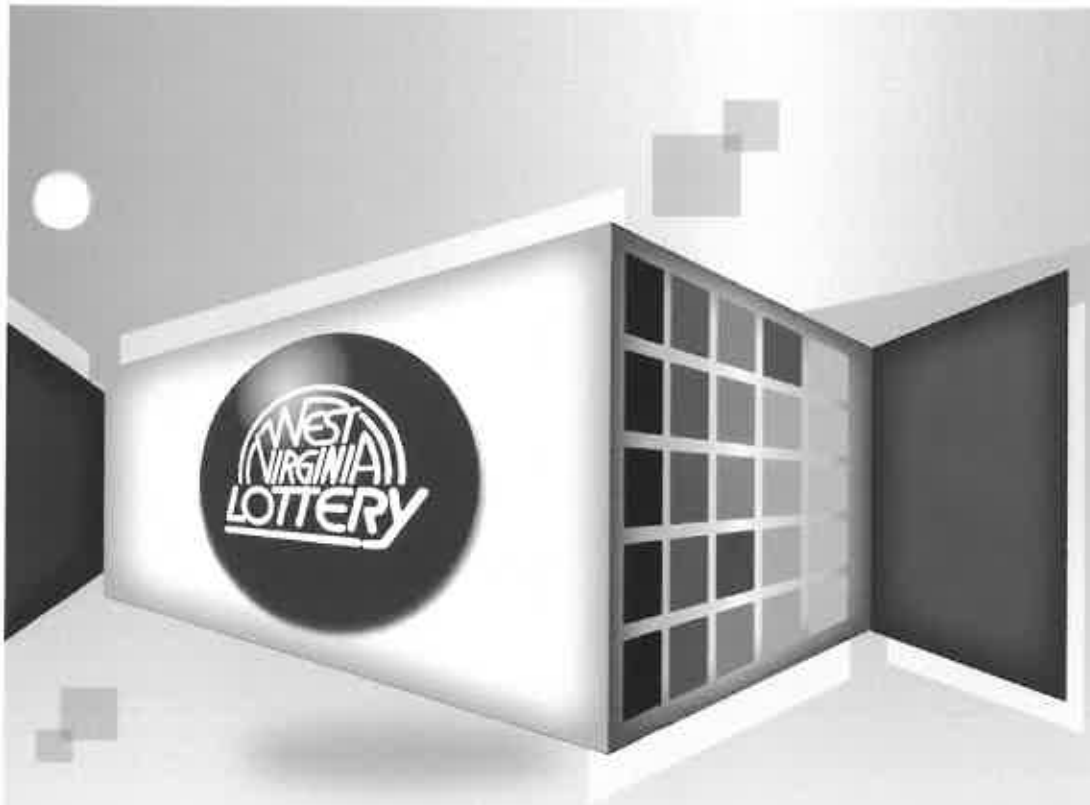
- Be professionally drafted and kept up-to-date at all times

6.2.3.4 UPDATED

Scientific Games will provide all updates that will be submitted simultaneously with any testing submission.

6.2.4 PRELIMINARY DOCUMENTS

All preliminary documents will be delivered within thirty days of contract execution and Notice to Proceed so that the Scientific Games and the Lottery can collaborate during the business analysis phase to ensure that the CMS is developed with a mutual understanding of the Lottery's business processes and practices.



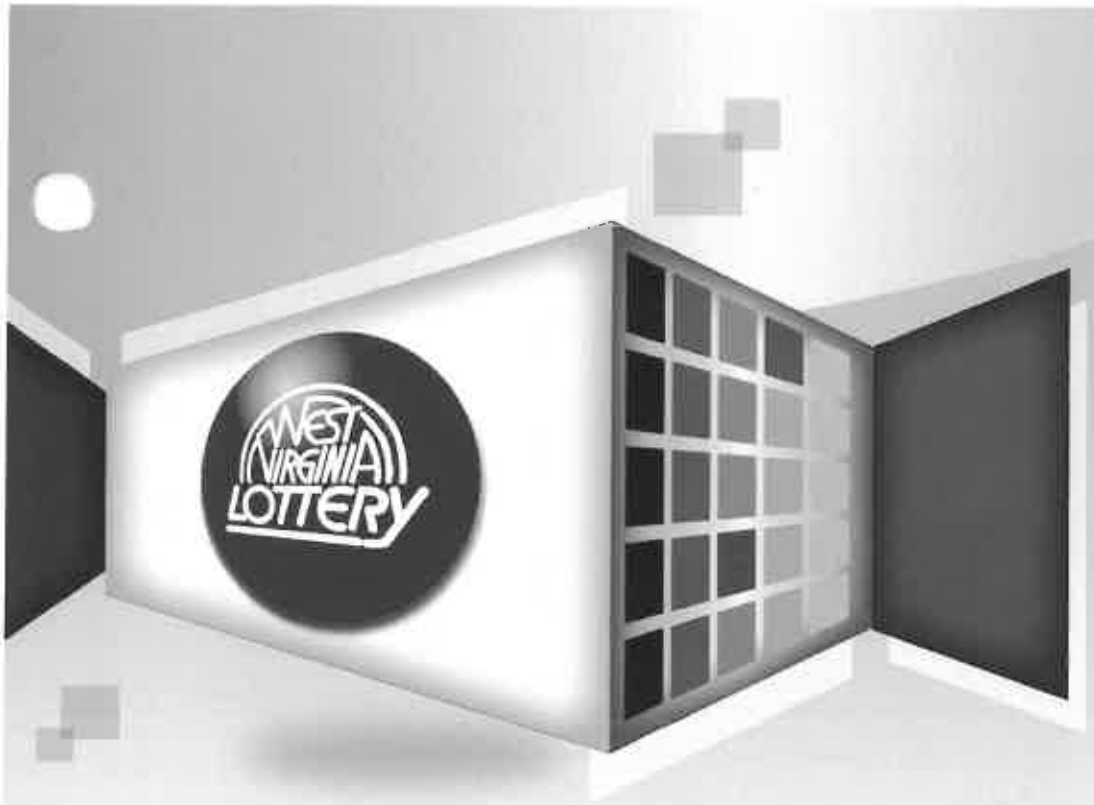
ATTACHMENT C: COST SHEET

SCIENTIFIC GAMES



ATTACHMENT C: COST SHEET

Please reference Scientific Games' Attachment C Cost Sheet in the separately sealed envelope labeled "Cost Proposal".



SECTION 7: ORAL PRESENTATIONS

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SECTION 7: ORAL PRESENTATIONS (AGENCY OPTION)

Scientific Games concurs that the Agency has the option of requiring oral presentations of all Vendors participating in the RFP process. We acknowledge that if this option is exercised, it would be listed in the Schedule of Events (Section 1.3) of this RFP.

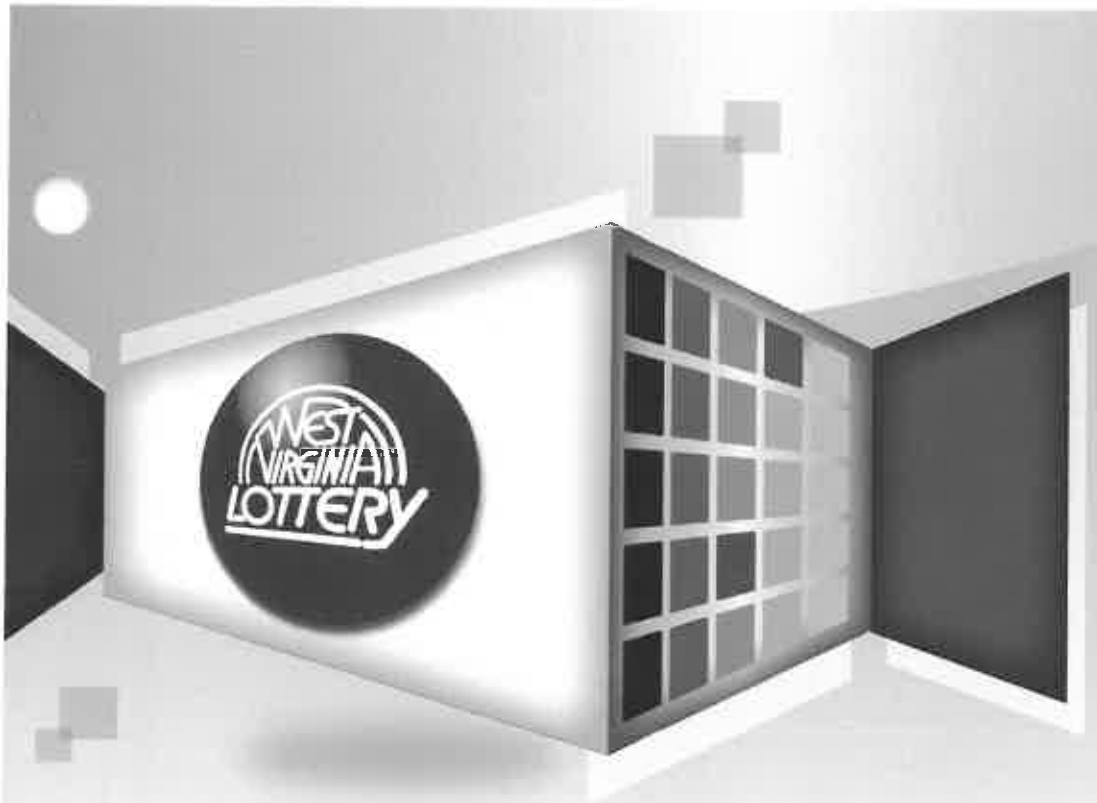
We understand that during the oral presentations, Scientific Games may not alter or add to our submitted proposal, unless RFP response clarification information is required. We concur that it is encouraged to present any information, in writing, that supports our proposal and this information shall be cross referenced back to specific sections in our RFP response.

7.1 CLARIFICATION QUESTIONS

Scientific Games concurs that subsequent to review of the technical portion of the RFP, questions will be generated relative to each bidder and a consolidated list will be generated and sent to all bidders with oral presentations scheduled as applicable.

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SECTION 3.2: CORPORATE CAPABILITIES

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— CONFIDENTIAL INFORMATION BEGINS HERE —

ORGANIZATIONAL STRUCTURE AND STAFFING PLAN

Our proposed team of experienced video lottery and gaming personnel is prepared to dedicate themselves to perform your installation in an aggressive timeframe without protocol compatibility concerns or delays. Only Scientific Games can offer this level of experience with a single motivation to deliver systems products and services as a vehicle to drive future success of the Lottery.

We will use a four-tiered management model for the Lottery's implementation project. Each tier consists of a team with specific roles and responsibilities that will cohesively guide the project along each phase to a timely and successful completion.

The following descriptions indicate the roles of each team:



John McCormack

1. **Executive Management Team** – With a global corporate group presence, Scientific Games understands that management direction begins at the executive level. Our corporate executives are linked with each customer as they work in concert to define our business itinerary and make key decisions for our customer's business initiatives. Key executives from Scientific Games will be assigned to fulfill this role in our interactions with the Lottery.



Steve Angelo

2. **Project Steering Committee** – Scientific Games' corporate organization will interface with the Lottery's Project Implementation and Lottery's Operations Support teams through the Project Steering Committee. Taking direction from the executive sponsors—John McCormack, Vice President Technology, Systems Support and Steve Angelo, Vice President of Video Gaming Systems—the Scientific Games Project Steering Committee will be comprised of corporate representatives from Scientific Games' departments, such as project management, operations support, product assurance and software development.

The steering committee will ensure that resources needed for the implementation and operations support teams are properly allocated, and that key project milestone are met. Additionally, the committee assures that ongoing system operations function in a way that meets the Licensees' and Operators' needs and that the Lottery continues to grow and prosper. The Project Steering Committee will meet regularly with the Lottery. Comprised of experienced and dedicated industry professionals that are focused on the

delivery and effectiveness of our global product offerings, Scientific Games' executives embrace their dual role. The executives serve as:

- Active participants in the corporate environment, including advocacy for our customers and support for their mission to increase growth for higher returns
- Valuable resources for the on-site team committed to disseminating their industry expertise and best practices to support operational improvements that enhance our partnership with the Lottery

To demonstrate our commitment to partnership with the Lottery, Steve Angelo and John McCormack will provide advocacy for the Lottery's interests at the highest levels of our business. They provide a direct link to Laveti Sridhari, Senior Vice President, Gaming Systems, Bally Technologies, and Derik Mooberry, Executive Vice President, Group Chief Executive Gaming, Scientific Games Corporation, for quick response to any of the Lottery's business concerns.

We believe this approach provides the infrastructure and continual support required by a solid staffing business. Our executives are visible during implementation and readily available to provide their considerable industry expertise.

Collectively, our corporate account support group has hundreds of years of industry and institutional knowledge. Over the past two years, we have realigned our corporate support groups to be even more customer focused for rapid service delivery.

3. **Implementation Project Team** – As a demonstration of our commitment to the Lottery, Scientific Games will provide the Lottery with a team of system professionals with extensive CMS implementation experience. Guided by the Steering Committee and supported by our implementation and local operations teams, we will bring a team to the West Virginia project with unmatched experience and knowledge of the system, gaming location base, and defined business requirements. Appropriate team staff levels will be maintained throughout the project to meet timelines identified on the implementation plan.
4. **Operations Support Team** – Scientific Games will provide the Lottery with a proven, dedicated and cohesive team of industry professionals. They will provide an unparalleled level of customer service to the Lottery. Master licensees and location operators ongoing success requires the continual integration of the Lottery's knowledge and expertise from project inception through the life of the contract. With the four key

management groups described in this section, the Lottery benefits from having the supplier with the most comprehensive staffing and support services available in the industry.

Scott Stewart, Account Services Vice President



Scott Stewart

As the Lottery's Account Services Vice President, Scott Stewart will serve as the point of contact for business and contract related activities during and after the project. He will serve as the corporate escalation point for any business issues that cannot be resolved by the project team. Scott also participates as a member of the project team where he is responsible for ensuring that the Lottery's interests are represented during the duration of the project.

After project completion, Scott is responsible for maintaining the long term relationship with the customer, assessing current and future customer needs, and providing that information back to the organization to be addressed.

Scientific Games will work closely with the Lottery during the project initiation phase to take full advantage of the new opportunities that this migration presents. Scientific Games is well versed on how the Lottery operates its business; on "DAY ONE" Scientific Games will be poised to immediately assist the Lottery in taking full advantage of the enhanced benefits and advancements of our SGVideo CMS.

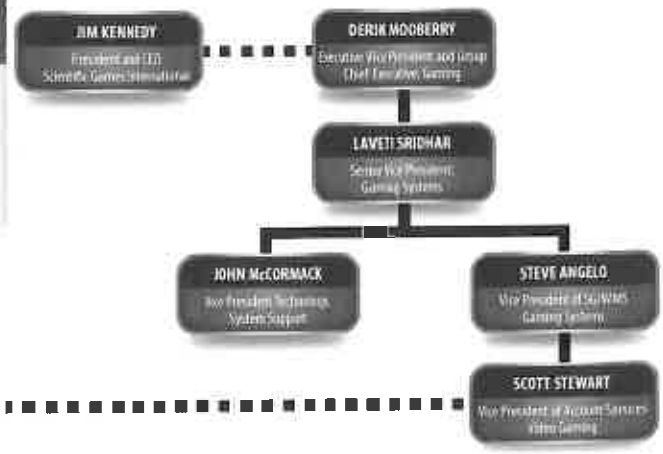
Qualified Staff

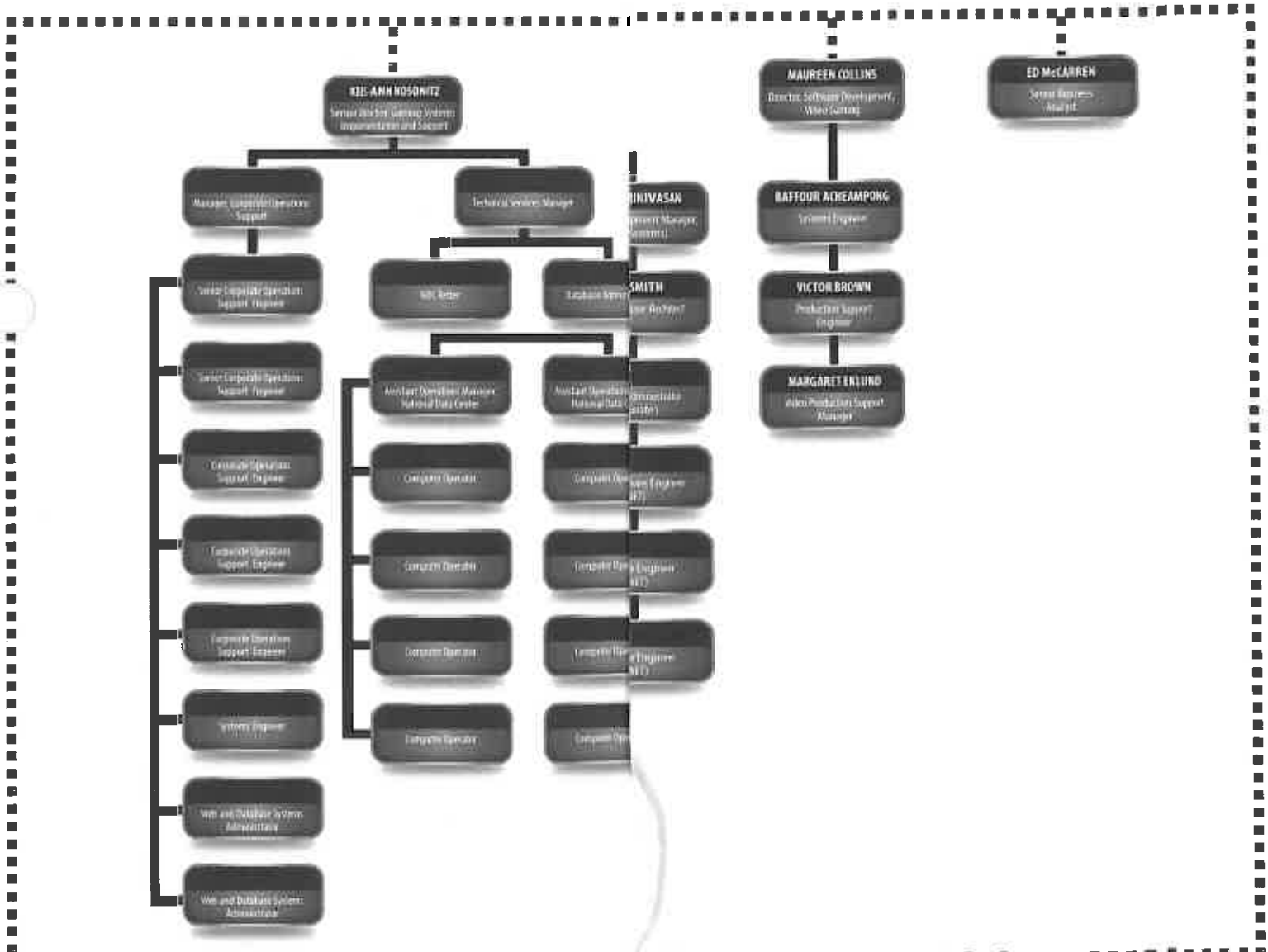
We will provide a proven, dedicated and cohesive team of industry professionals. They will give unparalleled customer service to the Lottery, the gaming location Operators, and your players, while advancing the Lottery to the next generation of technology and tools to drive the business.

Ongoing success requires the continual integration of industry knowledge and expertise from project inception through the life of the contract. With the four key management groups described in this section, the Lottery benefits from having the vendor with the most comprehensive staffing and support services available in the industry. Scientific Games will work closely with the Lottery during the project initiation phase to take full advantage of the new opportunities that this implementation presents.

Figure 3.2-3 details our Video Gaming Systems Implementation and Conversion Support Team that will deliver world-class performance to the Lottery. In addition, resumes of key contributors are included behind the "Supplemental Information" tab at the end of **Section 3.**

FIGURE 3.2-3 VIDEO GAMING SYST





CORPORATE RESOURCES SUPPORT

Scientific Games' knowledgeable implementation professionals assure the Lottery will experience a swift and seamless conversion to the SGVideo CMS platform that will deliver the new features and functionality the Lottery seeks. These individuals possess skill, talent, creativity and, most importantly, West Virginia specific knowledge. Our teams' years of experience and understanding of the Lottery's procedures, processes and people—that will be critical to assisting the Lottery's along is path of innovation and growth. In this age of business uncertainty, operational stability is paramount and our SGVideo CMS will deliver a solid gaming infrastructure.

Scientific Games has a highly capable team that is well known to the Lottery and has proven to be firmly committed to its business. Led by Murali Venkataraman and supported by Maureen Collins, Baffour Acheampong, and Jim Murphy (as well as the rest of the Scientific Games technical resources), our team has served you with pride and enthusiasm through the past eight years. Each member looks forward to helping you usher in another decade of business and gaming success.

- Corporate Video Gaming Systems Support Group
  - Murali Venkataraman, Director, Video Gaming Services and his team
  - Loren English, Director, Site Product Development and his team
  - Mohan Srinivasan, Manager, Software Development and his team
  - Maureen Collins, Director, Software Development and her team
  - Baffour Acheampong, Engineering Systems, Video Support Services
  - Jim Murphy, Senior Network Engineer, Network Design and Implementation
  - Jessie Pack, Senior Director Service Delivery, Field Support and his team



Figure 3.2-4: Corporate Video Gaming Systems Support Group

- Corporate Systems Support Group
- Corporate Educational Services/Training Group
- Corporate Technical Documentation/Media Group
- Corporate Telecom Services Group (Network Design and Implementation)
- Corporate Networking Group
- Global Response Center (GRC)
  - Smart Services
  - System Escalation

- Dispatch Hotline
- Quality Assurance Services
- Global Network Operations Center (GNOC)
  - Operational Support

IMPLEMENTATION AND CONVERSION SUPPORT STAFF

Qualified Staff

As shown in **Figure 3.2-5**, our proven, dedicated, and cohesive implementation and conversion support staff will work closely with the Lottery during the project initiation phase to take full advantage of the new opportunities that this implementation presents.



Figure 3.2-5: Proposed West Virginia Staff

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Scientific Games' Success Stories

Over the past two decades, Scientific Games' corporate family has repeatedly proven the ability to implement, convert, and successfully operate a CMS for regulators around the globe. Our corporate family's skilled team of installers and operations professionals has successfully implemented 11 systems similar in scope and functionality to what we propose for the Lottery.

As a CMS provider and operator, Scientific Games has continually achieved what we believe is the most successful track record of gaming network integrity and financial accountability. Our experience in the implementation, conversion and operation of gaming systems reflects a history of unfettered success in the industry and assures our customers that gaming machine manipulation and accounting irregularities are not acceptable operating risks.

Scientific Games develops, delivers and operates video control systems that ensure the integrity the gaming environment. We are proud of our record of achievement and pleased to share some of our success stories.

Proud of Our Partnership with West Virginia

One of our major accomplishments with the Lottery was the replacement of the system hardware infrastructure during transition to your new facility on Pennsylvania Avenue. Our team, led by Maureen Collins, worked closely with your Video Lottery staff to upgrade the central system hardware without issue or delay.

Our team successfully switched over between systems in a two-hour time window.

As part of your current RFP, you have requested a hardware refresh at the six-year and 11-year point. Scientific Games can say unequivocally that no other vendor has the experience or firsthand knowledge like we already do in West Virginia to complete this request.

We understand what is required to provide the Lottery the specifications needed to purchase the hardware for the refresh. We understand the testing your team will do to validate the system when delivered, and we understand exactly how to upgrade the system without impact to the gaming network. Scientific Games understands your business like no other. You can be confident that the system refresh will be performed without issues.

New Mexico System Replacement Without a Hitch

In 2013, we were selected, through an open procurement process, to deliver a CMS designed for five racinos and over 60 non-profit locations in the State of New Mexico. The system includes support for GSA® SAS 6.02 protocol, and provides the capability to upgrade to the G2S® protocol at the Board's request. A true testament to our capabilities, beginning in January 2014, we were able to deliver and achieve acceptance of a system that supports the GSA open protocols, and was operationally ready by July 2014.

Our system delivery included providing the New Mexico Gaming Control Board a primary and back- up and test Central Monitoring System, providing new system updates and functionality. What makes this upgrade remarkable was our unfailing ability to seamlessly implement our new system while avoiding impact to daily operations. The planning, testing and technical expertise of our teams allowed the existing CMS to be taken out of production, with fully functional Primary and Backup systems replacement operational within two hours. This implementation provided for a smooth transition to the new system with site migrations occurring once the new system was in production. This is just one of many examples of how we provide our customers the highest levels of service and support.

Illinois Video Network Launch Comes Up Aces

In 2012, Scientific Games successfully delivered and launched our CMS for the Illinois Gaming Board.

We were selected, through an open procurement process, to deliver a CMS designed to ultimately support as many as 60,000 video gaming machines located at 15,000 venues. It also had to support the GSA® SAS 6.02 protocol, and provide the capability to upgrade to the G2S® protocol within six months of the Board's request. A true testament to our capabilities, beginning in January 2012, we were able to deliver and achieve acceptance of a system that supports the GSA open protocols, and was operationally ready by July 2012.

Illinois mandated ticket redemption via a secure cash solution. This was the first of its kind in the gaming industry.

Scientific Games successfully worked with various manufacturers, several who were new to gaming and the GSA SAS protocol, to integrate their redemption devices with our CMS, demonstrating our ability to meet unique jurisdictional requirements and work with third party vendors.

The implementation included all necessary steps to build and staff an operations center, receive system certification by an independent third party laboratory, and bring the system into production in less than seven months. This project was managed by the same team of professionals who are ready to implement your CMS.

The highly successful Illinois implementation was a true start-up in a new jurisdiction, and unquestionably reflects the level of success we can achieve.

The Illinois Back Story

We successfully completed the implementation phase by executing the following six-step process:

1. Locate and acquire the right Primary Data Center (PDC) for the project.
2. Build out the location to the specifications of the Illinois Gaming Board and securely house the required networking and hardware.
3. Hire and train the staff to operate and maintain the PDC and all of the systems located there.
4. Install the equipment necessary for the operation of the center and the workplace it provides.
5. Acquire ISO 27001 Certification for security and data management—a certification level above the normal requirements of similar facilities.
6. Receive the approval of the Illinois Gaming Board to open and operate the site.

Those familiar with the intricacies of system installation, certification and testing will recognize that creating a data center with the advanced technological features, network infrastructure and redundant power systems of this building within the timeline required—and on budget—is an accomplishment only an industry leader in video lottery systems could achieve.

The Illinois CMS is actually three systems: a primary (primary – duplex pair), back-up (primary-duplex pair) and test system. It delivers the following capabilities:

- Monitor the entire gaming network 24/7, including the validation of every gaming machine
- Meet all jurisdictional gaming, security, and reporting requirements
- Maintain a database of Video Gaming Terminal (VGT) configurations as well as security and accounting information

- Poll the Site Controller at each Venue, completing the connectivity to the VGTs
- Control VGT enrollment
- Enable and disable individual (or groups of) gaming machines
- Check the validity of game program signatures in each VGT before allowing play
- Generate standard and customized reports from collected meters and events

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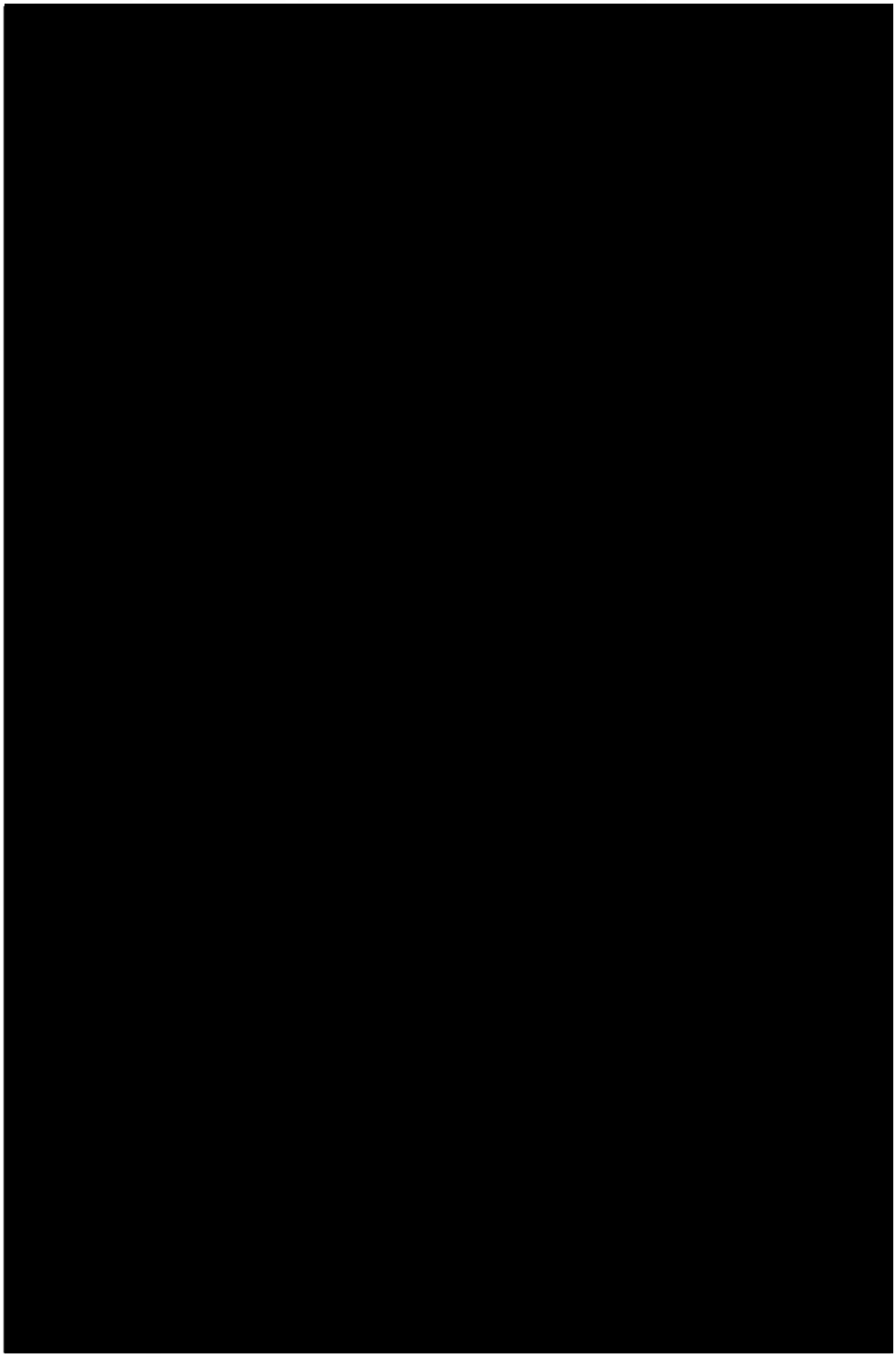
Although the Lottery is aware of Scientific Games' ability to perform as your CMS partner, please contact the following references to confirm our capability:

SCIENTIFIC GAMES' CMS CUSTOMER/ PARTNERS REFERENCES		
Illinois Gaming Board 160 North LaSalle, Suite 300 Chicago, Illinois 60601 Mr. Mark Ostrowski Administrator Email: Mark.ostrowski@igb.illinois.gov Tel: 312-814-4646	**Delaware State Lottery** McKee Business Park 1575 McKee Road, Suite 102 Dover, DE 19904 Mr. Vernon Kirk, Director Email: vernon.kirk@state.de.us Tel: 302-774-1600	**Maine Gambling Control Board** 45 Commerce Drive 87 SHS Augusta, Maine 04333-0087 Mr. Patrick J. Fleming, Executive Director Email: patrick.j.fleming@maine.gov Tel: 207-626-3900

Figure 3.2-12: Scientific Games' CMS Customer/Partners References

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Personnel involved in the change management process include the original requestor, manager, project sponsors and sponsor advisors. The review and approval of the Change Request is done by the Change Control Committee (CCC).

Request

All requests for change will be documented using the Change Request. The form will be completed by the requestor. This is critical for the effective review and sound estimating of efforts required to understand and plan for the change. **Figure 3.2-13** outlines the steps involved in processing an individual Change Request, including the project member(s) responsible for each step.

Categorize the Change

The requestor and the Scientific Games point-of-contact will assess the urgency and the area(s) of impact of the change based on a well-defined list of categories.

Prioritize the Change

The person submitting the Change Request and the Scientific Games point-of-contact will assess the urgency and the impact of the change using the following priorities:

- **Critical** – Significant impact on product functionality with no known workaround.
- **Serious** – Significant impact on product functionality with a known workaround.
- **Moderate** – Moderate impact on product functionality.
- **Minor** – Cosmetic; insignificant impact on product functionality.

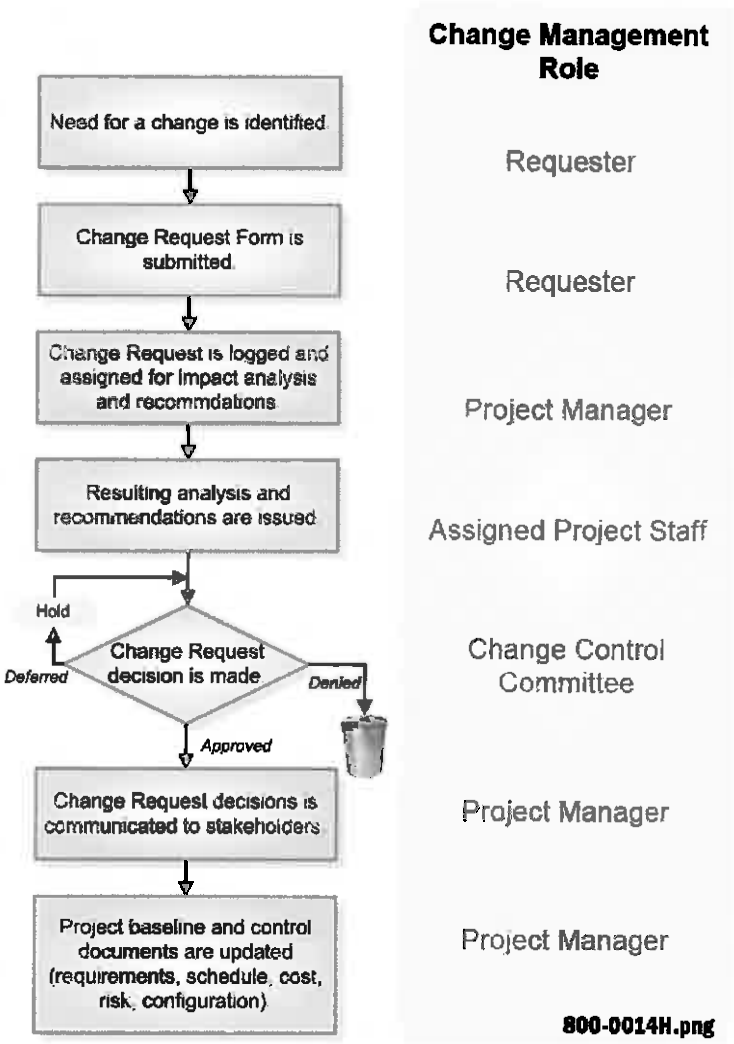


Figure 3.2-13: Change Request Process

Analyze and Justify the Change

The Scientific Games point-of-contact works with the change requester to develop specific justification(s) for the change and to identify how the change may impact the business operations and financials. The point-of-contact will create a tracking entry including all pertinent information for the development manager to estimate the development scope, Quality Control resources, and implementation effort to complete the modification(s).

Approve and Schedule the Change

The point-of-contact timely submits the change request along with the supporting information related to the change. It will then be discussed during the weekly Change Control Committee (CCC) review meeting. The request usually will be emailed to board members for their review in preparation for discussion during the meeting. The Change Control Committee will decide whether the change will be approved as submitted, denied, or deferred.

A request may be deferred because it exceeds the scope of the original deliverables or appears to be an entirely new feature or capability outside the contracted system. This situation often requires contractual meetings between the customer and Scientific Games work together to determine how the request will be handled.

Plan and Complete the Implementation of the Change

This process includes developing the technical requirements, reviewing the specific implementation steps, and then effecting the change with minimal impact on the infrastructure and end users.

Review After Implementation

A post-implementation review is conducted to ensure that the change has achieved the desired goal(s). Following are the post-implementation actions:

- Decide to accept, modify or back-out the change.
- Contact the requestor to validate success of the modification.
- Finalize the change request through e-mail confirmation.
- Close the entry on the Changer Request Log and in JIRA® (tracking software).

Change Process Rules

- All change requests are submitted by the project-specific deadline.
- The Change Control Committee will review and make decisions on change requests on a regularly scheduled basis.
- The Project Manager will coordinate all activity related to a change request.
- All change requests will go through an impact analysis.
- As part of the impact analysis, the Resource Manager will be consulted regarding commitment of resources.
- All change requests will be distributed to the appropriate parties for informational purposes.
- The Change Control Committee will meet as needed.
- Project team members will not commit to modifications or incorporate changes into project deliverables until the change has been formally approved.
- The project Change Control Committee or sponsor(s) will not commit to any change to project deliverables before the impact of the change is quantified and approved.
- Requestors should not be the ones to approve their own change requests.
- Any change request remaining in "hold" status at the end of implementation will be addressed in the project's summary exit plan.

Newly submitted change requests (and their current statuses) will be included in the regular project status report.

If the commitment of resources to perform an impact analysis on the change request negatively affects the project's timeline, the project sponsor(s) will be asked to make a priority decision regarding the change request.

Testing And Tracking

All software updates go through a series of rigorous tests before being delivered to the Lottery for acceptance testing.

The first level of testing is done by the developer, where the specific code that was created or altered is verified as performing properly according to the design spec and/or Change Request form. After the software module is certified at this unit level, it is securely stored using our standard software source management procedures to ensure it is not modified by unauthorized personnel or corrupted.

Scientific Games uses a number of software development tools and repositories to keep track of the history of all changes to documentation, technical manuals, specifications, and program source and object code so that any prior software releases or versions of a specific file may be safely regenerated.

Shared access to development data is supported by storing all files and information on a central server. As developers check out files from the server they are tagged with the developers' identity, plus the time and date. After developers have made the requisite changes, they check the file back into the server and are required to associate that modification with a Change Request in Atlassian JIRA. The system prevents people from making concurrent modifications.

Each build of the system is given a new version number, incremented from the last build. This version number is a key part of the release notes when delivering software as is the list of Change Requests included in the release. The version number is tracked throughout the test cycles, and referenced in the test summary document.

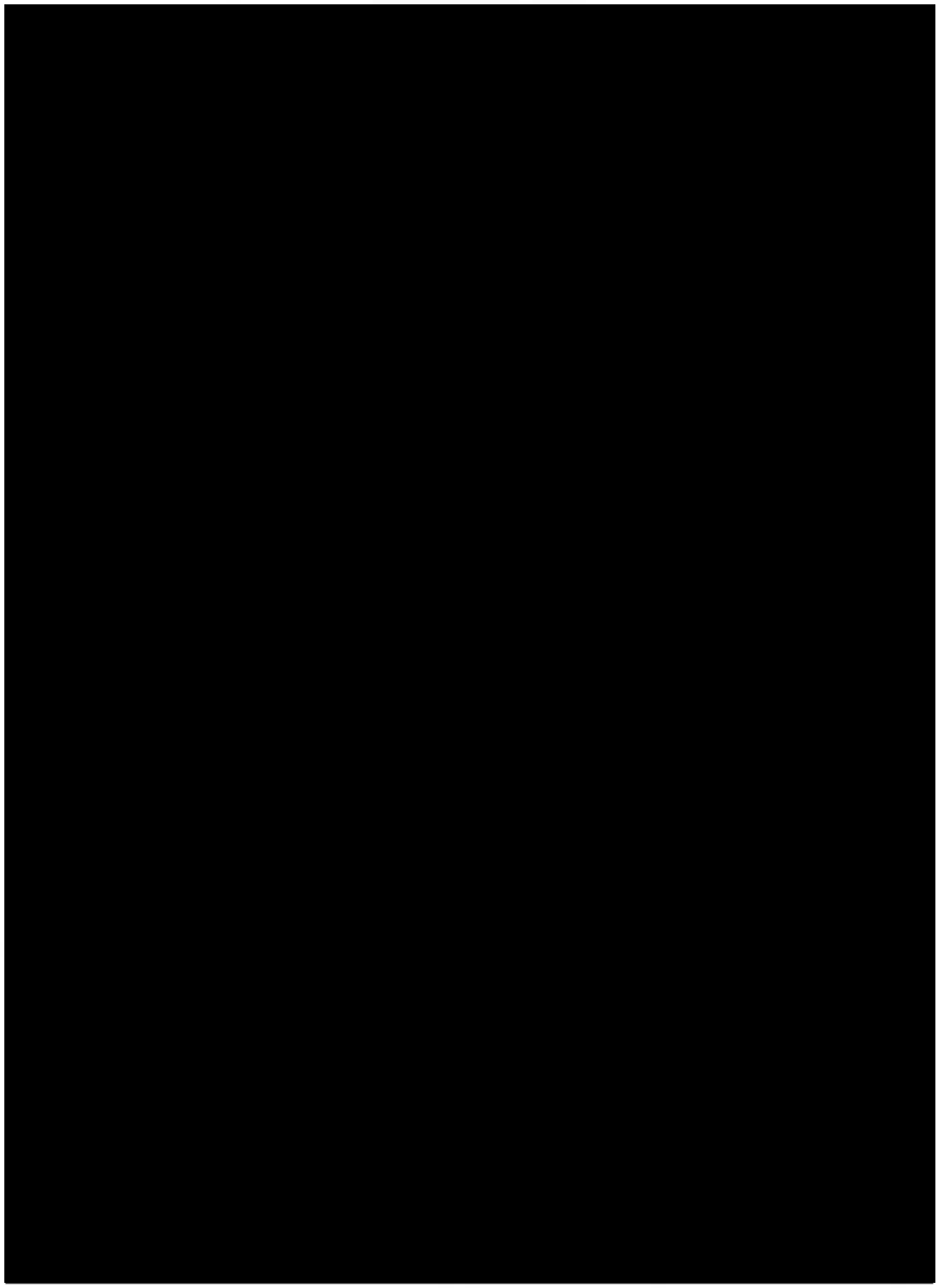
At this point, the software is subjected to integration testing—verifying that the changes have not adversely altered the operation of the entire system. Regression testing is a key part of this verification phase. Only after these tests have been successfully completed is the software permitted to leave the development center.

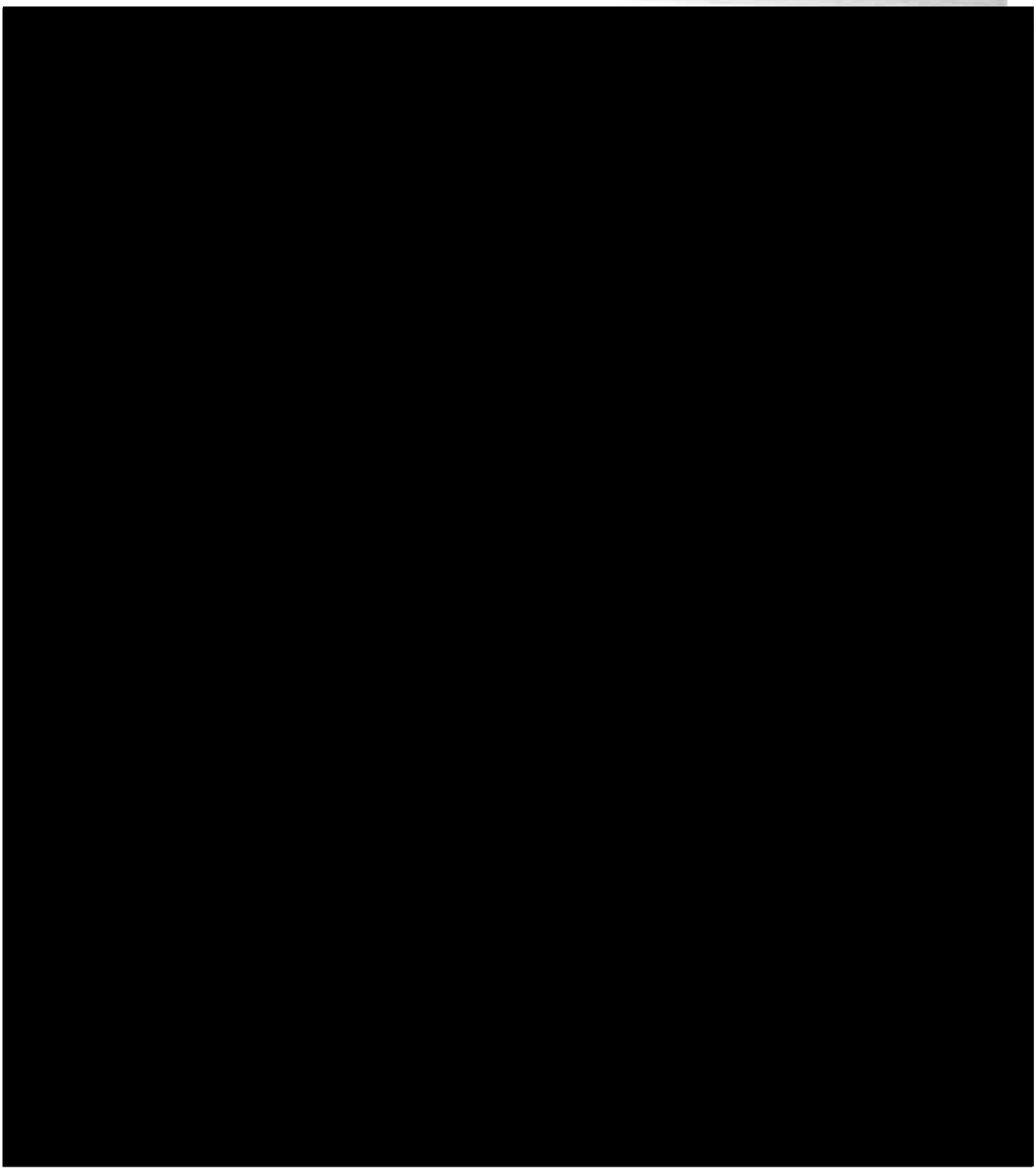
The system software is now eligible for submission to an independent testing laboratory to verify that it does not violate any jurisdictional requirements or regulations. After the lab has approved the release, it will be delivered to West Virginia Lottery personnel for testing and authorization for installation. If required, Scientific Games will supply technical assistance during the acceptance testing period.

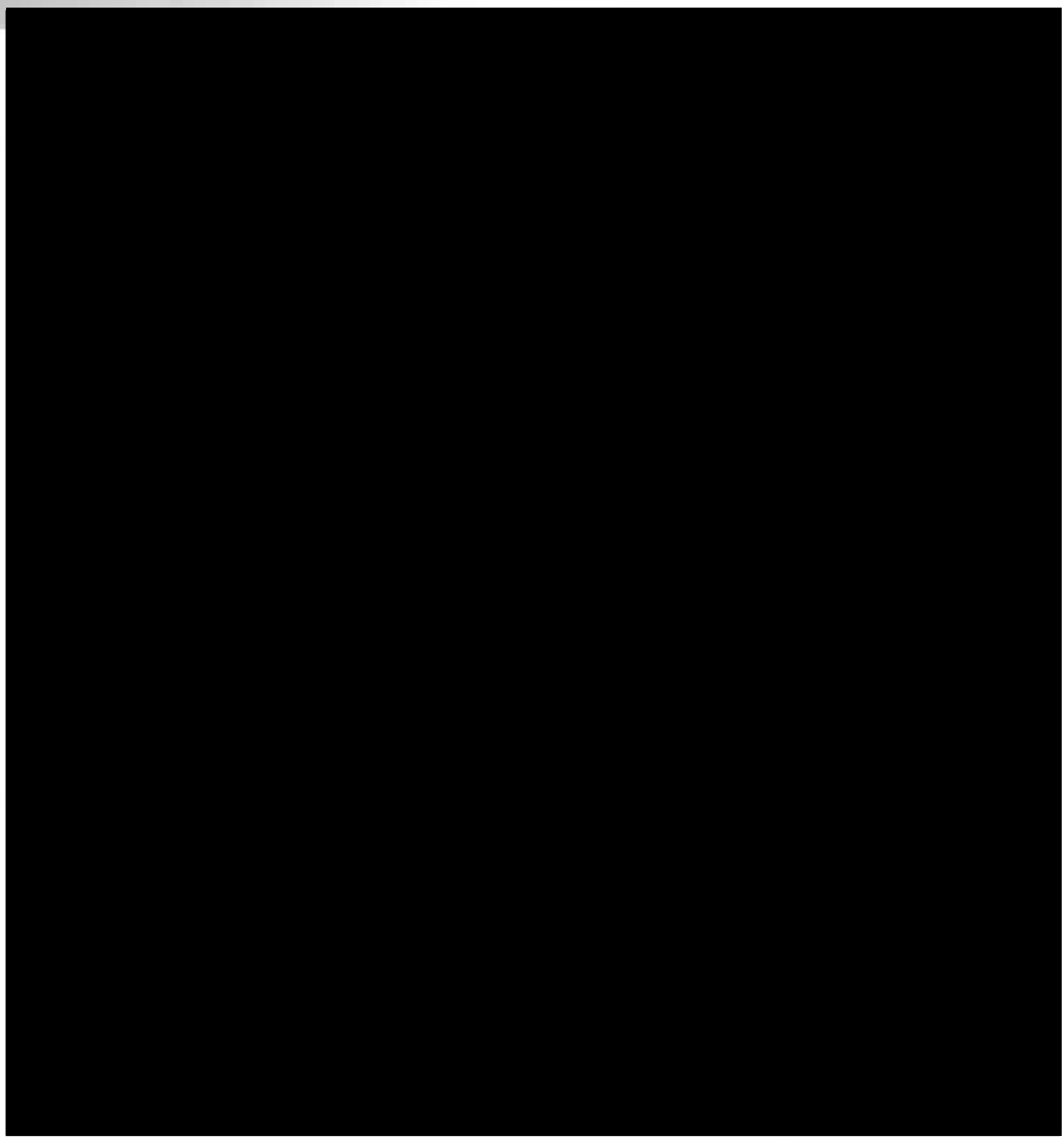
Each software update is delivered with detailed release notes, including the Change Requests that were incorporated. Where applicable, the release notes will contain special testing procedures or data structures required to verify the proper execution of the latest software changes during acceptance testing. If the new software demonstrably changes operations procedures or user commands, updated manual pages will be included with the software delivery.

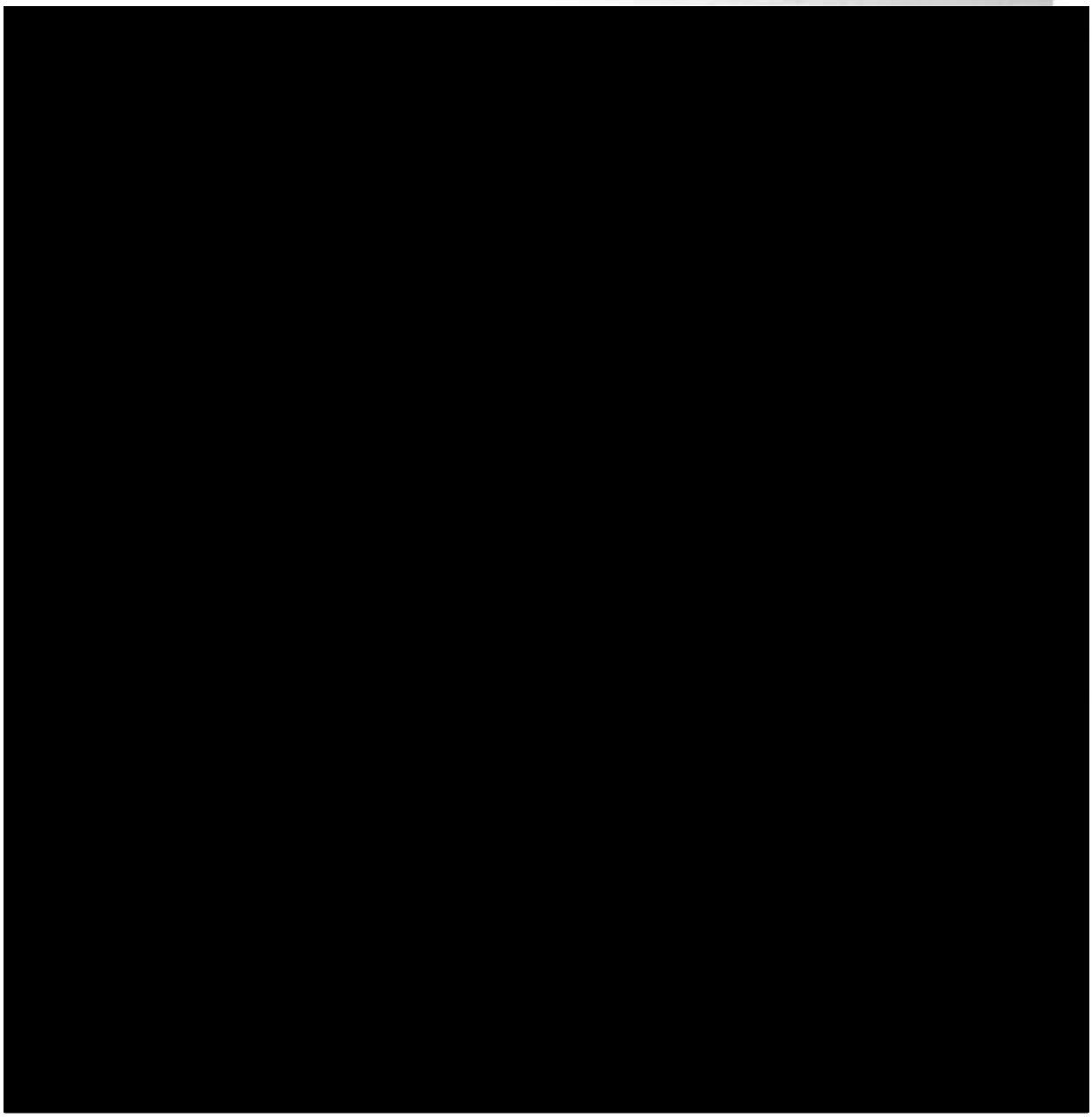
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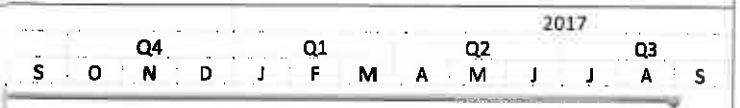






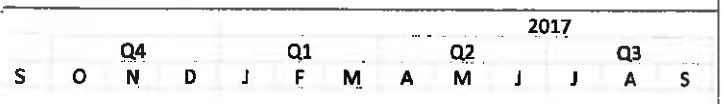


ID	WBS	Task Name
0		**West Virginia SGVideo (CMS) Implementation Schedule**
1	1	**PROJECT MANAGEMENT**
2	1.1	**Project Activities**
3	*1.1.1*	***Contract Award***
4	1.1.2	Contract Negotiation & Approval
5	*1.1.3*	***Contract Execution (NTP)***
6	1.1.4	Prepare Project Plan
7	1.1.5	Develop Implementation Plan for CMS Upgrade
8	1.1.6	Prepare Project Kick-Off Materials
9	1.1.7	Conduct West Virginia Project Kick Off Meeting
10	*1.1.8*	***Submit Project Plan & Detailed Conversion Schedule***
11	1.1.9	West Virginia Review and Sign-Off of Project Plan
12	*1.1.10*	***Conversion Plan for CMS Upgrade Complete / Approv***
13	2	**West Virginia PDC & BDC Facilities**
14	2.1	**West Virginia PDC & BDC Preparation**
15	*2.1.1*	***West Virginia Reviews Architectural / Mechanical / El***
16	2.1.2	**West Virginia PDC Facility Upgrades**
17	2.1.2.1	West Virginia Reviews PDC Equipment Specification
18	2.1.2.2	West Virginia Create's PO's to have PDC Upgrades C
19	2.1.2.3	West Virginia Schedules & Completes PDC Upgrades
20	*2.1.2.4*	***West Virginia PDC Completed - Ready for Productic***
21	2.1.3	**BDC Facility Upgrades**
22	2.1.3.1	Review BDC Equipment Specifications (from SGI)
23	2.1.3.2	Create's PO's to have BDC Upgrades Completed
24	2.1.3.3	Schedules & Completes BDC Upgrades (Electrical, H
25	*2.1.3.4*	***BDC Completed - Ready for Production Systems***
26	*2.1.3.5*	***PDC/BDC Facilities Preparation Complete***
27	3	**DISASTER RECOVERY FAILOVER PLAN**
28	3.1	**Disaster Recovery Failover Plan**
29	3.1.1	Identify West Virginia System Failover Requirements
30	3.1.2	Develop Operations Failover Plan
31	*3.1.3*	***Submit Operations Failover Plan to West Virginia***
32	3.1.4	West Virginia Failover Plan Review
33	3.1.5	Revise Operations Failover Plan
34	*3.1.6*	***Disaster Revovery Operations Failover Plan Complete***
35	4	**WEST VIRGINIA DELIVERABLES**
36	*4.1*	***Documentation of all VLTe models, by manufacturer, cu.***
37	*4.2*	***Documentation of all approved chip sets***
38	*4.3*	***Samples of all chips sets which are currently in productic***
39	*4.4*	***One gaming machine from each approved manufacture.***
40	5	**INFRASTRUCTURE PREPARATION AND INSTALLATION**
41	5.1	**Facilities Specifications**
42	5.1.1	SGI Reviews System HW/SW Specifications
43	5.1.2	SGI Reviews Network Specification
44	5.1.3	SGI Reviews Telecom Specifications
45	*5.1.4*	***SGI Facilities Specs Complete***
46	5.2	**Site Surveys**
47	5.2.1	Conduct Site Survey for Region 1
48	5.2.2	Conduct Site Survey for Region 2
49	5.2.3	Conduct Site Survey for Region 3
50	5.2.4	Conduct Site Survey for Region 4
51	*5.2.5*	***Site Surveys Complete***
52	5.3	**SGVideo Hardware Installation**



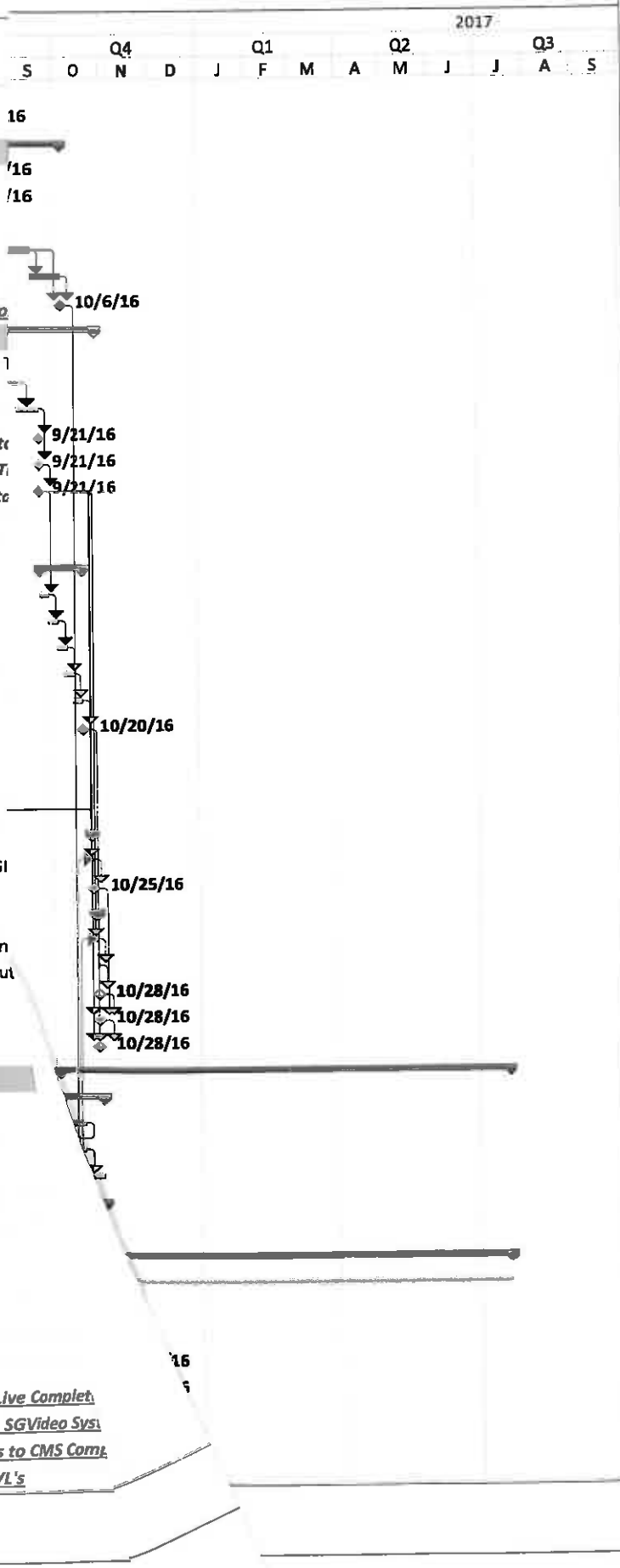
ID	WBS	Task Name	2017 Q4 S	O	N	D	Q1 J	F	M	A	Q2 M	J	J	Q3 A	S
53	5.3.1	SGI Orders HW/SW (PDC Test System) / (Test System)													
54	5.3.2	SGI Orders HW/SW (Primary, Backup)													
55	*5.3.3*	***SGI Receives PDC, BDC, Test Equipment @ Alpharetta***													
56	5.3.4	Order HW/SW RaceTrack/Resort Equipment													
57	*5.3.5*	***Receive Race Track/Resort Equipment***													
58	**5.3.6**	**Assemble equipment for PDC, BDC, Test racks**													
59	*5.3.6.1*	***Assemble Racks, Install UPS, PDU, etc***													
60	*5.3.6.2*	***Install Servers, Network Equipment, MSA, etc***													
61	5.3.6.3	Install O/S on all servers													
62	5.3.6.4	Install 3rd Party Software													
63	5.3.6.5	Install SGVideo Software													
64	5.3.6.6	Install Firewalls, Switches, Routers, etc.													
65	5.3.6.7	Rack Connectivity Testing													
66	5.3.6.8	System Connectivity Testing													
67	5.3.6.9	Poll Testing (at SGI)													
68	5.3.6.10	Validate Test System													
69	5.3.6.11	Failover													
70	**5.3.7**	**Assemble equipment for Race Track/Resort racks**													
71	*5.3.7.1*	***Assemble Racks, Install UPS, PDU, etc***													
72	*5.3.7.2*	***Install Servers, Network Equipment, MSA, etc***													
73	5.3.7.3	Install O/S on all servers													
74	5.3.7.4	Install 3rd Party Software													
75	5.3.7.5	Install SGVideo Software													
76	5.3.7.6	Install Firewalls, Switches, Routers, etc.													
77	5.3.7.7	Rack Connectivity Testing													
78	5.3.7.8	System Connectivity Testing													
79	5.3.7.9	Poll Testing (at SGI)													
80	*5.3.8*	***PDC, BDC, Test, Race Track/Resort Systems Build Com***													
81	**5.3.9**	**Shipping**													
82	5.3.9.1	PDC/BDC/Test/Race Track/Resort Systems Inventory													
83	*5.3.9.2*	***PDC/BDC/Test Systems Delivered (Begin Install)***													
84	*5.3.9.3*	***Race Track/Resort Equipment Delivered (Begin Inst***													
85	**5.4**	**Communications Lines**													
86	*5.4.1*	***West Virginia Reviews Communication Line for PDC/B***													
87	*5.4.2*	***Communications Line Install - Comm's Circuit from PD***													
88	5.4.3	Communications Line Install - Test System Support Cor													
89	*5.4.4*	***PDC to BDC SGVideo (CMS) Communications Complet***													
90	**5.4.5**	**Onsite Install - Test Systems**													
91	5.4.5.1	Install Equipment (All wiring, all racks)													
92	5.4.5.2	Perform Data Entry, Initial Polling test machines													
93	5.4.5.3	Perform SGI System Validation													
94	*5.4.5.4*	***Test Systems "Commissioning" Complete***													
95	**5.4.6**	**Onsite Install - PDC/BDC Systems**													
96	5.4.6.1	Install Equipment (All wiring, all racks)													
97	5.4.6.2	Perform SGI System Validation													
98	*5.4.6.3*	***Production Systems "Commissioning" Complete***													
99	**5.4.7**	**Onsite Install - Mardi Gras TC Racks**													
100	5.4.7.1	Install Equipment (All wiring, all racks)													
101	5.4.7.2	Perform SGI System Validation													
102	*5.4.7.3*	***Systems Install Complete***													
103	**5.4.8**	**Onsite Install - Wheeling Island TC Racks**													
104	5.4.8.1	Install Equipment (All wiring, all racks)													
105	5.4.8.2	Perform SGI System Validation													

ID	WBS	Task Name
106	*5.4.8.3*	***Systems Install Complete***
107	**5.4.9**	**Onsite Install - Mountaineer TC Racks**
108	5.4.9.1	Install Equipment (All wiring, all racks)
109	5.4.9.2	Perform SGI System Validation
110	*5.4.9.3*	***Systems Install Complete***
111	**5.4.10**	**Onsite Install - Hollywood TC Racks**
112	5.4.10.1	Install Equipment (All wiring, all racks)
113	5.4.10.2	Perform SGI System Validation
114	*5.4.10.3*	***Systems Install Complete***
115	**5.4.11**	**Onsite Install - Greenbrier TC Racks**
116	5.4.11.1	Install Equipment (All wiring, all racks)
117	5.4.11.2	Perform SGI System Validation
118	*5.4.11.3*	***Systems Install Complete***
119	*5.4.12*	*Site Surveys, Systems Hardware Procured, Delivered, I*
120	**6**	**BUILD FUNCTIONAL SPECIFICATIONS**
121	6.1	Develop Preliminary Business Requirements Document (CI
122	*6.2*	***Submit CRD to West Virginia***
123	6.3	Customer Review & Comment re: CRD
124	6.4	Revise CRD Document
125	6.5	Customer Review & Approval of CRD Delta Document
126	*6.6*	*Business Requirements Document Completed & Accepted*
127	6.7	Develop Software Requirements Specification (SRS)
128	*6.8*	***Submit SRS to West Virginia***
129	6.9	Customer Review & Comment re: SRS
130	6.10	Revise SRS Document
131	*6.11*	*SRS Completed & Accepted*
132	**7**	**HOST CUSTOMIZATION/DEVELOPMENT SUPPORT**
133	7.1	Requirements Phase/CRD/FS/Design docs
134	7.2	Host & SC Customization
135	7.3	Protocol Support
136	*7.4*	***Host & SC Customization Completed***
137	**7.5**	**Environment Setup-Configuration**
138	7.5.1	Prepare Development Environment
139	7.5.2	Prepare Integration Test Environment
140	**7.6**	**Integration Testing**
141	7.6.1	Build and Configuration
142	7.6.2	Development Integration Testing
143	*7.6.3*	***Release to QA***
144	7.6.4	Development Fix/Release Cycle
145	*7.7*	*Host/Site Controller Development Complete*
146	**8**	**QUALITY ASSURANCE**
147	8.1	Initial Requirements Review
148	8.2	Test Plan and Test Case Creation
149	8.3	Environment Set Up
150	8.4	New Functionality Testing
151	8.5	System Regression Testing
152	*8.6*	***Release to Independent Test Lab***
153	8.7	Protocol Testing
154	8.8	Final Regression Testing
155	*8.9*	*SGI QA Testing Complete*
156	**9**	**INDEPENDENT TEST LAB TESTING**
157	*9.1*	*Test Lab System Testing and Validation for CMS Upgrade*
158	9.2	Environment Prep and Training



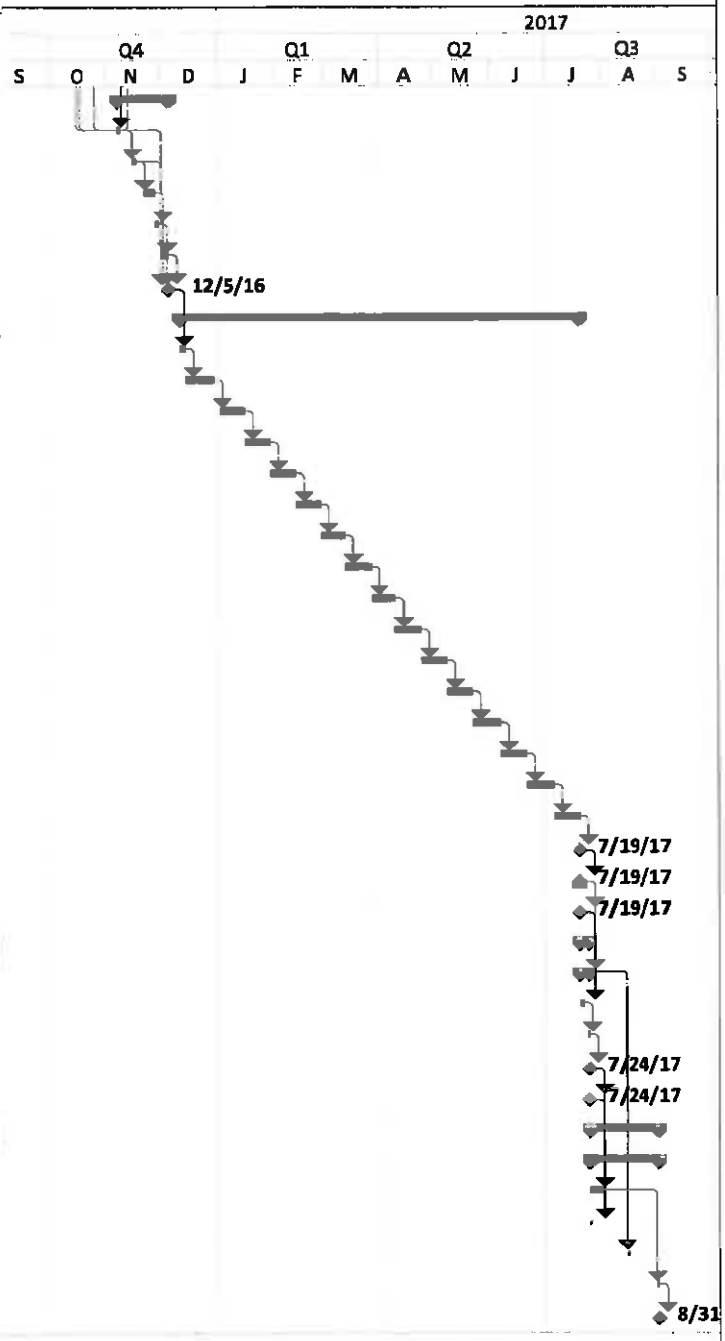
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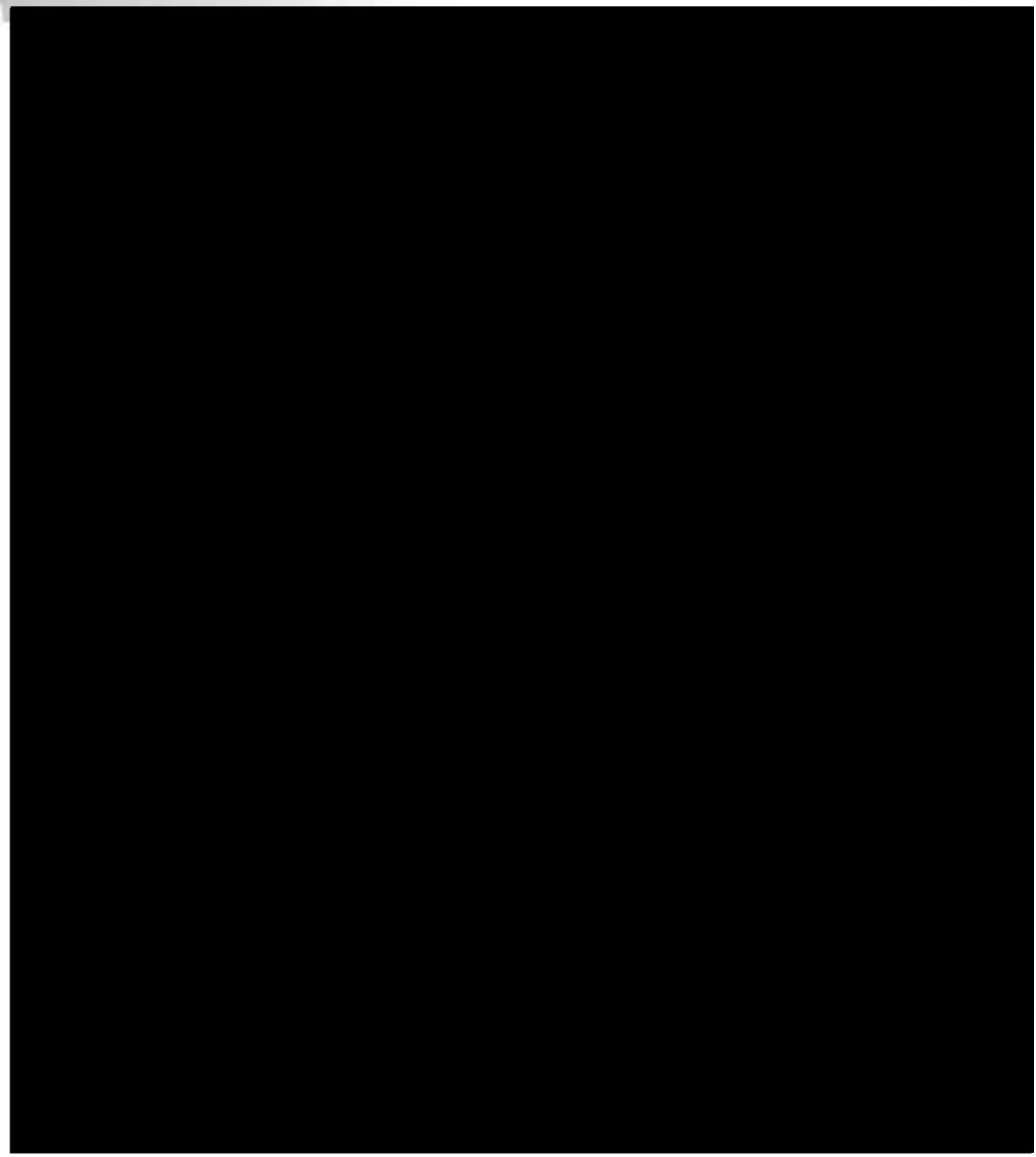
ID	WBS	Task Name
159	9.3	System Testing and Validation for CMS Upgrade
160	*9.4*	***Independent Test Lab Testing Complete***
161	**10**	**WV UAT, ACCEPTANCE SIGNOFF**
162	***10.1***	***UAT System Testing and Validation for CMS Upgrade***
163	***10.2***	***Core Functionality Test Scripts***
164	10.3	Functionality and Requirements Test Scripts
165	10.4	Regression Test Scripts for VLCS Manager
166	10.5	Regression Test Scripts for C&C and EM
167	***10.6***	***UAT System Testing and Validation for CMS Upgrade Co***
168	**11**	**TRAINING PREPARATION**
169	11.1	Update Training Material (End User / Remote Operators T
170	11.2	Update Licensed Facility Installer Training Material
171	11.3	Review & Approve Training Materials
172	***11.4***	***Training Material Approved (End User / Remote Operat***
173	***11.5***	***Training Material Approved (Licensed Facility Installer T***
174	***11.6***	***Documentation for CMS staff, Remote Operators & Insta***
175	11.7	Onsite UAT Training Set Up
176	11.8	Train West Virginia for UAT Testing
177	**11.9**	**Train Staff - End User Advanced Operations Training**
178	11.9.1	Systems Overview
179	11.9.2	Systems Operations
180	11.9.3	Introduction to User Manuals
181	11.9.4	Systems Setup and Configuration
182	11.9.5	Operating the System
183	***11.9.6***	***Staff Training & Documentation for CMS Complete***
184	**11.10**	**Site Survey Training**
185	11.10.1	Perform Site Survey Training for Field Staff
186	***11.10.2***	***Site Survey Training Complete***
187	**11.11**	**Site Controller Training - West Virginia & Technicians**
188	11.11.1	Perform SC & IP Cellular Training to West Virginia / SGI
189	***11.11.2***	***SC & IP Cellular Training Complete***
190	**11.12**	**Licensed Facility Installer Training**
191	11.12.1	Perform Field Service Staff Training - (Phase 1 - Trial In
192	11.12.2	Perform Field Service Staff Training - (Phase 2 - Roll-Out
193	***11.12.3***	***FS Licensed Facility Installers Training Complete***
194	***11.12.4***	***Field Staff Training Complete***
195	***11.12.5***	***Documentation and Training Complete***
196	**12**	**PRODUCTION GO-LIVE & LICENSED FACILITY ROLLOUT**
197	**12.1**	**SGVideo Support**
198	12.1.1	Data conversion setup and testing
199	12.1.2	Migration Preparation
200	12.1.3	Data conversions for migrations
201	**12.2**	**Host support**
202	12.2.1	Engineering Support for Migration
203	**12.3**	**Site Support**
204	12.3.1	Installation support
205	**12.4**	**Production Go-Live**
206	12.4.1	Prepare SGVideo Systems & Environment for Go-Live
207	***12.4.2***	***CMS Production Go-Live***
208	***12.4.3***	***Data Conversion / Migration & Environment for Go-Live Complet***
209	***12.4.4***	***All RVL's and SAS-Only LVL's Immediately Migrate to SGVideo Sys***
210	***12.4.5***	***Production Go-Live & Migration of Gaming Machines to CMS Comp***
211	***12.4.6***	***Begin Venue Migrations at Race Track/Resort and LVL's***

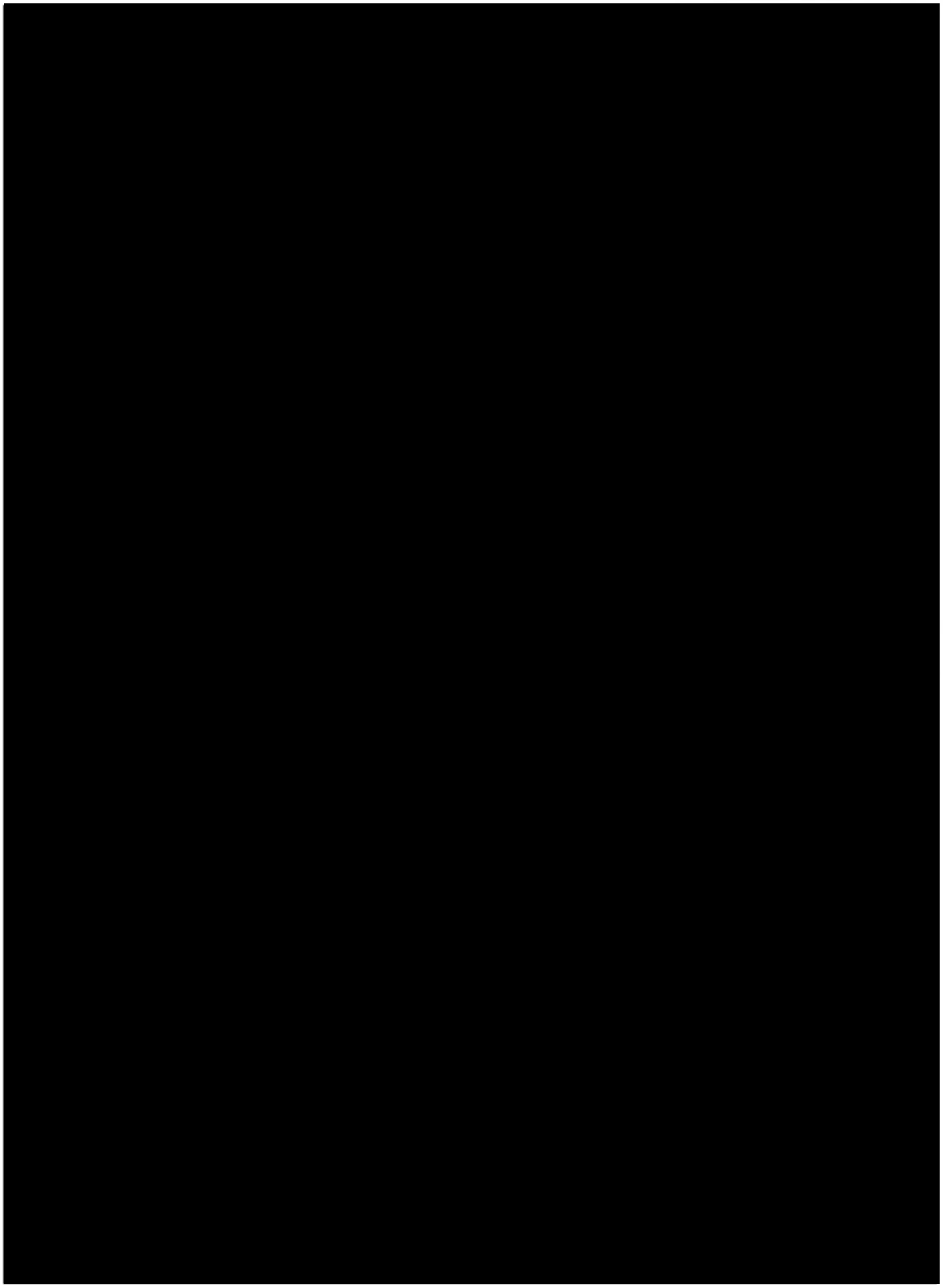


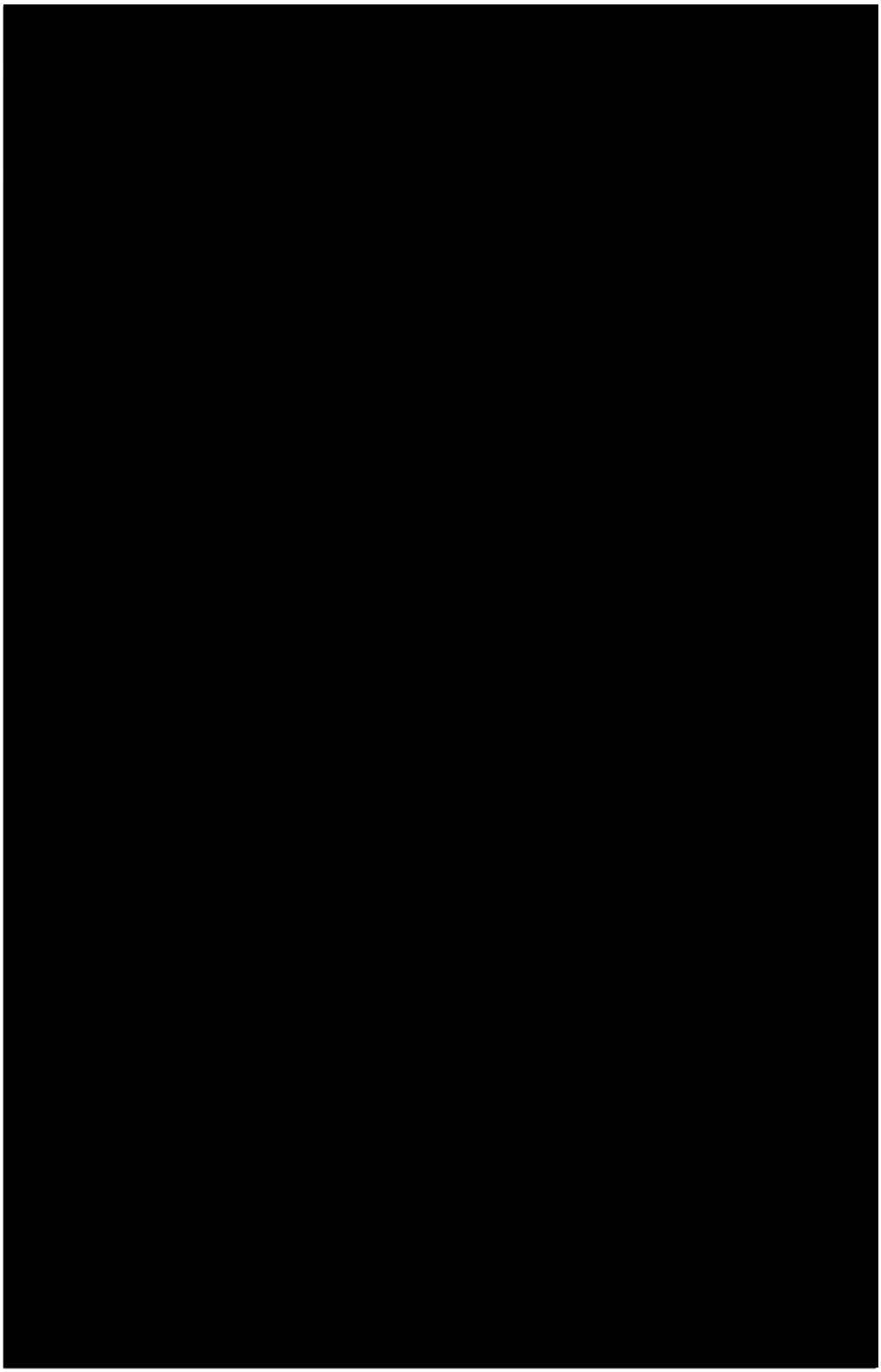
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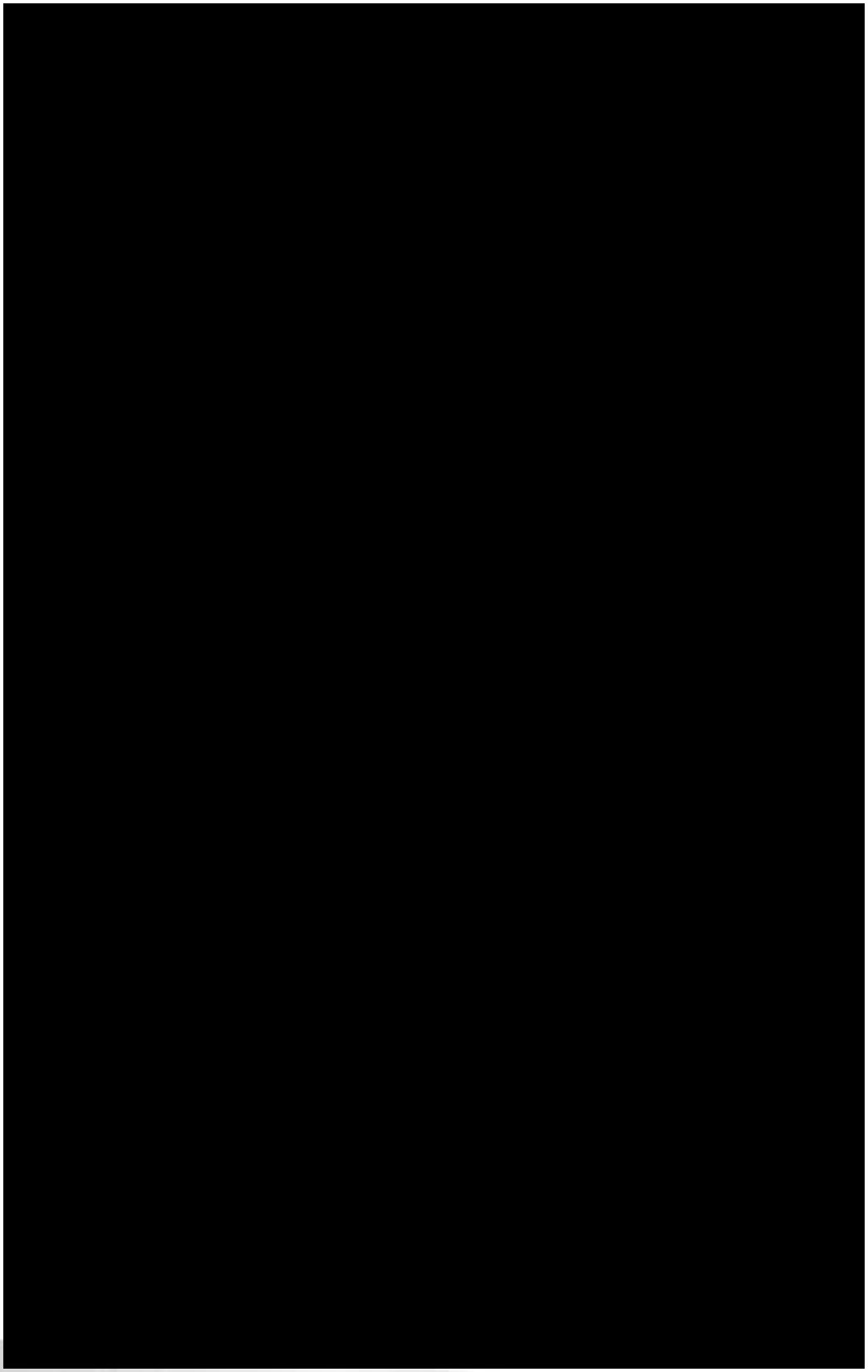
ID	WBS	Task Name
212	**12.5**	**Venue Migrations**
213	12.5.1	Go-Live Equipment Replacement #1 (Mardi Gras)
214	12.5.2	Go-Live Equipment Replacement #2 (Wheeling Island)
215	12.5.3	Go-Live Equipment Replacement #3 (Mountaineer)
216	12.5.4	Go-Live Equipment Replacement #4 (Hollywood)
217	12.5.5	Go-Live Equipment Replacement #5 (The Greenbrier)
218	*12.5.6*	*Race Track/Resort Equipment Installation Complete*
219	**12.6**	**Equipment Replacement and Comms Installation -(1500**
220	12.6.1	Go-Live Equipment Replacement - TRIAL
221	12.6.2	Go-Live Equipment Replacement (Cycle 1)
222	12.6.3	Go-Live Equipment Replacement (Cycle 2)
223	12.6.4	Go-Live Equipment Replacement (Cycle 3)
224	12.6.5	Go-Live Equipment Replacement (Cycle 4)
225	12.6.6	Go-Live Equipment Replacement (Cycle 5)
226	12.6.7	Go-Live Equipment Replacement (Cycle 6)
227	12.6.8	Go-Live Equipment Replacement (Cycle 7)
228	12.6.9	Go-Live Equipment Replacement (Cycle 8)
229	12.6.10	Go-Live Equipment Replacement (Cycle 9)
230	12.6.11	Go-Live Equipment Replacement (Cycle 10)
231	12.6.12	Go-Live Equipment Replacement (Cycle 11)
232	12.6.13	Go-Live Equipment Replacement (Cycle 12)
233	12.6.14	Go-Live Equipment Replacement (Cycle 13)
234	12.6.15	Go-Live Equipment Replacement (Cycle 14)
235	12.6.16	Go-Live Equipment Replacement (Cycle 15)
236	*12.6.17*	*LVL Equipment Replacement and Comms Installation (
237	*12.6.18*	*CMS Install @ (4) Site Race Tracks, (1) Resort & (1500*
238	*12.6.19*	***7 x 24 Support Services Activated***
239	**13**	**PROJECT TRANSITION to West Virginia**
240	**13.1**	**Post Live - West Virginia Phase Out & Turnover Plan**
241	13.1.1	Prepare West Virginia Phase Out & Turnover Plan
242	13.1.2	Distribute & Review Phase Out & Turnover
243	*13.1.3*	***Phase Out & Turnover Plan Complete***
244	*13.1.4*	*West Virginia Conversion Complete*
245	**14**	**PROJECT REVIEW**
246	**14.1**	**SGI Internal Post Project Review**
247	14.1.1	Prepare & Distribute Final Post SGI Internal Project Rev
248	14.1.2	Prepare & Distribute Final Turnover Documentation
249	14.1.3	Post Live 20 Day Checkpoint Status and Transition Mee
250	14.1.4	Post Live 30 Day Checkpoint Status and Transition Mee
251	*14.1.5*	*Project Complete*

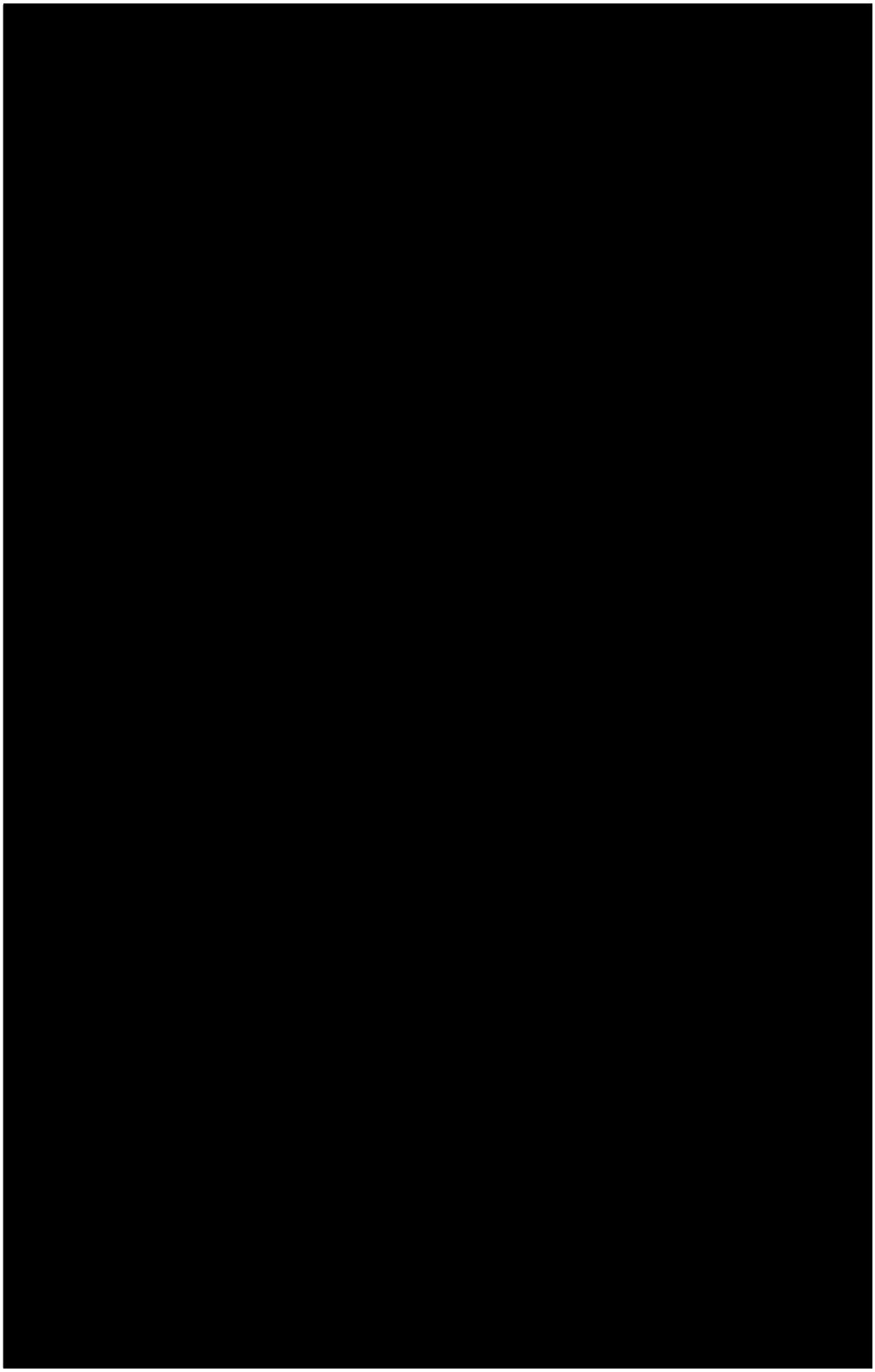


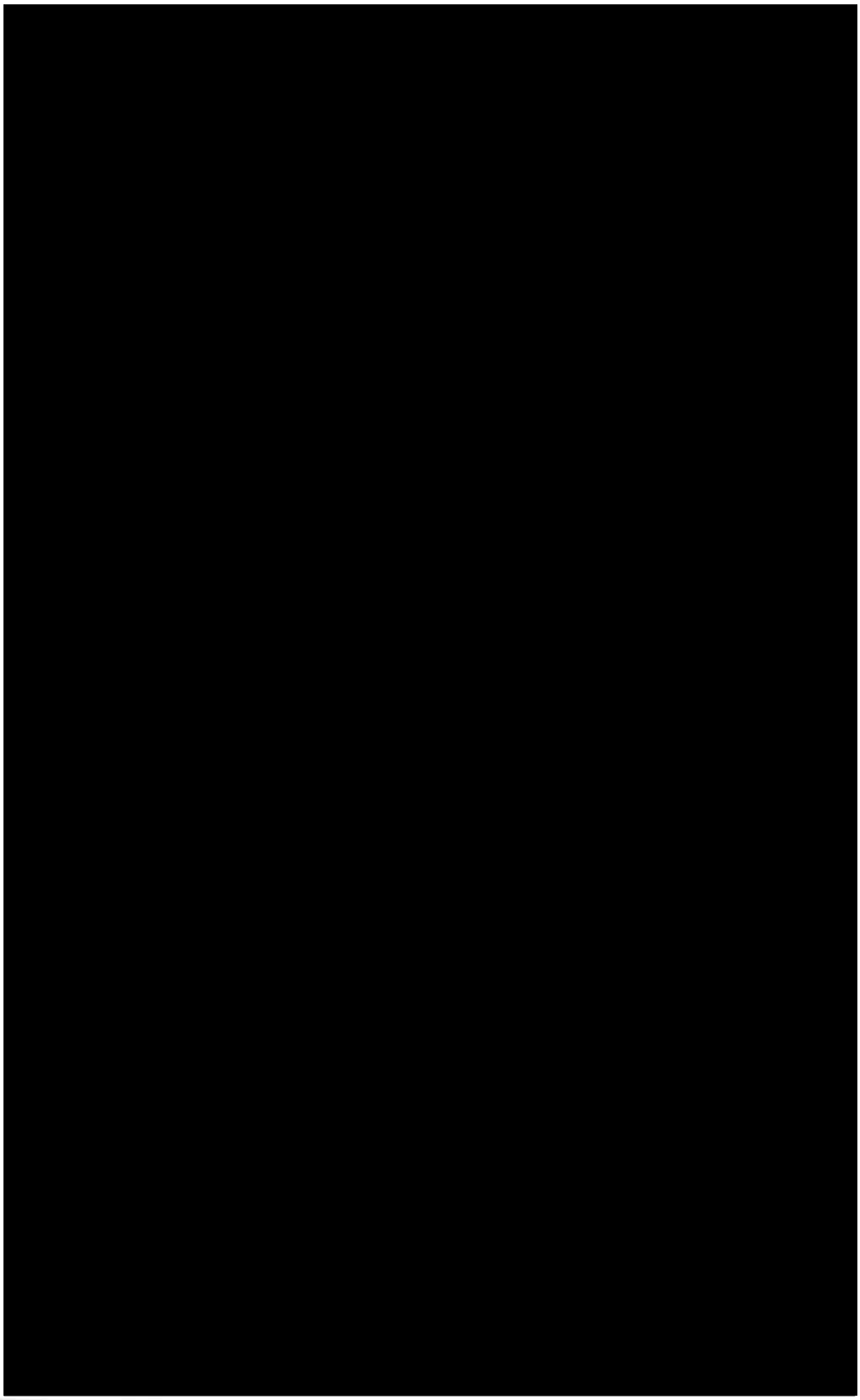


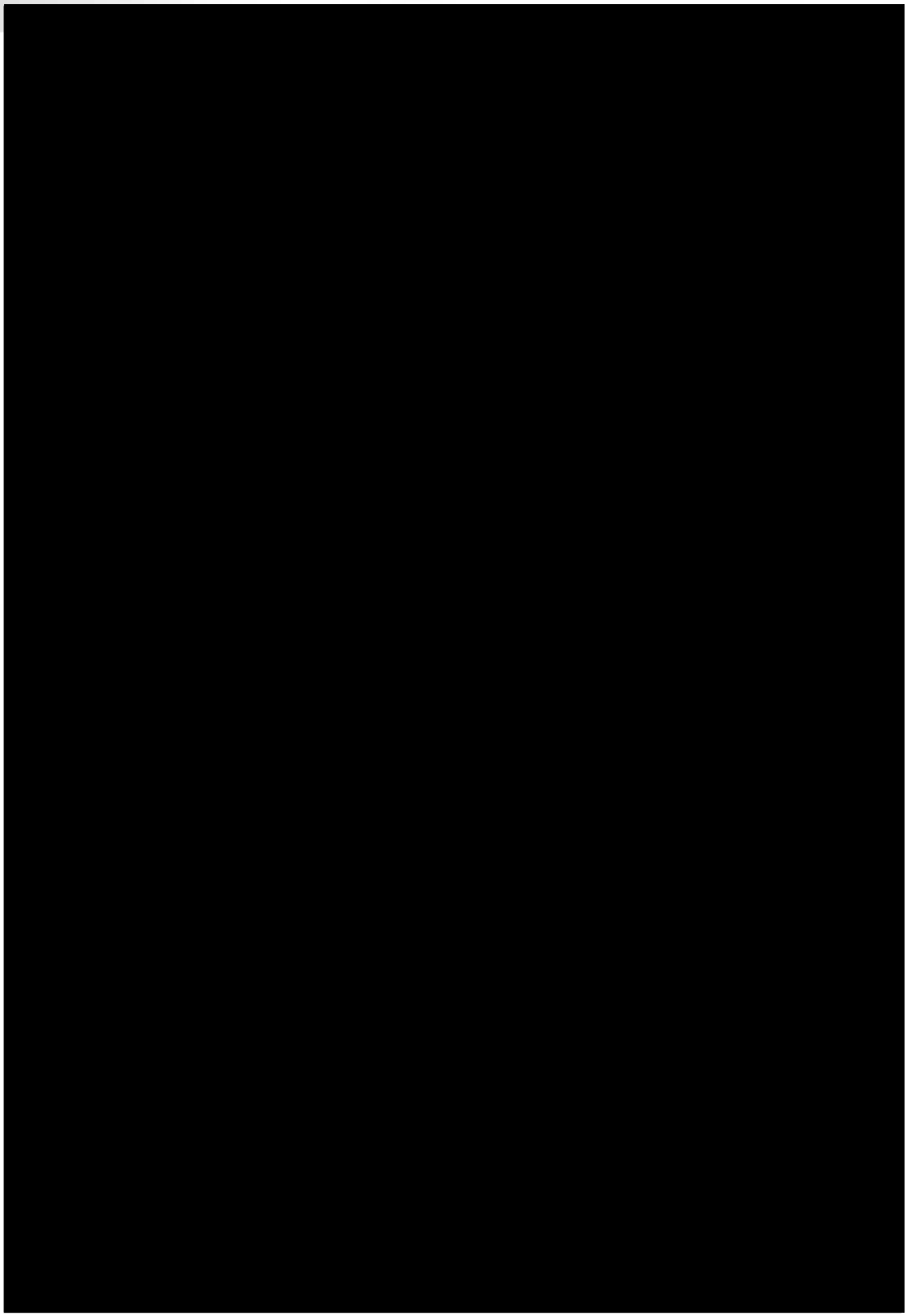


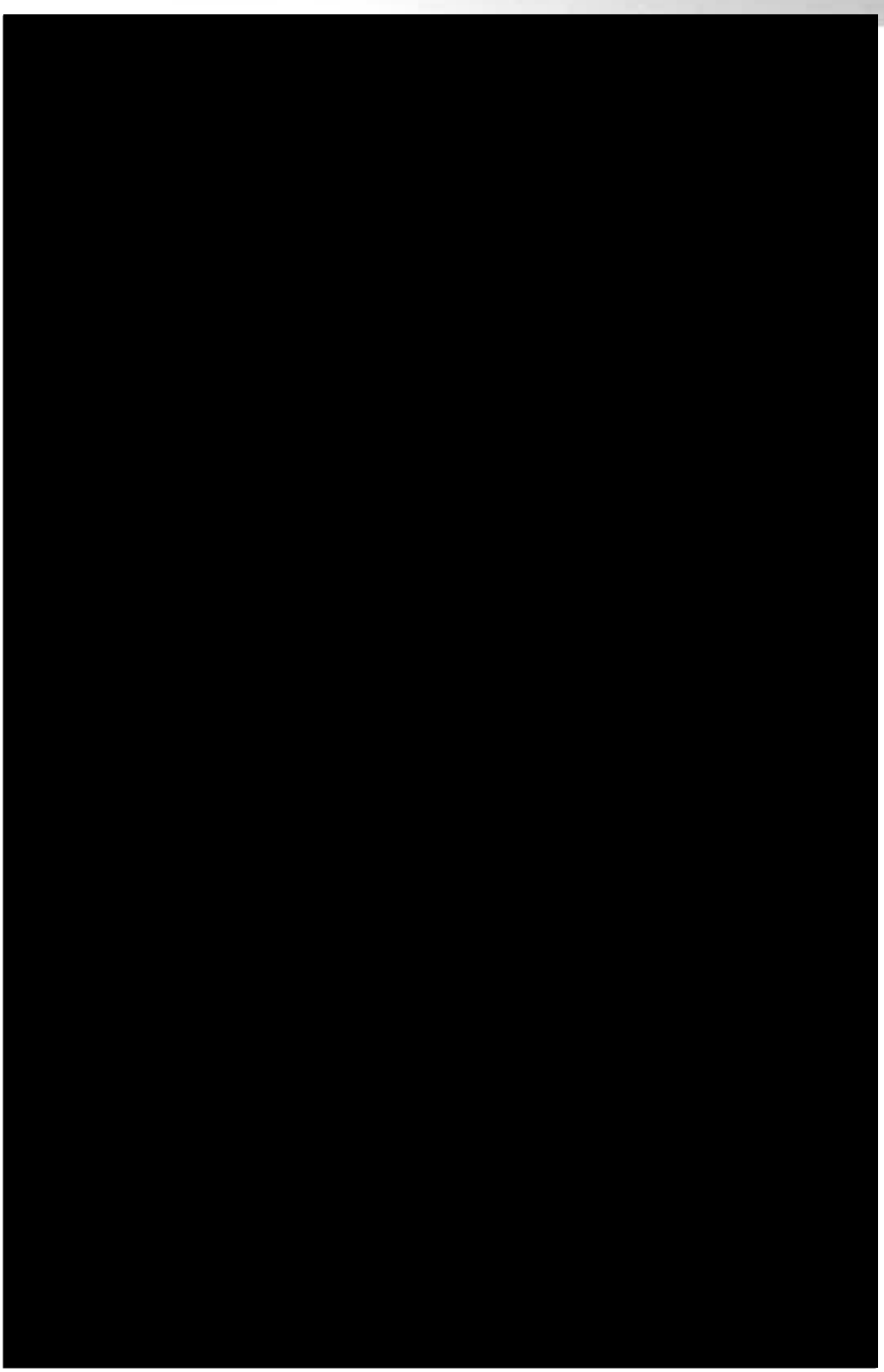


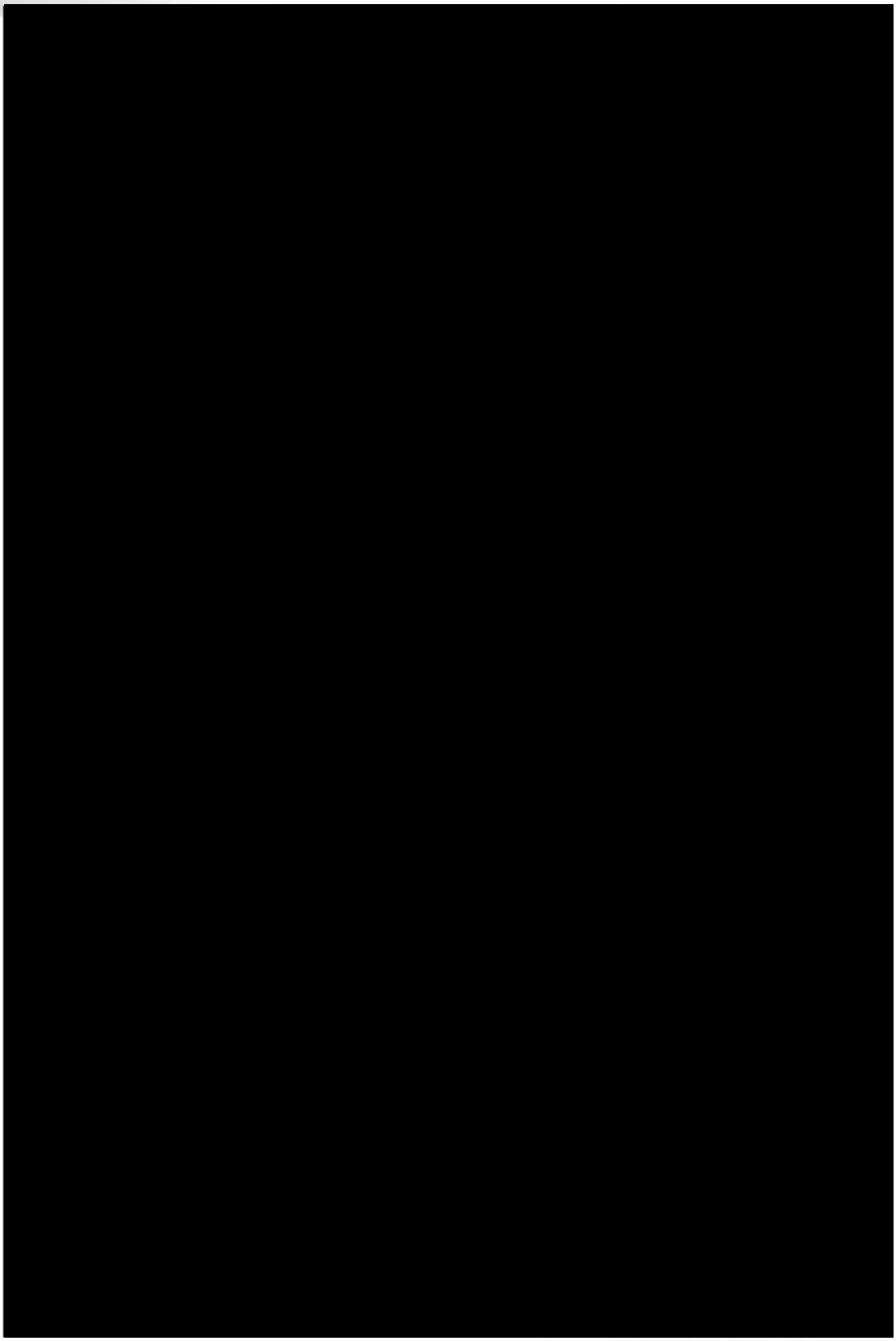


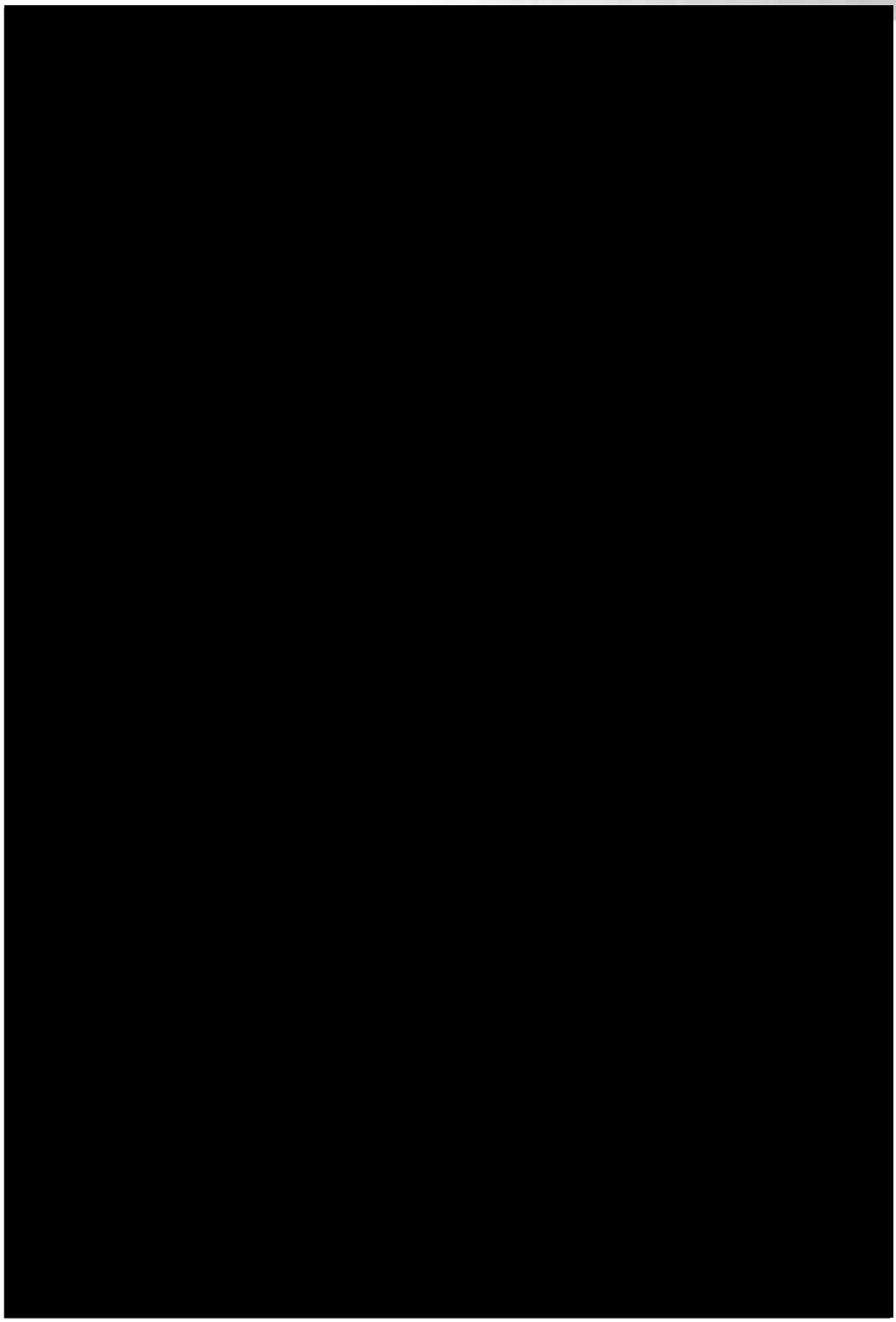






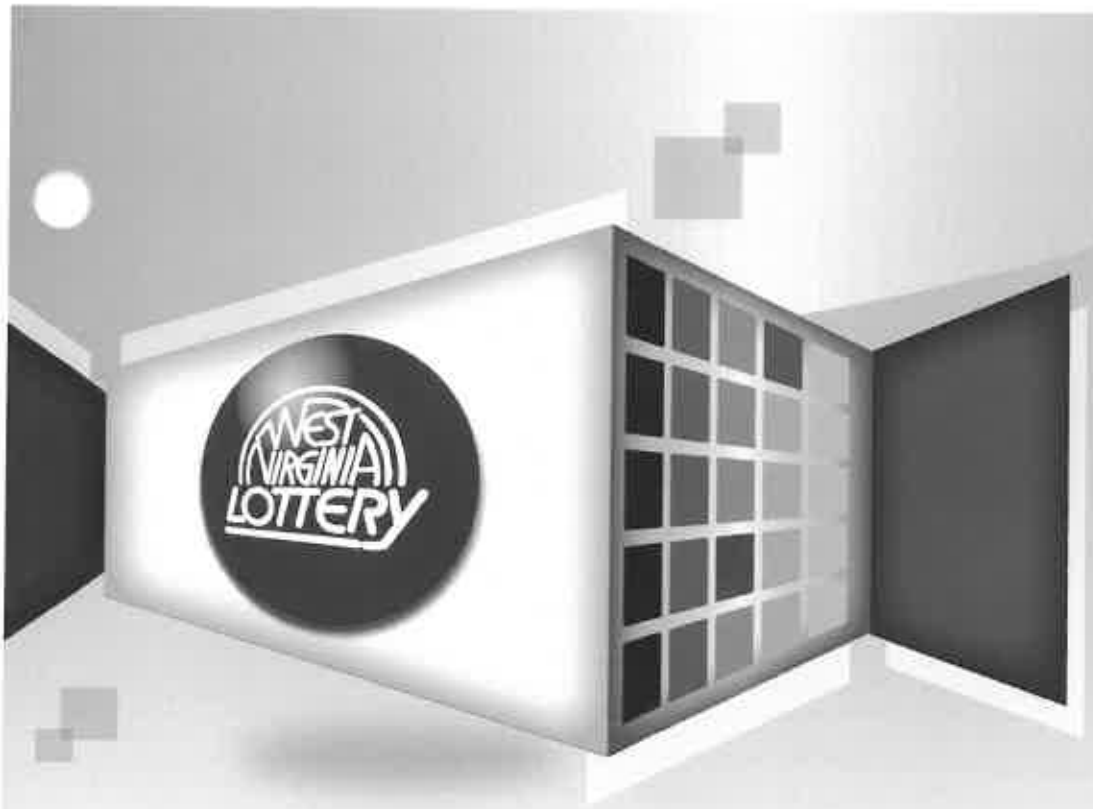






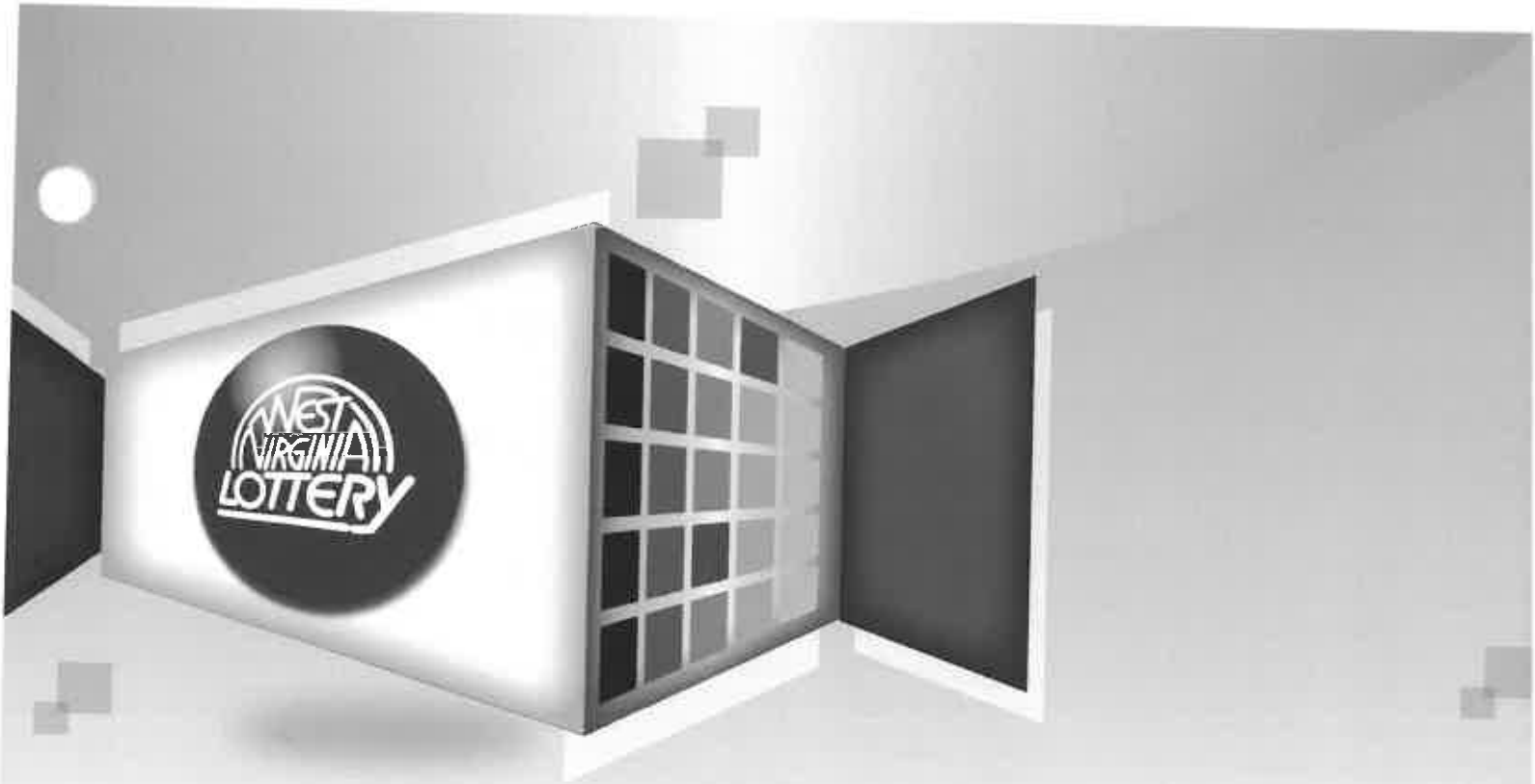
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— CONFIDENTIAL INFORMATION ENDS HERE —



SECTION 4.1: SYSTEM DESIGN

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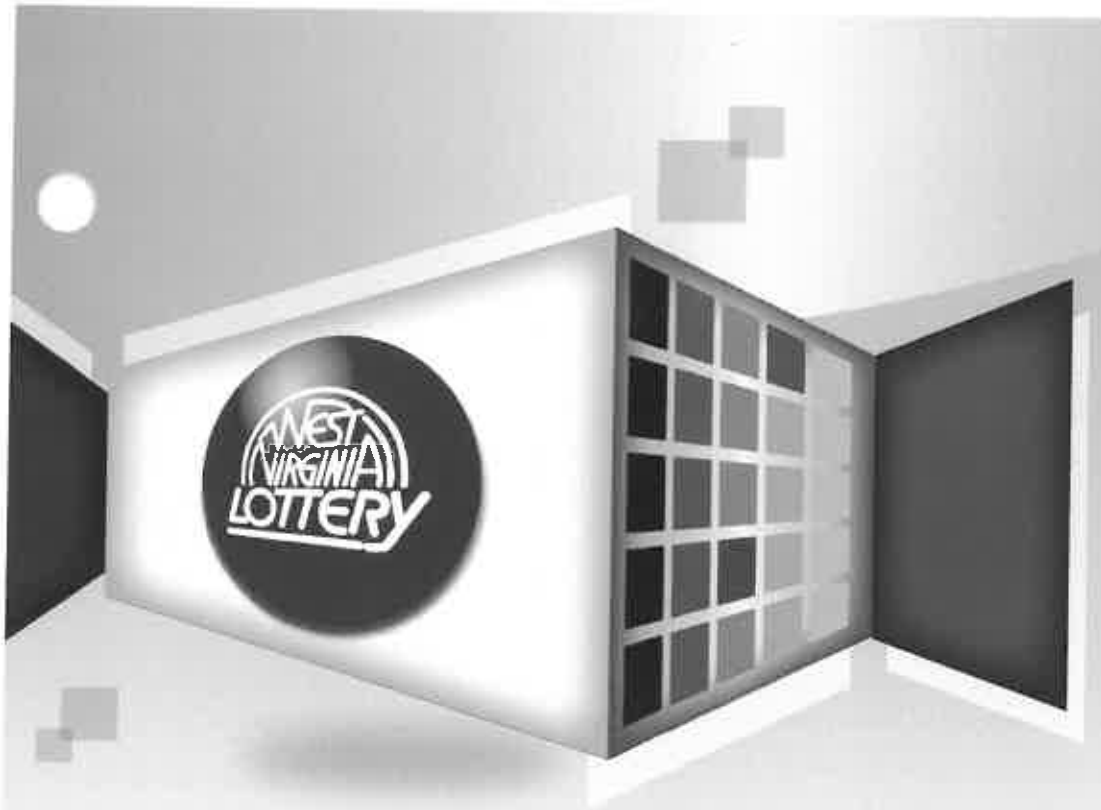


SUPPLEMENTAL INFORMATION

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Confidential Information has been removed from this section and placed in a separately sealed envelope labeled "Confidential Information" at the end of the Original Technical Proposal Binder.

This information is exempt from disclosure under West Virginia Code Chapter 29B Freedom of Information and any other applicable state law or regulation. This information falls into the categories in West Virginia Code Chapter 29B Article 1 Section 4(a) that are specifically exempt from disclosure, including among others, subsections 4(a)(1) and 4(a)(14). The confidential nature of this information gives Scientific Games a business advantage over its competitors, and accordingly the information comprises trade secrets. Public disclosure of this information would cause significant injury to Scientific Games by depriving it of this competitive advantage. In addition, maintaining the confidential nature of certain of this information is necessary to the security and integrity of video gaming in West Virginia and other states to which Scientific Games supplies video gaming products and services. Access to this information could give individuals with intent to do harm insight into Scientific Games' products and processes, assisting their attacks upon the security and integrity presently upheld by these products and services.



ATTACHMENT B: MANDATORY SPECIFICATIONS

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ATTACHMENT B: MANDATORY SPECIFICATION CHECKLIST

RFP Requirement: *List mandatory requirements contained in Section 4, Subsection 5: Section 4, Subsection 5.1: The Vendor MUST have experience in the North American state regulated market with the installation, including conversion, of multiple video gaming networks in the past five years.*

Scientific Games has read, understood, and complied with the requirements set forth in Attachment B: Section 4, Subsection 5.1. Please reference our detailed response in **Section 5.1** following Attachment B.

RFP Requirement: *Section 4, Subsection 5.2: The Vendor's Project Manager MUST have been involved in prior video gaming network conversions. In addition, that Project Manager MUST be assigned to the project through the final conversion process with significant on-site presence during major phases of the project.*

Scientific Games has read, understood, and complied with the requirements set forth in Attachment B: Section 4, Subsection 5.2. Please reference our detailed response in **Section 5.2** following Attachment B.

RFP Requirement: *Section 4, Subsection 5.3: The Vendor MUST propose alternatives to dial-up communications at the LVL locations. The Lottery believes that multiple technologies, including but not limited to limited dial-up, VSAT and cellular, will be required due to the locations of current LVL machines.*

Scientific Games has read, understood, and complied with the requirements set forth in Attachment B: Section 4, Subsection 5.3. Please reference our detailed response in **Section 5.3** following Attachment B.

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RFP Requirement: *Section 4, Subsection 5.4 The Vendor MUST support advanced communication protocols, at no additional cost to the Lottery, including G2S when the Lottery believes it is appropriate to start migration away from SAS. The Vendor does not have to support ICIS.*

Scientific Games has read, understood, and complied with the requirements set forth in Attachment B: Section 4, Subsection 5.4. Please reference our detailed response in **Section 5.4** following Attachment B.

RFP Requirement: *Section 4, Subsection 5.5 Vendor SHALL schedule meetings relating to the Project Plan at dates and times approved by the Lottery upon Contract Award.*

Scientific Games has read, understood, and complied with the requirements set forth in Attachment B: Section 4, Subsection 5.5. Please reference our detailed response in **Section 5.5** following Attachment B.

RFP Requirement: *Section 4, Subsection 5.6 Hardware and Software: The components of all hardware and software MUST be new and unused. Hardware and software MUST be compliant with current electronic technology standards (such as IEEE and ANSI) and be of then-current manufacturer model equivalent or better equipment in the event a proposed device is phased out or replaced.*

Scientific Games has read, understood, and complied with the requirements set forth in Attachment B: Section 4, Subsection 5.6. Please reference our detailed response in **Section 5.6** following Attachment B.

RFP Requirement: *Section 4, Subsection 5.7 All CMS hardware and software MUST be licensed to the Lottery and installed, supported, and maintained by the Vendor. This hardware and software includes, but is not limited to, operating systems, antivirus, database, replication, backup, and communications.*

Scientific Games has read, understood, and complied with the requirements set forth in Attachment B: Section 4, Subsection 5.7. Please reference our detailed response in **Section 5.7** following Attachment B.

RFP Requirement: *Section 4, Subsection 5.8 If a Vendor proposes the use of technologically-equivalent equipment in lieu of either controllers or modems, or both controllers and modems, the Vendor MUST provide live site demonstration of this equipment solution as it is actually installed in another jurisdiction or business application.*

Scientific Games has read, understood, and complied with the requirements set forth in Attachment B: Section 4, Subsection 5.8. Please reference our detailed response in **Section 5.8** following Attachment B.

RFP Requirement: *Section 4, Subsection 5.9 Vendor is required to submit any hardware or software used by the CMS to link one or more progressive VLTs to the primary Lottery independent testing lab for certification and all hardware and software MUST also pass user acceptance testing by the Lottery, and be approved by the Lottery.*

Scientific Games has read, understood, and complied with the requirements set forth in Attachment B: Section 4, Subsection 5.9. Please reference our detailed response in **Section 5.9** following Attachment B.

RFP Requirement: *Section 4, Subsection 5.10 Vendor MUST also support progressives in the LVL wide area network. Progressives will only be supported in a LVL location that does not utilize dial-up connections.*

Scientific Games has read, understood, and complied with the requirements set forth in Attachment B: Section 4, Subsection 5.10. Please reference our detailed response in **Section 5.10** following Attachment B.

RFP Requirement: *Section 4, Subsection 5.11 Conversion Testing (Data Transfer/Conversion): The Vendor MUST import certain active data from the current CMS for use in the new system. This data may be exported from the current system in the form of a report, by file transfer, or other appropriate format. All data MUST be audited, reviewed, and approved by the Lottery prior to being imported and after importation.*

Scientific Games has read, understood, and complied with the requirements set forth in Attachment B: Section 4, Subsection 5.11. Please reference our detailed response in **Section 5.11** following Attachment B.

RFP Requirement: *Section 4, Subsection 5.12 The Lottery requires a rolling conversion, or phase-in, of the new CMS. Under this approach, the VLTs at the casinos and LVL Venues MUST be converted to operate under the new CMS on a group at-a-time basis with minimal downtime and no loss of revenue. The Lottery will be operating two CMS systems during this time period with converted Venues operating under the new CMS which is the objective of this RFP and those awaiting conversion operating under the existing CMS.*

Scientific Games has read, understood, and complied with the requirements set forth in Attachment B: Section 4, Subsection 5.12. Please reference our detailed response in **Section 5.12** following Attachment B.

RFP Requirement: *Section 4, Subsection 5.13 Historical Data: The Vendor MUST convert at least 18 months of pre-existing data so that the Lottery will see a continuity of data in reports from before, during, and after the startup. The Vendor will develop a conversion process for historical data subject to the approval of the Lottery. Vendor's response MUST contain a description of this process detailing how and where this data will be stored and how it will be retrieved.*

Scientific Games has read, understood, and complied with the requirements set forth in Attachment B: Section 4, Subsection 5.13. Please reference our detailed response in **Section 5.13** following Attachment B.

RFP Requirement: *Section 4, Subsection 5.14 VLTs and servers MUST communicate with an open protocol system architecture that is designed to Gaming Standards Association ("GSA") recommendations for utilizing Game to System ("G2S") and System to System ("S2S") protocols or other protocols approved for use in West Virginia. At a minimum, the CMS is to meet GSA and SAS 6.02 Protocol Requirements.*

Scientific Games has read, understood, and complied with the requirements set forth in Attachment B: Section 4, Subsection 5.14. Please reference our detailed response in **Section 5.14** following Attachment B.

RFP Requirement: *Section 4, Subsection 5.15 The CMS MUST be capable of accepting and processing machine and game level adjustments at the VLT level, to include specification of financial amounts (dollar and cent), the number of games played or won and an explanation for the adjustment. These adjustments are designed to carry through all relevant reports and screens. Posting of adjustments is designed to be allowed from either management terminals or from computer files supplied by the Lottery. The CMS design provides for a single screen for meter adjustments. The adjustment function is to be limited based on user or group security rights.*

Scientific Games has read, understood, and complied with the requirements set forth in Attachment B: Section 4, Subsection 5.15. Please reference our detailed response in **Section 5.15** following Attachment B.

RFP Requirement: *Section 4, Subsection 6.1 Project Deliverables: The Vendor MUST comply with all requirements in this section related to report formats, timeframes and delivery. Each subsection MUST be addressed in the Vendor Response:*

6.1.1 Deliverable Submission and Acceptance Process

6.1.2 Final Drafts

6.1.3 Format of Final Deliverable

6.1.4 Acceptance Testing

6.1.5 Final Written Deliverables

Scientific Games has read, understood, and complied with the requirements set forth in Attachment B: Section 4, Subsection 6.1.1, Subsection 6.1.2, Subsection 6.1.3, Subsection 6.1.4 and Subsection 6.1.5. Please reference our detailed response in **Section 6.1.1**, **Section 6.1.2**, **Section 6.1.3**, **Section 6.1.4** and **Section 6.1.5** following Attachment B.

RFP Requirement: *Section 4, Subsection 6.2 Manuals: The Vendor MUST provide manuals and schematics as discussed in this section, including timeframes for delivery. Each subsection MUST be addressed in the Vendor Response:*

6.2.1 Electronic Documents

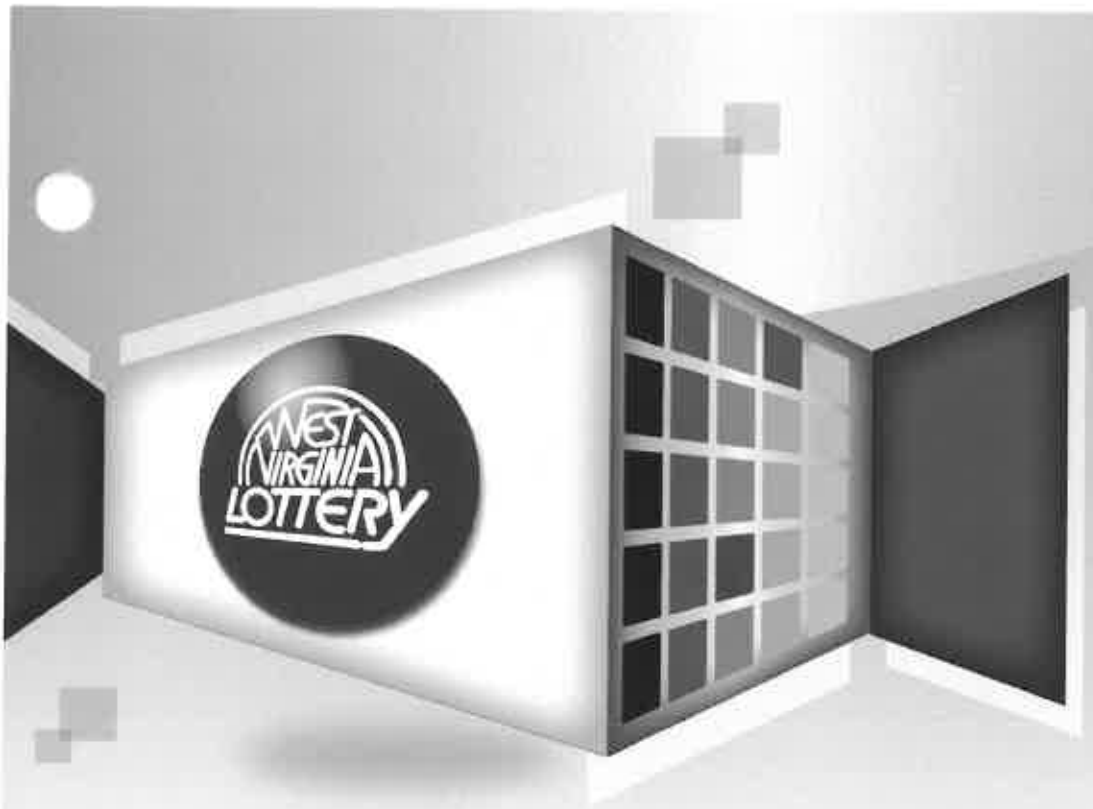
6.2.2 Service Manuals

6.2.3 Circuit Schematics

6.2.4 Preliminary Documents

Scientific Games has read, understood, and complied with the requirements set forth in Attachment B: Section 4, Subsection 6.2.1, Subsection 6.2.2,

Subsection 6.2.3, and Subsection 6.2.4. Please reference our detailed response in **Section 6.2.1**, **Section 6.2.2**, **Section 6.2.3**, and **Section 6.2.4** following Attachment B.



SECTION 5: MANDATORY REQUIREMENTS

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SECTION 5: MANDATORY REQUIREMENTS

Scientific Games acknowledges that the following mandatory requirements in **Section 5** must be met by the Vendor as a part of the submitted proposal. We understand that failure on the part of the Vendor to meet any of the mandatory specifications shall result in the disqualification of the proposal. We are aware that decisions regarding compliance with any mandatory requirements shall be at the sole discretion of the Purchasing Division.

5.1 EXPERIENCE

SCIENTIFIC GAMES' CMS EXPERIENCE

SGVideo™ is the culmination of years of industry and customer experience. The expertise of Scientific Games' Central Monitoring System (CMS) design and implementation brings an extensive range of benefits to our partnerships with video gaming jurisdictions.

We know how to support any geographic environment, any Venue network size, any VLT population, any protocol, and, when asked, we can deliver system operations services and network-wide maintenance. We and our affiliates continue to provide highly acclaimed systems and services for some of the most complex gaming jurisdictions in the world.

As detailed throughout this document, we propose to deploy our SGVideo CMS. We understand the effort needed to deliver the equipment and services required by the Lottery. Scientific Games demonstrated the grasp of these challenges with the successful CMS implementation for the state of Illinois in 2012. We delivered to Illinois, a turnkey solution supporting up to 60,000 gaming machines projected to be one of the largest markets in North America. Most recently, Scientific Games completed a successful CMS implementation for the New Mexico Gaming Control Board in 2014. The SGVideo system deployed in New Mexico supports five large racinos and over 60 smaller non-profit venues state wide. Our system manages all diverse and widely distributed gaming locations from a single location. In 2014, Scientific Games entered into a 10-year contract with Independent Gaming Corporation, Ltd. of South Australia to install and support our SGVideo Central Monitoring System. The new system will monitor and control over 500 separate locations with 12,500 gaming devices.

Scientific Games is on a Roll

Scientific Games was selected through a competitive procurement process by the New Mexico Gaming Control Board and Scientific Games' affiliate was selected by the Independent Gaming Corporation Ltd. (IGC) as the provider of their new Central Monitoring and Control System.

We have several customers who themselves own and operate our systems. In addition to providing these customers with a system that maintains network integrity and enforces financial accountability, we also focus on providing them with reliable solutions backed by an intuitive and tightly controlled operational interface.

Our CMS consistently provides accurate financial reporting and stringent system security while managing the operation of thousands of gaming machines in regulated jurisdictions. Our system detects and guards against fraud and attempts to manipulate gaming machines; assuring our customers their network, financials, and public image are secure. We collect, analyze and verify financial data and use highly sophisticated analytical methods to ensure financial accuracy. We recognize the importance of network integrity and financial accountability.

Scientific Games has broad experience working with regulators to meet the unique gaming requirements and restrictions placed upon them. We use that same experience to propose a CMS solution that is simple to operate and highly configurable—a system that meets or exceeds the RFR requirements. SGVideo has stringent financial balancing processes, provides easy access to gaming data, and offers staff members a set of tools to analyze and format those data.

Our responsibilities begin with the collection of unique Lottery business requirements, continue through the implementation phase and extend through the life of the contract.

CENTRAL MONITORING SYSTEMS

Figure 5-1 displays the Scientific Games corporate family's current CMS in production with details about each.

JURISDICTION	VLTS	VENUES	PLATFORM AND PROROCOLS	VENUE TYPES
Delaware Lottery (USA)	7,200	11	■ AEGIS-Video™ ■ SAS v 5.10 – 6.02	Distributed Gaming Racino
Illinois Gaming Board	20,000	5,000	■ SGVideo ■ SAS v 6.01 – 6.02 ■ *G2S	Distributed Gaming
Independent Gaming Corp. (South Australia)	12,500	593	■ AEGIS-Video ■ VLC E2	Distributed Gaming
Islandsspil (Icelandic Gaming) (Iceland)	500	122	■ AEGIS-Video ■ VLC F3 ■ SAS v 5.10 – 6.02	Distributed Gaming
Maine Agency of Public Safety (USA)	1,713	2	■ AEGIS-Video ■ SAS v 6.02	Racino
New Mexico Gaming Control Board (USA)	3,226	60	■ SGVideo ■ VLC F2 ■ VLC F3 ■ SAS v 5.10 – 6.02	Distributed Gaming Casinos
South Dakota Lottery (USA)	8,092	1,400	■ AEGIS-Video ■ VLC D ■ SAS v 6.01 – 6.02	Distributed Gaming
West Virginia Lottery (USA)	15,757	1,558	■ AEGIS-Video ■ SAS v 2.85 – 6.02 ■ ICIS 2.12	Distributed Gaming Casino
TOTALS	**68,988**	**8,746**		

Figure 5-1: CMS Experience Matrix

*Anticipated protocol upgrade.

In addition to the customers listed above Scientific Games' U.K. affiliate currently has 20,000 terminals in operation and has served the market place since 1999. In Mexico, our corporate family has 1,500 terminals and has operated there since 2007. In Puerto Rico, our corporate family has 1,800 terminals and has been in operations since 2009.

5.2 PROJECT MANAGER

STEVE MCKINNEY, LEAD PROJECT MANAGER


Steve McKinney

Steve will coordinate conversion of the CMS and each Venue. He will be the primary point of contact between Scientific Games and the Lottery for all conversion matters. Steve is a PMI certified Project Management Professional (PMP) with broad-based experience in project/program planning and management, technology enablement, strategic planning, systems engineering, and information technology. Steve has a Masters Degree in Project Management and 15+ years of project and program management experience, and will remain on-site until the conversion is complete and maintain an on-site presence with direct focus on all major phases of the project.

Steve will manage all project deliverables across multiple delivery teams, tracking progress and maintaining adherence to project plans and schedules. He will perform day-to-day management of the project, identify issues and risks, and recommend possible issue and risk mitigation strategies for the project. He will ensure that work performed is within the scope, consistent with requirements, and delivered on time; identify critical paths, tasks, dates, testing, and acceptance criteria; and monitor issues and provide resolutions for up-to-date status reports; and demonstrate excellent writing and oral communications skills.

Steve played a key role in the systems upgrade initiative for the South Dakota Lottery. He has worked on the system conversions/implementations for CAGE (Caribbean Islands), Mexico, Illinois Gaming Board and Independent Gaming Corporation Ltd. (IGC).

5.3 ALTERNATIVE TO DIAL-UP COMMUNICATIONS

Scientific Games has used a wide range of connectivity technologies to connect our gaming systems to retailer locations: cellular, satellite, broadband and dial-up, so we are comfortable choosing the most effective technology for each West Virginia gaming location. We intend to rely on cellular IP as the primary means for always-on connectivity between LVLs and the data centers. Our analysis of West Virginia wireless coverage indicates that the vast majority of LVLs will have usable connectivity via cellular signals.

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5.4 ADVANCED COMMUNICATION PROTOCOLS

Scientific Games is currently G2S certified by GSA and stands ready to implement any G2S-compliant VLTs installed in West Virginia. SGVideo also supports SAS gaming machines. We understand that we will not have to support the ICIS protocol with our SGVideo solution.

5.5 PROJECT PLAN MEETINGS

Scientific Games follows a rigorous implementation plan which includes regular project status meetings and monthly executive steering committee meetings. Our proposed Lead Project Manager, Steve McKinney, will schedule meetings directly related to the Project Plan at dates and times approved by the Lottery, upon Contract Award.

5.6 NEW AND UNUSED HARDWARE AND SOFTWARE

The hardware and software components will be new and unused and will be compliant with the current electronic technology standards (such as IEEE and ANSI) and be of then-current manufacturer model equivalent or better equipment in the event a proposed device is phased out or replaced.

The proposed SGVideo CMS is the product of Scientific Games' three decades experience in the video and online lottery control system market. We will work closely with the Lottery to implement a system that securely communicates with all of today's West Virginia VLTs and is in full compliance with all applicable gaming laws.

Our CMS will connect to, monitor, and control the full network of VLTs located at gaming locations throughout West Virginia. All gaming machines, Site Controllers and games can be activated and deactivated as well as fully monitored via management terminals connected to the host servers.

We have selected the current state-of-the-art equipment from HP, one of the world's largest and most lauded manufacturers of enterprise quality hardware. We understand that all hardware supplied throughout the project must be acceptable to the Lottery. Further, we will ensure that all supplied hardware is compliant with today's electronic technology manufacturing standards.

The hardware specified by Scientific Games is in production at the time of proposal submission; at production launch each component will represent the then-current equivalent or better model or version.

5.7 LICENSED CMS HARDWARE AND SOFTWARE

All SGVideo CMS hardware and software will be licensed to the Lottery and installed, supported, and maintained by Scientific Games. This hardware and software includes, but is not limited to, operating systems, anti-virus, database, replication, backup, and communications.

5.8 TECHNOLOGICALLY-EQUIVALENT EQUIPMENT

In the event Scientific Games decides to propose the use of technologically-equivalent equipment in lieu of either controllers or modems, or both controllers and modems, we will provide a live site demonstration of this equipment solution as it is actually installed in another one of our jurisdiction or business applications.

5.9 CERTIFICATION OF PROGRESSIVE HARDWARE AND SOFTWARE

Scientific Games will provide all CMS hardware and software to link one or more progressive VLTs to the primary Lottery independent testing lab for certification. All CMS hardware and software will pass the Lottery's user acceptance testing and meet the Lottery's approval.

5.10 LVL PROGRESSIVE SUPPORT

The SGVideo CMS will support progressives in the LVL wide area network. We can configure progressives to be supported in LVL locations that do not utilize dial-up connections.

5.11 CONVERSION TESTING DATA TRANSFER/CONVERSION

Scientific Games will import all Lottery-required active data from the current CMS for use in the new SGVideo CMS. This data will be exported from the current system in the form of a Lottery-approved report, by file transfer, or other appropriate format. All data will be audited, reviewed, and approved by the Lottery prior to being imported and after the import is complete.

5.12 ROLLING CONVERSION

Scientific Games has taken advantage of the flexibility offered by requirement Section 4, Subsection 4.7.1.6 by proposing an "alternative conversion strateg[y] ..." to a true rolling (phased-in) conversion. For milestones, dependencies, start and end dates for our entire conversion plan, please refer to our responses to **Section 4, Subsection 4.7.1** through **Section 4, Subsection 4.7.17.** Greater detail will be provided in the conversion project plan to be delivered to the Lottery at the specified time after contract execution.

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5.13 HISTORICAL DATA

The Scientific Games proposed migration technique offers the Lottery the great benefit of ensuring that every bit of AEGIS-Video™ data will be replicated in the new SGVideo system. The Lottery need not limit itself to 18 months of historic data.

The move to SGVideo will be essentially the same process used to perform the November 2011 technology refresh, where the Lottery was moved to new server hardware yet the databases retained all of the data present before the upgrade.

5.14 OPEN PROTOCOL SYSTEM ARCHITECTURE

Endorsing the industry's accelerated move toward open protocols, our system is built on a framework supporting GSA standard protocols. Our solution is compliant both with the GSA G2S standard for VLT support, while concurrently supporting the SAS protocol.

No company can flourish today without joining with its peers to agree upon designs and concepts. We embrace, and contribute to, industry organization developing and administering standards, and we have incorporated that philosophy into every aspect of our design. With SGVideo, we offer the Lottery a solution that will interconnect with all VLTs now, and in years to come, and provide a system that will be delivering unsurpassed value for the next decade and beyond.

Scientific Games is a long-time supporter of GSA and a strong advocate for that agency's standards. We are active participants in GSA activities, including making significant technical contributions to ongoing design committee efforts. We are dedicated supporters of open protocols and are committed to providing gaming solutions that support GSA standard SAS, Games to System (G2S) and System to System (S2S) protocols.

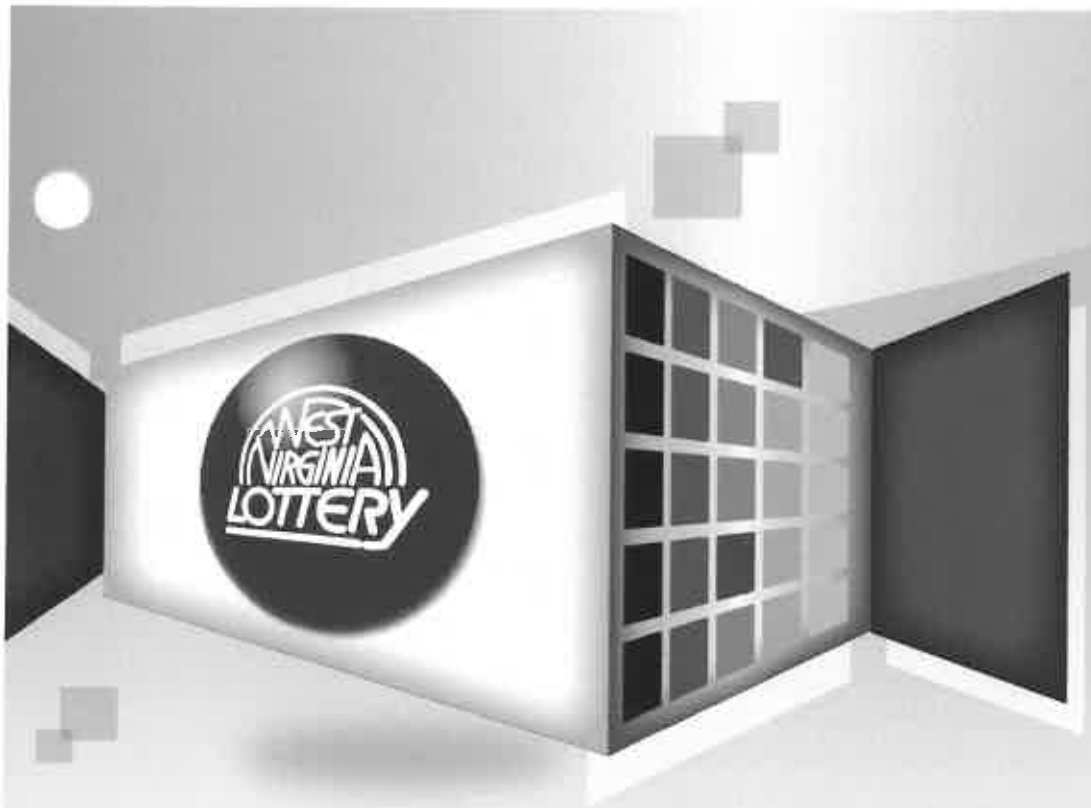
We are committed to supporting the latest standard protocols internally as well as in our product offerings. Our staff includes employees who are G2S trained and officially recognized by GSA as Certified G2S Engineers.

Scientific Games led the industry with the introduction of the first fully GSA-compliant SAS-based CMS, and continues to set the bar today, as evidenced by our introduction of the first S2S-approved system. We plan to continue this

lead in future offerings by delivering solutions which provide native G2S support.

5.15 MACHINE AND GAME LEVEL ADJUSTMENTS

SGVideo CMS is capable of accepting and processing machine and game level adjustments at the VLT level, which includes specification of financial amounts (dollar and cent), the number of games played or won and an explanation for the adjustment. These adjustments can be carried through to all relevant reports and screens. Posting of adjustments can be allowed from either management terminals or from computer files supplied by the Lottery. The CMS design provides for a single screen for meter adjustments and the adjustment can be limited based on user or group security rights.



SECTION 6: MANDATORY DELIVERABLES

SCIENTIFIC GAMES



SECTION 6: MANDATORY DELIVERABLES

6.1 PROJECT DELIVERABLES

Scientific Games has complied with all requirements in this section related to report formats, time-frames, and delivery.

6.1.1 DELIVERABLE SUBMISSION AND ACCEPTANCE PROCESS

Scientific Games will submit to the Lottery Project Manager one hard copy and one electronic copy for each draft and final written deliverable.

6.1.2 FINAL DELIVERABLE DRAFTS

Scientific Games acknowledges that all drafts of the final deliverables are required at least two weeks in advance of all final deliverable due dates. The written deliverables defined as draft documents will demonstrate due diligence in meeting the scope and requirements of the associated final written deliverable. The draft written deliverable may contain limited structural errors but will:

- Be presented in a format appropriate for the subject matter and depth of discussion
- Be organized in a manner that presents a logical flow of the deliverable's content
- Represent factual information reasonably expected to have been known at the time of submittal

- Present information that is relevant to the section of the deliverable being discussed
- Represent a significant level of completeness towards the associated final written deliverable that supports a concise final deliverable acceptance process

6.1.3 FINAL DELIVERABLE

Upon completion of a deliverable, Scientific Games will document each deliverable in final form to the Lottery Project Manager for acceptance and memorialize such delivery in a receipt of deliverable form to be provided by the Lottery. We understand that the Lottery Project Manager will countersign the receipt of deliverable form indicating receipt of the contents described therein.

6.1.4 ACCEPTANCE TESTING

Upon receipt of a final deliverable, Scientific Games understands that the Lottery Project Manager will commence acceptance testing or review of the deliverable as required to validate the completeness and quality in meeting requirements. Upon completion of validation, the Project Manager will issue to Scientific Games notice of acceptance or rejection of the deliverables in a certified acceptance of deliverable form. In the event of rejection, Scientific Games will correct the identified deficiencies or non-conformities. We acknowledge that subsequent project tasks may not continue until deficiencies with a deliverable are rectified and accepted by the Lottery Project Manager who has specifically issued in writing a waiver for conditional continuance of project tasks. We understand that once the Lottery's issues have been resolved and accepted by the Lottery Project Manager, Scientific Games will incorporate the resolutions into the deliverable and resubmit the deliverable for acceptance.

6.1.5 FINAL WRITTEN DELIVERABLES

When presented for acceptance, Scientific Games' written deliverable defined as a final document will satisfy the scope and requirements of the RFP for that deliverable. Our final written deliverables will not contain structural errors such as poor grammar, misspellings, or incorrect punctuation and will:

- Be presented in a format appropriate for the subject matter and depth of discussion

- Be organized in a manner that presents a logical flow of the deliverable's content
- Represent factual information reasonably expected to have been known at the time of submittal
- Present information that is relevant to the section of the deliverable being discussed

6.2 MANUALS

Scientific Games will provide manuals and schematics as discussed in this section, including time-frames for delivery.

6.2.1 ELECTRONIC DOCUMENTS

Scientific Games will provide, electronically to the extent possible, all associated operation manuals, service manuals, and relevant schematic diagrams, such as network circuit diagrams. Any customization of third party software will be documented. Operation manuals and service manuals will be expressed in terms that are directly relevant to the approved and installed CMS and searchable electronically.

The Lottery can expect the highest possible style, completeness, clarity, detail and quality of SGVideo™ documentation. Our documents will be maintained at both the PDC and BDC and will be used both for initial employee training as well as left with the Lottery's staff for ongoing reference.

We will provide user manuals for third party products and tools, such as the SolarWinds™ Orion suite of network analysis and configuration tools, HP SIM, McAfee virus protection software, printers, tape drives, etc.

In all cases the documents will reflect the final approved version of the system and constituent components. They will accurately and adequately describe the CMS and the following topics will be described in the provided documentation:

- Database structure
- System configuration (e.g., control parameters)
- Disaster recovery procedures
- User account administration
- Commands to configure and control facility equipment (e.g., SCs)
- VLT configuration and control
- Event reporting and auditing

- Protocol interoperability
- System upgrade and refresh procedures

The in-jurisdiction training that will be provided as part of the implementation project will be in accordance with standards, criteria and subject matter specified by the Lottery and will include, but not be limited to the following:

- System functionality
- Audit capabilities
- Back-up and disaster recovery procedures
- Password and security features
- Other subject as specified by the customer

We will also work directly with the Lottery to provide the following manuals in a mutually agreed upon timely manner.

- Operator Portal User's Manual
- Site Controller User's Manual
- Network Monitoring Tools
- Advanced Asset Tracking Manual
- Advanced Licensing Manual

6.2.2 SERVICE MANUALS

All service manuals will accurately depict the CMS which the manual is intended to cover.

6.2.3 CIRCUIT SCHEMATICS

6.2.3.1 PDC AND BDC COMMUNICATIONS NETWORK(S) AND WIRING

Scientific Games will provide all required circuit schematic diagrams that will:

- Accurately depict the PDC and BDC communications network(s) and wiring at each Venue (when such diagrams becomes available and at a time frame that is mutually acceptable to the Lottery and Scientific Games)

6.2.3.2 ADEQUATE DETAIL

Scientific Games will provide all required circuit schematic diagrams that will:

- Provide adequate detail with clear wording and visual images so that qualified technical staff may perform an evaluation on the design of the component

6.2.3.3 PROFESSIONALLY DRAFTED

Scientific Games will provide all required circuit schematic diagrams that will:

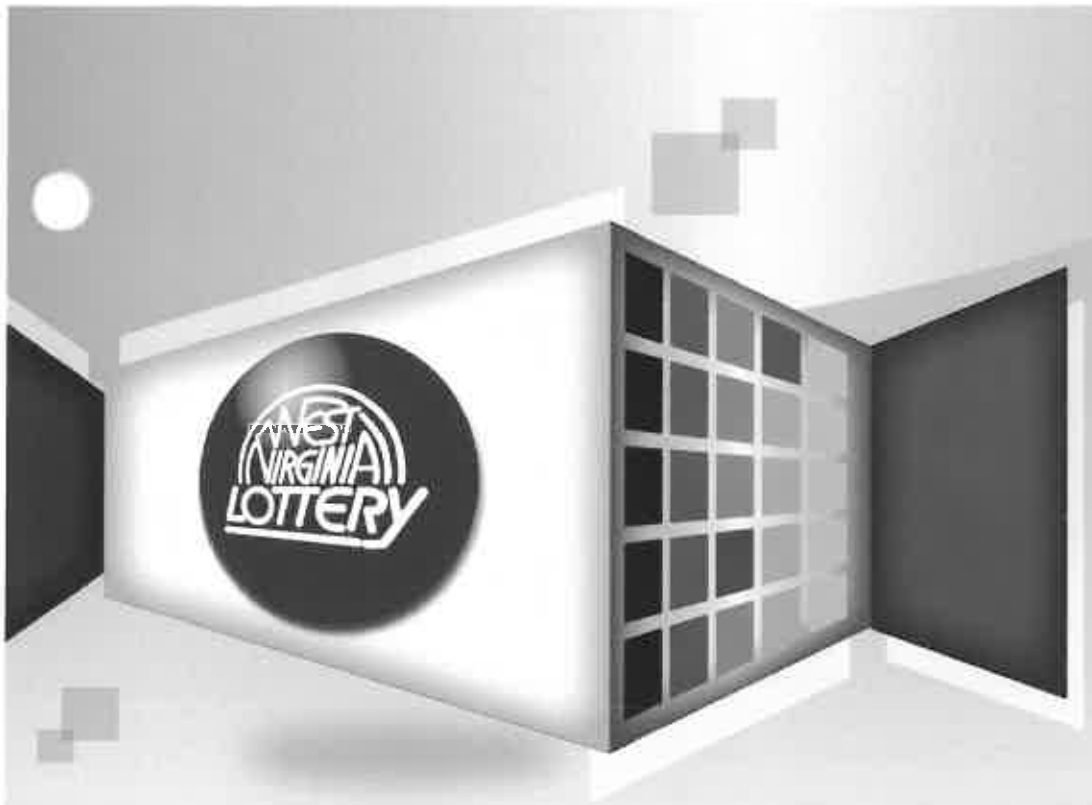
- Be professionally drafted and kept up-to-date at all times

6.2.3.4 UPDATED

Scientific Games will provide all updates that will be submitted simultaneously with any testing submission.

6.2.4 PRELIMINARY DOCUMENTS

All preliminary documents will be delivered within thirty days of contract execution and Notice to Proceed so that the Scientific Games and the Lottery can collaborate during the business analysis phase to ensure that the CMS is developed with a mutual understanding of the Lottery's business processes and practices.



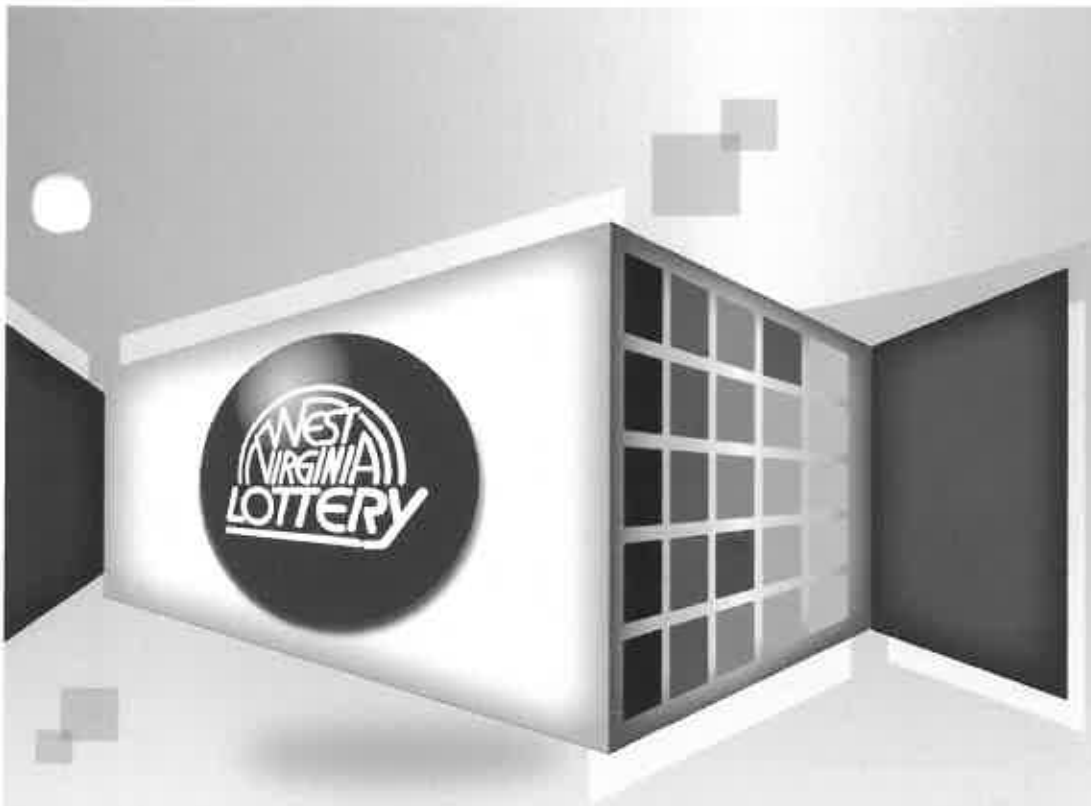
ATTACHMENT C: COST SHEET

SCIENTIFIC GAMES



ATTACHMENT C: COST SHEET

Please reference Scientific Games' Attachment C Cost Sheet in the separately sealed envelope labeled "Cost Proposal".



SECTION 7: ORAL PRESENTATIONS

SCIENTIFIC GAMES



SECTION 7: ORAL PRESENTATIONS (AGENCY OPTION)

Scientific Games concurs that the Agency has the option of requiring oral presentations of all Vendors participating in the RFP process. We acknowledge that if this option is exercised, it would be listed in the Schedule of Events (Section 1.3) of this RFP.

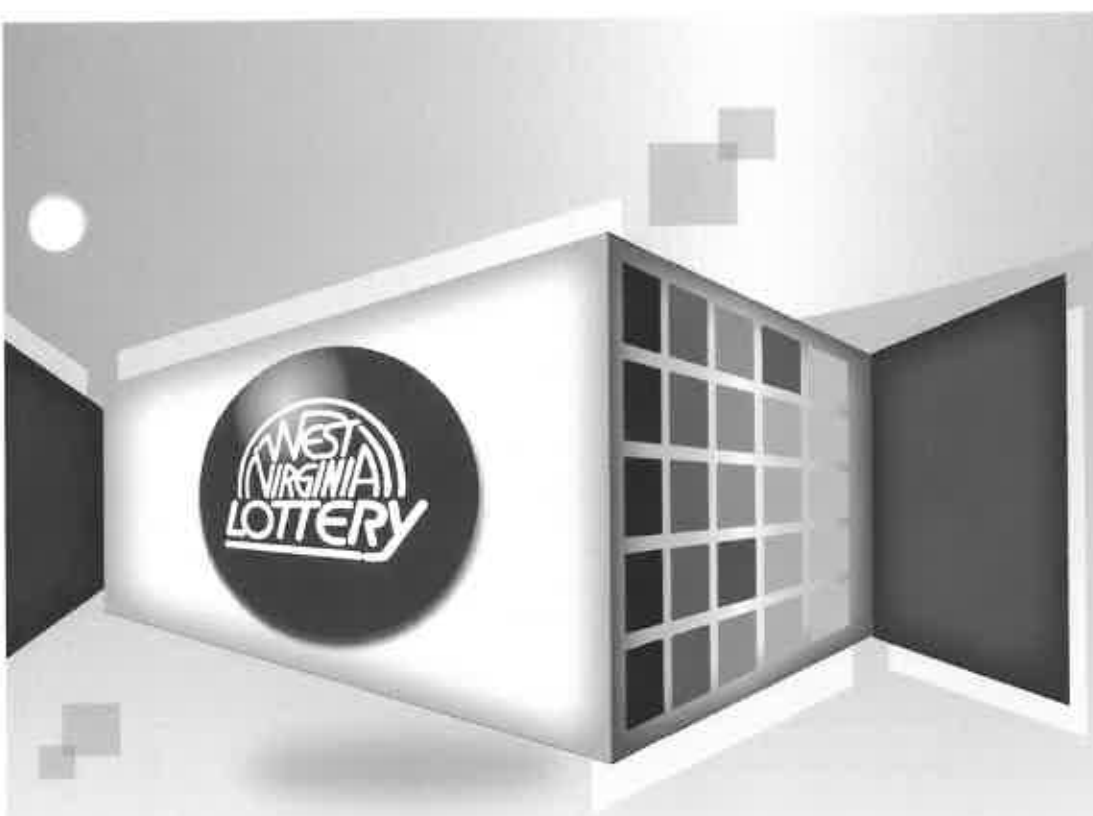
We understand that during the oral presentations, Scientific Games may not alter or add to our submitted proposal, unless RFP response clarification information is required. We concur that it is encouraged to present any information, in writing, that supports our proposal and this information shall be cross referenced back to specific sections in our RFP response.

7.1 CLARIFICATION QUESTIONS

Scientific Games concurs that subsequent to review of the technical portion of the RFP, questions will be generated relative to each bidder and a consolidated list will be generated and sent to all bidders with oral presentations scheduled as applicable.

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SECTION 3.2: CORPORATE CAPABILITIES

SG
SCIENTIFIC GAMES

— CONFIDENTIAL INFORMATION BEGINS HERE —

ORGANIZATIONAL STRUCTURE AND STAFFING PLAN

Our proposed team of experienced video lottery and gaming personnel is prepared to dedicate themselves to perform your installation in an aggressive timeframe without protocol compatibility concerns or delays. Only Scientific Games can offer this level of experience with a single motivation to deliver systems products and services as a vehicle to drive future success of the Lottery.

We will use a four-tiered management model for the Lottery's implementation project. Each tier consists of a team with specific roles and responsibilities that will cohesively guide the project along each phase to a timely and successful completion.

The following descriptions indicate the roles of each team:



John McCormack

1. **Executive Management Team** – With a global corporate group presence, Scientific Games understands that management direction begins at the executive level. Our corporate executives are linked with each customer as they work in concert to define our business itinerary and make key decisions for our customer's business initiatives. Key executives from Scientific Games will be assigned to fulfill this role in our interactions with the Lottery.



Steve Angelo

2. **Project Steering Committee** – Scientific Games' corporate organization will interface with the Lottery's Project Implementation and Lottery's Operations Support teams through the Project Steering Committee. Taking direction from the executive sponsors—John McCormack, Vice President Technology, Systems Support and Steve Angelo, Vice President of Video Gaming Systems—the Scientific Games Project Steering Committee will be comprised of corporate representatives from Scientific Games' departments, such as project management, operations support, product assurance and software development.

The steering committee will ensure that resources needed for the implementation and operations support teams are properly allocated, and that key project milestone are met. Additionally, the committee assures that ongoing system operations function in a way that meets the Licensees' and Operators' needs and that the Lottery continues to grow and prosper. The Project Steering Committee will meet regularly with the Lottery. Comprised of experienced and dedicated industry professionals that are focused on the

delivery and effectiveness of our global product offerings, Scientific Games' executives embrace their dual role. The executives serve as:

- Active participants in the corporate environment, including advocacy for our customers and support for their mission to increase growth for higher returns
- Valuable resources for the on-site team committed to disseminating their industry expertise and best practices to support operational improvements that enhance our partnership with the Lottery

To demonstrate our commitment to partnership with the Lottery, Steve Angelo and John McCormack will provide advocacy for the Lottery's interests at the highest levels of our business. They provide a direct link to Laveti Sridhari, Senior Vice President, Gaming Systems, Bally Technologies, and Derik Mooberry, Executive Vice President, Group Chief Executive Gaming, Scientific Games Corporation, for quick response to any of the Lottery's business concerns.

We believe this approach provides the infrastructure and continual support required by a solid staffing business. Our executives are visible during implementation and readily available to provide their considerable industry expertise.

Collectively, our corporate account support group has hundreds of years of industry and institutional knowledge. Over the past two years, we have realigned our corporate support groups to be even more customer focused for rapid service delivery.

3. **Implementation Project Team** – As a demonstration of our commitment to the Lottery, Scientific Games will provide the Lottery with a team of system professionals with extensive CMS implementation experience. Guided by the Steering Committee and supported by our implementation and local operations teams, we will bring a team to the West Virginia project with unmatched experience and knowledge of the system, gaming location base, and defined business requirements. Appropriate team staff levels will be maintained throughout the project to meet timelines identified on the implementation plan.

4. **Operations Support Team** – Scientific Games will provide the Lottery with a proven, dedicated and cohesive team of industry professionals. They will provide an unparalleled level of customer service to the Lottery. Master licensees and location operators ongoing success requires the continual integration of the Lottery's knowledge and expertise from project inception through the life of the contract. With the four key

management groups described in this section, the Lottery benefits from having the supplier with the most comprehensive staffing and support services available in the industry.

Scott Stewart, Account Services Vice President



Scott Stewart

As the Lottery's Account Services Vice President, Scott Stewart will serve as the point of contact for business and contract related activities during and after the project. He will serve as the corporate escalation point for any business issues that cannot be resolved by the project team. Scott also participates as a member of the project team where he is responsible for ensuring that the Lottery's interests are represented during the duration of the project.

After project completion, Scott is responsible for maintaining the long term relationship with the customer, assessing current and future customer needs, and providing that information back to the organization to be addressed.

Scientific Games will work closely with the Lottery during the project initiation phase to take full advantage of the new opportunities that this migration presents. Scientific Games is well versed on how the Lottery operates its business; on "DAY ONE" Scientific Games will be poised to immediately assist the Lottery in taking full advantage of the enhanced benefits and advancements of our SGVideo CMS.

Qualified Staff

We will provide a proven, dedicated and cohesive team of industry professionals. They will give unparalleled customer service to the Lottery, the gaming location Operators, and your players, while advancing the Lottery to the next generation of technology and tools to drive the business.

Ongoing success requires the continual integration of industry knowledge and expertise from project inception through the life of the contract. With the four key management groups described in this section, the Lottery benefits from having the vendor with the most comprehensive staffing and support services available in the industry. Scientific Games will work closely with the Lottery during the project initiation phase to take full advantage of the new opportunities that this implementation presents.

Figure 3.2-3 details our Video Gaming Systems Implementation and Conversion Support Team that will deliver world-class performance to the Lottery. In addition, resumes of key contributors are included behind the "Supplemental Information" tab at the end of **Section 3.**

CORPORATE RESOURCES SUPPORT

Scientific Games' knowledgeable implementation professionals assure the Lottery will experience a swift and seamless conversion to the SGVideo CMS platform that will deliver the new features and functionality the Lottery seeks. These individuals possess skill, talent, creativity and, most importantly, West Virginia specific knowledge. Our teams' years of experience and understanding of the Lottery's procedures, processes and people—that will be critical to assisting the Lottery's along is path of innovation and growth. In this age of business uncertainty, operational stability is paramount and our SGVideo CMS will deliver a solid gaming infrastructure.

Scientific Games has a highly capable team that is well known to the Lottery and has proven to be firmly committed to its business. Led by Murali Venkataraman and supported by Maureen Collins, Baffour Acheampong, and Jim Murphy (as well as the rest of the Scientific Games technical resources), our team has served you with pride and enthusiasm through the past eight years. Each member looks forward to helping you usher in another decade of business and gaming success.

- Corporate Video Gaming Systems Support Group
  - Murali Venkataraman, Director, Video Gaming Services and his team
  - Loren English, Director, Site Product Development and his team
  - Mohan Srinivasan, Manager, Software Development and his team
  - Maureen Collins, Director, Software Development and her team
  - Baffour Acheampong, Engineering Systems, Video Support Services
  - Jim Murphy, Senior Network Engineer, Network Design and Implementation
  - Jessie Pack, Senior Director Service Delivery, Field Support and his team



Figure 3.2-4: Corporate Video Gaming Systems Support Group

- Corporate Systems Support Group
- Corporate Educational Services/Training Group
- Corporate Technical Documentation/Media Group
- Corporate Telecom Services Group (Network Design and Implementation)
- Corporate Networking Group
- Global Response Center (GRC)
  - Smart Services
  - System Escalation

- Dispatch Hotline
- Quality Assurance Services
- Global Network Operations Center (GNOC)
  - Operational Support

IMPLEMENTATION AND CONVERSION SUPPORT STAFF

Qualified Staff

As shown in **Figure 3.2-5**, our proven, dedicated, and cohesive implementation and conversion support staff will work closely with the Lottery during the project initiation phase to take full advantage of the new opportunities that this implementation presents.



Figure 3.2-5: Proposed West Virginia Staff

— CONFIDENTIAL INFORMATION ENDS HERE —

— CONFIDENTIAL INFORMATION BEGINS HERE —

Scientific Games' Success Stories

Over the past two decades, Scientific Games' corporate family has repeatedly proven the ability to implement, convert, and successfully operate a CMS for regulators around the globe. Our corporate family's skilled team of installers and operations professionals has successfully implemented 11 systems similar in scope and functionality to what we propose for the Lottery.

As a CMS provider and operator, Scientific Games has continually achieved what we believe is the most successful track record of gaming network integrity and financial accountability. Our experience in the implementation, conversion and operation of gaming systems reflects a history of unfettered success in the industry and assures our customers that gaming machine manipulation and accounting irregularities are not acceptable operating risks.

Scientific Games develops, delivers and operates video control systems that ensure the integrity the gaming environment. We are proud of our record of achievement and pleased to share some of our success stories.

Proud of Our Partnership with West Virginia

One of our major accomplishments with the Lottery was the replacement of the system hardware infrastructure during transition to your new facility on Pennsylvania Avenue. Our team, led by Maureen Collins, worked closely with your Video Lottery staff to upgrade the central system hardware without issue or delay.

Our team successfully switched over between systems in a two-hour time window.

As part of your current RFP, you have requested a hardware refresh at the six-year and 11-year point. Scientific Games can say unequivocally that no other vendor has the experience or firsthand knowledge like we already do in West Virginia to complete this request.

We understand what is required to provide the Lottery the specifications needed to purchase the hardware for the refresh. We understand the testing your team will do to validate the system when delivered, and we understand exactly how to upgrade the system without impact to the gaming network. Scientific Games understands your business like no other. You can be confident that the system refresh will be performed without issues.

New Mexico System Replacement Without a Hitch

In 2013, we were selected, through an open procurement process, to deliver a CMS designed for five racinos and over 60 non-profit locations in the State of New Mexico. The system includes support for GSA® SAS 6.02 protocol, and provides the capability to upgrade to the G2S® protocol at the Board's request. A true testament to our capabilities, beginning in January 2014, we were able to deliver and achieve acceptance of a system that supports the GSA open protocols, and was operationally ready by July 2014.

Our system delivery included providing the New Mexico Gaming Control Board a primary and back- up and test Central Monitoring System, providing new system updates and functionality. What makes this upgrade remarkable was our unfailing ability to seamlessly implement our new system while avoiding impact to daily operations. The planning, testing and technical expertise of our teams allowed the existing CMS to be taken out of production, with fully functional Primary and Backup systems replacement operational within two hours. This implementation provided for a smooth transition to the new system with site migrations occurring once the new system was in production. This is just one of many examples of how we provide our customers the highest levels of service and support.

Illinois Video Network Launch Comes Up Aces

In 2012, Scientific Games successfully delivered and launched our CMS for the Illinois Gaming Board.

We were selected, through an open procurement process, to deliver a CMS designed to ultimately support as many as 60,000 video gaming machines located at 15,000 venues. It also had to support the GSA® SAS 6.02 protocol, and provide the capability to upgrade to the G2S® protocol within six months of the Board's request. A true testament to our capabilities, beginning in January 2012, we were able to deliver and achieve acceptance of a system that supports the GSA open protocols, and was operationally ready by July 2012.

Illinois mandated ticket redemption via a secure cash solution. This was the first of its kind in the gaming industry.

Scientific Games successfully worked with various manufacturers, several who were new to gaming and the GSA SAS protocol, to integrate their redemption devices with our CMS, demonstrating our ability to meet unique jurisdictional requirements and work with third party vendors.

The implementation included all necessary steps to build and staff an operations center, receive system certification by an independent third party laboratory, and bring the system into production in less than seven months. This project was managed by the same team of professionals who are ready to implement your CMS.

The highly successful Illinois implementation was a true start-up in a new jurisdiction, and unquestionably reflects the level of success we can achieve.

The Illinois Back Story

We successfully completed the implementation phase by executing the following six-step process:

1. Locate and acquire the right Primary Data Center (PDC) for the project.
2. Build out the location to the specifications of the Illinois Gaming Board and securely house the required networking and hardware.
3. Hire and train the staff to operate and maintain the PDC and all of the systems located there.
4. Install the equipment necessary for the operation of the center and the workplace it provides.
5. Acquire ISO 27001 Certification for security and data management—a certification level above the normal requirements of similar facilities.
6. Receive the approval of the Illinois Gaming Board to open and operate the site.

Those familiar with the intricacies of system installation, certification and testing will recognize that creating a data center with the advanced technological features, network infrastructure and redundant power systems of this building within the timeline required—and on budget—is an accomplishment only an industry leader in video lottery systems could achieve.

The Illinois CMS is actually three systems: a primary (primary – duplex pair), back-up (primary-duplex pair) and test system. It delivers the following capabilities:

- Monitor the entire gaming network 24/7, including the validation of every gaming machine
- Meet all jurisdictional gaming, security, and reporting requirements
- Maintain a database of Video Gaming Terminal (VGT) configurations as well as security and accounting information

- Poll the Site Controller at each Venue, completing the connectivity to the VGTs
- Control VGT enrollment
- Enable and disable individual (or groups of) gaming machines
- Check the validity of game program signatures in each VGT before allowing play
- Generate standard and customized reports from collected meters and events

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Although the Lottery is aware of Scientific Games' ability to perform as your CMS partner, please contact the following references to confirm our capability:

SCIENTIFIC GAMES' CMS CUSTOMER/ PARTNERS REFERENCES		
Illinois Gaming Board 160 North LaSalle, Suite 300 Chicago, Illinois 60601 Mr. Mark Ostrowski Administrator Email: Mark.ostrowski@igb.illinois.gov Tel: 312-814-4646	**Delaware State Lottery** McKee Business Park 1575 McKee Road, Suite 102 Dover, DE 19904 Mr. Vernon Kirk, Director Email: vernon.kirk@state.de.us Tel: 302-774-1600	**Maine Gambling Control Board** 45 Commerce Drive 87 SHS Augusta, Maine 04333-0087 Mr. Patrick J. Fleming, Executive Director Email: patrick.j.fleming@maine.gov Tel: 207-626-3900

Figure 3.2-12: Scientific Games' CMS Customer/Partners References

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Our SGVideo system is carefully designed to prevent accidental or overt unauthorized modifications to the software code base. We follow strict development processes that are carefully crafted to maintain the highest possible quality and security, including check points and regular reviews.

All changes to source code are documented, controlled, protected, audited and unit tested by development staff. Modifications then go through a thorough quality control process before being released to the field, and ultimately the customer's production environment.

The Scientific Games development process requires that all software modules be stored in a secure repository. Modules can only be checked out and returned by authorized personnel (e.g., software engineers specifically assigned to make changes). All changes are logged in secure system files along with details of the change(s) made and the person making the modifications. We apply stringent management oversight to all development activities.

As with all of our computer systems, the system on which the software repository resides is constantly protected against malware by virus and integrity scans. User IDs and associated security privileges are closely monitored to guard against corruption or theft by unauthorized persons.

Software signatures are calculated and applied to each binary image at system integration time and those signatures are checked every time a test or production system loads or initiates the module. Every discrepancy generates an alert to signify the need for further investigation. This essentially eliminates the chance that a piece of software can transport a virus, worm or trojan into a critical system.

Finally, Quality Assurance, our jurisdiction contact management personnel, user acceptance testing staff and operations support staff review and double check the accuracy and applicability of every entry in every software release report; only the appropriate software is allowed on a test or production system.

CHANGE REQUEST PROCESS

The primary tool used to initiate and track the change request process is the Change Request form, which is submitted to the involved company manager (i.e., Lead Project Manager during implementation. In addition to the details of the requested change, it records the expected impact, planned resolution and, ultimately, approver decision.

Personnel involved in the change management process include the original requestor, manager, project sponsors and sponsor advisors. The review and approval of the Change Request is done by the Change Control Committee (CCC).

Request

All requests for change will be documented using the Change Request. The form will be completed by the requestor. This is critical for the effective review and sound estimating of efforts required to understand and plan for the change. **Figure 3.2-13** outlines the steps involved in processing an individual Change Request, including the project member(s) responsible for each step.

Categorize the Change

The requestor and the Scientific Games point-of-contact will assess the urgency and the area(s) of impact of the change based on a well-defined list of categories.

Prioritize the Change

The person submitting the Change Request and the Scientific Games point-of-contact will assess the urgency and the impact of the change using the following priorities:

- **Critical** – Significant impact on product functionality with no known workaround.
- **Serious** – Significant impact on product functionality with a known workaround.
- **Moderate** – Moderate impact on product functionality.
- **Minor** – Cosmetic; insignificant impact on product functionality.

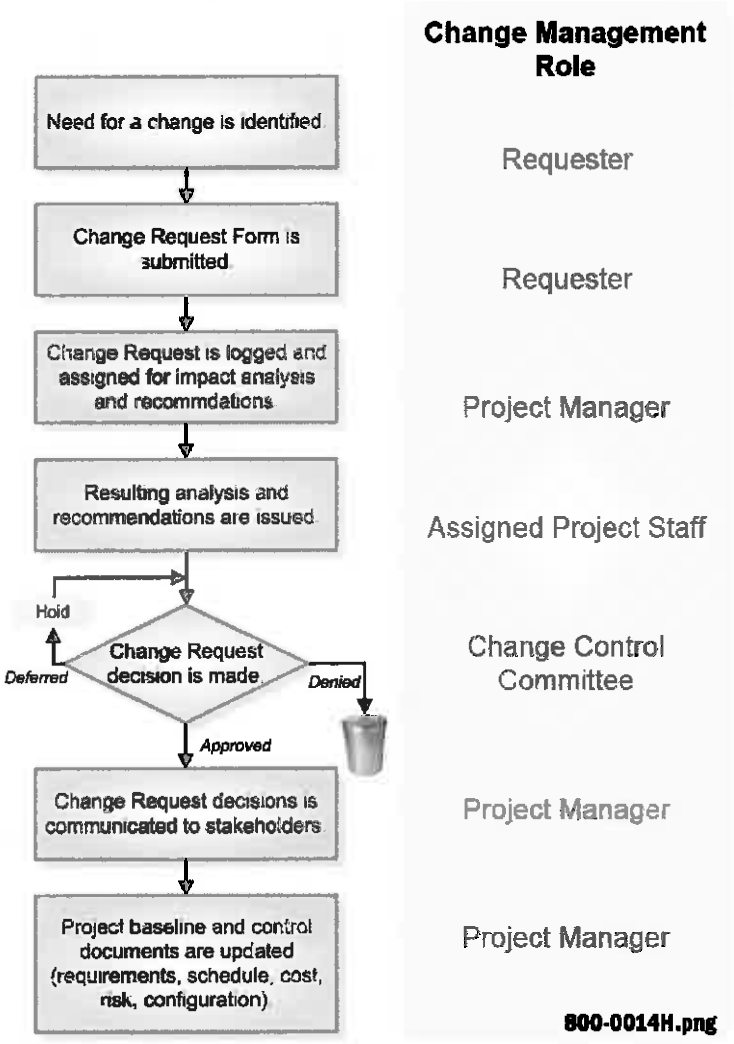


Figure 3.2-13: Change Request Process

Analyze and Justify the Change

The Scientific Games point-of-contact works with the change requester to develop specific justification(s) for the change and to identify how the change may impact the business operations and financials. The point-of-contact will create a tracking entry including all pertinent information for the development manager to estimate the development scope, Quality Control resources, and implementation effort to complete the modification(s).

Approve and Schedule the Change

The point-of-contact timely submits the change request along with the supporting information related to the change. It will then be discussed during the weekly Change Control Committee (CCC) review meeting. The request usually will be emailed to board members for their review in preparation for discussion during the meeting. The Change Control Committee will decide whether the change will be approved as submitted, denied, or deferred.

A request may be deferred because it exceeds the scope of the original deliverables or appears to be an entirely new feature or capability outside the contracted system. This situation often requires contractual meetings between the customer and Scientific Games work together to determine how the request will be handled.

Plan and Complete the Implementation of the Change

This process includes developing the technical requirements, reviewing the specific implementation steps, and then effecting the change with minimal impact on the infrastructure and end users.

Review After Implementation

A post-implementation review is conducted to ensure that the change has achieved the desired goal(s). Following are the post-implementation actions:

- Decide to accept, modify or back-out the change.
- Contact the requestor to validate success of the modification.
- Finalize the change request through e-mail confirmation.
- Close the entry on the Changer Request Log and in JIRA® (tracking software).

Change Process Rules

- All change requests are submitted by the project-specific deadline.
- The Change Control Committee will review and make decisions on change requests on a regularly scheduled basis.
- The Project Manager will coordinate all activity related to a change request.
- All change requests will go through an impact analysis.
- As part of the impact analysis, the Resource Manager will be consulted regarding commitment of resources.
- All change requests will be distributed to the appropriate parties for informational purposes.
- The Change Control Committee will meet as needed.
- Project team members will not commit to modifications or incorporate changes into project deliverables until the change has been formally approved.
- The project Change Control Committee or sponsor(s) will not commit to any change to project deliverables before the impact of the change is quantified and approved.
- Requestors should not be the ones to approve their own change requests.
- Any change request remaining in "hold" status at the end of implementation will be addressed in the project's summary exit plan.

Newly submitted change requests (and their current statuses) will be included in the regular project status report.

If the commitment of resources to perform an impact analysis on the change request negatively affects the project's timeline, the project sponsor(s) will be asked to make a priority decision regarding the change request.

Testing And Tracking

All software updates go through a series of rigorous tests before being delivered to the Lottery for acceptance testing.

The first level of testing is done by the developer, where the specific code that was created or altered is verified as performing properly according to the design spec and/or Change Request form. After the software module is certified at this unit level, it is securely stored using our standard software source management procedures to ensure it is not modified by unauthorized personnel or corrupted.

Scientific Games uses a number of software development tools and repositories to keep track of the history of all changes to documentation, technical manuals, specifications, and program source and object code so that any prior software releases or versions of a specific file may be safely regenerated.

Shared access to development data is supported by storing all files and information on a central server. As developers check out files from the server they are tagged with the developers' identity, plus the time and date. After developers have made the requisite changes, they check the file back into the server and are required to associate that modification with a Change Request in Atlassian JIRA. The system prevents people from making concurrent modifications.

Each build of the system is given a new version number, incremented from the last build. This version number is a key part of the release notes when delivering software as is the list of Change Requests included in the release. The version number is tracked throughout the test cycles, and referenced in the test summary document.

At this point, the software is subjected to integration testing—verifying that the changes have not adversely altered the operation of the entire system. Regression testing is a key part of this verification phase. Only after these tests have been successfully completed is the software permitted to leave the development center.

The system software is now eligible for submission to an independent testing laboratory to verify that it does not violate any jurisdictional requirements or regulations. After the lab has approved the release, it will be delivered to West Virginia Lottery personnel for testing and authorization for installation. If required, Scientific Games will supply technical assistance during the acceptance testing period.

Each software update is delivered with detailed release notes, including the Change Requests that were incorporated. Where applicable, the release notes will contain special testing procedures or data structures required to verify the proper execution of the latest software changes during acceptance testing. If the new software demonstrably changes operations procedures or user commands, updated manual pages will be included with the software delivery.

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PREPARATION

Starting at contract award, Scientific Games will work diligently toward a November 1, 2016 production launch of SGVideo. We will collaborate with the Lottery to execute the contract, while starting on the gathering of requirements from Lottery and Venue staff. Those requirements will evolve into SRS design documents which must be approved by the Lottery before we proceed with our software development effort.

Our engineering staff will order the required data center and Venue hardware. They will assemble and test the systems and site equipment and arrange for shipping to their destinations. New RVL hardware will be included in this effort, setting the hardware in place (and testing it) in preparation for post-launch upgrading of each of the casinos.

We will perform internal (developer and QA) testing of all software destined for West Virginia and manage the external testing (independent testing lab and Lottery acceptance) processes.

Our staff will produce end user documentation, provide stakeholders with SGVideo training.

The preparation phase sets everything in place as a prelude to production launch.

LAUCH+MIGRATION

This process will take place during a single business day—November 1, 2016. On this day, our video engineering specialists, in cooperation with Lottery operations staff, will migrate the entire AEGIS-Video gaming dataset to SGVideo. All five RVLs will be switched to have their communications circuits terminate in the new system's servers. At the same time, we will execute the move of all SAS-only LVLs to be serviced, using dial-up connections, by SGVideo.

As of the end of November, 1, 2016, the only Venues managed by AEGIS-Video will be any LVLs still operating ICIS gaming machines. If no ICIS VLTs remain on the network, the Lottery may power down the AEGIS-Video servers at its convenience.

UPGRADE+MIGRATION

Starting on November 8, 2016, Scientific Games will begin to upgrade Venue hardware. During the first month, we will move RVL production to the SGVideo Site Controllers and communications put in place and tested prior to launch. LVLs will be upgraded by a team of field technicians with the target of completing all sites by July 19, 2017—well ahead of the Lottery's mandated deadline of February, 2018.

Figure 3.2-14 provides individual tasks and events, including start and end dates.

PROJECT TASK OR EVENT	START	END
Contract award	05.04.15	
Contract Execution (NTP)	05.05.15	06.15.15
Produce detailed implementation plan for Lottery review	05.26.15	07.02.15
Develop Business Requirements Documents	06.16.15	09.09.15
Install, test, certify new PDC-BDC communications	10.21.15	02.29.16
Primary Data Center readied for systems	10.23.15	12.14.15
Backup Data Center (Scientific Games GNOC) readied for systems	10.23.15	12.15.15
Create SRS based on Business Requirements	10.28.15	11.24.15
Acquire central server hardware at Scientific Games integration facility	11.06.15	12.08.15
Develop SGVideo application software (deliver to Scientific Games QA)	12.16.15	04.13.16
Build, test, certify central server hardware and software	01.04.16	02.08.16
Final approved by Lottery of all design documents	01.18.16	
Test, certify (Quality Assurance) SGVideo application software	02.02.16	07.25.16
Build, test, certify RVL Venue hardware and software	02.11.16	02.11.16
Install, test, certify Lottery test SGVideo hardware at PDC	03.31.16	04.05.16
Install, test, certify SGVideo hardware at PDC and BDC	04.06.16	04.13.16
Install, test, certify new RVL hardware (production remains on AEGIS-Video)	04.14.16	05.04.16
Create Disaster Recovery/Business Continuity Plan to Lottery	05.26.16	07.13.16
Certification from independent test lab and Lottery acceptance testing	06.10.16	08.01.16
Train Lottery, Venue, field service staff	06.13.16	10.28.16
Migrate all gaming data from AEGIS-Video to SGVideo	11.01.16	11.01.16
Migrate all RVLs to SGVideo	11.01.16	11.01.16
Migrate all SAS-only LVLs to SGVideo	11.01.16	11.01.16

Figure 3.2-14: Key Project Tasks and Events

PROJECT TASK OR EVENT	START	END
SGVideo production launch	11.01.16	
Upgrade all RVLs to new site hardware and software	11.08.16	12.05.16
Upgrade all LVLs to new site hardware, software and comms	12.12.16	07.19.17
Extended project support	07.25.17	08.31.17
(Lottery designated Project deadline)	(02.01.18)	
Contract award	05.04.15	

Figure 3.2-14: Key Project Tasks and Events

ROLES AND RESPONSIBILITIES

Scientific Games has provided a detailed description of the CMS project roles, responsibilities and staff interactions in our response to **Section 4, Subsection 4.7.1.2.4.**

DEPENDENCIES

As with all large technology projects, involving a dozen different organizations, the CMS conversion project is a long series of dependencies. For instance, if contract award is delayed by a month, it jeopardizes the entire timeline and requires exceptional procedures to bring the deliverables and tasks back to the original Gantt dates.

Scientific Games invests considerable resources to make sure that all contributors to the project adhere to dates documented in the final conversion plan document(s). The following are processes/events that will be closely managed to ensure that the project progresses smoothly:

- Contract award
- Collection of ***all*** pertinent business requirements and process rules
- Business requirements and SRS document review by the Lottery
- Hardware acquisition and delivery
- Software development and testing (avoidance of scope creep)
- Timely certification by independent testing lab
- Efficient, successful user acceptance tests
- Venues collaboration (site surveys, equipment installation/testing, migration)
- Circuits and support provided by communications carriers
- Timely elimination of ICIS protocol VLTs

TIMELINE

Scientific Games has provided on the following pages the overview Gantt timeline, starting on the anticipated contract award date and continuing through the Preparation, Launch+Migration and Upgrade+Migration phases.

PDC, BDC, CASINOS, AND LVL VENUES IMPLEMENTATION SUPPORT

Scientific Games has advantageous experience working with and supplying your systems, network, business practices and staff. You know our team, and we know your staff and operators. When we call to schedule an installation with an operator or retailer, they will speak with a familiar company that knows their business and has been working with them for 10 years. This understanding and knowledge will provide a smooth transition to a new system.

We will establish an Implementation Roll Out (IRO) office that will serve as the backbone of our support efforts during implementation. During your implementation, we will staff the IRO with key members of our video support staff, including implementation specialists, system support specialists, network specialists and VLT integration specialists.

Our implementation and support team will include familiar faces that will continue supporting you in the future. Team members providing support at the primary and back-up data centers, casinos, and LVL venues during the implementation will include Maureen Collins, John Grieger, Jim Murphy, Margaret Eklund, Baffour Acheampong, Victor Brown, Murali Venkataraman, Mohan Srinivasan, Jessie Pack, and other engineering and support team members.

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IMPLEMENTATION APPROACH

Since our implementation of the first networked video lottery project in South Dakota in 1989, Scientific Games has been a leading provider of Central Monitoring Systems (CMS) to the gaming industry.

We have structured your project implementation using Project Management best practices and quality performance as the driver. We have learned during our history of designing and installing gaming control systems that not only is the project structure itself important, but also how that structure interacts with the Lottery and Venue operations.

A high level view of the implementation structure clearly delineates the boundaries of communication, coordination and collaboration. The three primary points of contact for the project are:

- The Lead Project Manager, Steve McKinney
- The Account Services – Account Manager, Scott Stewart
- A West Virginia-designated Project Manager

The structure of our implementation organization (presented in **Figure 3.2-15**) ensures that project status and escalation of project issues are always overseen by senior management. Each group lead has a direct line to a senior manager within the corporate offices, with each of those senior managers having quick access to a direct line to top management.



Figure 3.2-15: Structure of the SGVideo Project Implementation Teams

We have incorporated a high-level corporate management structure and process into our project management, including the following:

- **Executive Sponsorship**
- **Corporate Placement of the Project Organization**

- **Monthly Project Reviews** – Scientific Games will run monthly senior management project reviews to scrutinize every element of the implementation.
- **Lead Project Manager** – Steve McKinney, a Project Management Institute (PMI) certified Project Management Professional (PMP), will remain on site until the conversion is complete and provide valuable experience in project planning and management.
- **PMI and NASPL Methodologies** – This approach is based on Project Management Institute (PMI) and NASPL (North American Association of States and Provincial Lotteries) best practices and capitalizes on our experience to best coordinate the activities of implementation and operations teams, ensuring that the implementation progresses smoothly and effectively.
- **10-20-30 Day Transition Program** – To be certain that our project management organization has attained all objectives, we build a transition phase into our project that begins directly after production go-live. This program keeps the implementation team involved in the project after handover for a period of up to 30 days, ensuring a smooth operational transition from the implementation team to the operations team.

As discussed earlier in **Section 3**, Scientific Games will use a four-tiered management model. As **Figure 3.2-16** illustrates, each tier consists of a team with specific roles and responsibilities that will cohesively guide the project along each phase to a timely and successful completion.

These teams are identified as:

- Executive Management Team
- Project Steering
- Implementation Project Team
- Operations Support Team

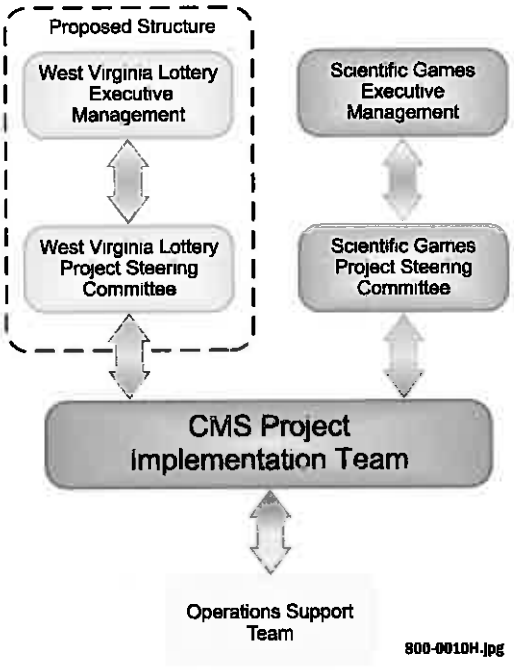


Figure 3.2-16: Project Lines of Communications

Scientific Games will work closely with the Lottery during the project initiation phase to take full advantage of the new opportunities that this implementation presents. Scientific Games will be well versed in how you operate your business and on "DAY ONE" the Lottery can be confident that Scientific Games will be fully poised to immediately assist you in taking full advantage of the enhanced benefits and advancements.

INSTALLATION ROLLOUT OFFICE (IRO)

A feature of our implementation strategy that specifically aids communications and coordination is the use of an Installation Rollout Office (IRO). The IRO is the nerve center and command post for managing the logistics of the implementation. From this single point, our low impact seamless approach allows us to:

- Provide a toll free number to venues for any needed schedule changes and tracking
- Manage all communications installation approvals
- Interface with hotline specialists
- Coordinate all field installation activities with venues
- Schedule a Venue installation
- Coordinate third party vendors
- Coordinate with trainers and gaming locations
- Interface with the operations department
- Assign aborted installations to a specialized communications team
- Manage scheduling, tracking and systems support

This additional corporate support, focusing on project related installations and implementation, allows our operations team to focus on managing SGVideo's servers, Venue devices and network. Following our best practices, Scientific Games has made a conscious effort to keep the implementation and production operations under one management structure—Service Management.

This structure will not only provide a service-focused installation experience for each Venue, but also support a seamless transition from implementation to ongoing field operations following the migration period.

Reduced Risk

Scientific Games' customized approach allows the installation of our SGVideo Site Controllers and communications devices to be handled much like a

routine service call. This implementation responsibility resides within our operations organization.

Our installation service technician will install and test the new communications device to be used at each location. After the link to the central site is confirmed, the technicians will position the new Site Controller in its place. As an additional risk mitigation effort, we will perform a pilot installation of a number of locations to verify operation and functionality prior to a full rollout of the CMS.

This allows us to test our installation procedures and make last minute changes to improve installation times and Venue satisfaction as well as ensure that the Site Controller and communication equipment are functioning properly on the new CMS.

It also allows both the Lottery and Scientific Games to observe how the application is functioning by observing the venues' activity, getting their feedback and making any small modifications to the applications which will improve performance.

Active Feedback

In our experience dealing with a wide range of Venue environments, we have learned that all installations are a unique experience. What works at one location may not always work at others.

As part of our "always improve" initiative, we incorporate installation feedback into the IRO to allow us to assess the effectiveness of our procedures and how we are interacting with venues. Early and constant feedback from venues is analyzed by the IRO to see if the gaming site staff is having a good experience with installation teams.

USER ACCEPTANCE TESTING AND CERTIFICATION

This phase of the project will include certification testing of the SGVideo solution, including gaming location hardware and software. Scientific Games will provide quality assurance support resources to assist the Lottery with this testing effort, particularly in diagnosing and reporting potential deviation from expected test results.

Scientific Games will provide support resources throughout acceptance testing to assist in the following areas:

- Testing the SGVideo CMS
- Diagnosing and reporting defects to the software engineering group

- Answering questions regarding functionality
- Providing the management and logistics of releasing updated applications

The engineer(s) will be the same experts who are involved in the quality control testing phase of the project. This will allow us to bring continuity to the testing cycle as these engineers will be extremely familiar with the functionality of SGVideo and the Lottery's specific requirements. These engineers will be present at the testing facility throughout the testing phase of the project.

The Quality Assurance Engineers will have a direct reporting line to the Project Manager and the associated software engineers to expedite defect resolution or answers to technical issues. We believe that this organizational structure will provide the optimum support for the customer during the project and will allow us to augment the on-site support as needed.

We believe that in order to create and maintain a satisfied customer, a strong collaboration effort is needed between both the Lottery and Scientific Games. This requires that both organizations must contribute to the defining and documenting of requirements, plans and certification criteria. Our technical support for this project phase starts at the very beginning of the project.

Scientific Games follows the NASPL best practices initiatives to keep in line with the methodologies established by the gaming industry. To that end, as part of the process for system certification, we work with our gaming partners to implement these best practices into the project to establish our path to excellence. Key efforts toward a successful CMS project include the following:

- **Test Plan** – Outlines the methods, environments, timelines and topics that will be generated, used and followed during the certification cycle by both the Lottery and Scientific Games.
- **Acceptance Testing Entry/Exit Criteria** – Defines the criteria that must be met for the system to progress through the Lottery's certification cycle of the project.
- **Component Level Test Cases** – Defines the individual tests that will be performed to certify that the various defined requirements have been met. These test cases ensure that all of the components function as defined.
- **Anomaly Level Test Cases** – Defines the individual tests that will be performed that certify the hardiness, recoverability and self-healing aspects of the system.

- **Certification Test Script** – Utilized during the final phase of acceptance test cycle, this effort defines the exact steps to be taken in a controlled manner to certify that all of the system components are working as designed and specified. It ensures that all components work in harmony with each other and that the integrity has been established and maintained.

PROJECT REPORTING AND MONITORING

Project Reporting And Monitoring

In a project of this scope, it is important that project management best practices and processes are in place and used on a day-by-day basis. Most of our lead project team members are certified and each member practices these processes throughout the project implementation cycle and beyond. Project implementation team members will be dedicated to the SGVideo implementation.

Scientific Games will focus on keeping the Lottery up to date on all facets of the project. Following are some of the communications techniques we will use:

- Regularly scheduled (weekly) project status reporting
- Monthly scheduled meetings between the Lottery and Scientific Games project steering committees
- Real-time status reporting and monitoring on project information stored in a centralized SharePoint repository.
- Automated project work flow alerts to key members of the project team and executive steering committee members

Project Data Repository. One of the main functions of SharePoint is to provide a centralized repository of all project records. This includes categories such as the following:

- Meeting Minutes
- Status Reports
- System Specifications
- User Documentation
- Diagrams and Workflows
- Project Schedules
- Risk Items and Issues
- Change Request Forms

Collaboration Center. We will support effective collaboration among the team members; everyone can get the latest documents and read the latest issues or discussions that are going on within the project.

- Project calendars allow everyone to see when upcoming meetings or events are scheduled.
- On-site calendars let all staff know where each team member will be at any given time.
- Project announcements keep everyone informed.
- Project discussion groups provide a forum for discussion and contribution.

Process Control Workflow and Automated Alerts. A workflow is set up to maintain a proper and consistent process for dealing with issues that require multiple groups to process and monitor project related events. A good example of this kind of workflow would be risk management, under which risks are identified and assigned to an owner. The team then monitors ongoing status and tracks risk level and expected resolution date. This format for risk management provides great detail and visibility for all members of the project team and leadership for both the Lottery and Scientific Games.

As the implementation transitions out of project mode and into the operational and support mode, Scientific Games will use this website to allow all authorized team members to monitor project management tasks, schedules and issues—both resolved and open.

The SharePoint repository will remain operational and active throughout the contract period. It will continue to help the operational and support team members strengthen collaboration across the company by allowing participants to share knowledge, work together smoothly and respond quickly to change. Specifically, it enables following actions:

- Provide both the Lottery team and Scientific Games operations support staff with web-based access to real-time project data so their decisions are more timely and informed
- Implement a central tracking system in which operations support staff record, assign and resolve issues, thereby increasing accountability
- Gain higher quality and efficiency by jointly developing and organizing a centralized delivery mechanism using a central document repository with version and edit controls

Project Reporting. Maintaining an aggressive approach toward communications and group coordination is a key component to the implementation process. Reporting components are used to maintain a clear communication to the Lottery regarding the project status including the following reports:

- **Project Flash Report** – This report is focused on providing the Lottery project oversight employee(s) with a high level report of how the project currently stands and how it is trending. To a certain extent this is a dashboard view of the project. It is typically issued weekly in the early cycles of the project. After additional activities are underway it will likely become a daily deliverable.
- **Monthly Steering Committee Summary Review** – This review is focused on providing the executive management status information. The summary review is presented through a Microsoft PowerPoint presentation and usually adheres to the following structure:
  - **Meeting Scope** – Defines the extent of the current summary review
  - **Meeting Agenda** – Identifies what will be covered in detail during the presentation
  - **Project Review** – Presents implementation strategies and tactics
  - **High Risk Items** – Discusses project issues that require action from the executive steering committee
  - **Project Group Focal Points** – Provides status of each project group and its respective trend
  - **Project Accomplishments** – Shows progress being made against the project schedule
  - **Project Milestones** – Forecasts, in a two-month rolling window, the coming milestones to be met within the project schedule

VLT Manufacturers. Scientific Games has maintained highly effective relationships with gaming machine vendors worldwide. We have proven that we can work with technical representatives stationed at major casinos and often collaborate with them during anomaly investigations and resolution. We also work frequently with VLT manufacturer corporate staff.

Our on-site technicians will work with both the Facility staff and VLT personnel to perform inside device moves and installs while avoiding negative impact on players or Facility employees.

Certification Vendors. We have a long-standing working relationship with the widely used certification vendor, Gaming Laboratories International (GLI). We have learned through the certification of multiple protocols, features and jurisdiction releases how to streamline the process and ensure that our customers receive approved software as quickly as possible. We will similarly work with the certification lab designated by the Lottery.

Coordination with the Lottery and Facility Staff. We understand the value of coordinating our work and schedules with those of the Lottery employees and the Facility operators. Our implementation and ongoing technical support teams know how to adjust standard Scientific Games procedures in order to minimize adverse impact on those gaming organizations. For instance, we often incorporate jurisdictional or operator (physical) forms into a work process, even to the extent of providing electronic tracking of that information.

Similarly, we work with the Facility personnel to make sure our parts inventory includes the key data elements needed by the jurisdiction's procedures.

SHARED RECORDS FOR CHANGE MANAGEMENT

A project of this scope can only be effectively and successfully accomplished if all stakeholders—the Lottery, Scientific Games, third parties and Venue operators—take joint responsibility. As we have done in previous gaming system implementations, our gaming partner's staff will be able to continually monitor the progress toward the next release by accessing the shared change management tracking system; included in data maintained by this system are descriptions of the change, estimated completion dates, current status, and all testing results.

PROJECT REQUEST DATABASE

Scientific Games will provide a project request database management system for the sole use of the Lottery to issue request changes or enhancements to system features and resources including the following:

- Scheduling changes
- New protocols
- Modified Venue list
- Changes to training program
- Revoked media
- System enhancements

- Problem resolution
- Researches
- New reports

We will use the tracking system to receive and review the requests and as a forum to document our progress (including assigned resource(s) and implementation time estimates) on the changes. Any rejected requests will be adequately documented along with the identity of the employee issuing the rejection, and Scientific Games project management staff will immediately inform the requester should this occur.

We use the issue management and tracking product, Atlassian JIRA. This browser-based application, shown in **Figure 3.2-17** and **Figure 3.2-18**, delivers point-and-click simplicity on easy-to-understand screens. The system allows authorized personnel to enter extensive detail about change requests and securely stores the input for later use.

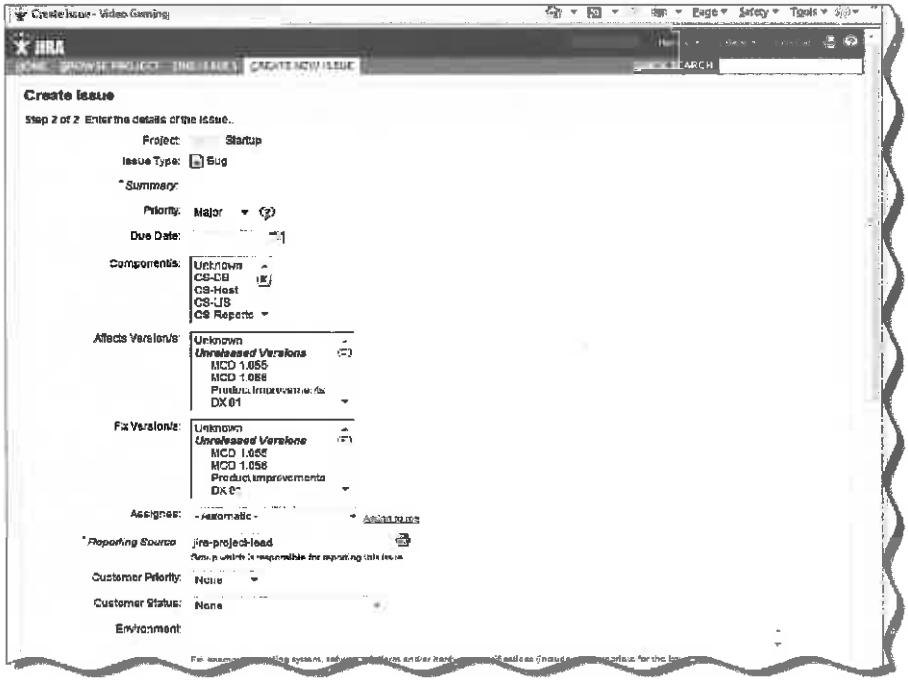


Figure 3.2-17: JIRA Create New Issue – Page 1

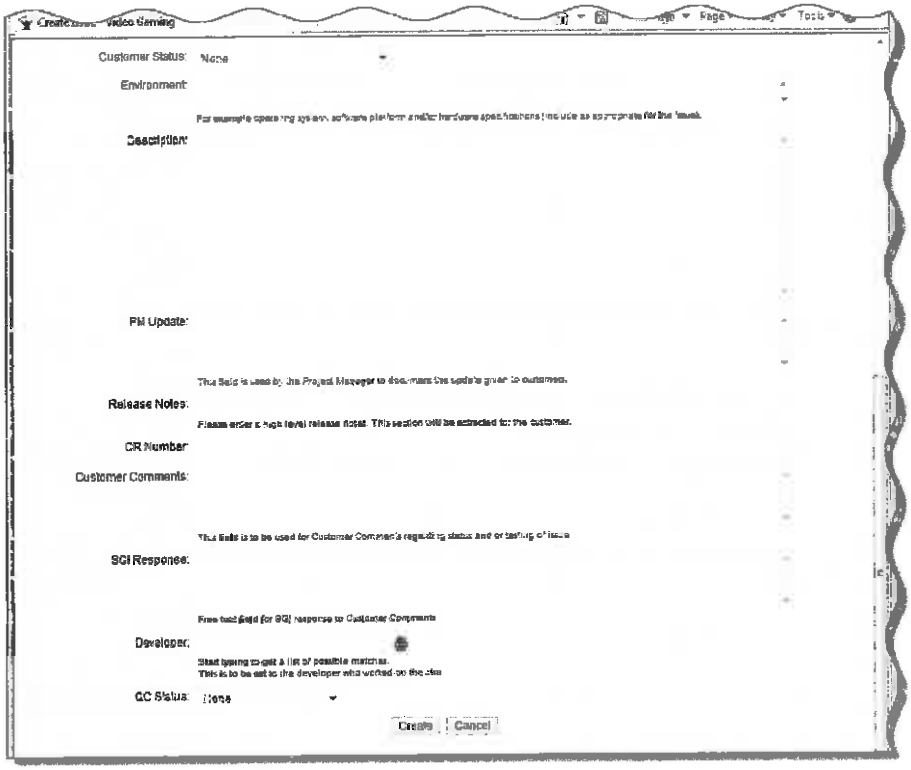
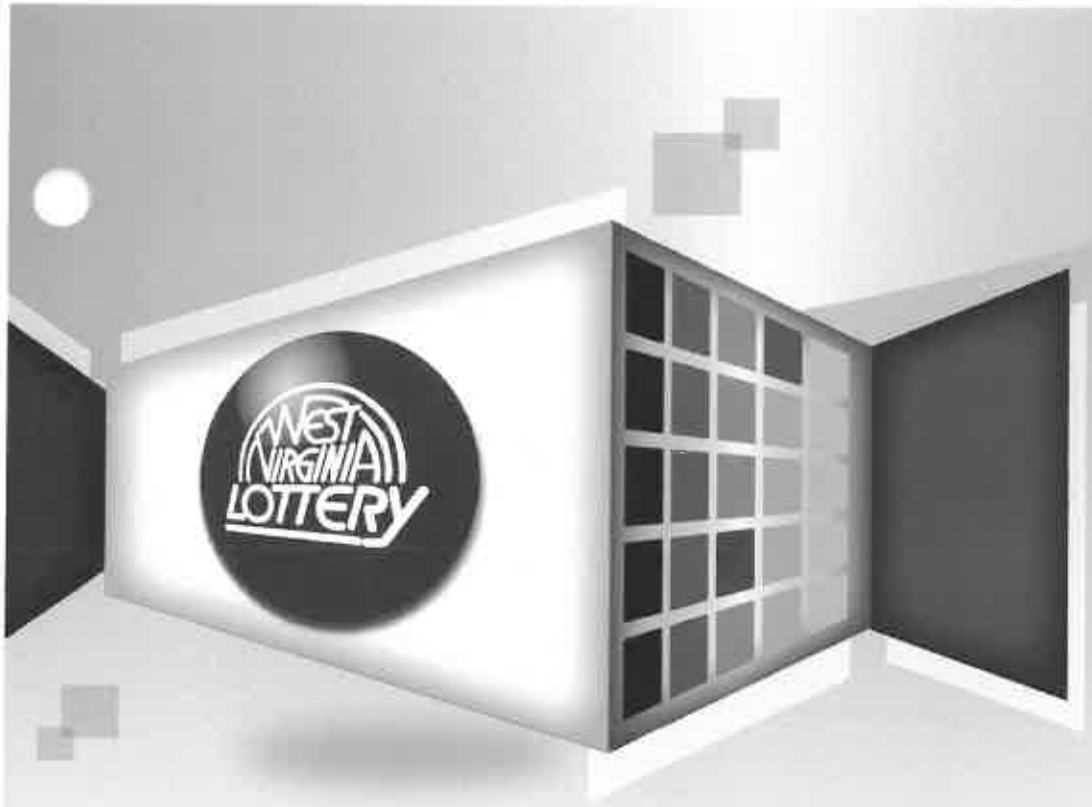


Figure 3.2-18: JIRA Create New Issue – Page 2

Additional Atlassian JIRA screens allow the review of all project issues or specific subsets. The application has been used successfully in previous SGVideo projects.

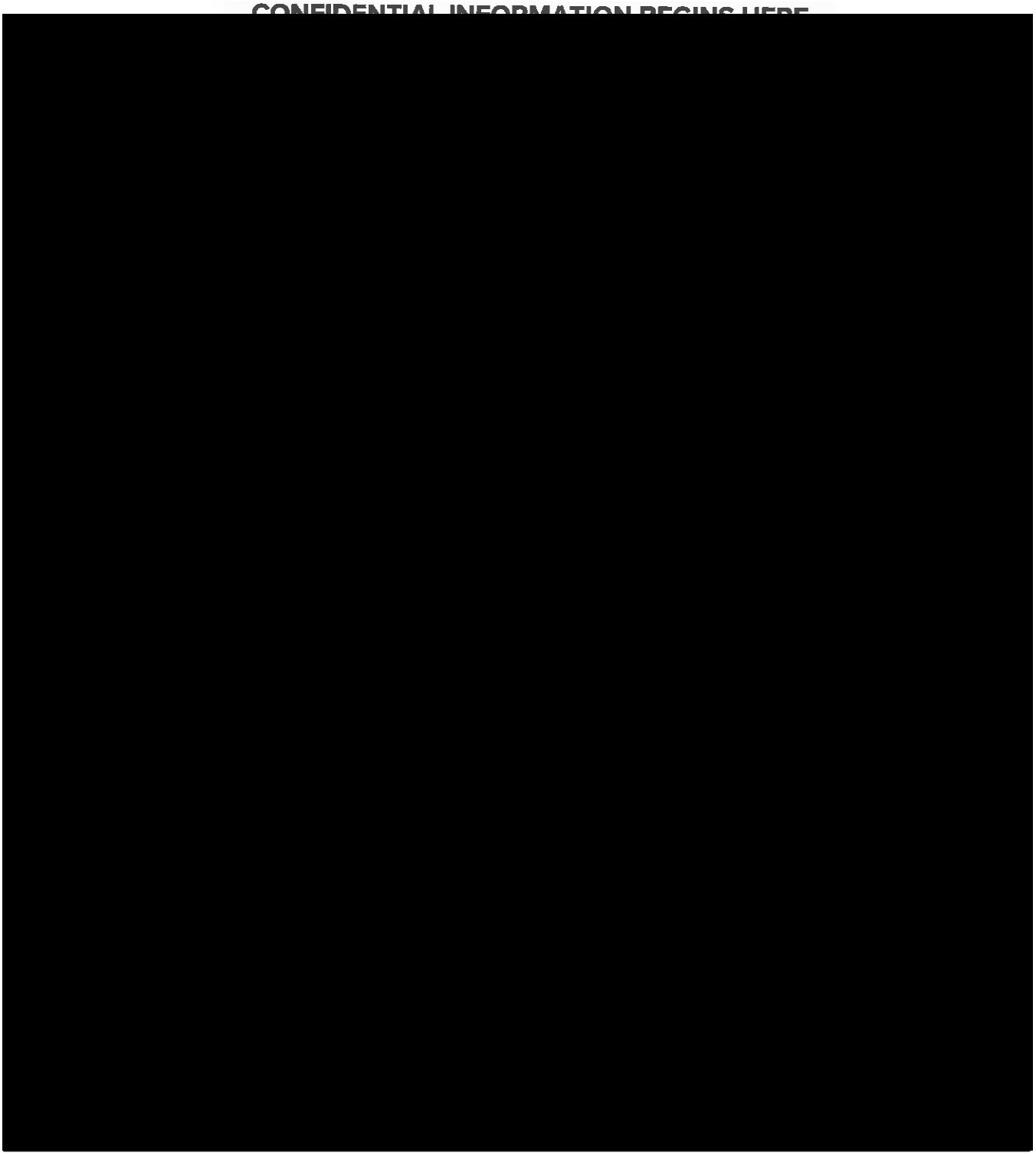
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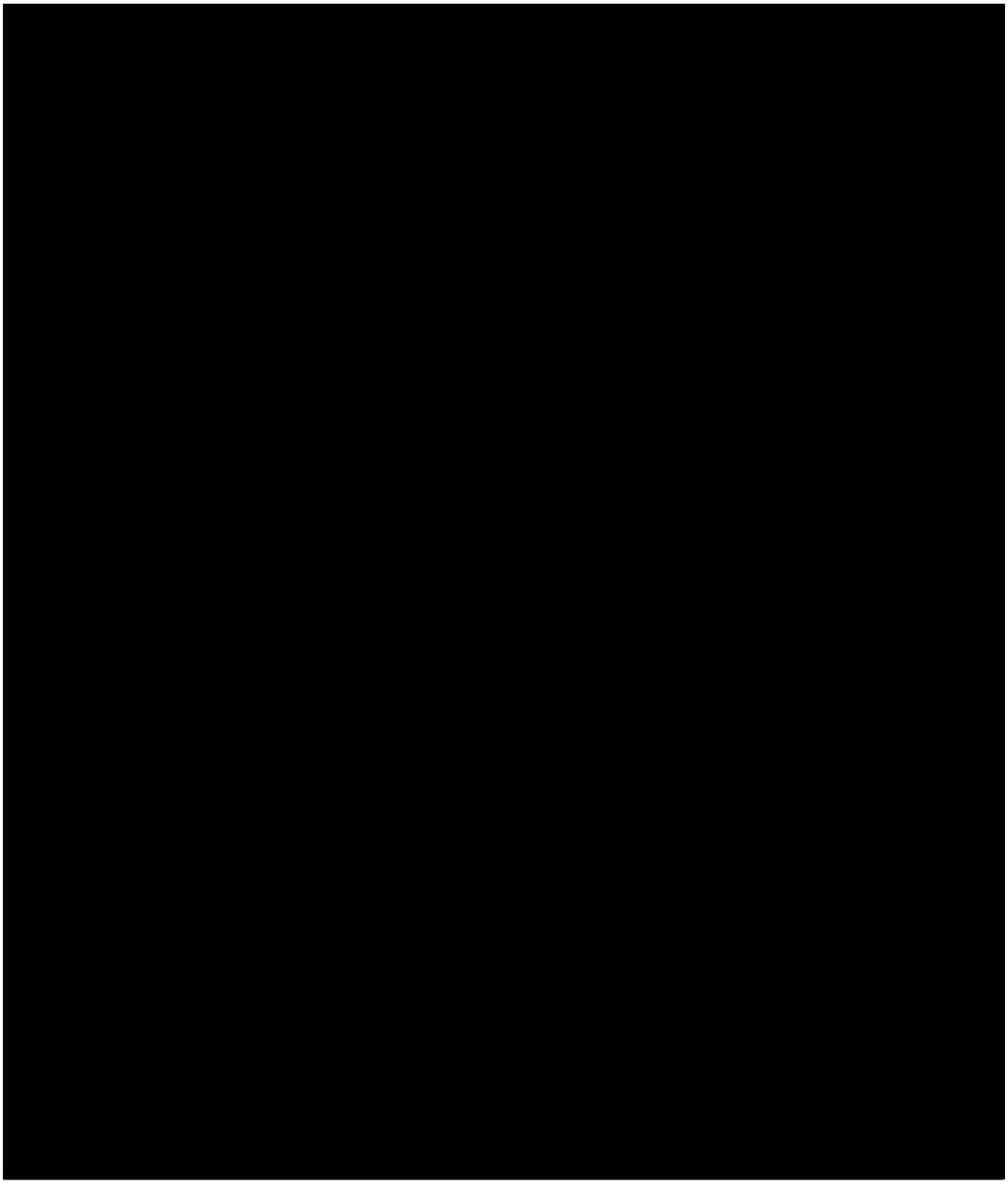


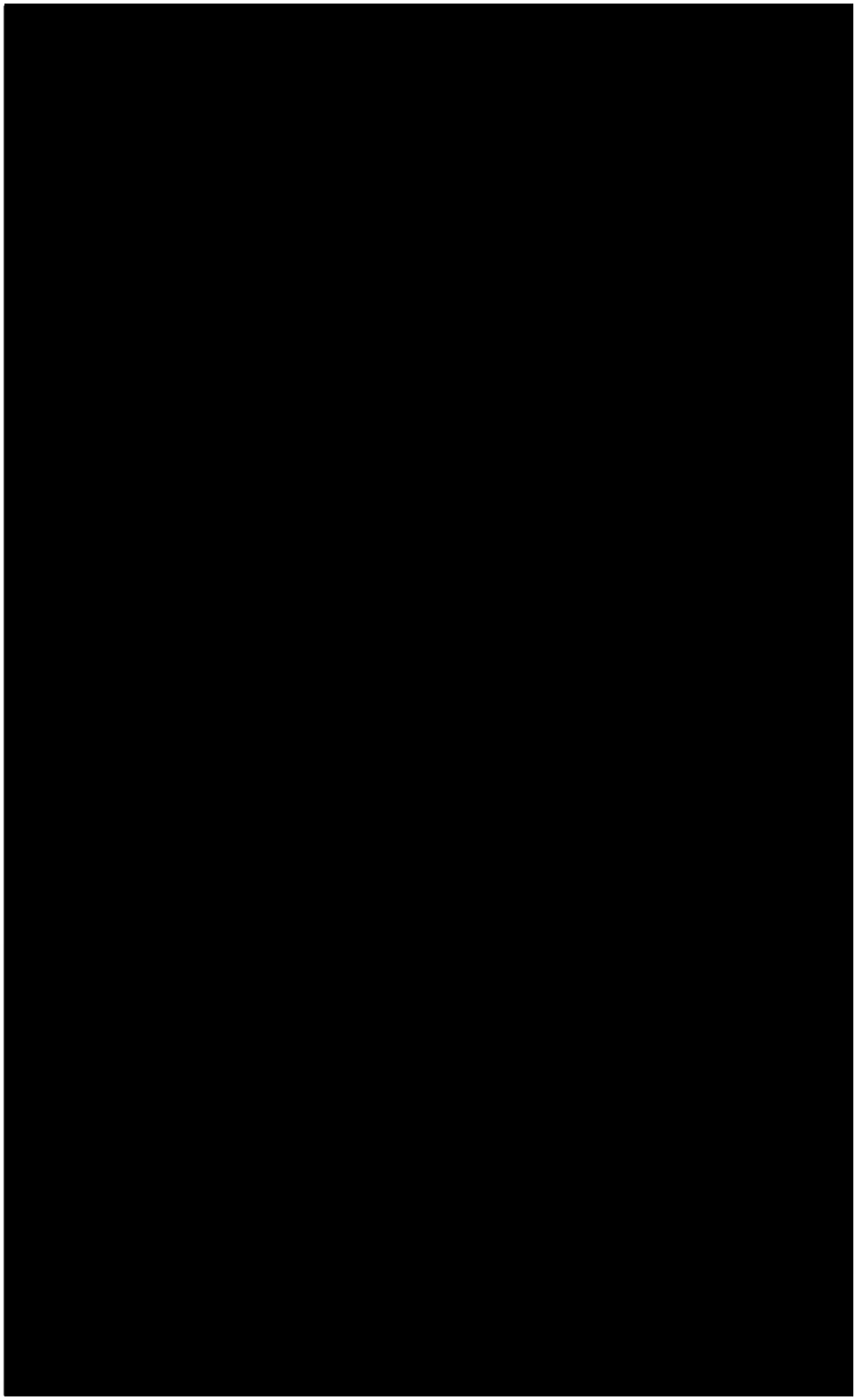
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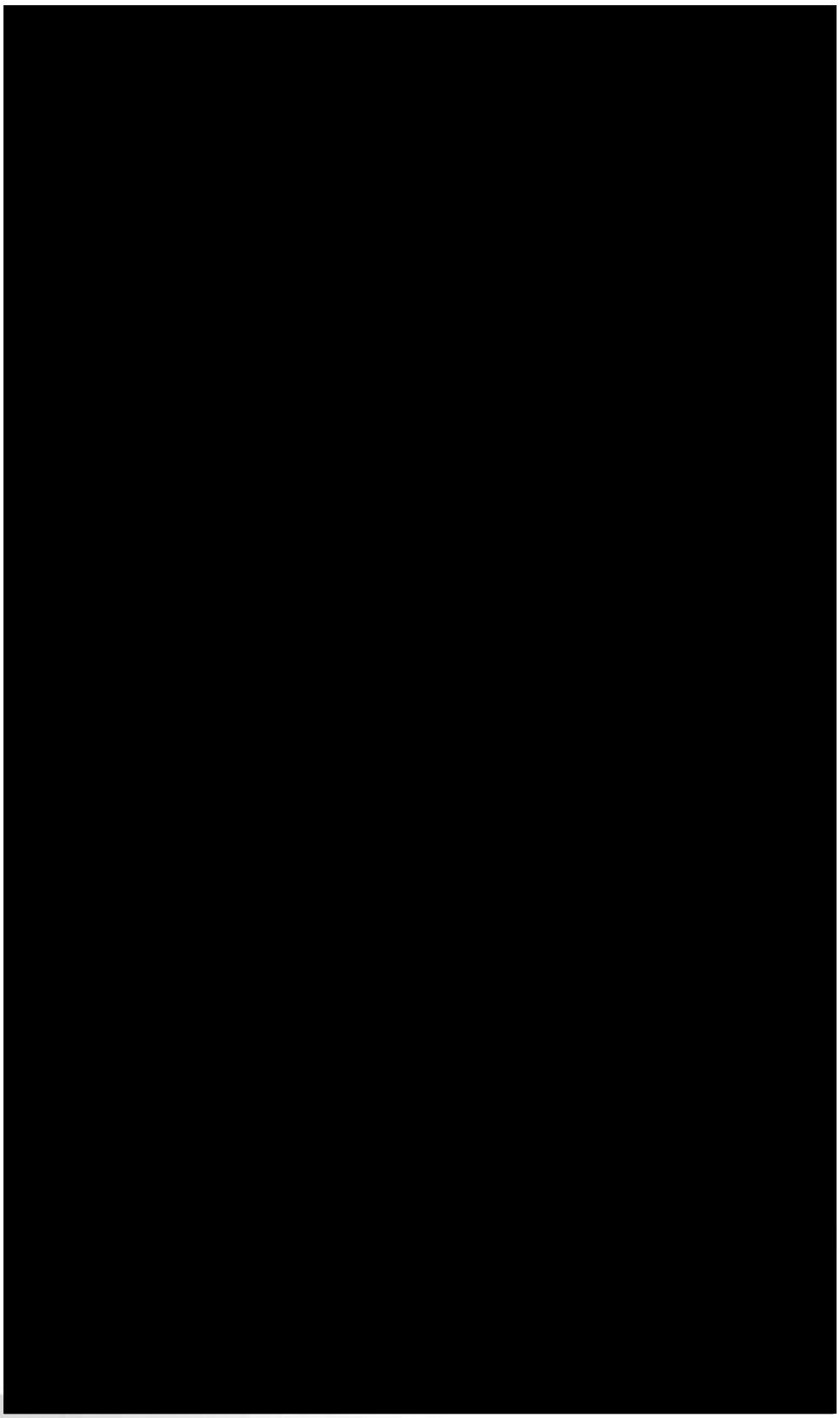
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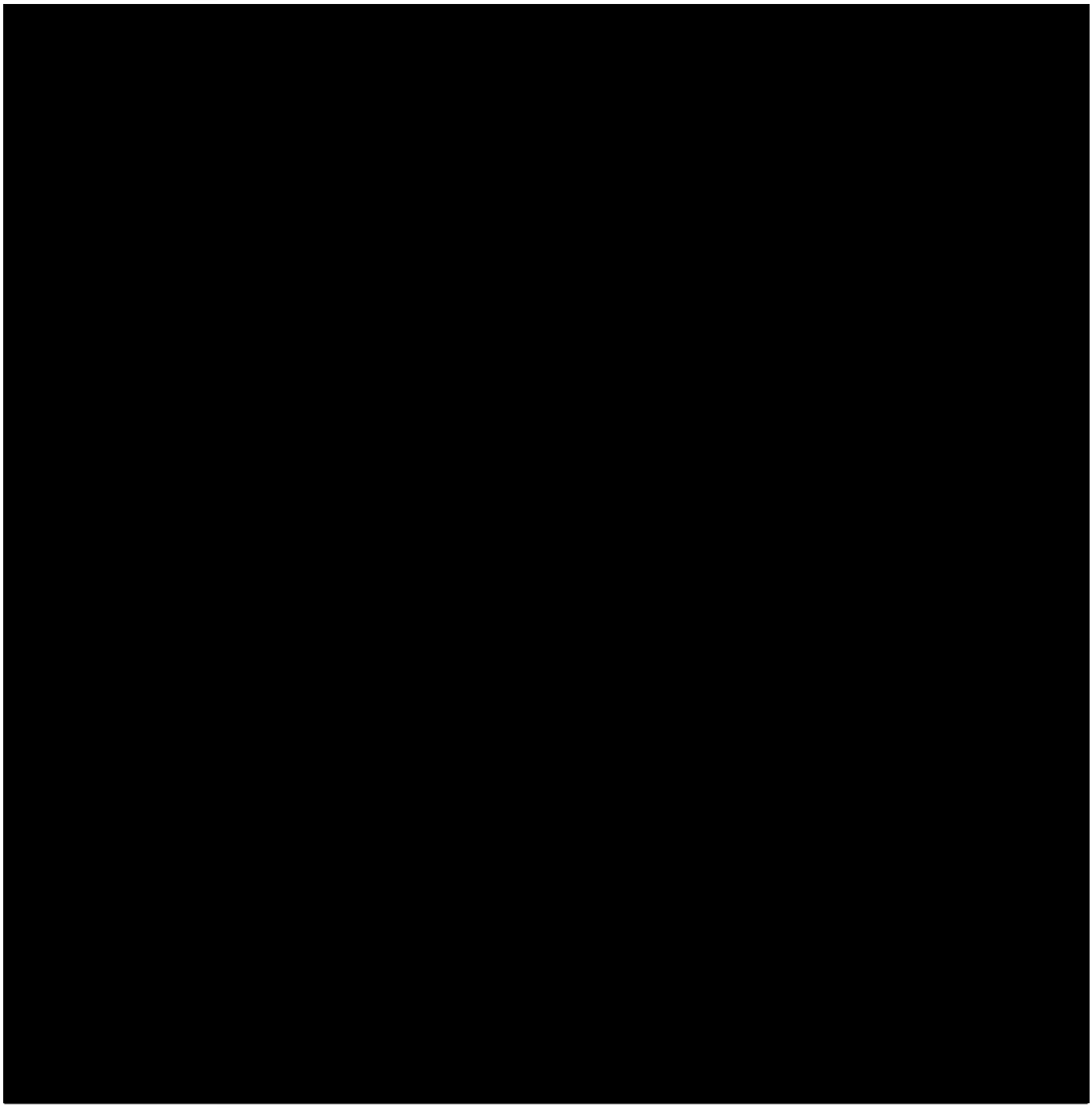
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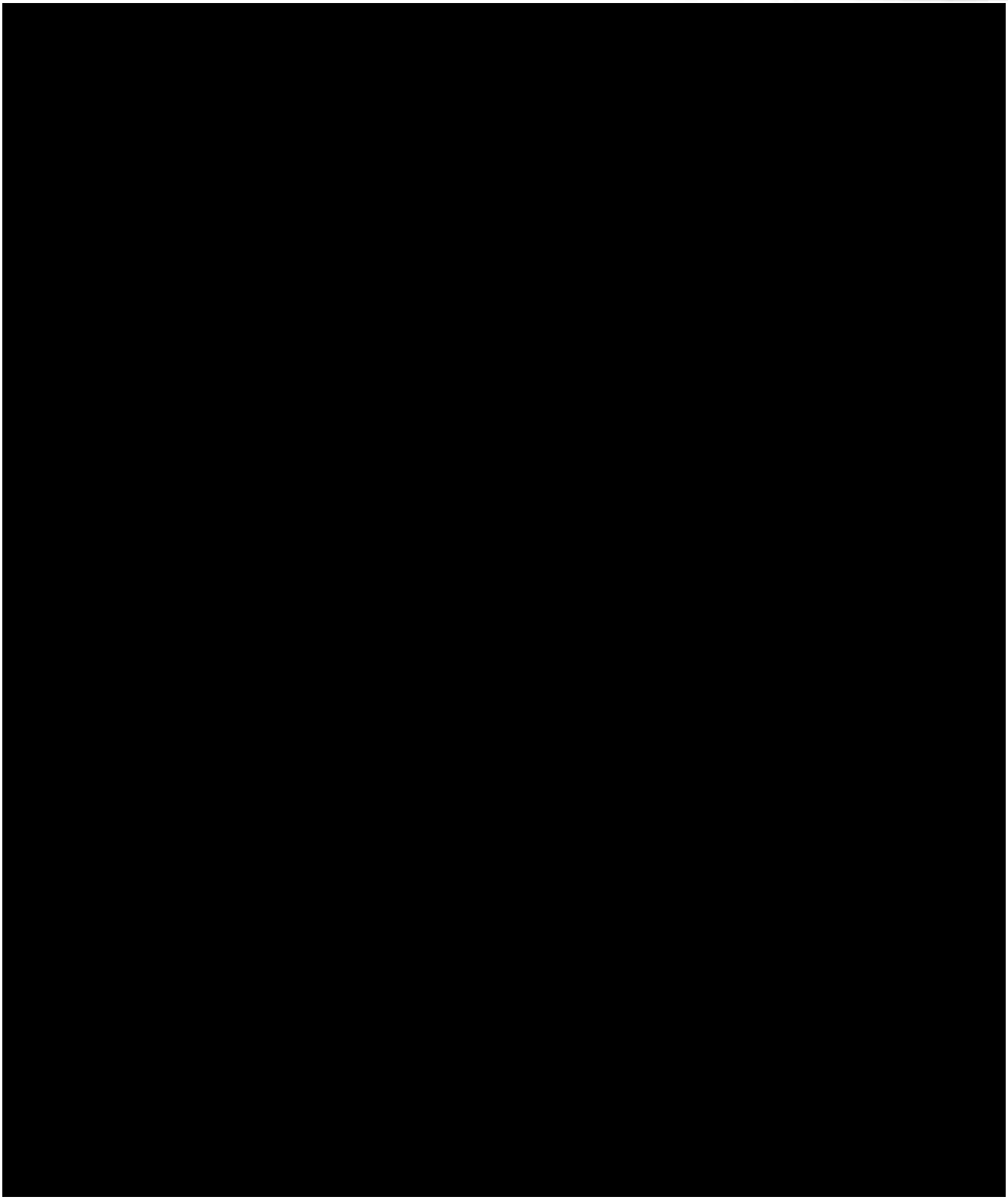


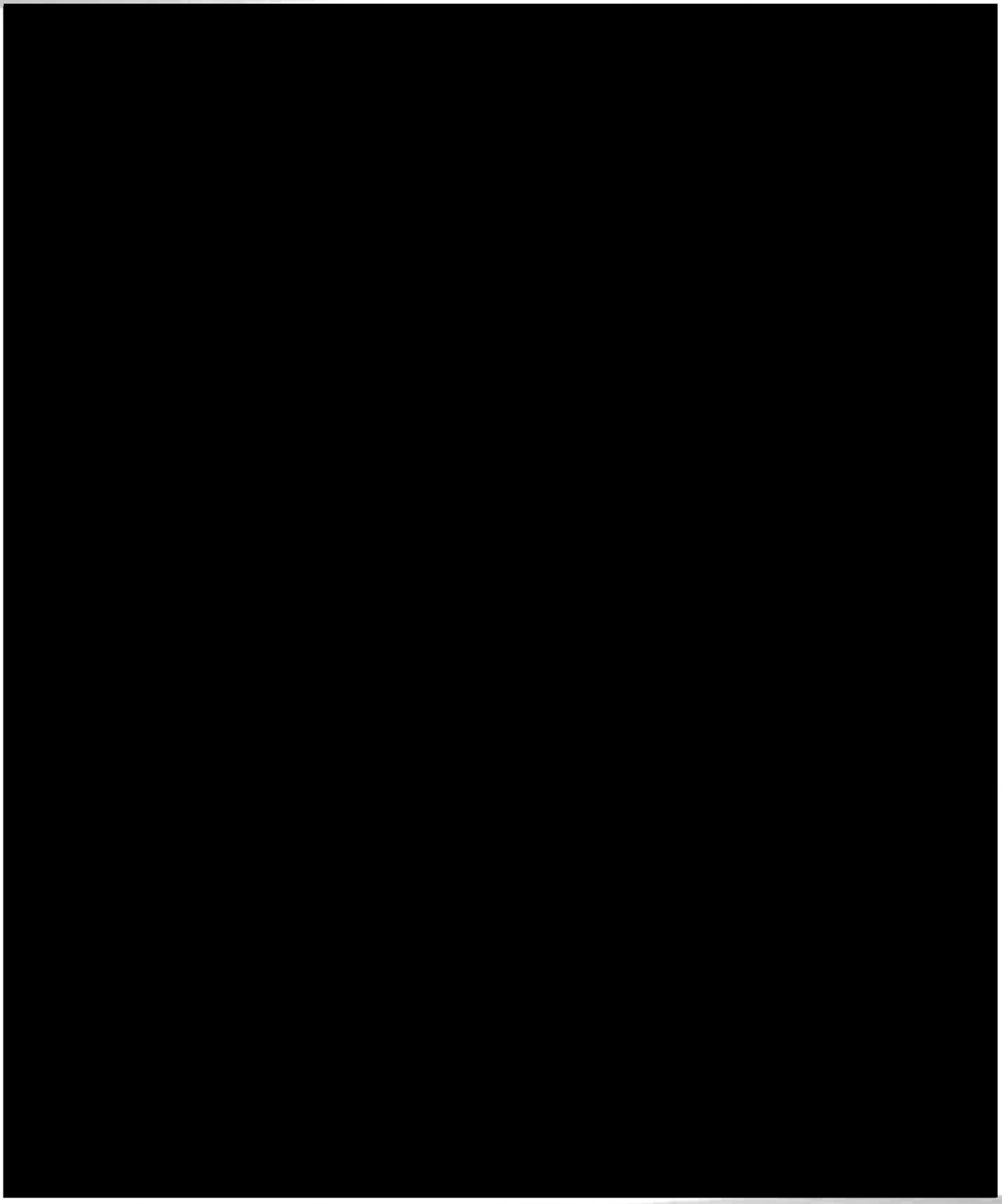


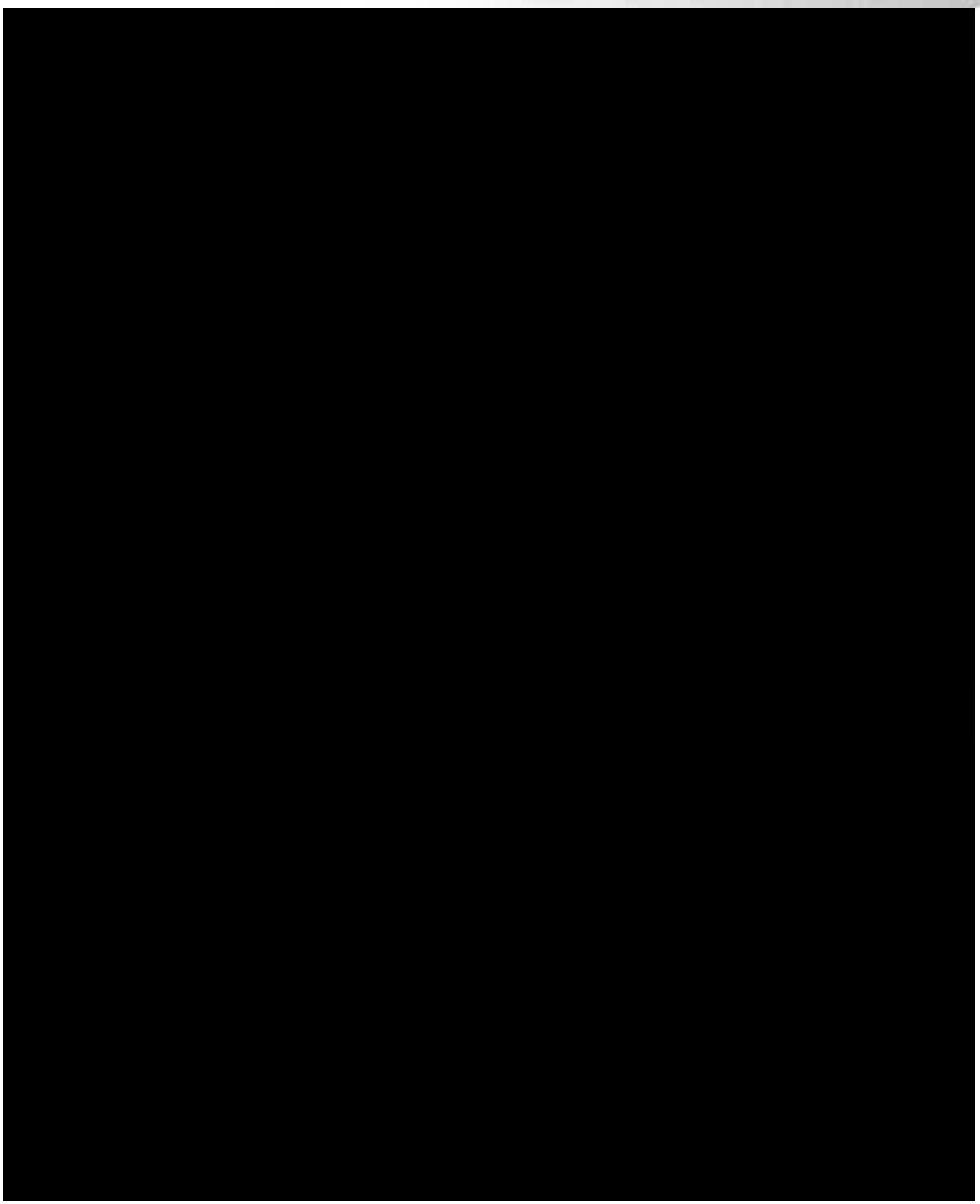


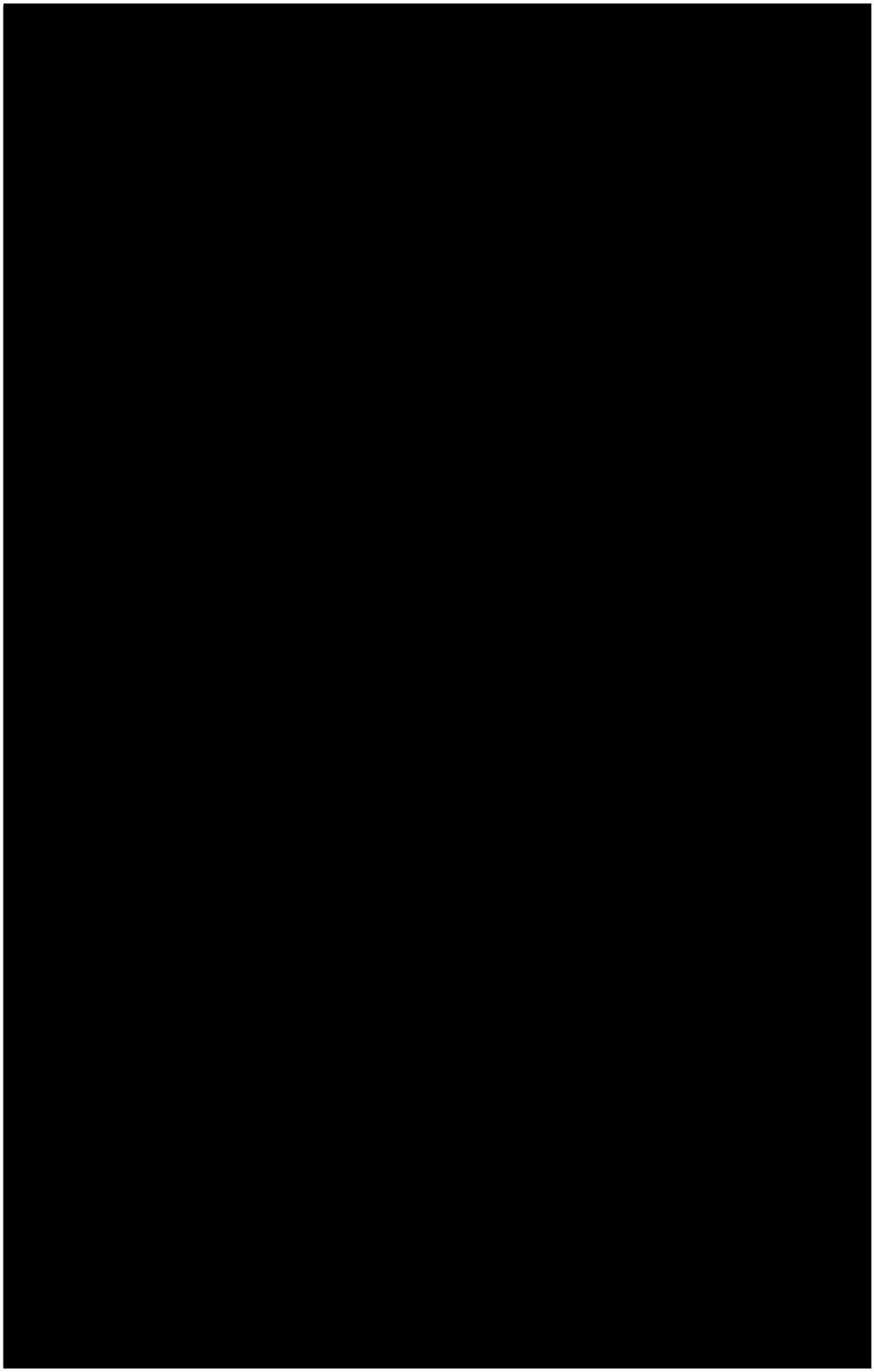


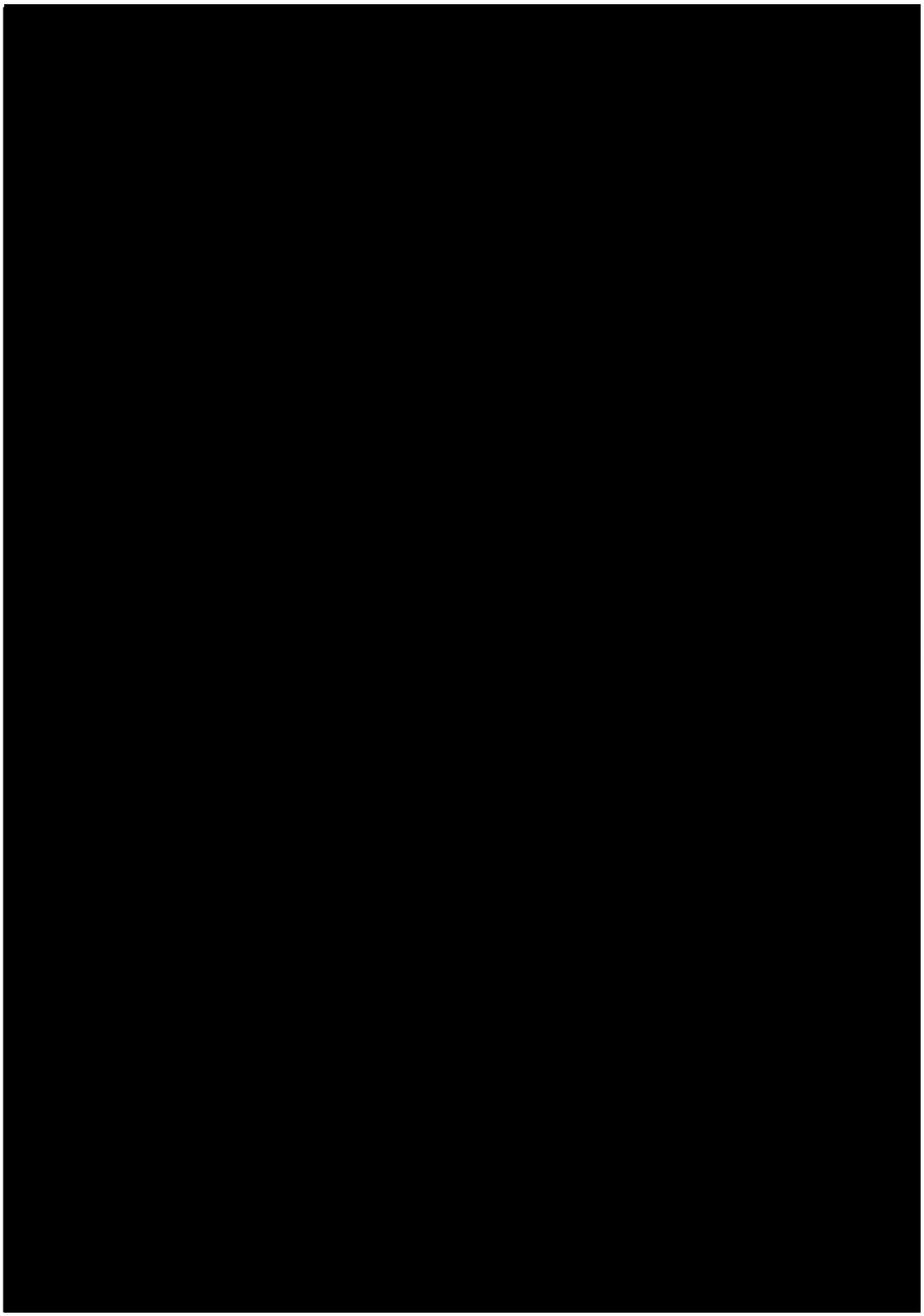


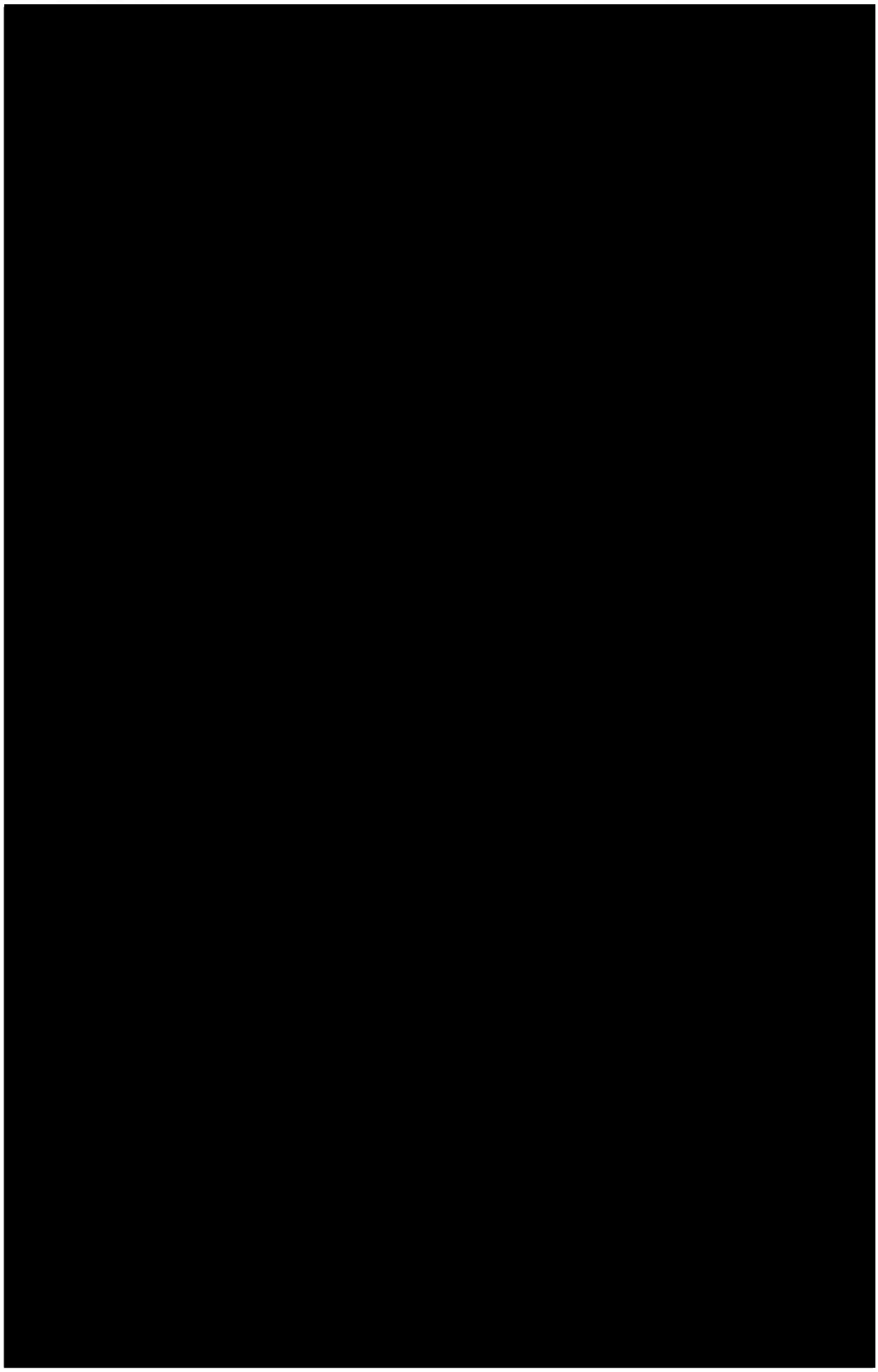


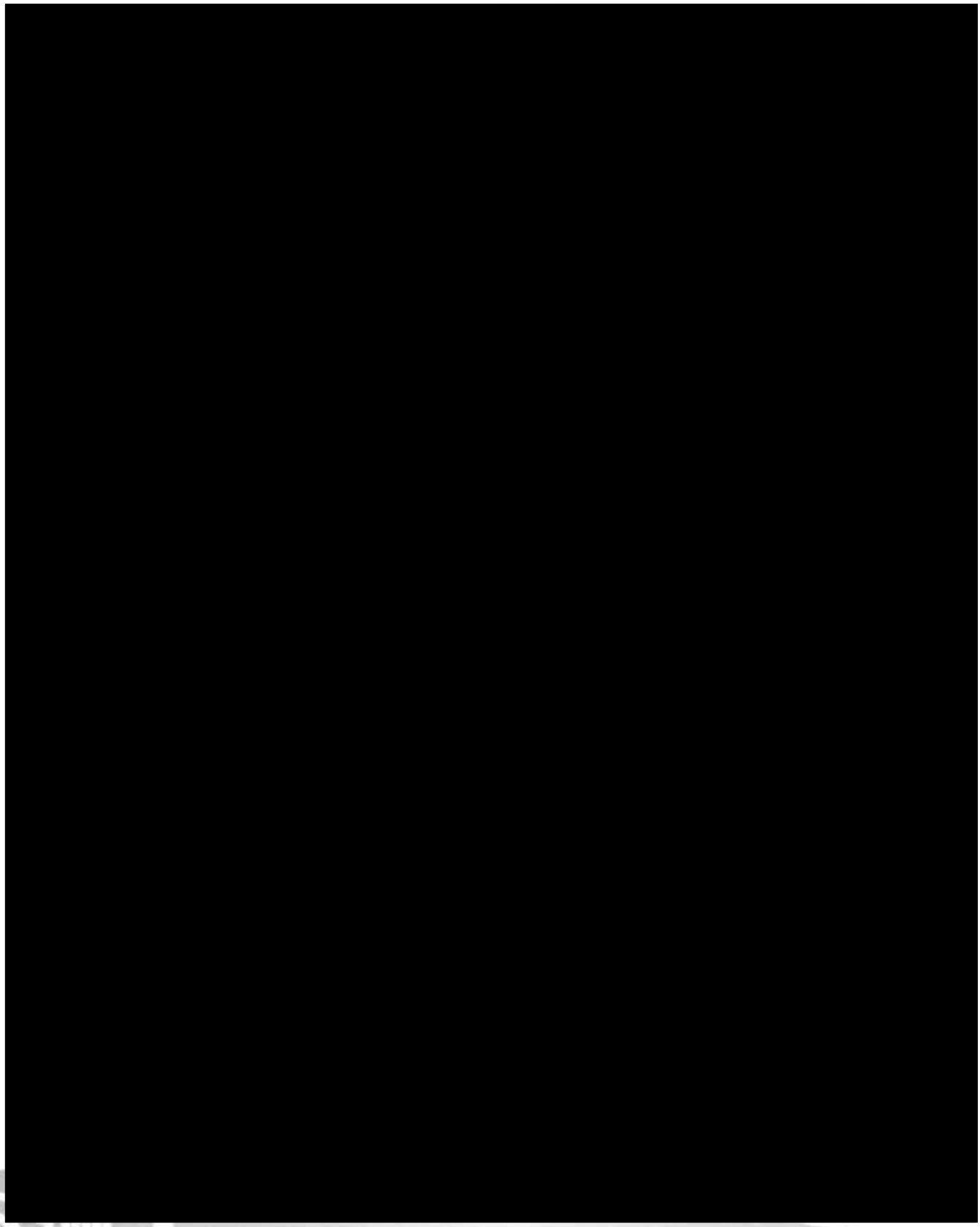


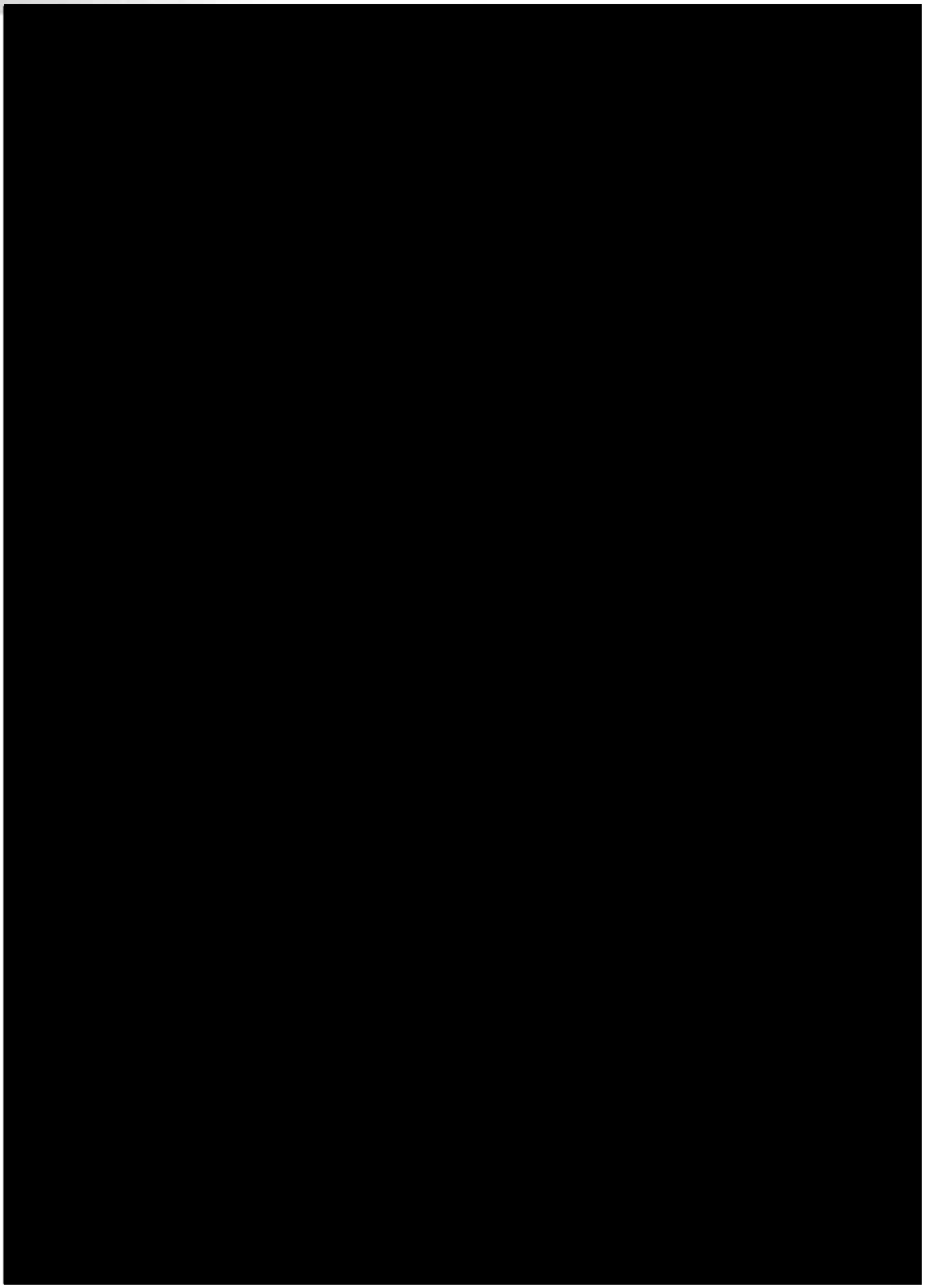


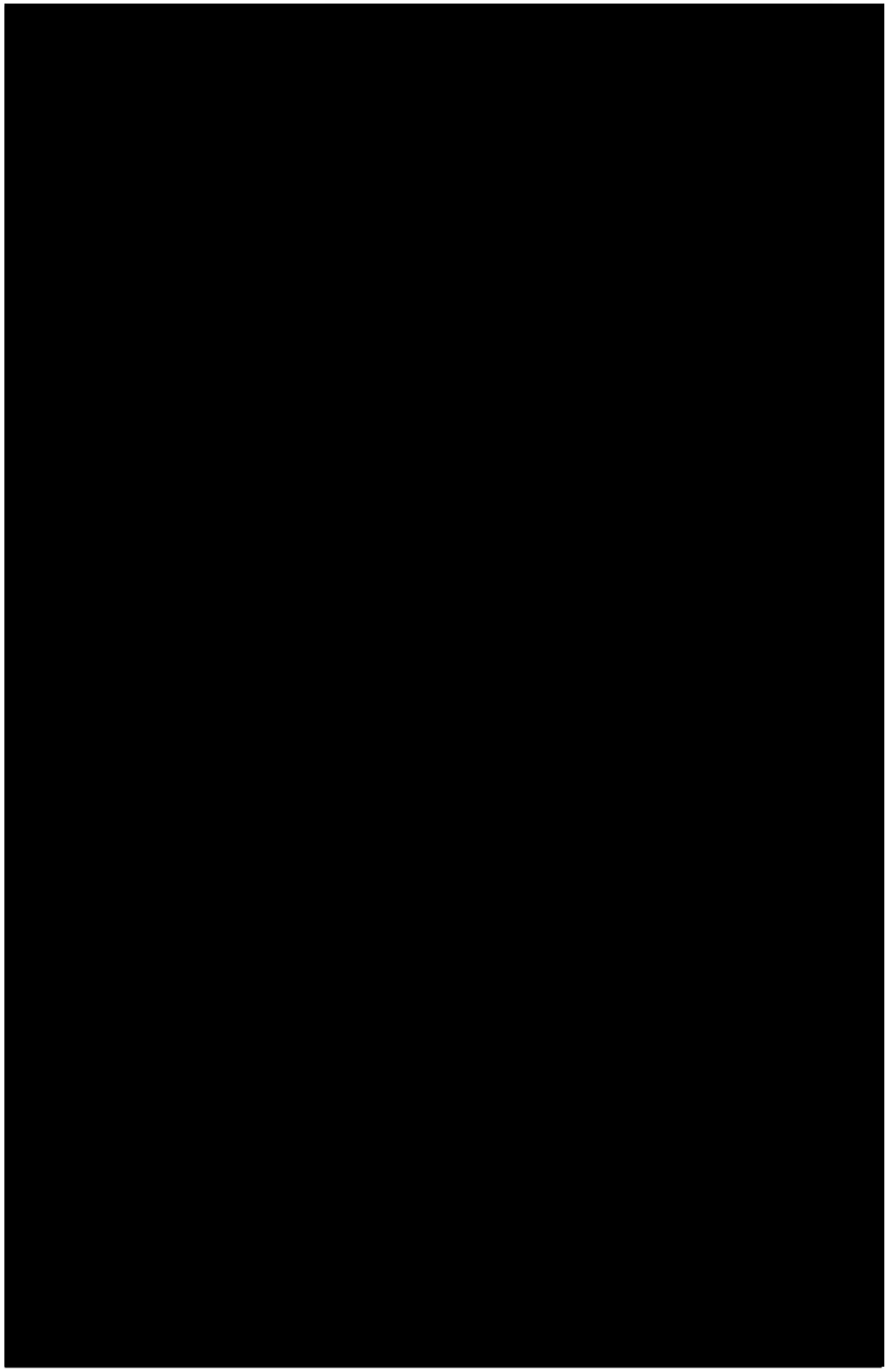


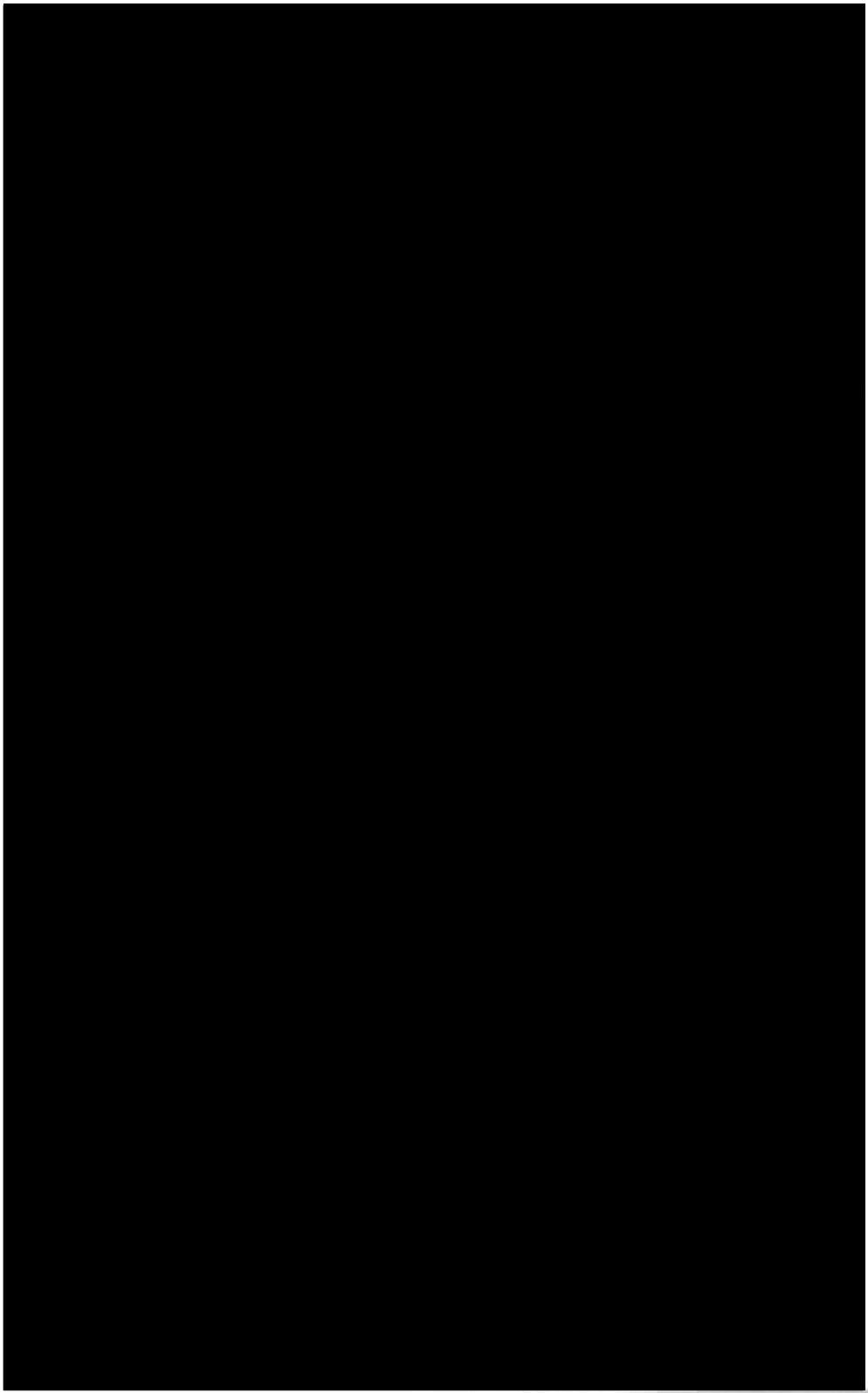


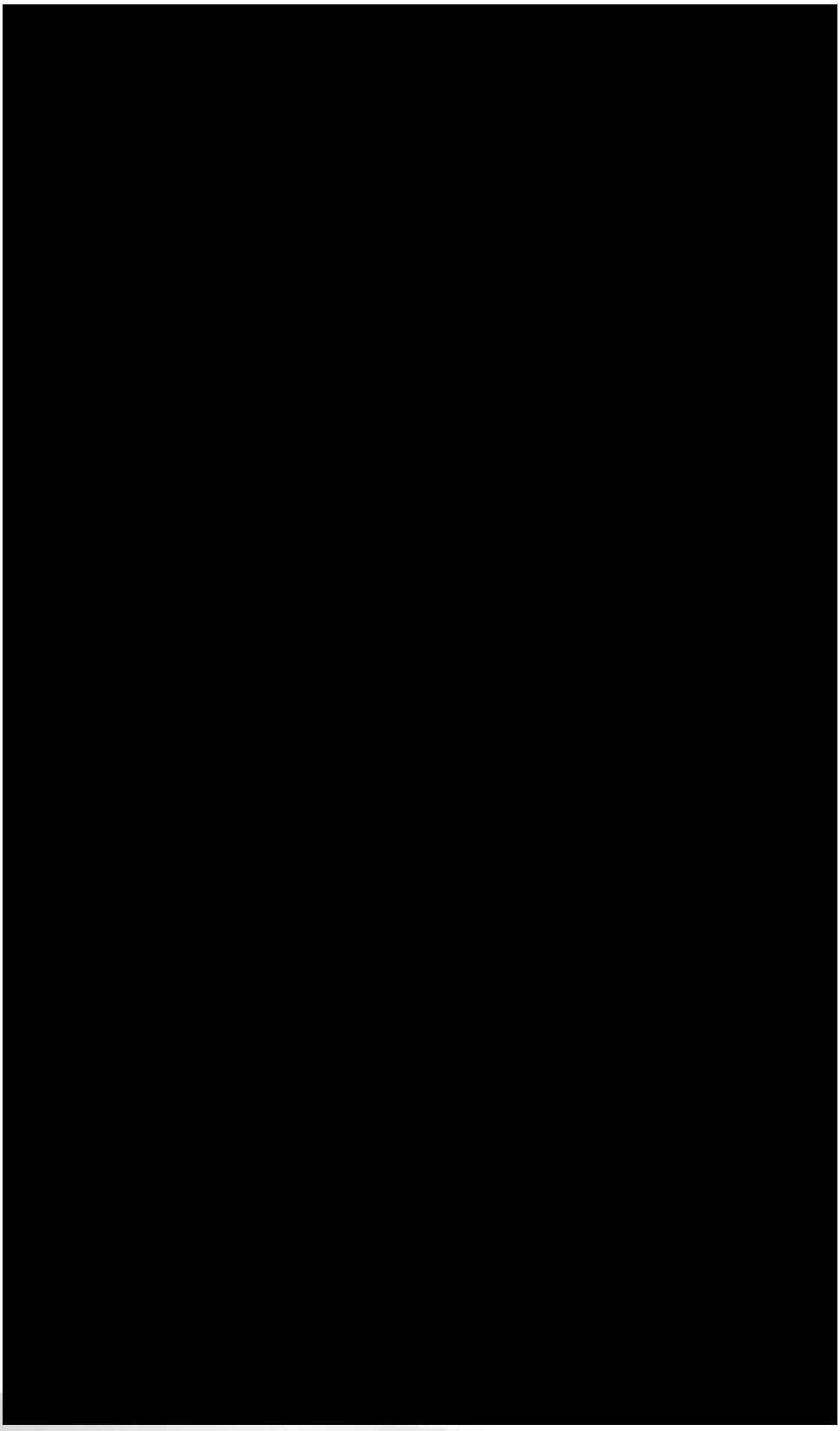


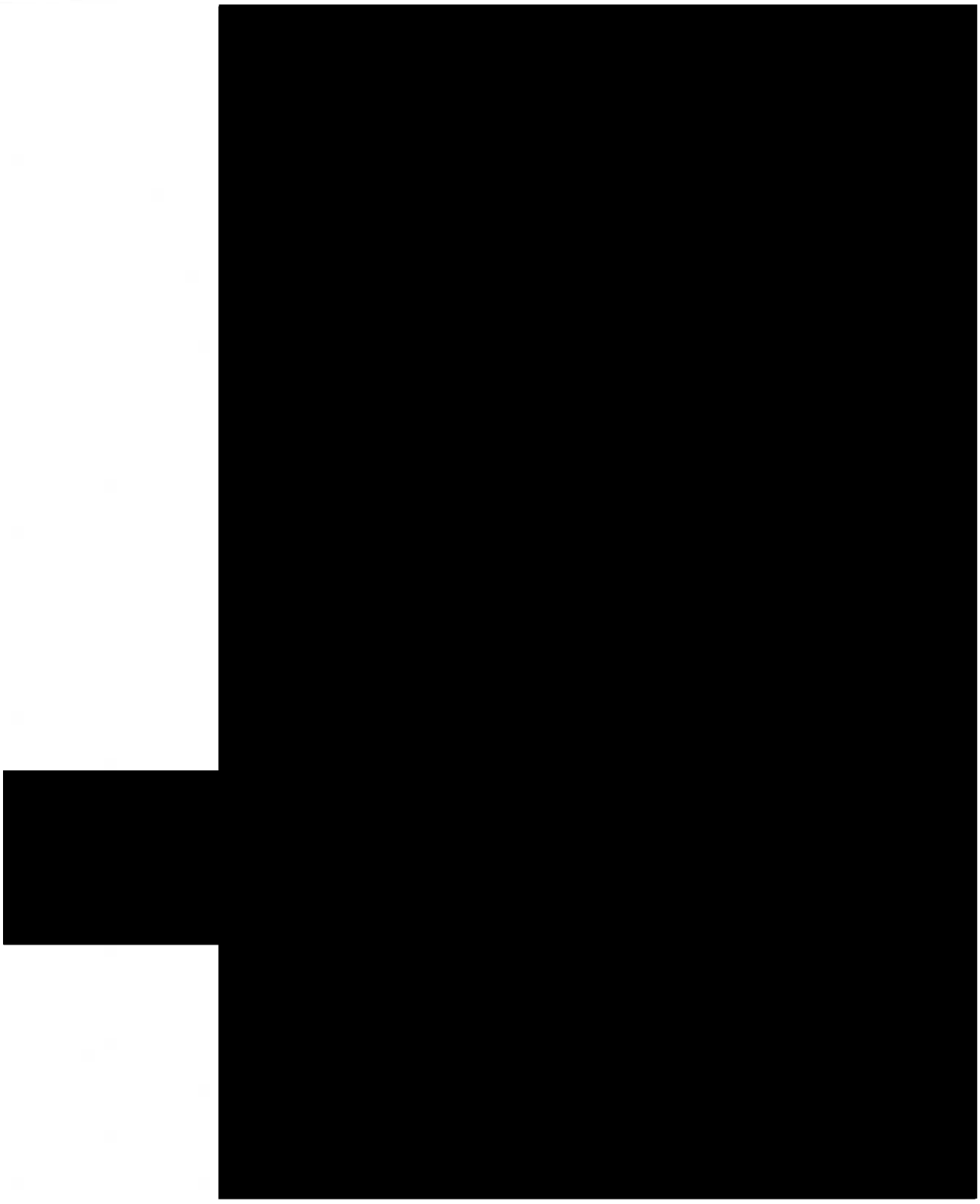




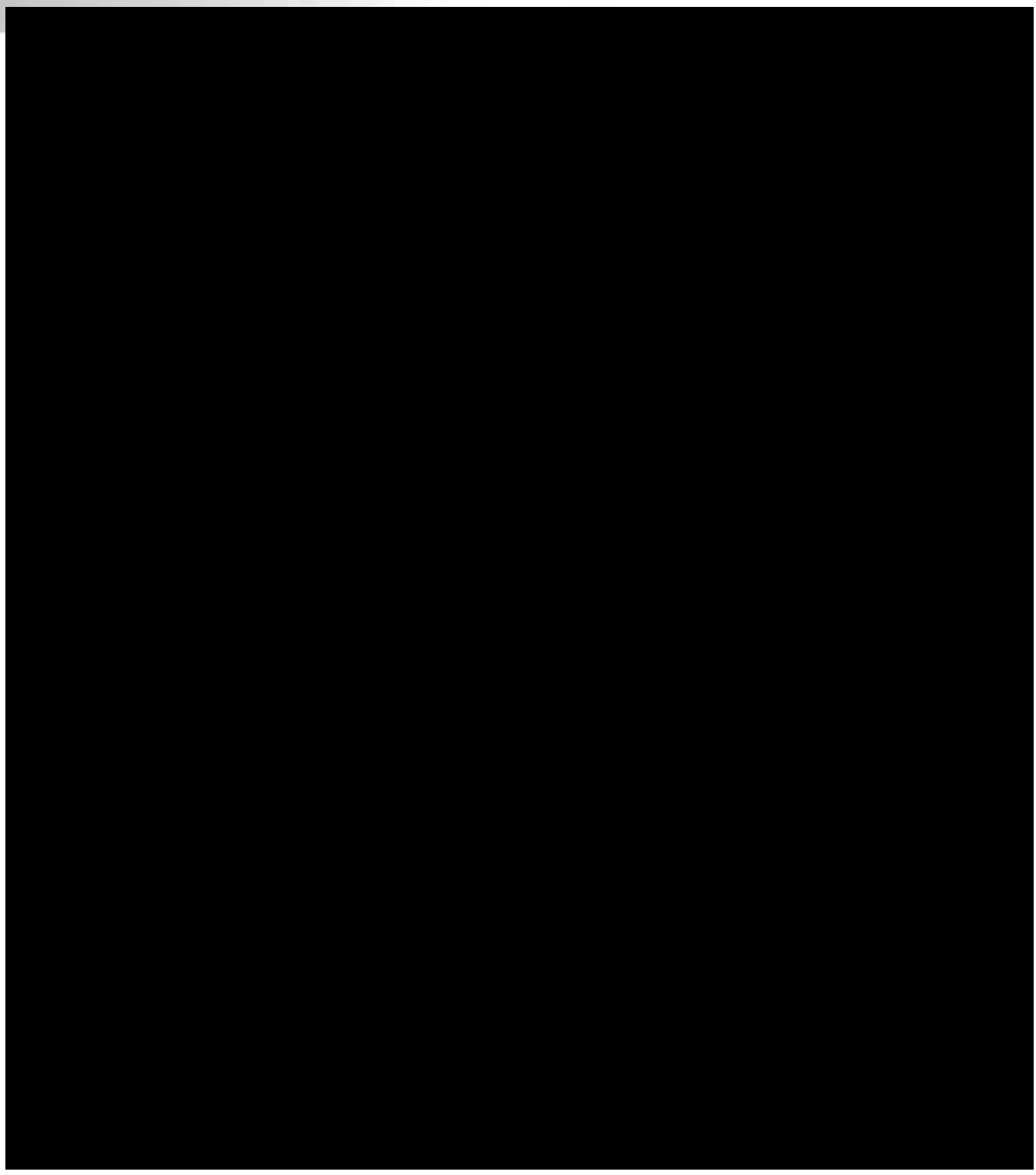




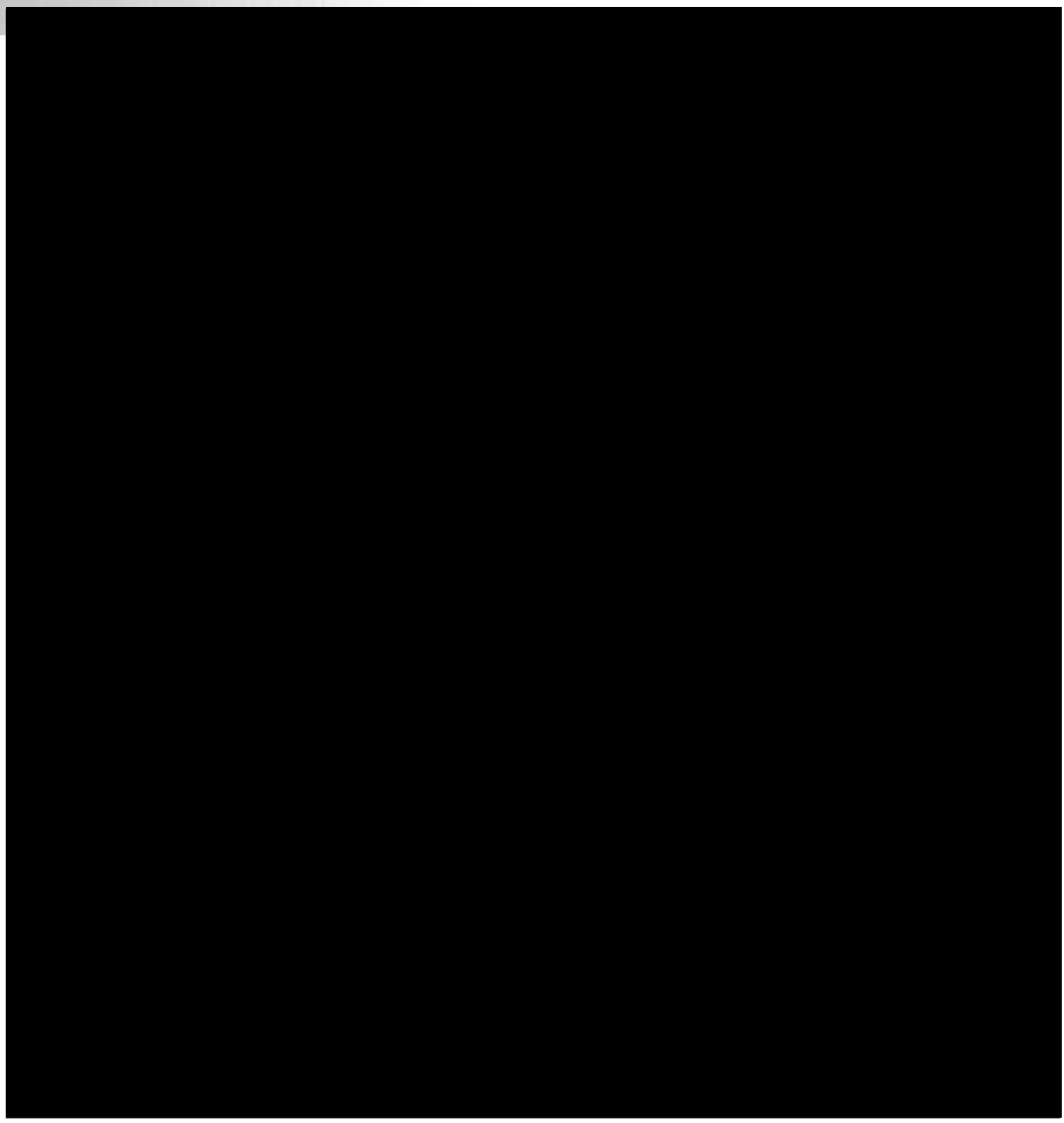














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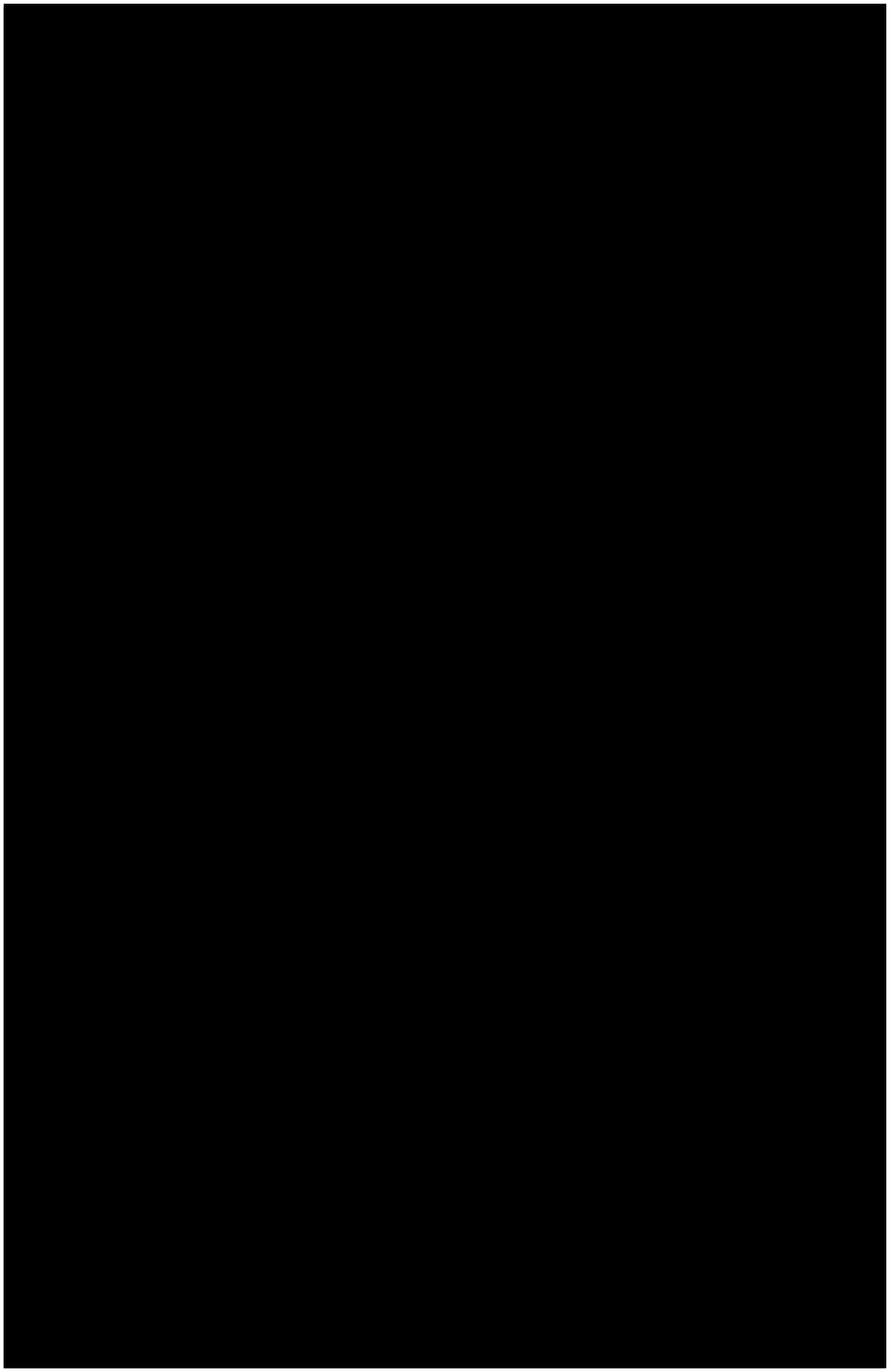
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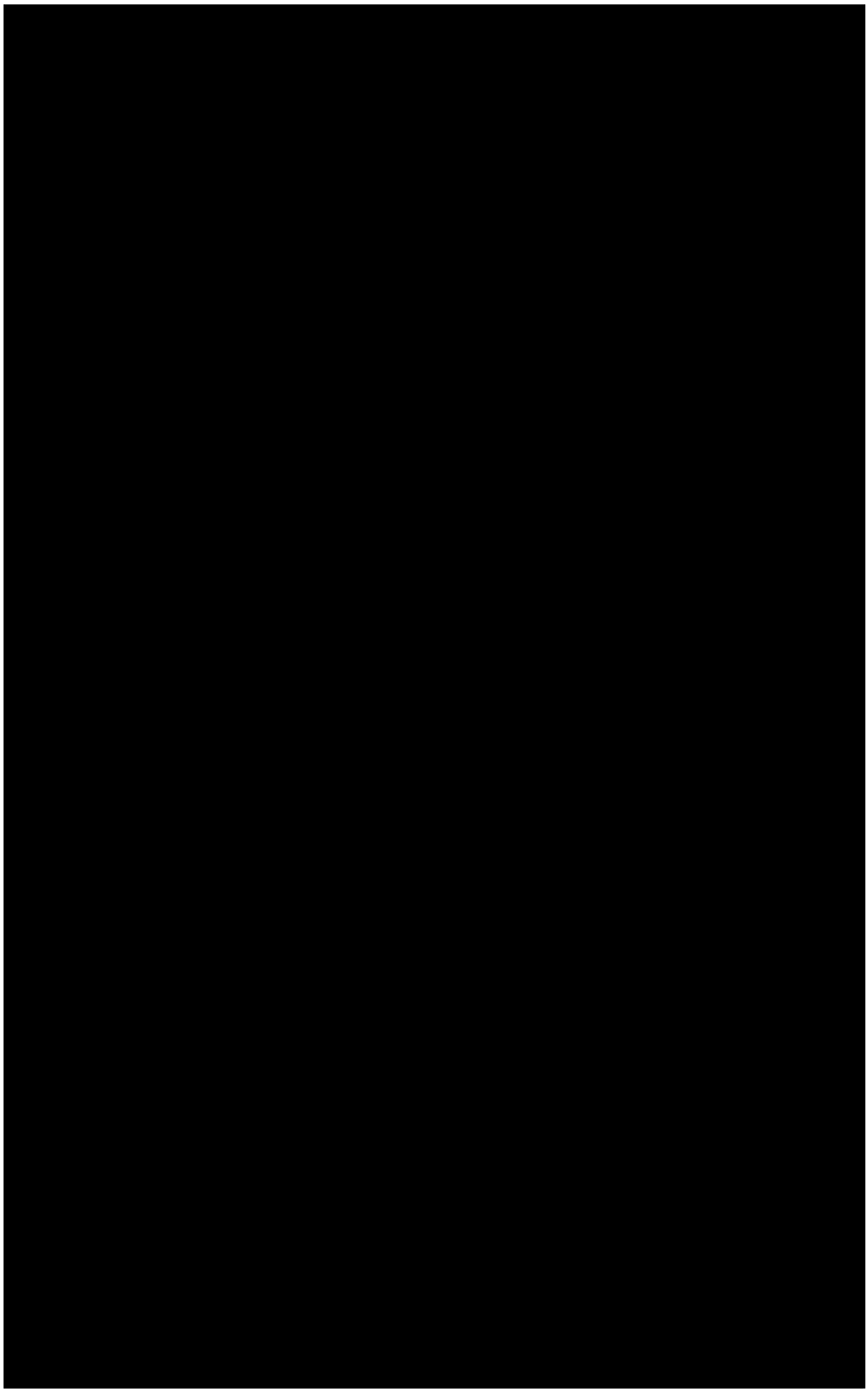




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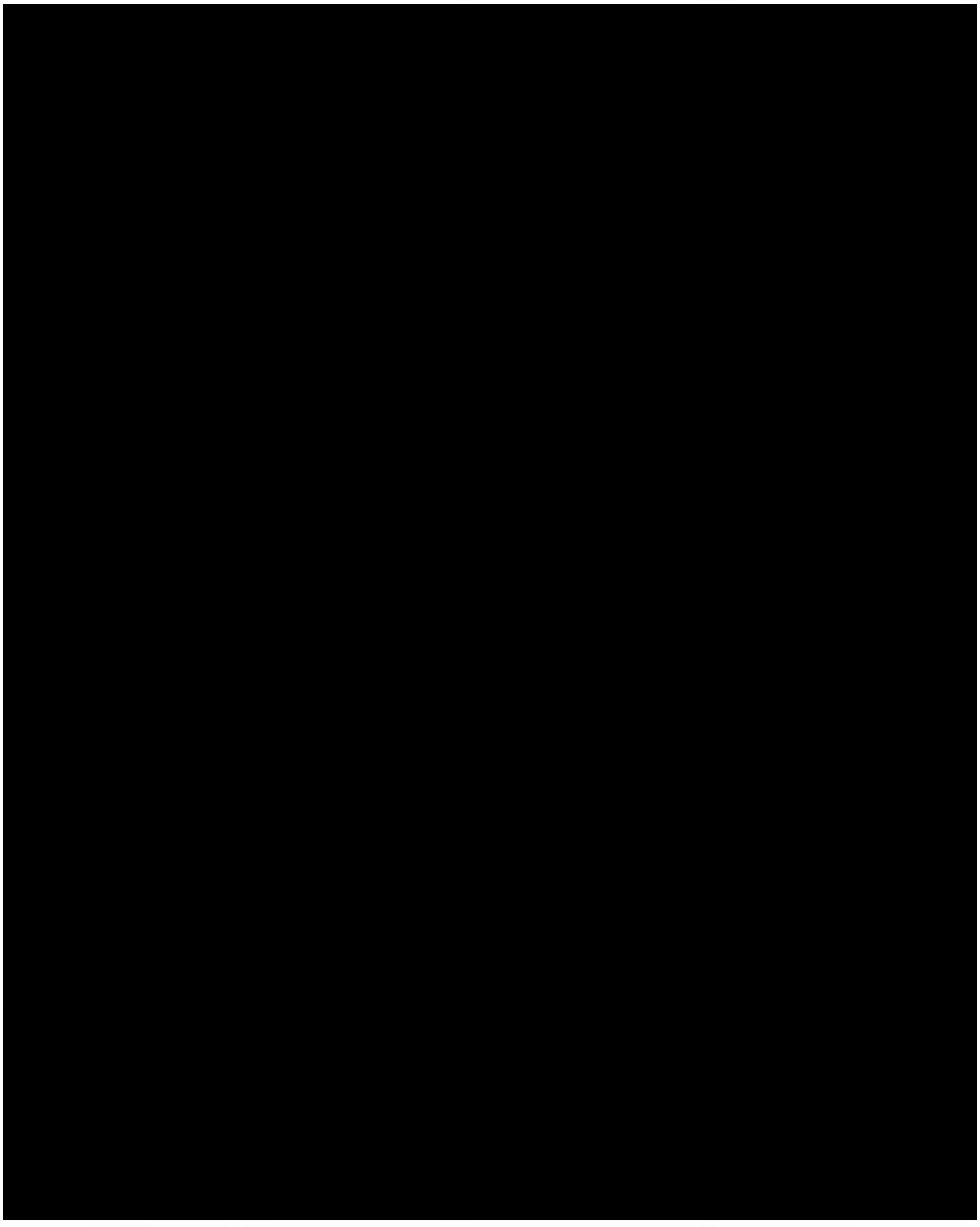
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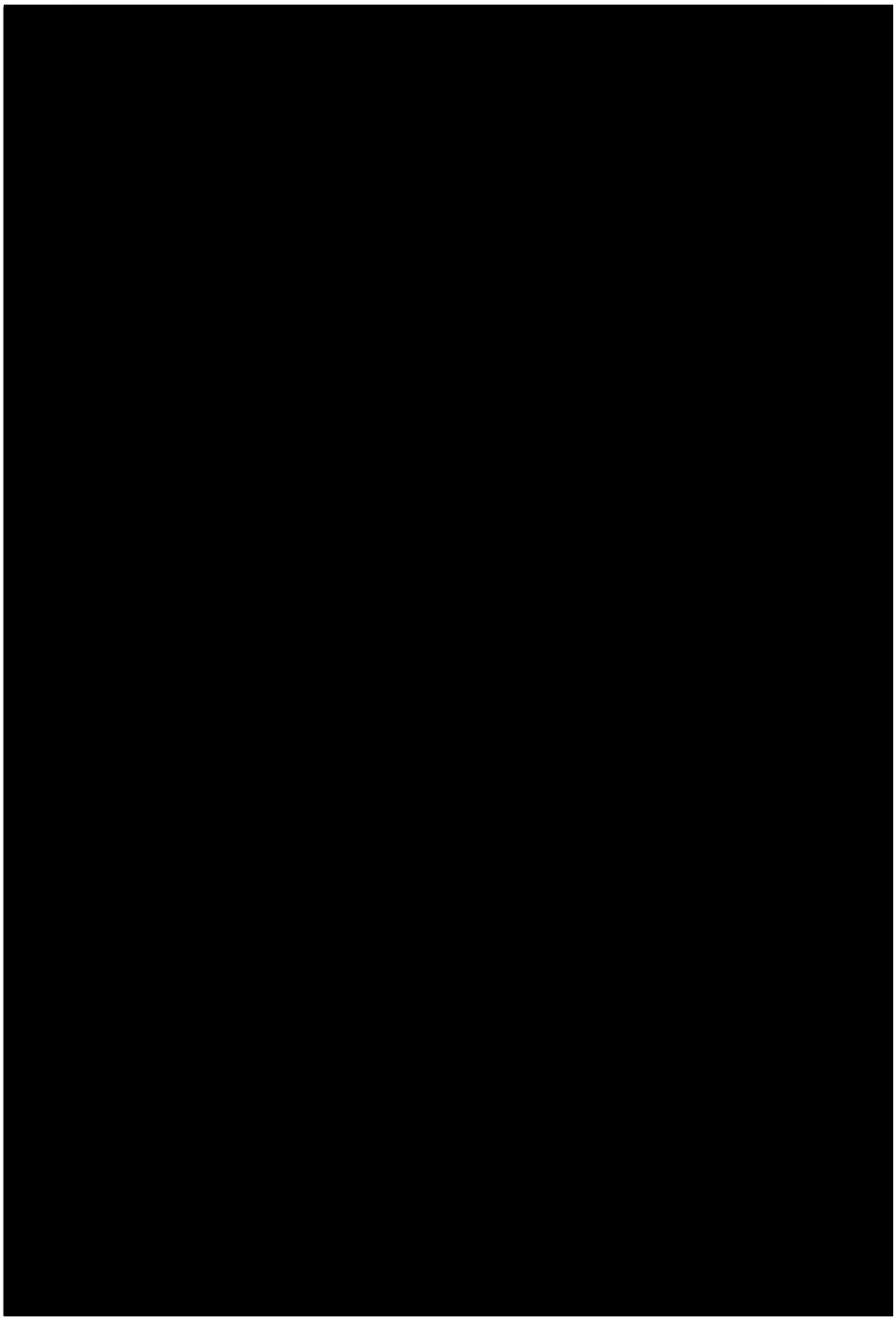
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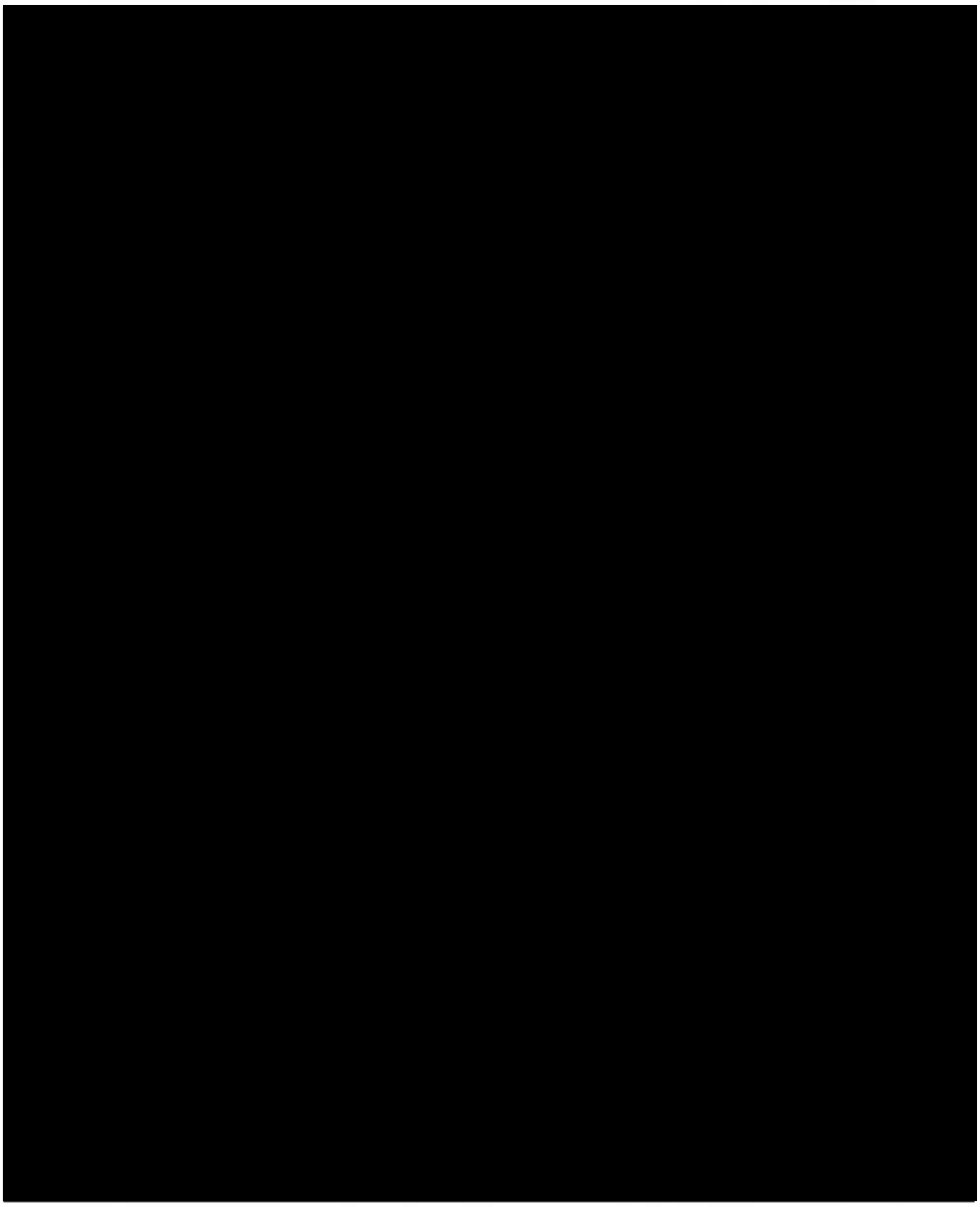
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Figure 4.1-16 presents a floor layout our Global Network Operations Center.

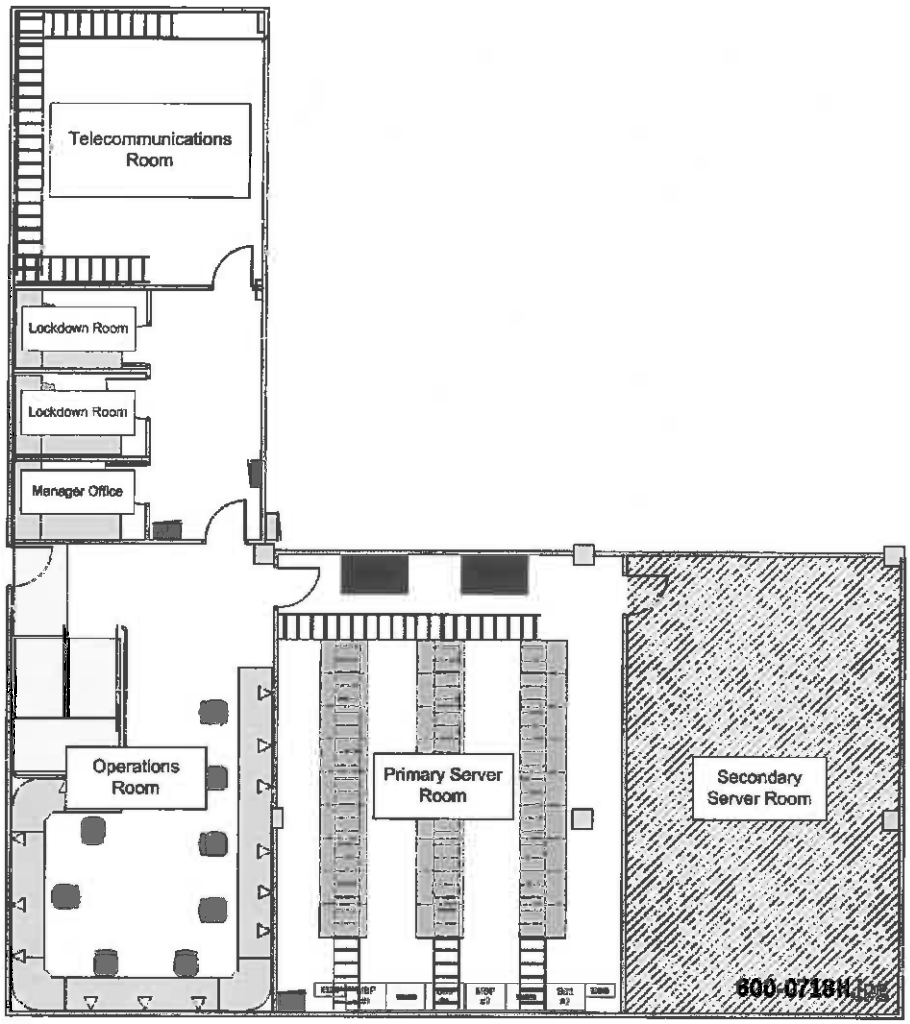


Figure 4.1-16: GNOC Physical Layout

CUSTOMER SYSTEMS HOUSED AT THE GNOC

The GNOC currently supports the production systems for the following video and online gaming customers.

Video Gaming Backup Systems

- Delaware
- Illinois
- South Dakota

Online Lottery Systems

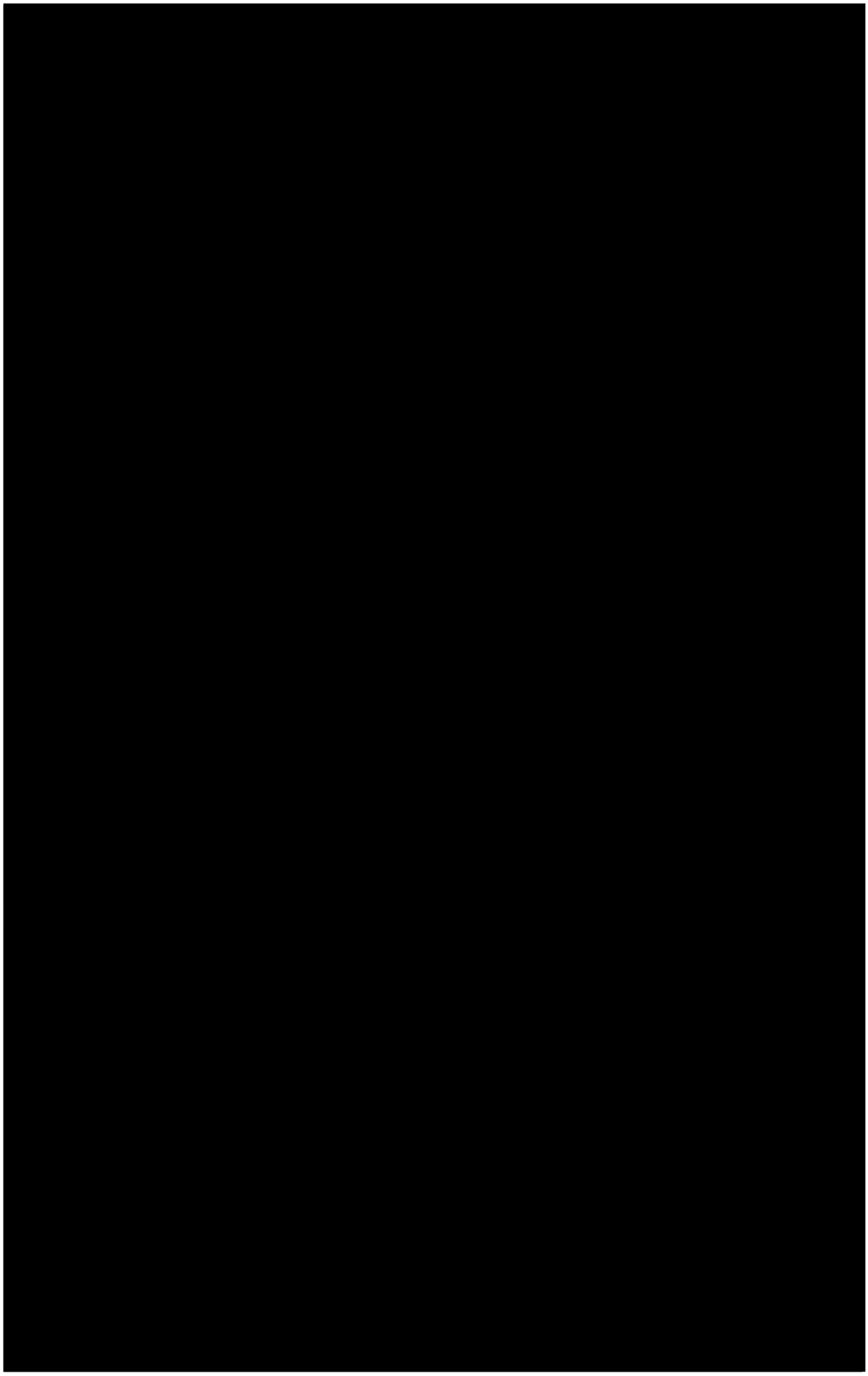
- North Dakota (primary)
- Connecticut (backup)
- Iowa (backup)
- Oklahoma (backup)
- Pennsylvania (backup)
- Maine (backup)
- Delaware (backup)

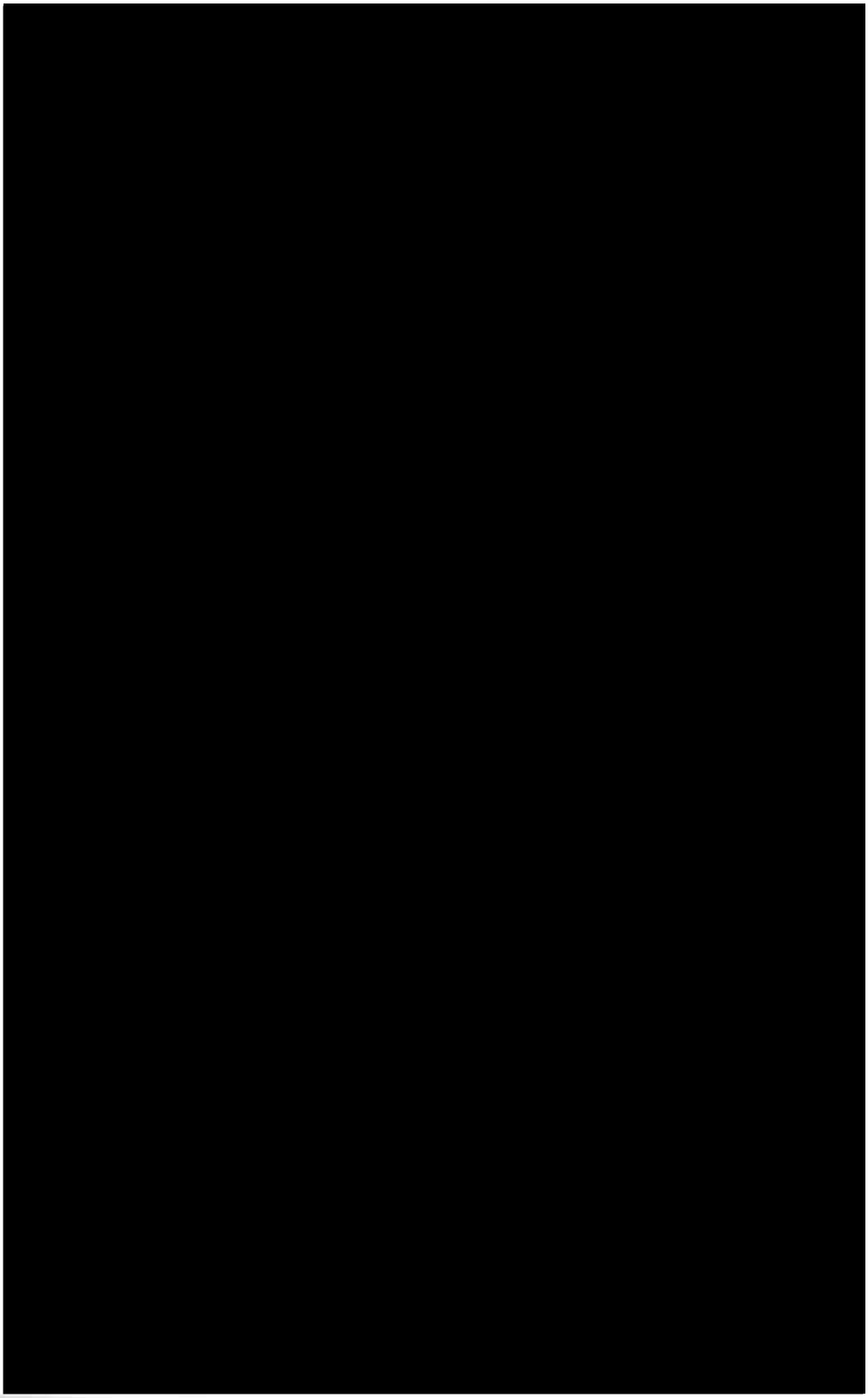
The GNOC houses the production system for the PlayCentral® scratch ticket vending machine. It also provides support for MDI's Interactive Services offerings, including web-based player loyalty and second chance game entry systems.

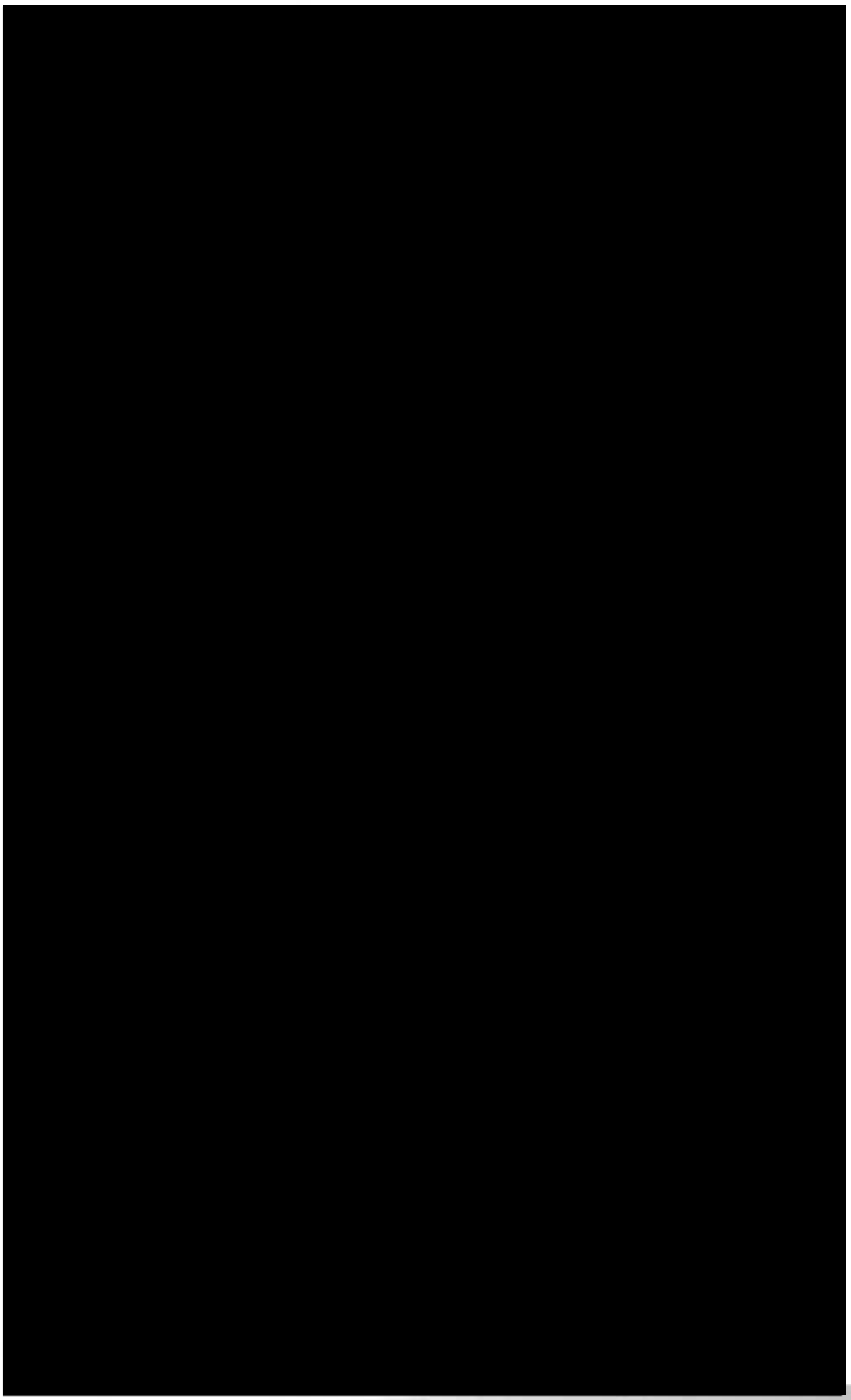
Recent systems installed in the GNOC were back-up servers for the Iowa Lottery gaming system and the Illinois Gaming Board's video CMS. We certify that all systems, equipment, facilities and security comply with, and meet or exceed, all multi- jurisdictional requirements at the production launch of each successive new system.

By simplifying the operational environment, and co-locating multiple jurisdictions under a single operations staff, we offer the following tangible business benefits to our gaming industry partners.

- By concentrating on data center best practices, we improve business effectiveness.
- A stable, flexible and well-managed data center aligns with most jurisdictions' business strategies for economy, growth and innovation.
- We hire, train and retain a tightly-knit core of highly skilled employees.
- The high concentration of technical talent at the facility means we can easily cross train our employees in all disciplines.
- Increased automation in the GNOC lets our technical experts focus on providing improved customer service.
- The GNOC achieves economies of scale, which maximizes the Lottery's benefits from choosing Scientific Games as the CMS provider and operator.



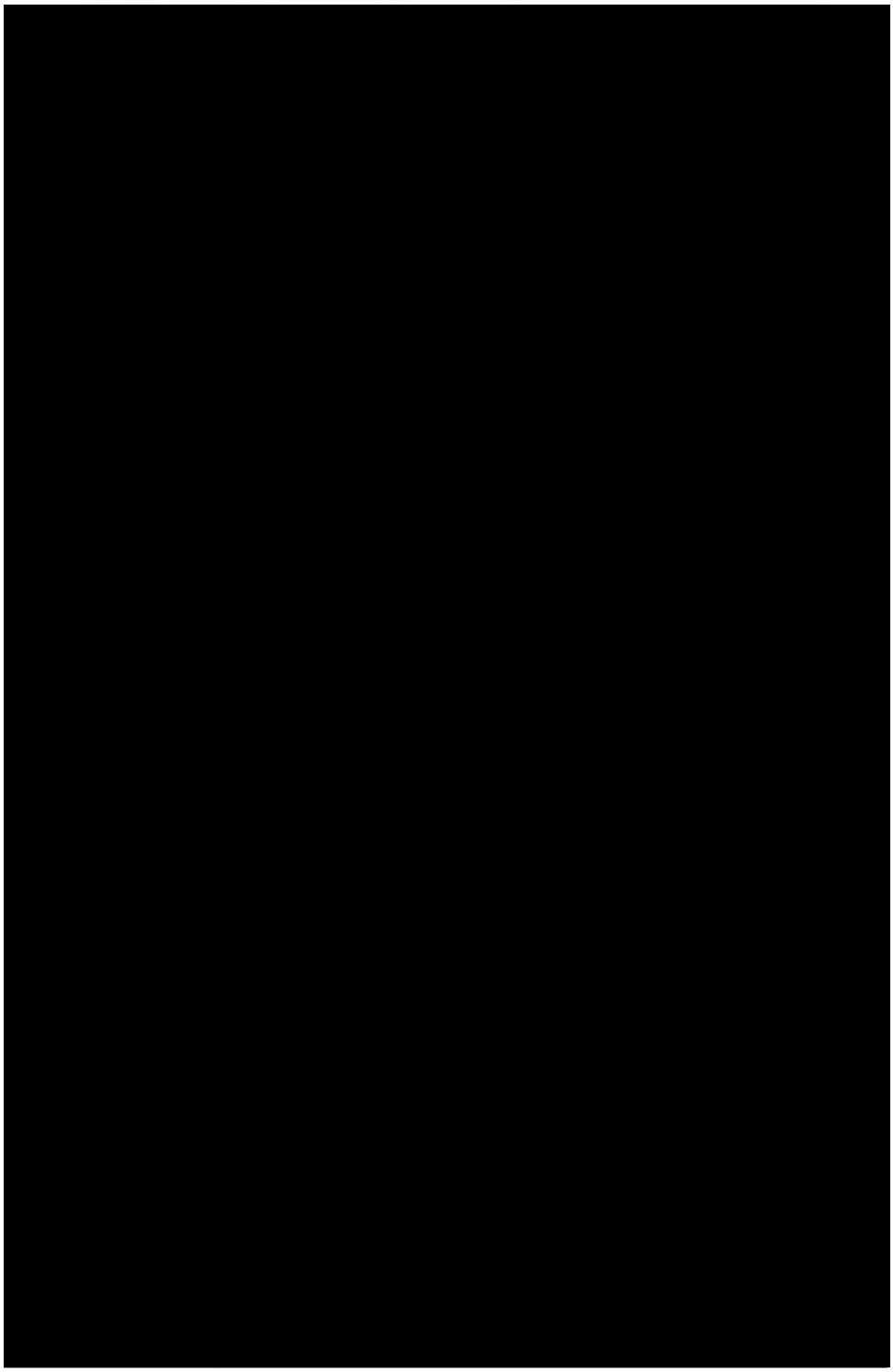






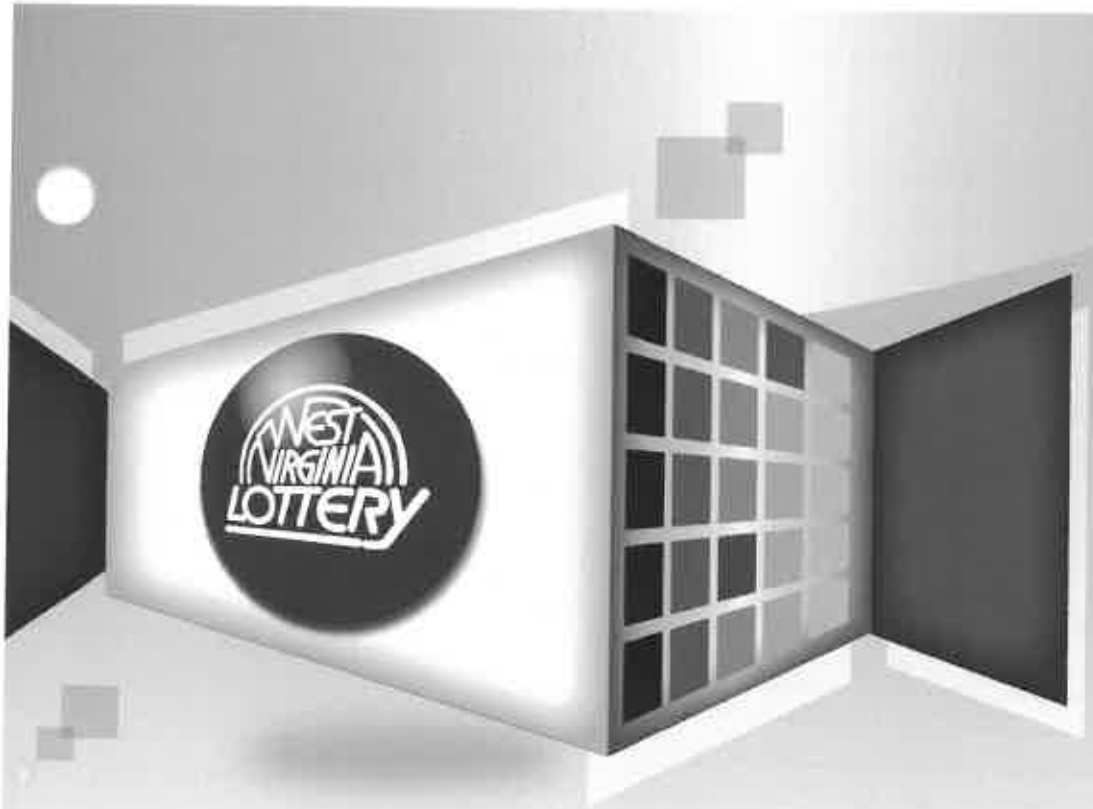
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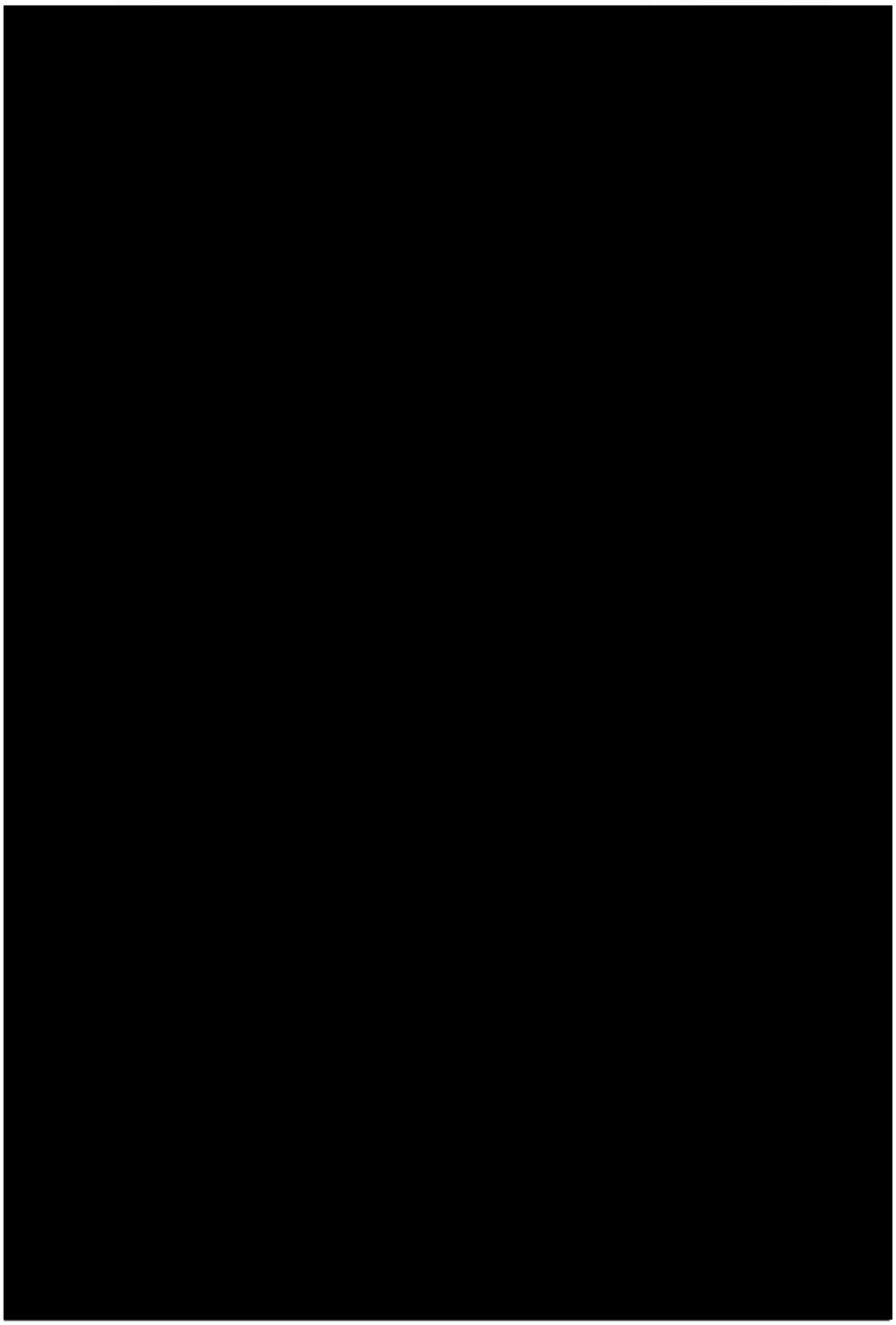
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SECTION 4.2: SITE CONTROLLERS

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PREVENTIVE MAINTENANCE PROGRAM

Preventive Maintenance performed on-site equipment serves to provide the highest levels of operability possible.With the aid of our Smart Services® Management System, combined with Service Max and Green Driver training and certification, we reduce our FST travel and on-site time.

FIELD SERVICE PROGRAM

FSTs provide quality service to ensure equipment is functioning properly through scheduled and unscheduled visits to the Venues.

Scientific Games ensures there is a sufficient number of FSTs strategically positioned throughout West Virginia to respond to service calls as they arise. The technician map, Venue's cities map, and drive time map are often referenced throughout their daily service call routines. See **Figure 4.2-2** for an example of the Venue location map.

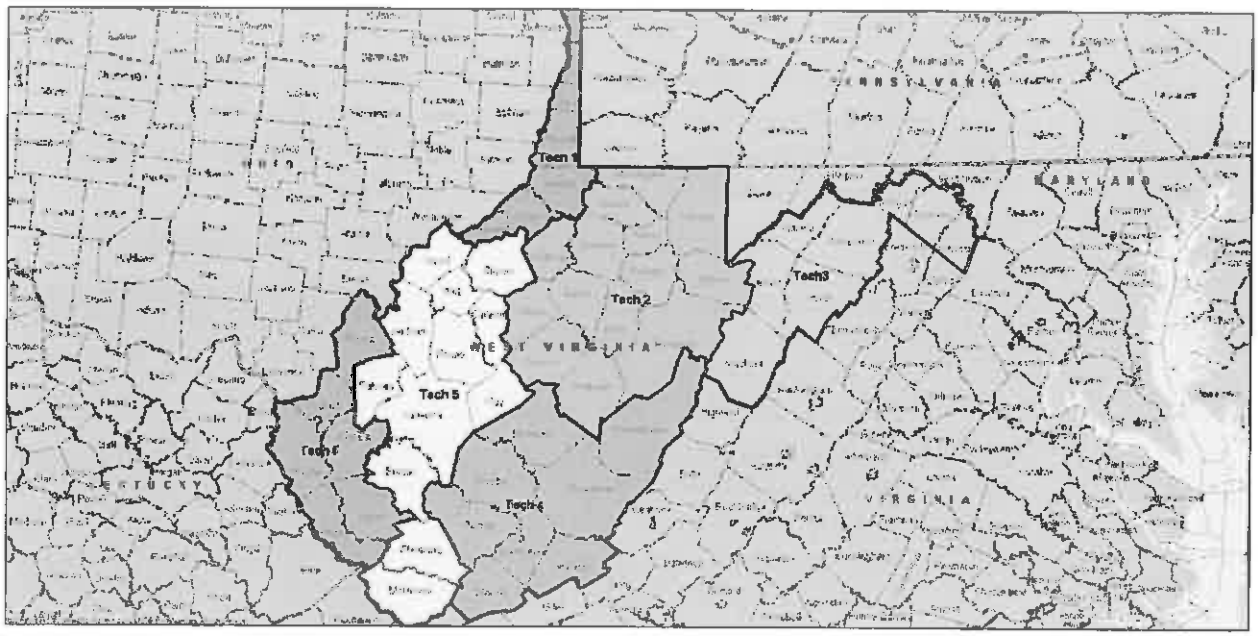
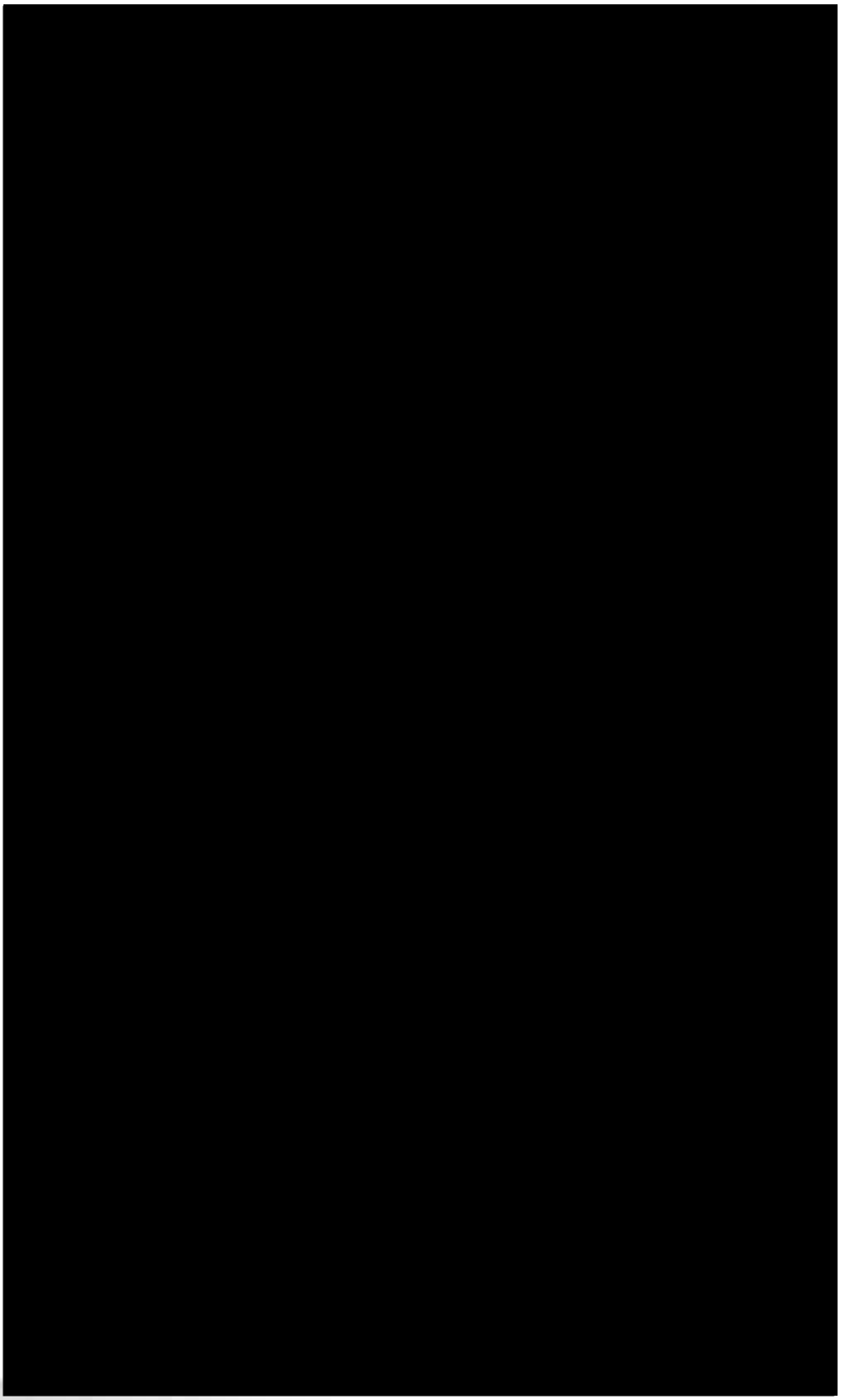
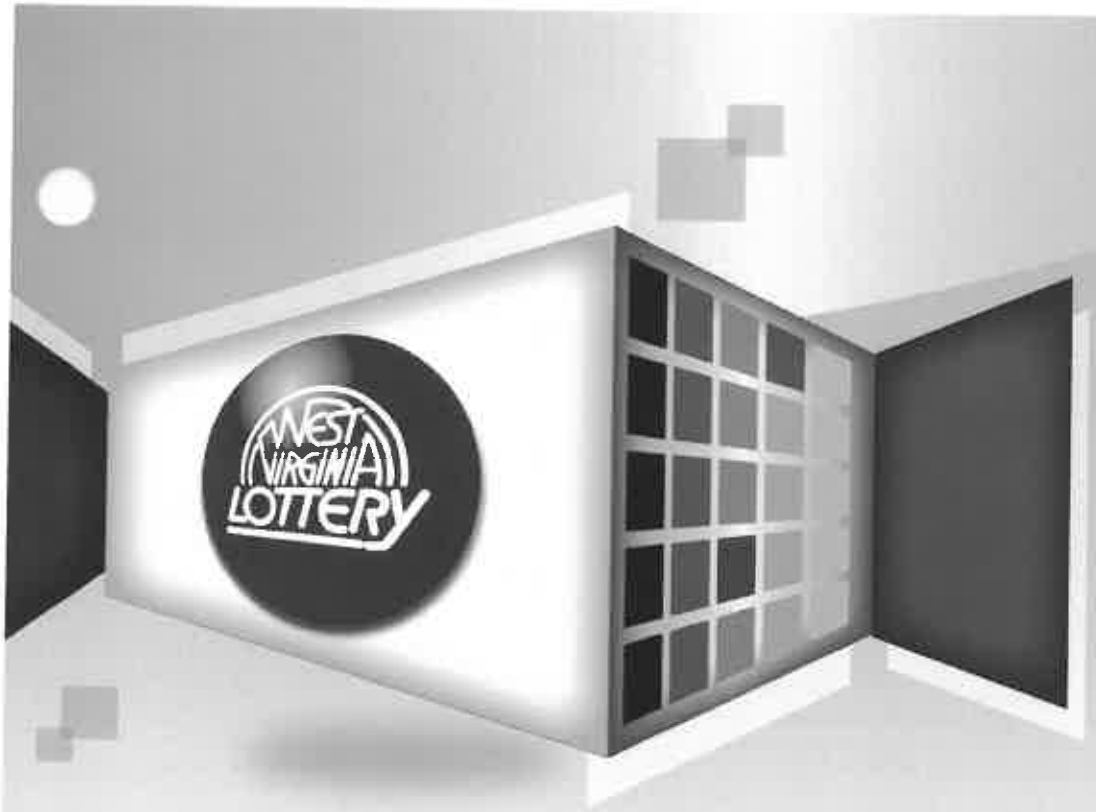


Figure 4.2-2: Example of Venue Location Map





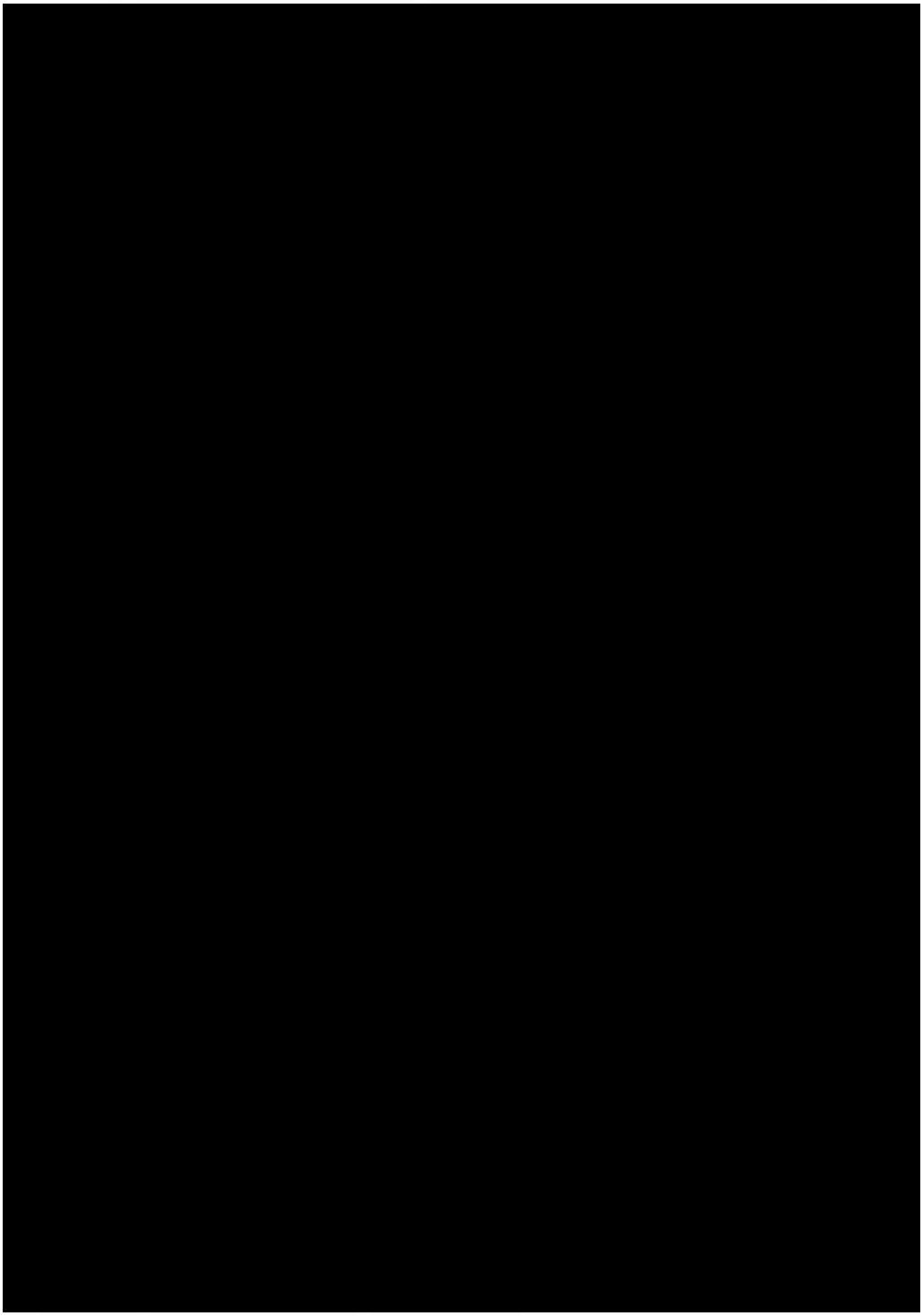
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SECTION 4.3 OVERALL NETWORK AND COMMUNICATIONS

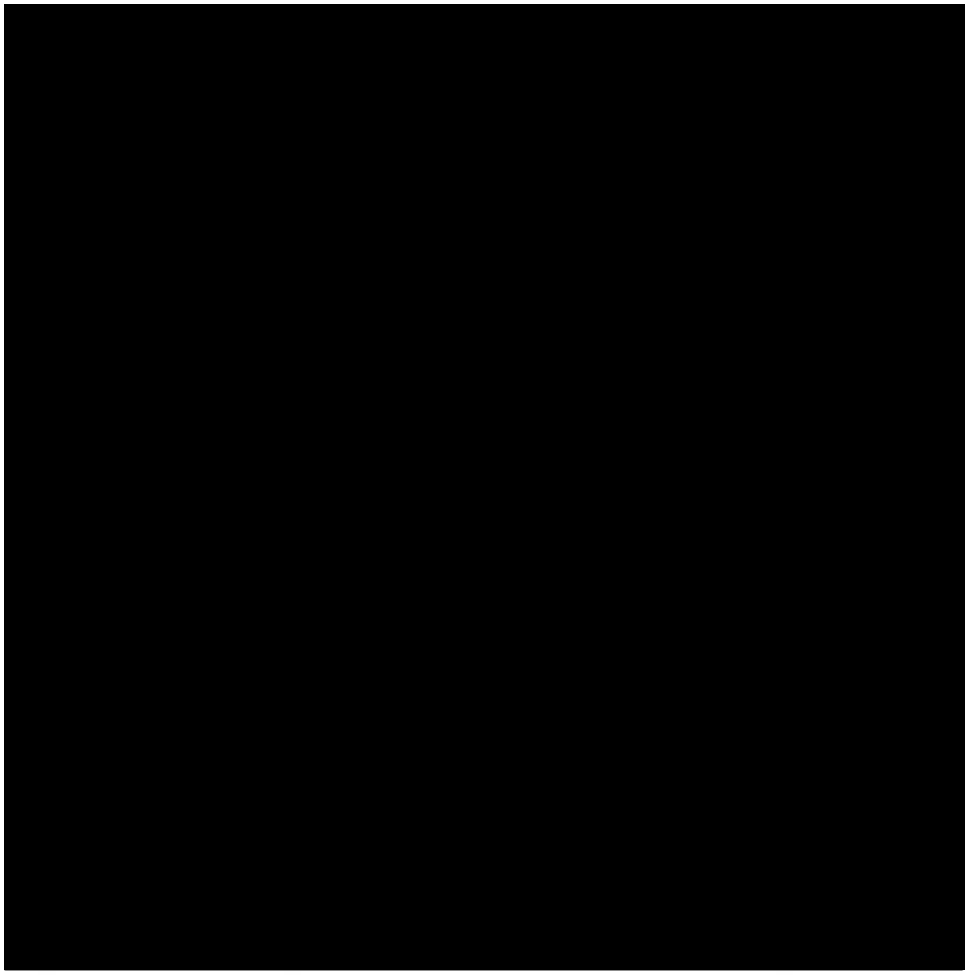
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4.3.1.9.4 Maximize Casino Network Uptime

Scientific Games will interface with the selected communications providers, casinos and Lottery to maximize uptime of the circuits connecting the casinos to the data centers. By utilizing three different connection types (MPLS, ADSL and wireless) with automatic failover capabilities, we will maximize casino uptime by maintaining diverse connections without common points of failure.

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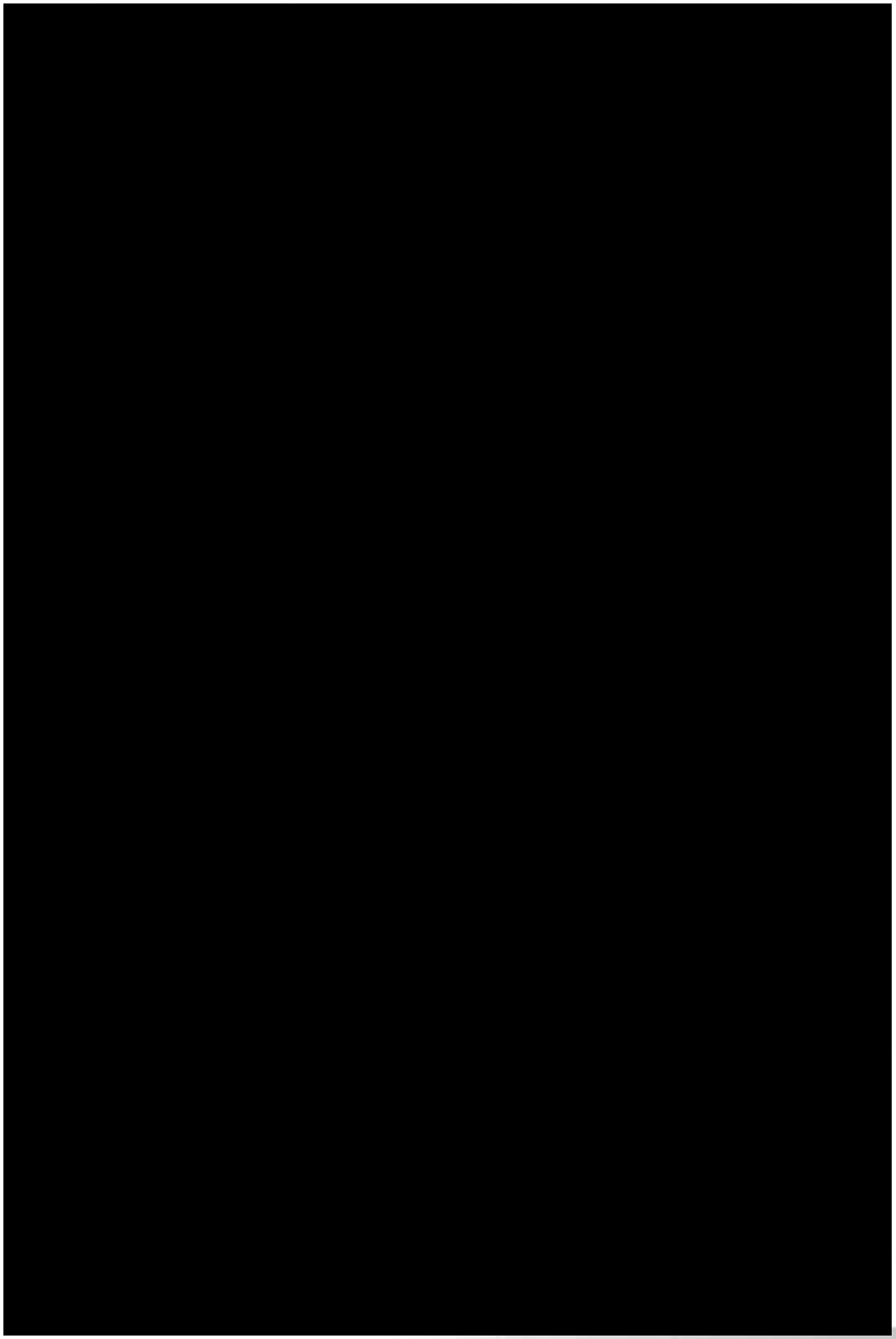
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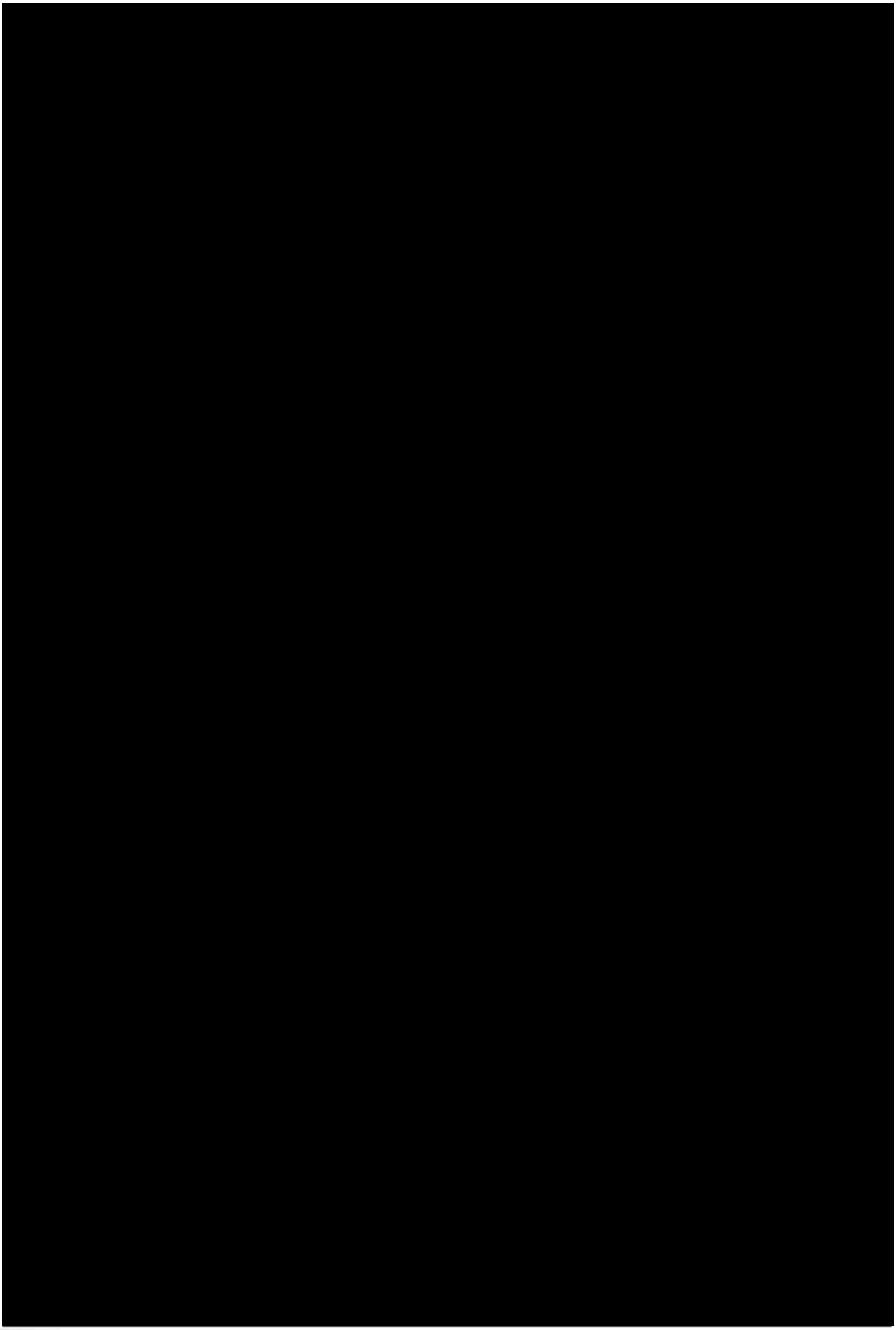
4.3.1.10 ADVANCED COMMUNICATIONS TECHNOLOGIES

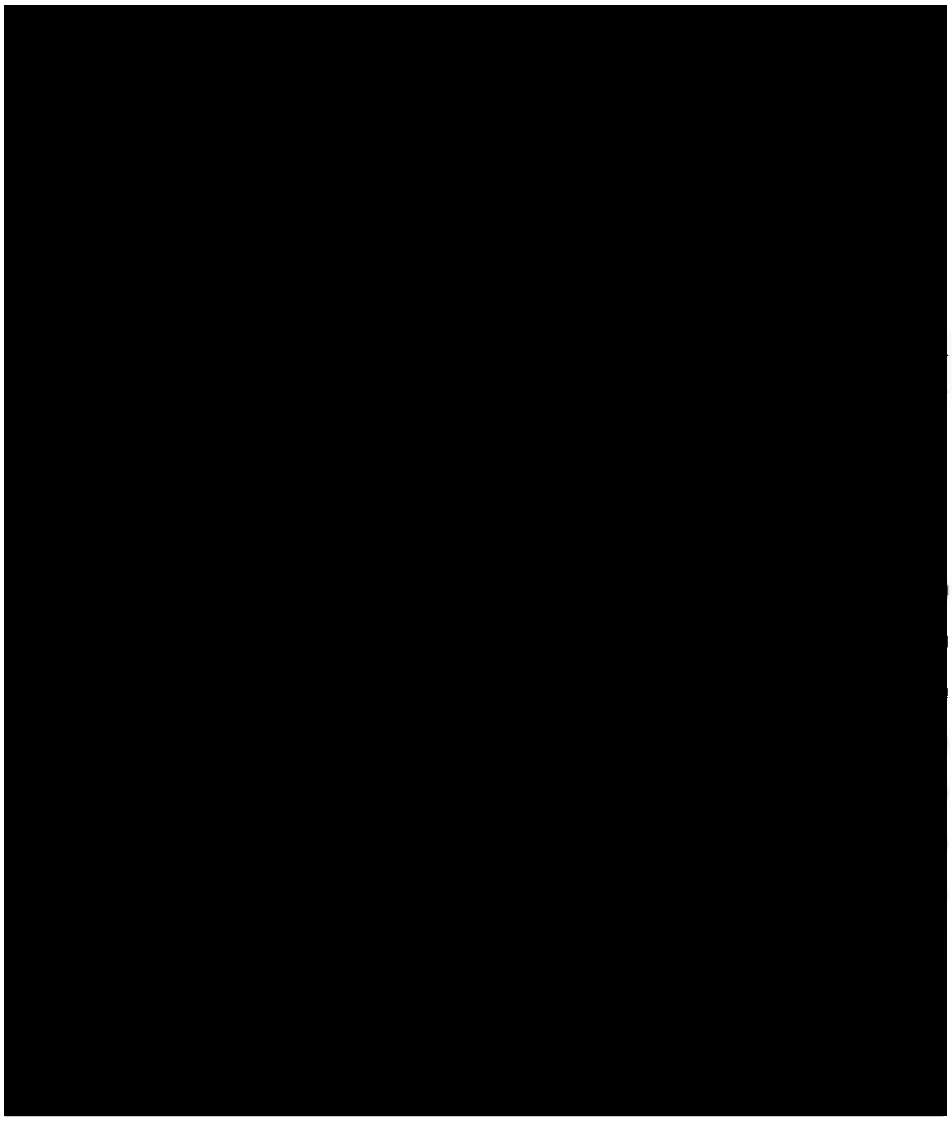
Scientific Games has designed the new SGVideo network using a precise combination of the latest, most advanced communications technologies available today. We have combined CDMA (supporting cellular IP using multiple providers), ADSL, and MPLS to provide a WAN with links that are always-on, cost effective, traffic capable and secure fault tolerant. Our inter-data center links rely on the latest, most reliable broad band connections available.

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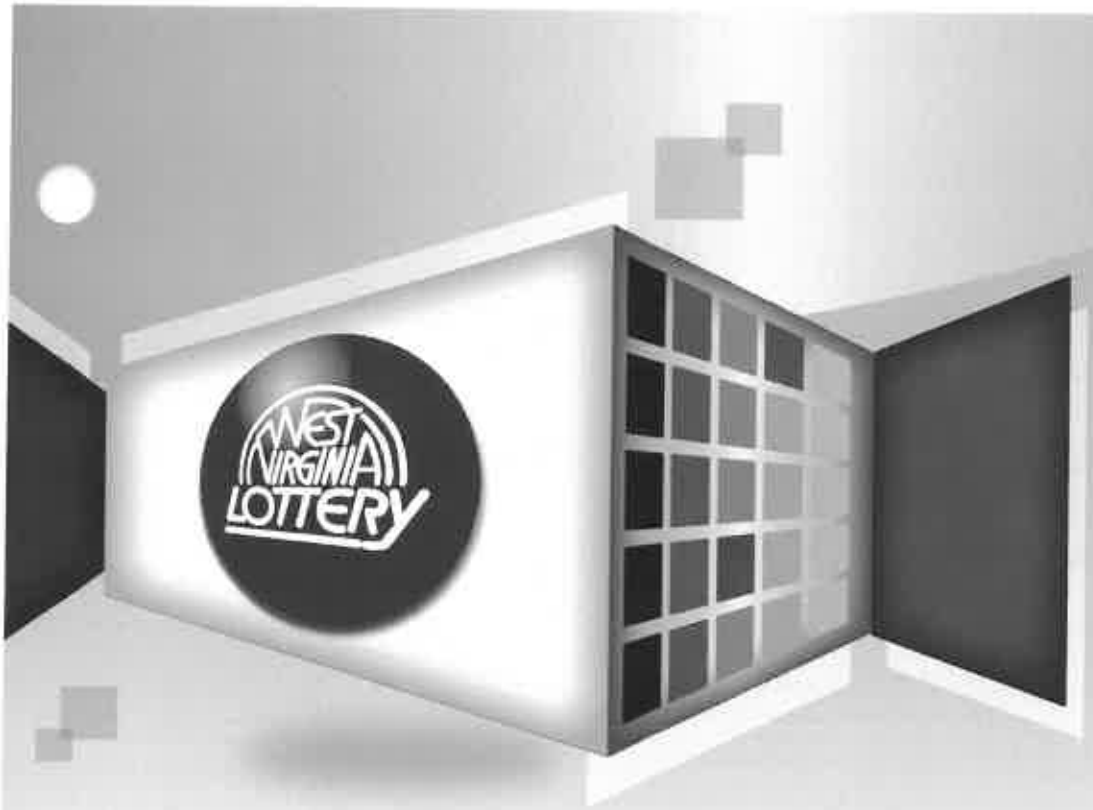








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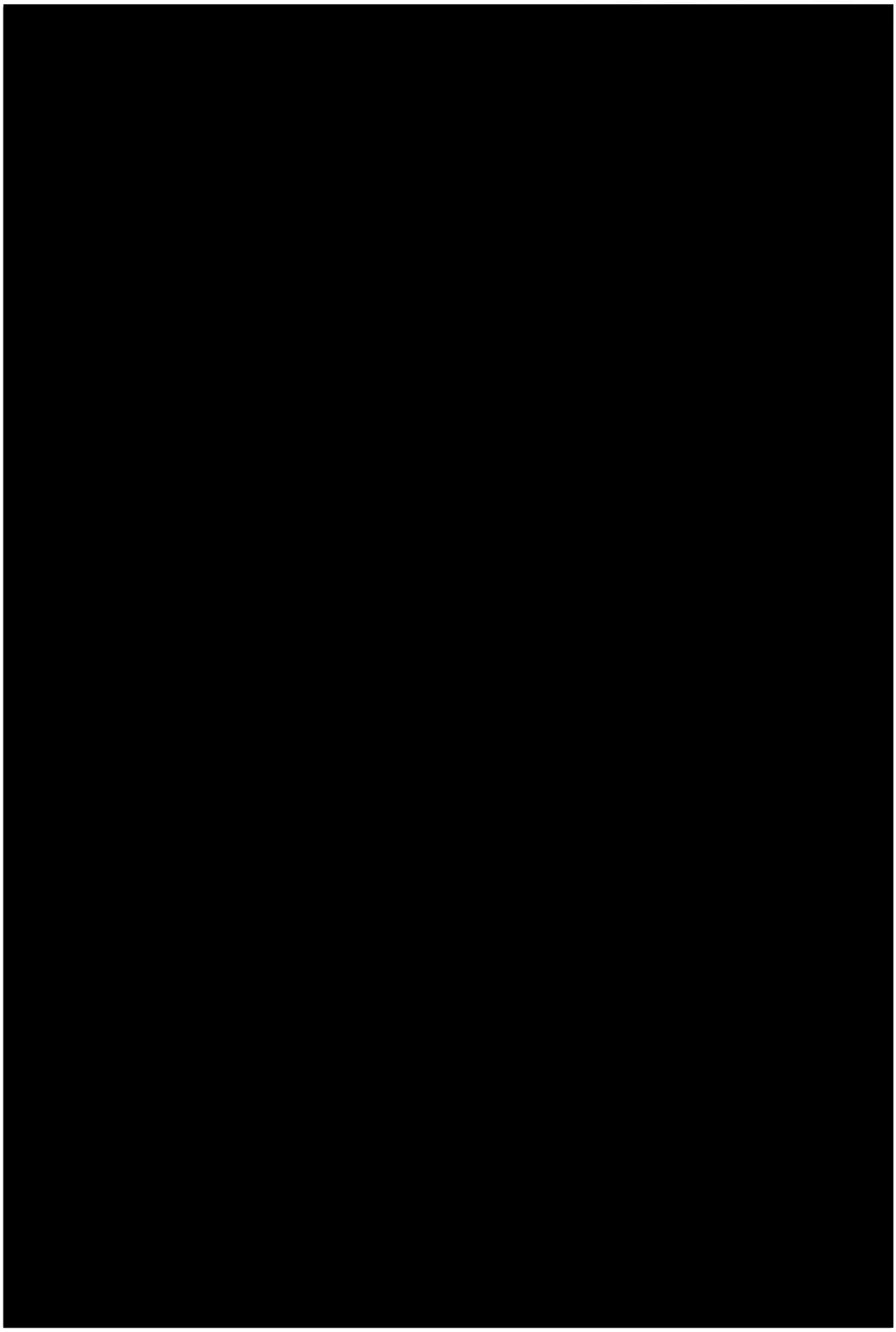
SECTION 4.4: OPERATIONS

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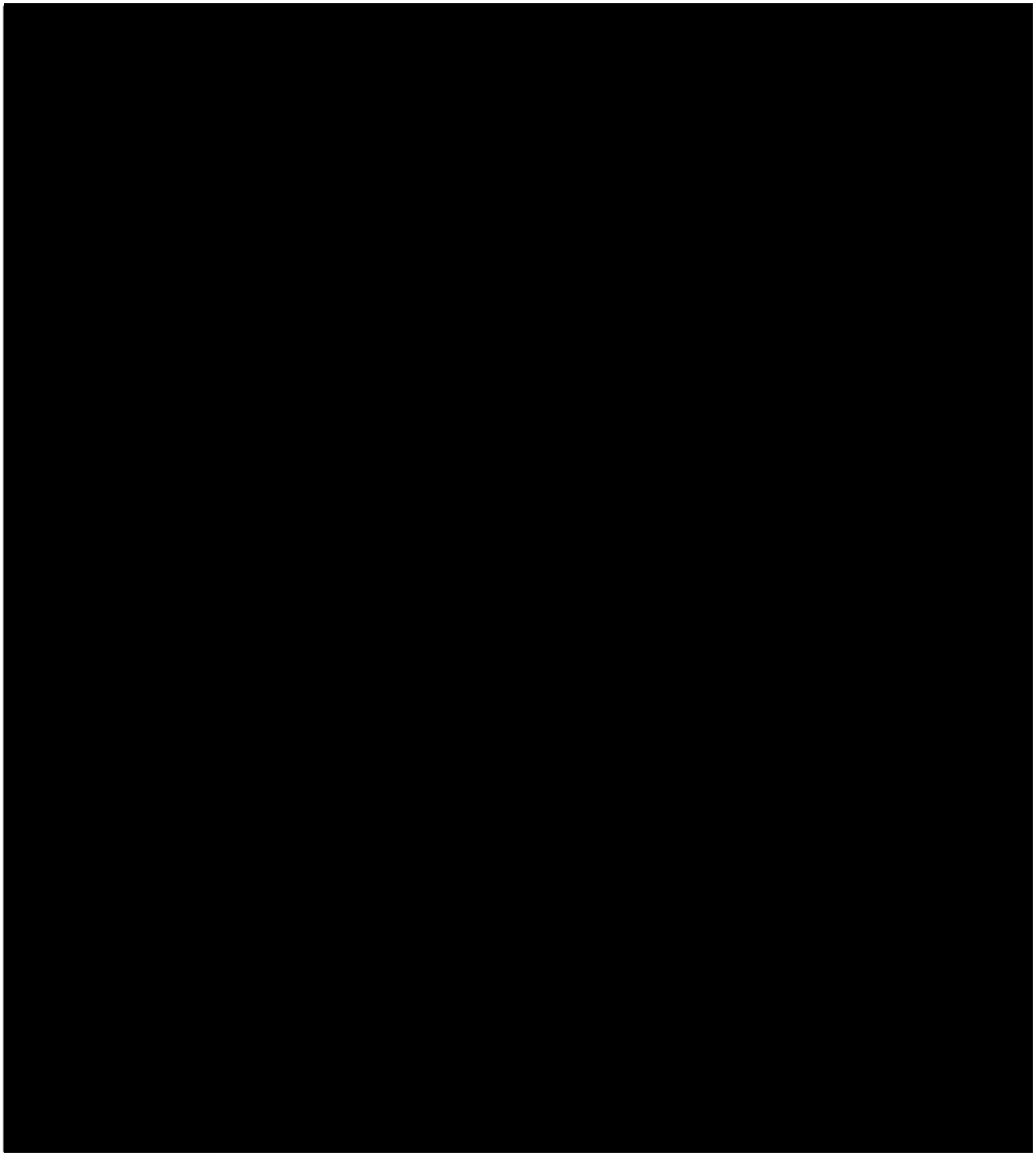
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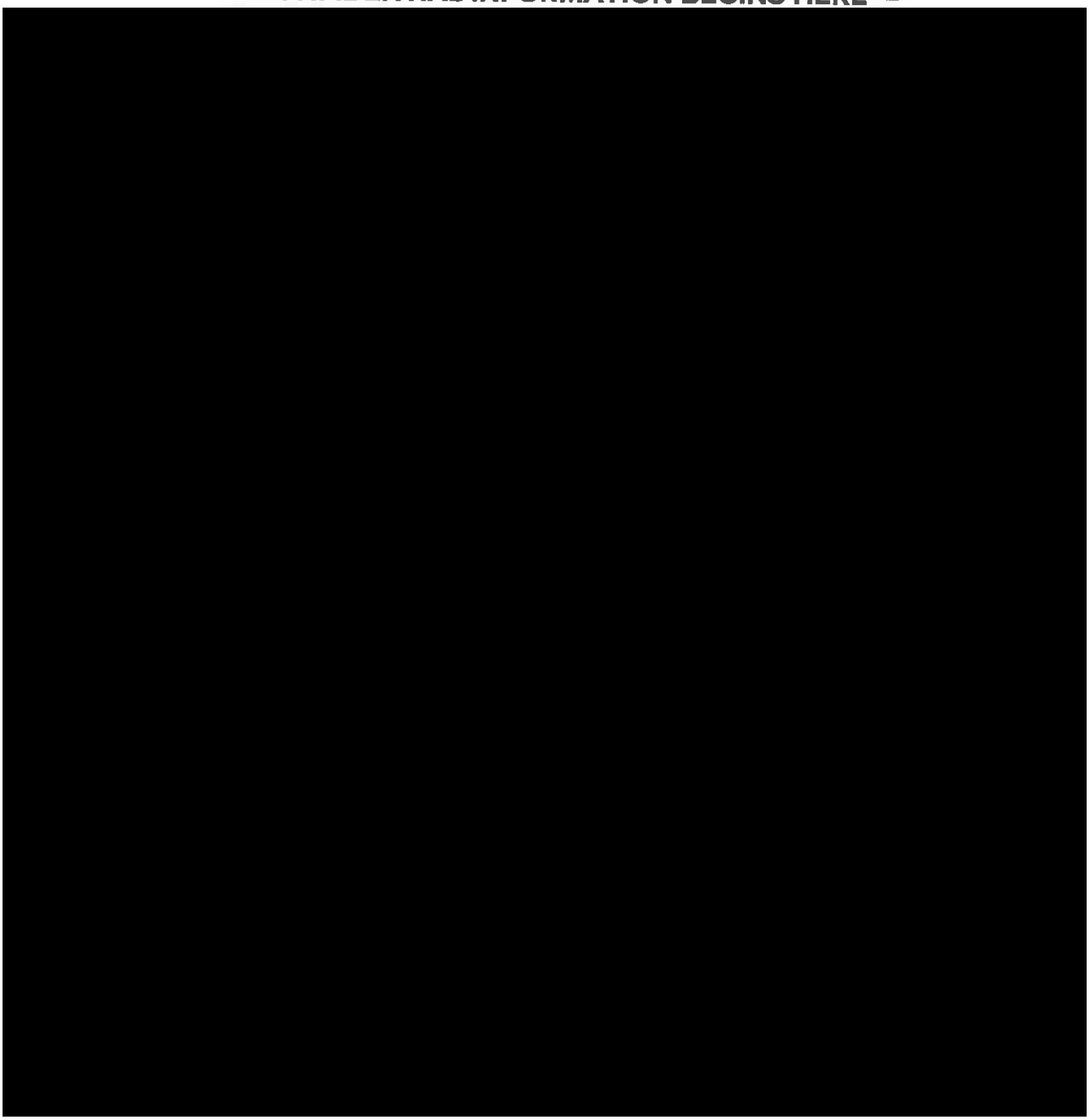
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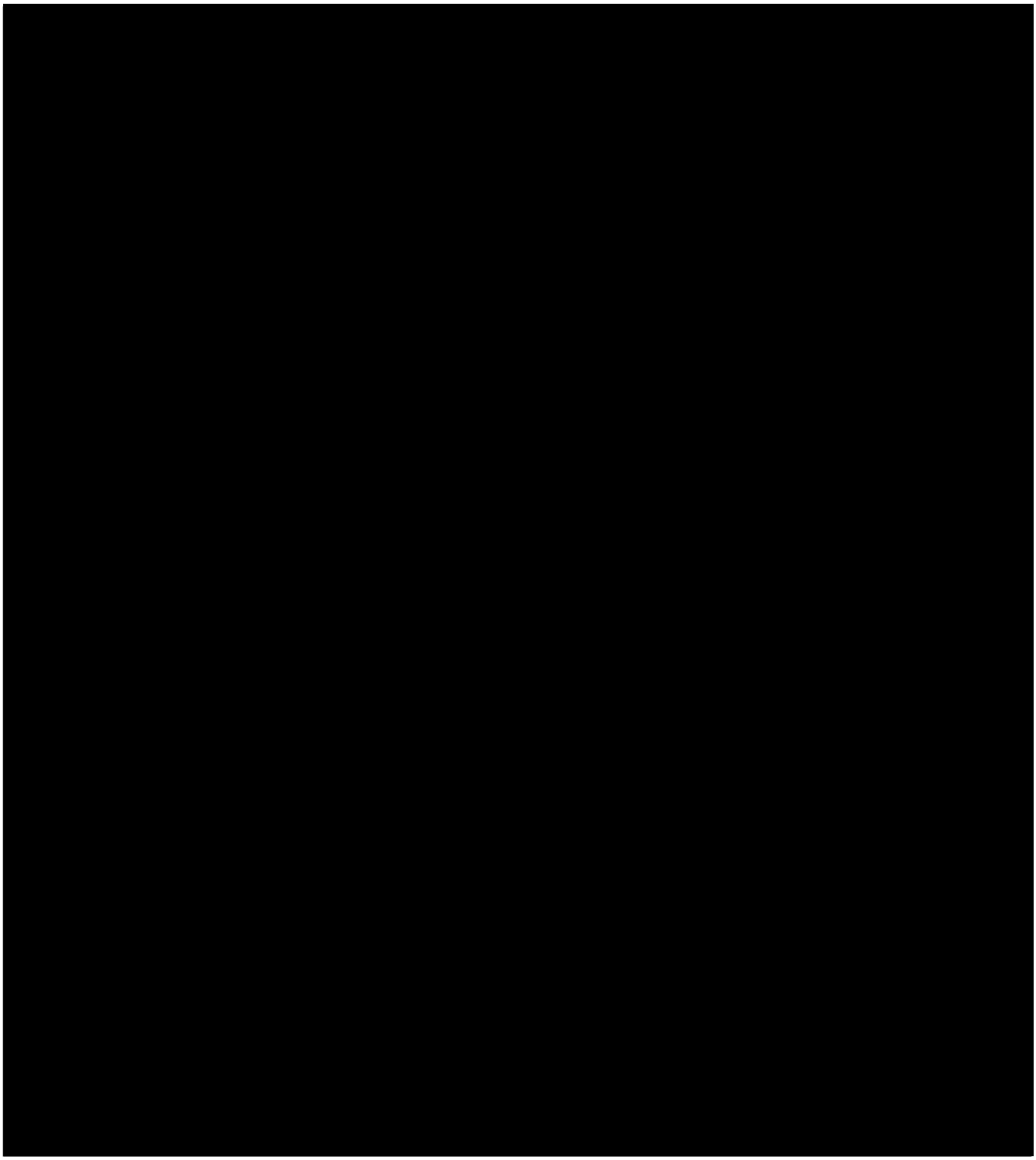


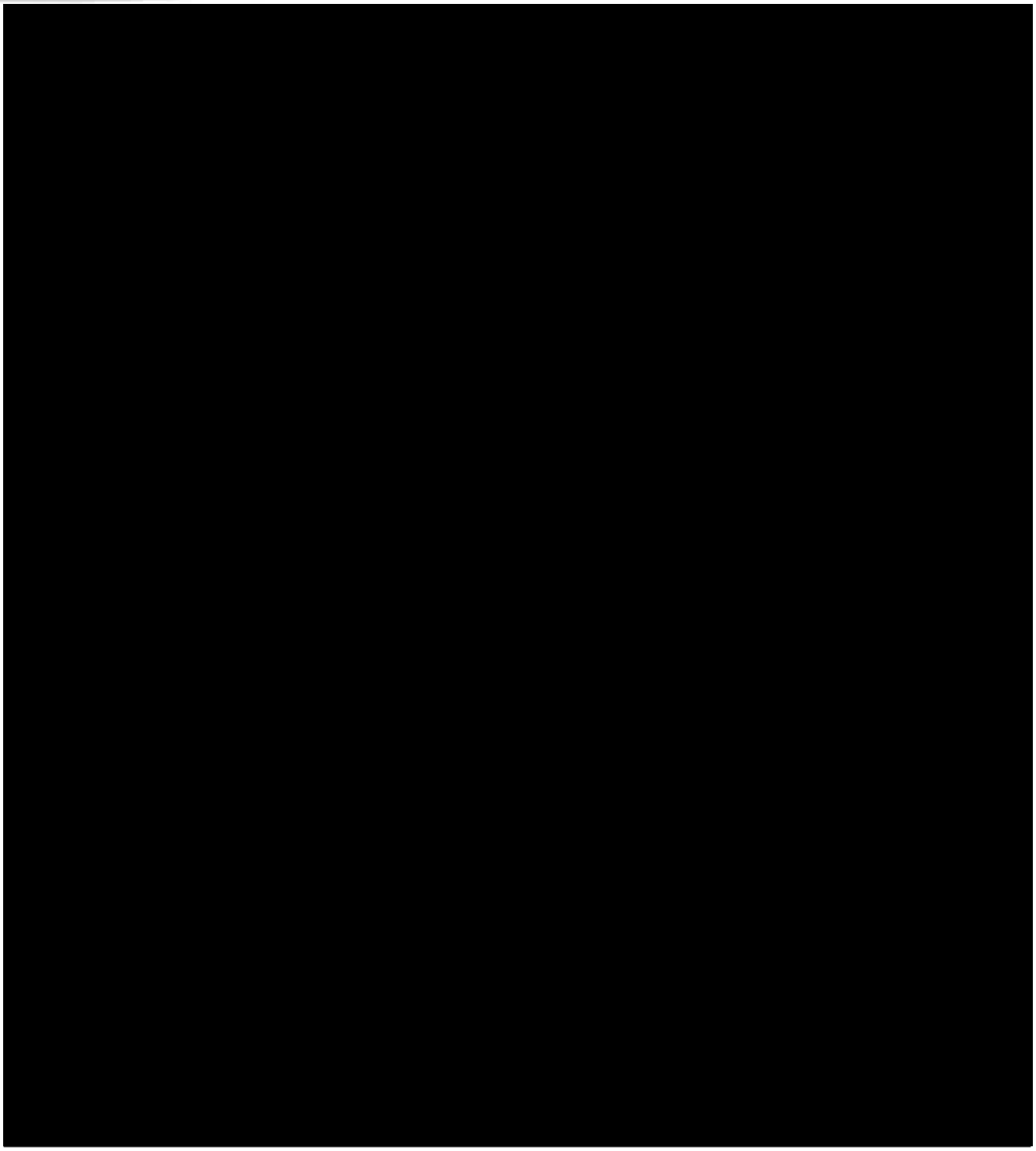


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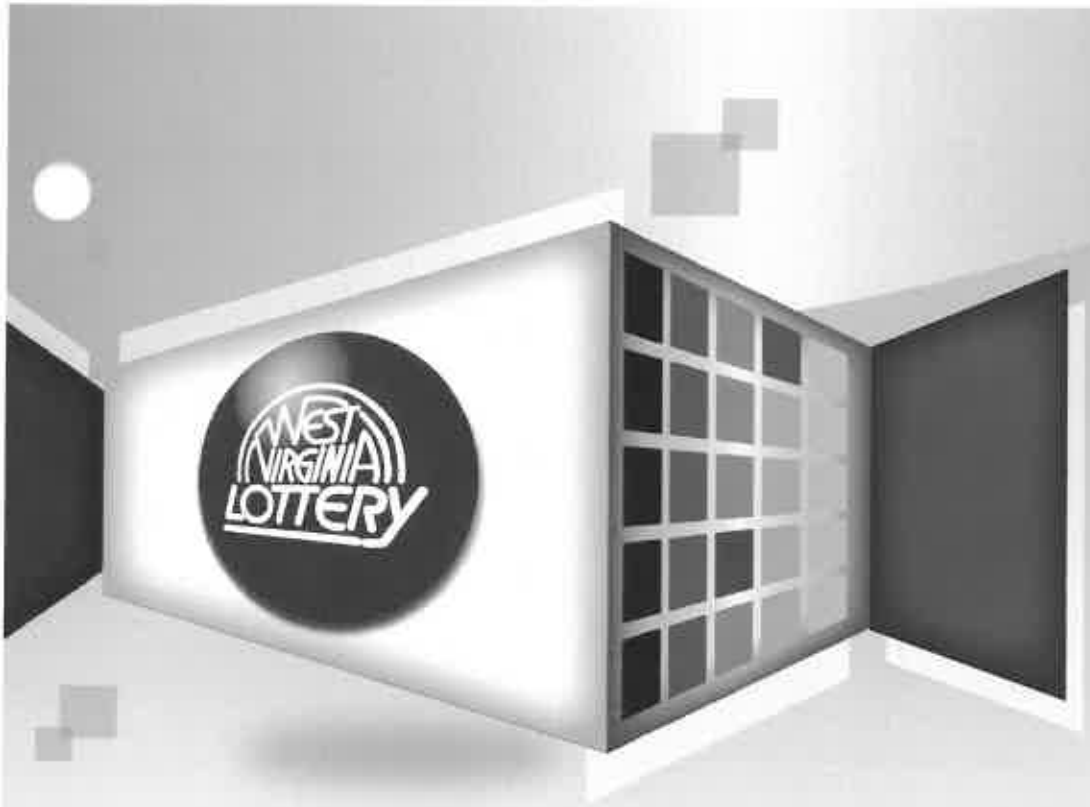


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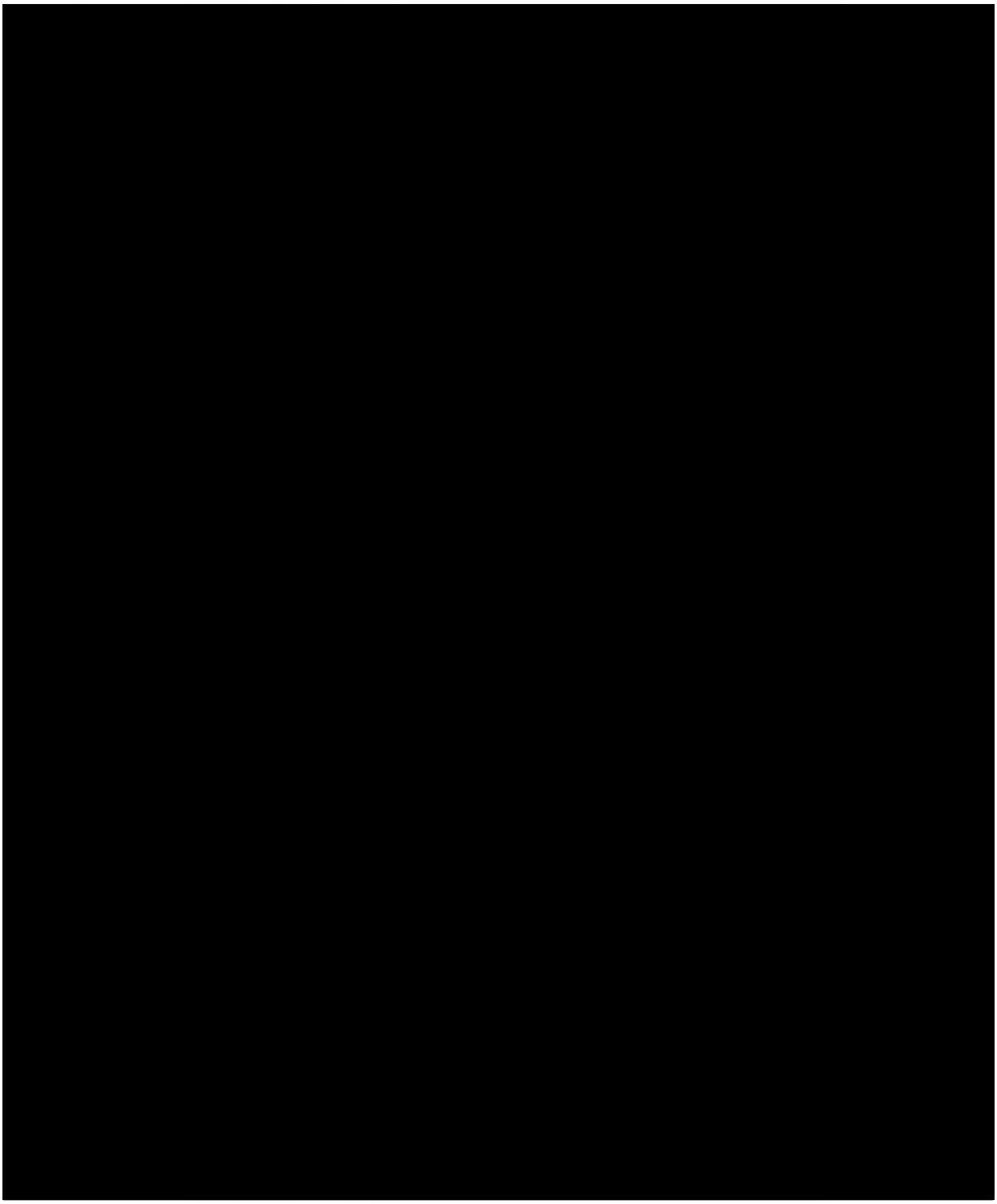
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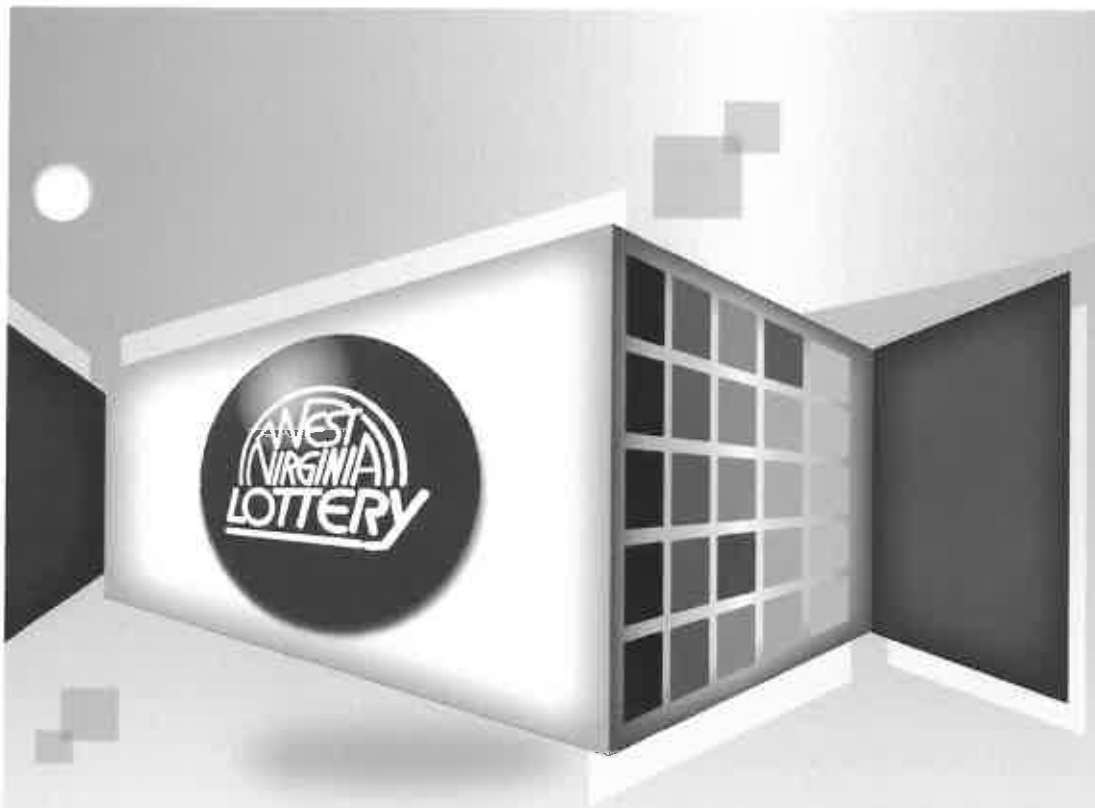
SECTION 4.6: REPORTING

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SECTION 4.7: CONVERSION

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4.7.1.2.1 Executive Summary

Scientific Games is proposing a CMS migration plan that is designed to deliver the following benefits to West Virginia video gaming stakeholders:

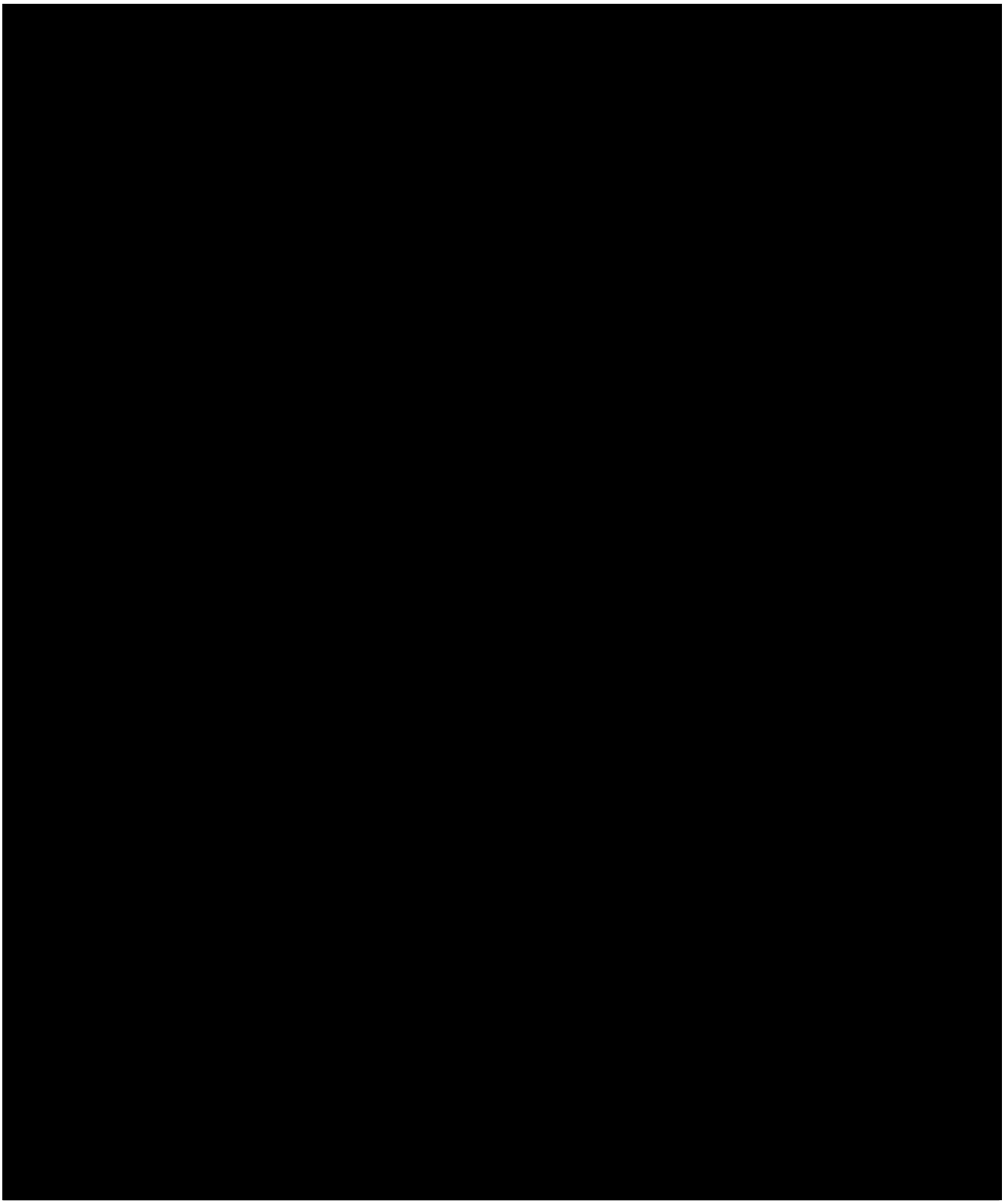
- Migration performed by Scientific Games staff familiar with the Lottery's systems, processes and people
- Minimal training for users familiar with AEGIS-Video
- Production migration and launch for RVLs and most LVLs on November 1, 2016
- Ability to move 100 percent of AEGIS-Video gaming data to the new platform
- Minimal Venue intrusion when migrating RVLs to SGVideo
- Final LVL hardware upgrade completed nearly six months ahead of the Lottery's February 2018 project deadline
- Minimized period during which two CMS systems must operate concurrently
- Potential for avoiding all dual system operation

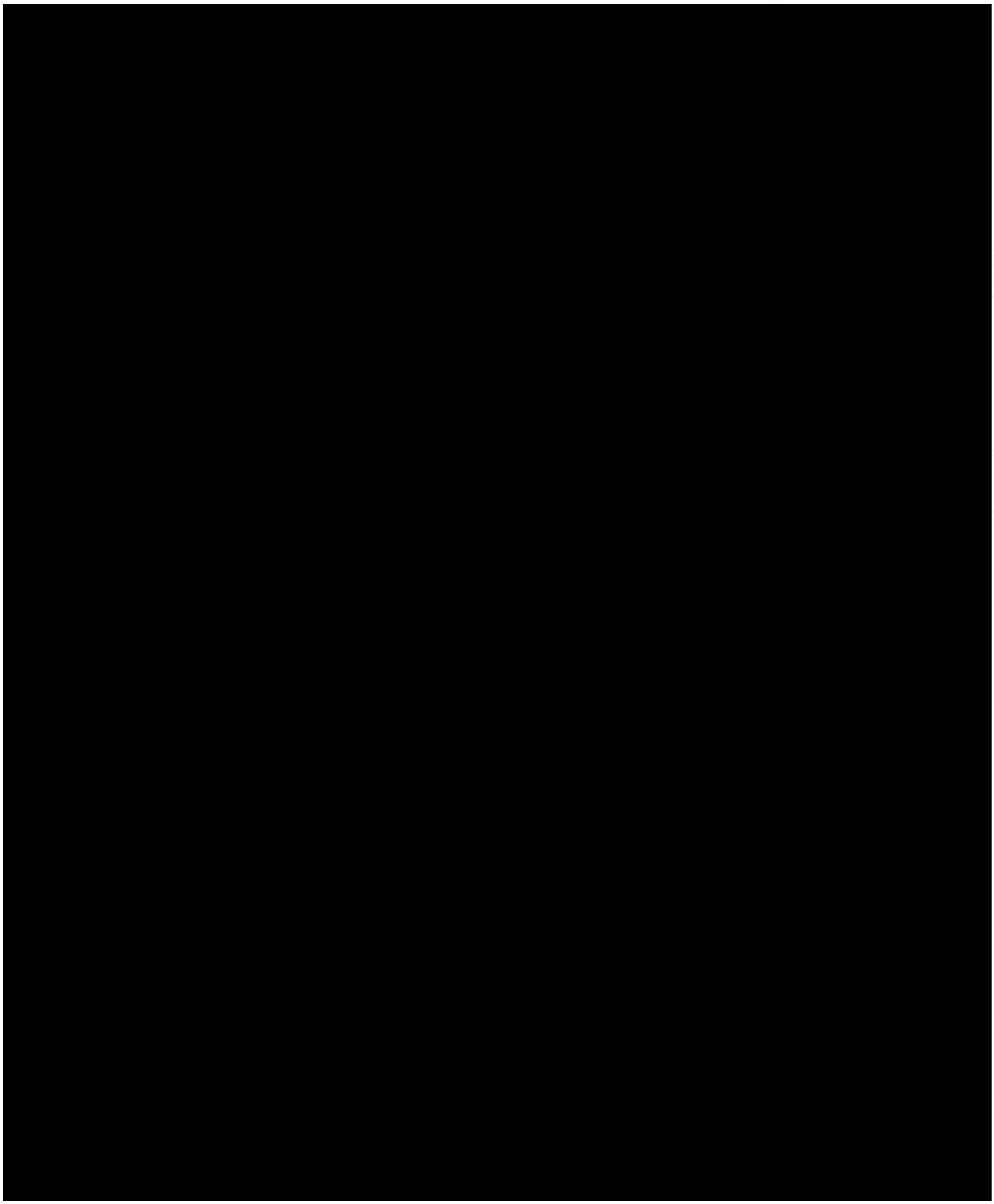
It is important to note that we continually use the word "migration" rather than "conversion", because our proposed SGVideo solution relies on database schemas, report generation, Venue hardware, data communications and protocol support similar to AEGIS-Video's support. For instance, our approach does not rely on a long, complex field-by-field conversion of old gaming data to a new system—the database simply moves to the new platform with all data intact.

The "conversion" to SGVideo will follow the same reliable concepts we used to upgrade the Lottery's CMS hardware in November, 2011—a project that efficiently moved to new hardware and software within a single business day.

KEY BENEFIT OF THE ACCELERATED MIGRATION PLAN (AMP)

Scientific Games proposes to the West Virginia Lottery our Accelerated Migration Plan (AMP)—an approach that provides a very special benefit: minimization, or even elimination, of the need to run two concurrent production CMS central servers.







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PREPARATION

Starting at contract award, Scientific Games will work diligently toward a November 1, 2016 production launch of SGVideo. We will collaborate with the Lottery to execute the contract, while starting on the gathering of requirements from Lottery and Venue staff. Those requirements will evolve into SRS design documents which must be approved by the Lottery before we proceed with our software development effort.

Our engineering staff will order the required data center and Venue hardware. They will assemble and test the systems and site equipment and arrange for shipping to their destinations. New RVL hardware will be included in this effort, setting the hardware in place (and testing it) in preparation for post-launch upgrading of each of the casinos.

We will perform internal (developer and QA) testing of all software destined for West Virginia and manage the external testing (independent testing lab and Lottery acceptance) processes.

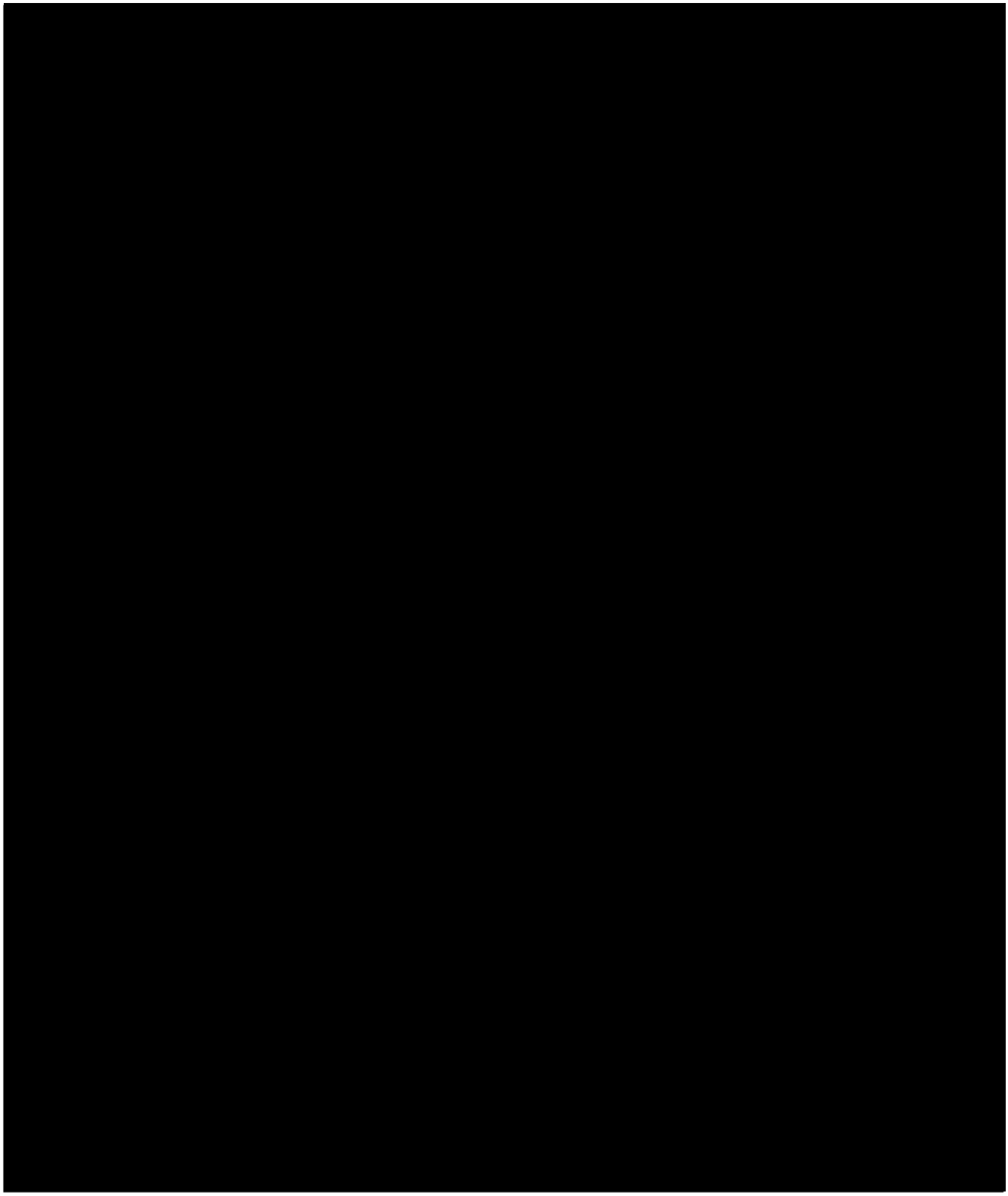
Our staff will produce end user documentation, provide stakeholders with SGVideo training.

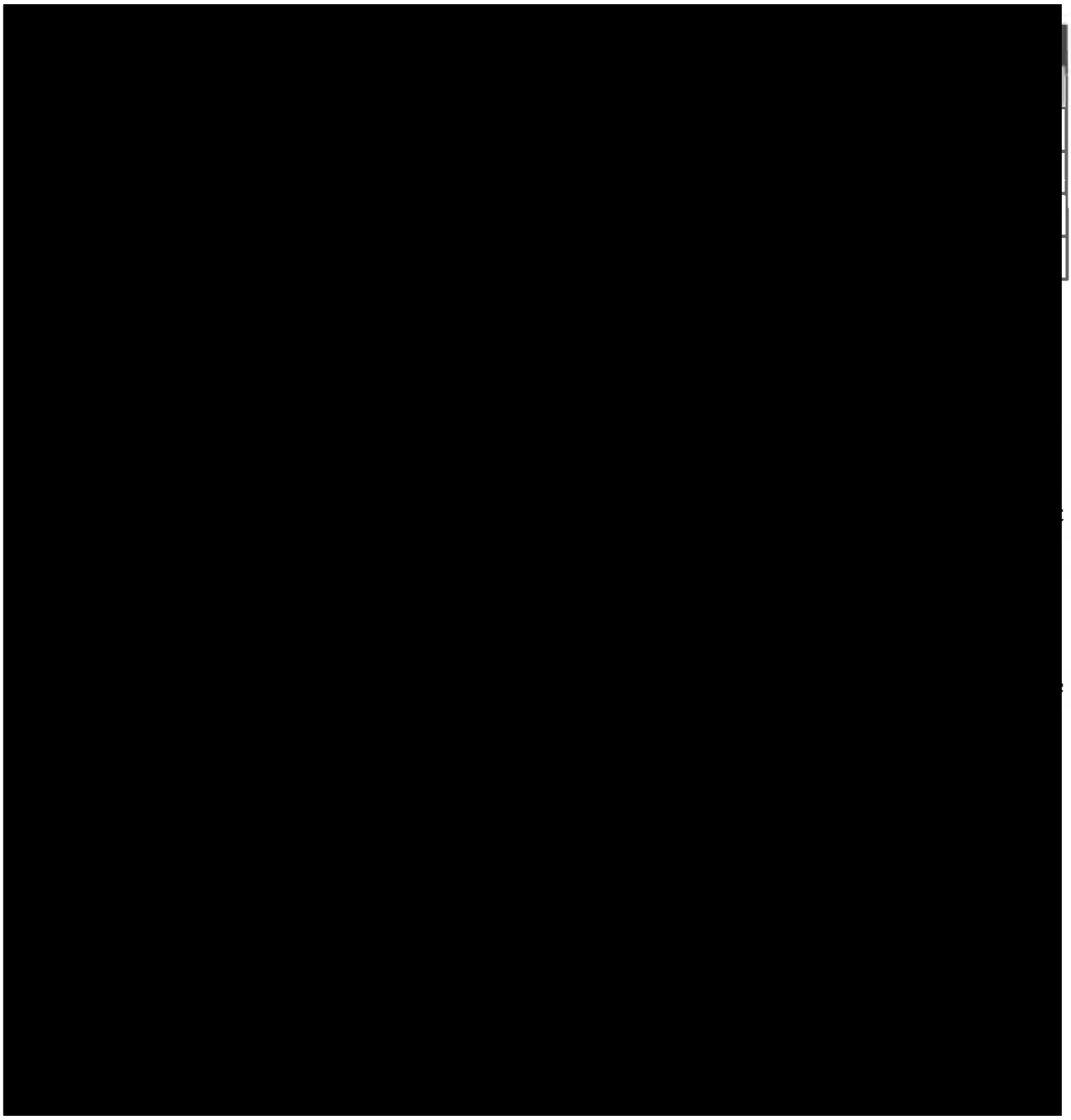
The preparation phase sets everything in place as a prelude to production launch.

LAUCH+MIGRATION

This process will take place during a single business day—November 1, 2016. On this day, our video engineering specialists, in cooperation with Lottery operations staff, will migrate the entire AEGIS-Video gaming dataset to SGVideo. All five RVLs will be switched to have their communications circuits terminate in the new system's servers. At the same time, we will execute the move of all SAS-only LVLs to be serviced, using dial-up connections, by SGVideo.

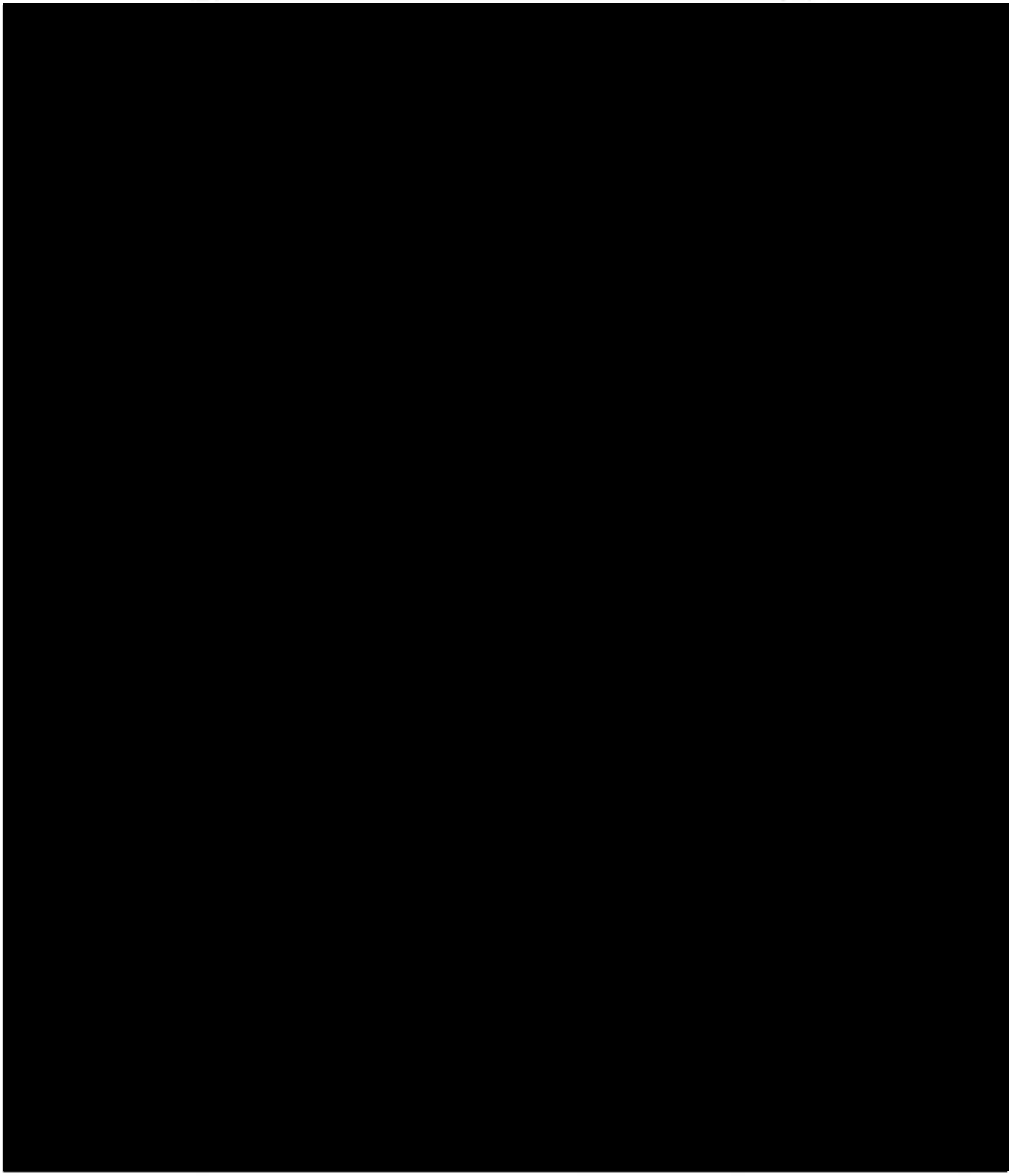
As of the end of November, 1, 2016, the only Venues managed by AEGIS-Video will be any LVLs still operating ICIS gaming machines. If no ICIS VLTs remain on the network, the Lottery may power down the AEGIS-Video servers at its convenience.







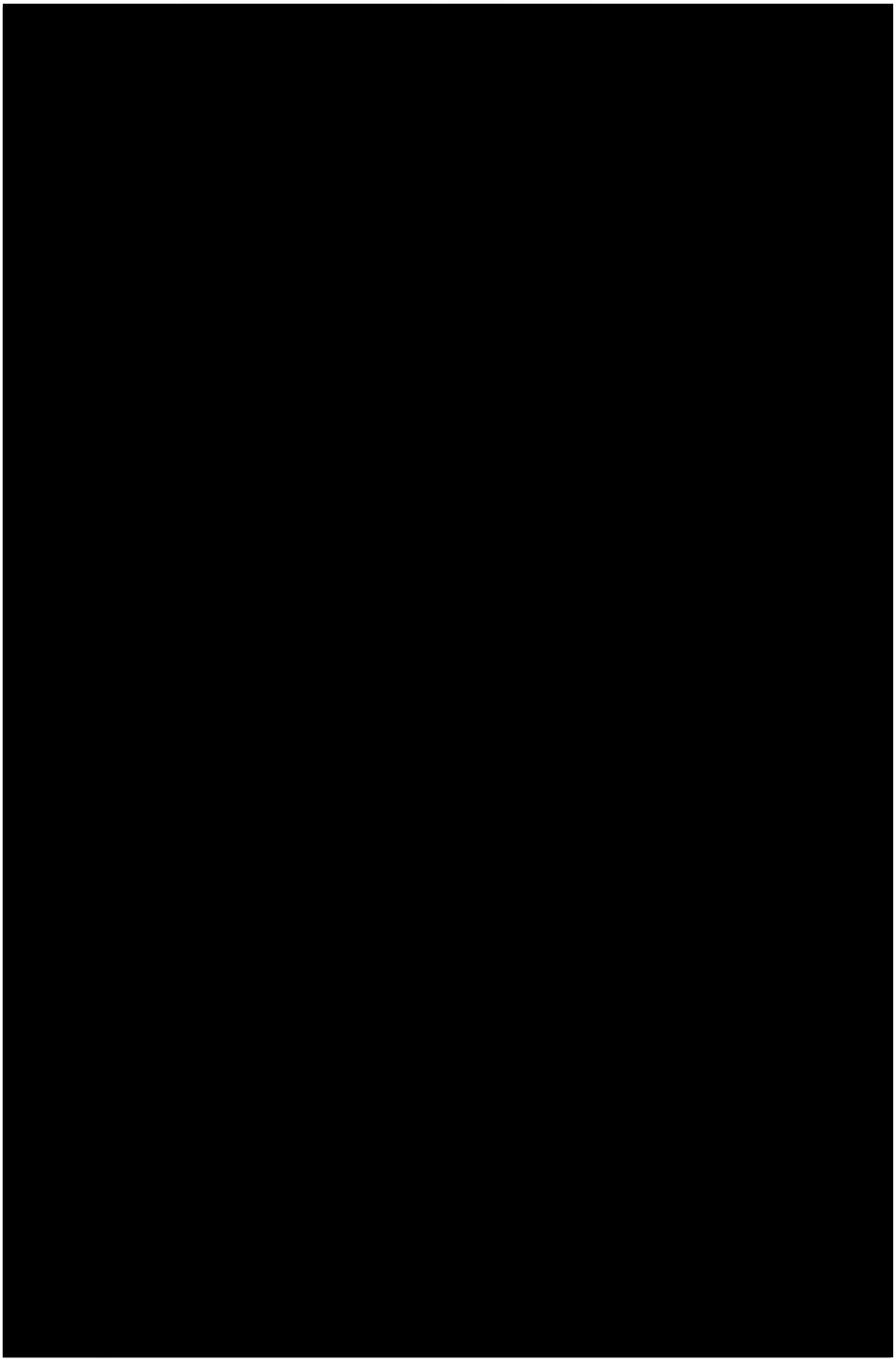
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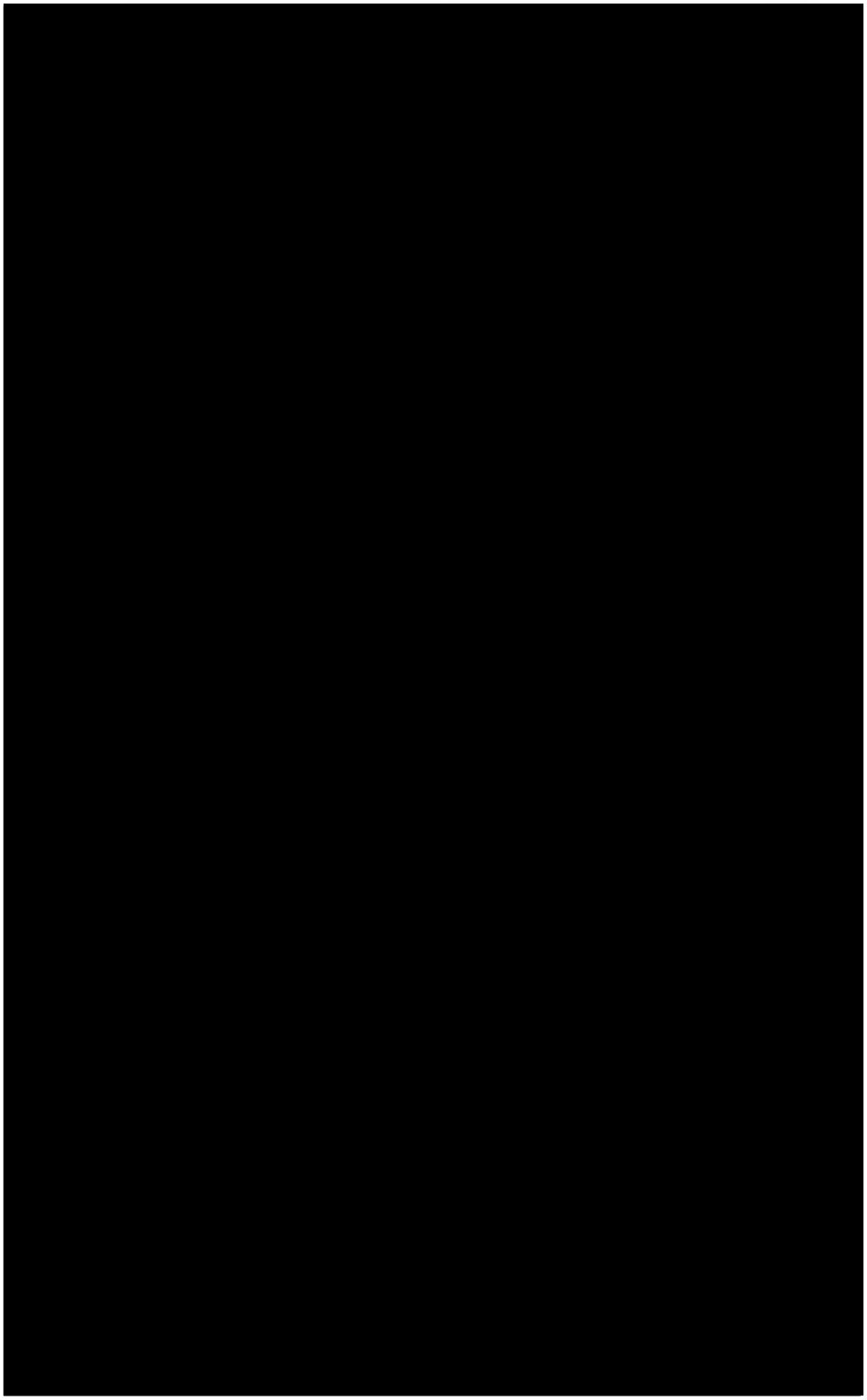


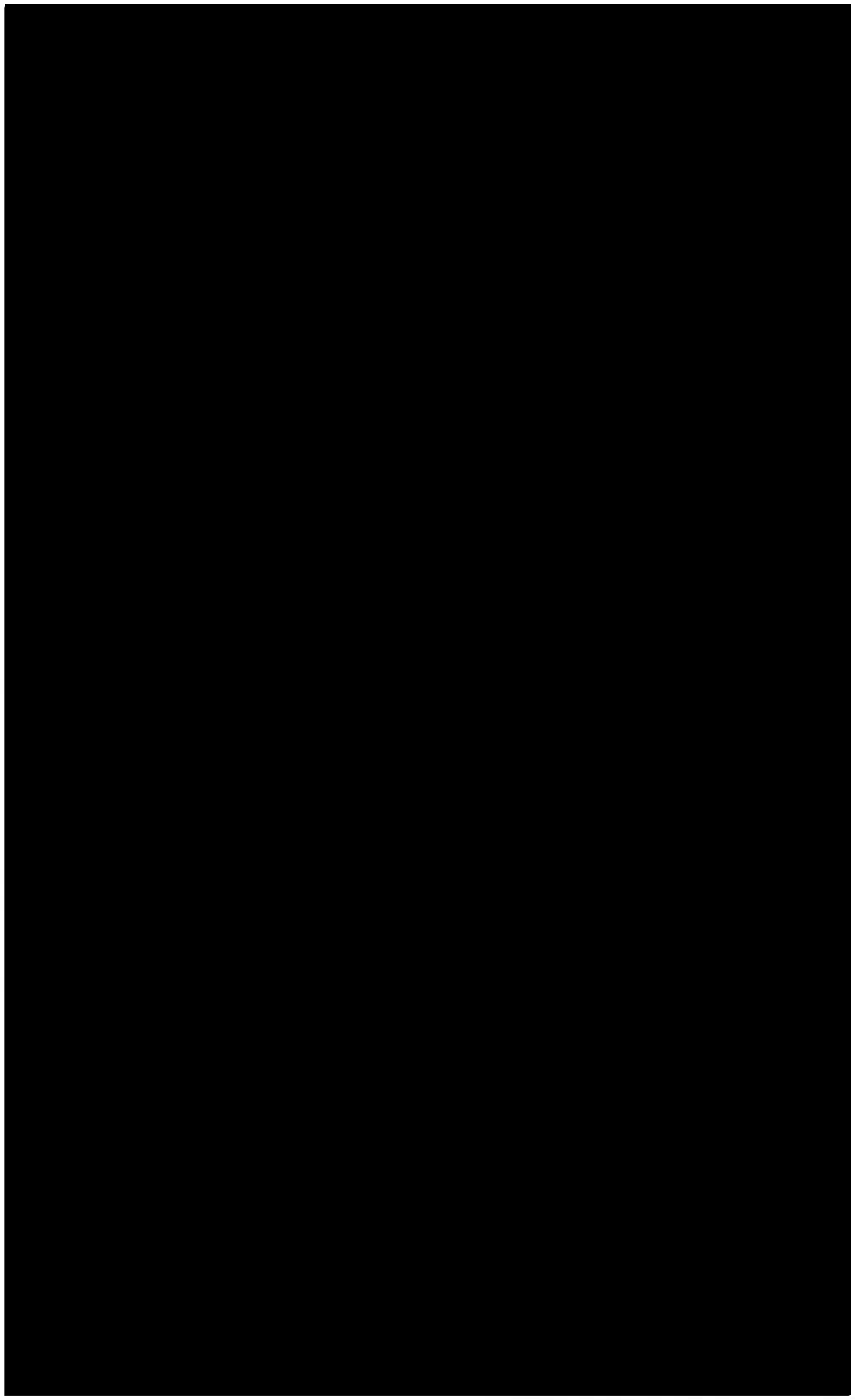


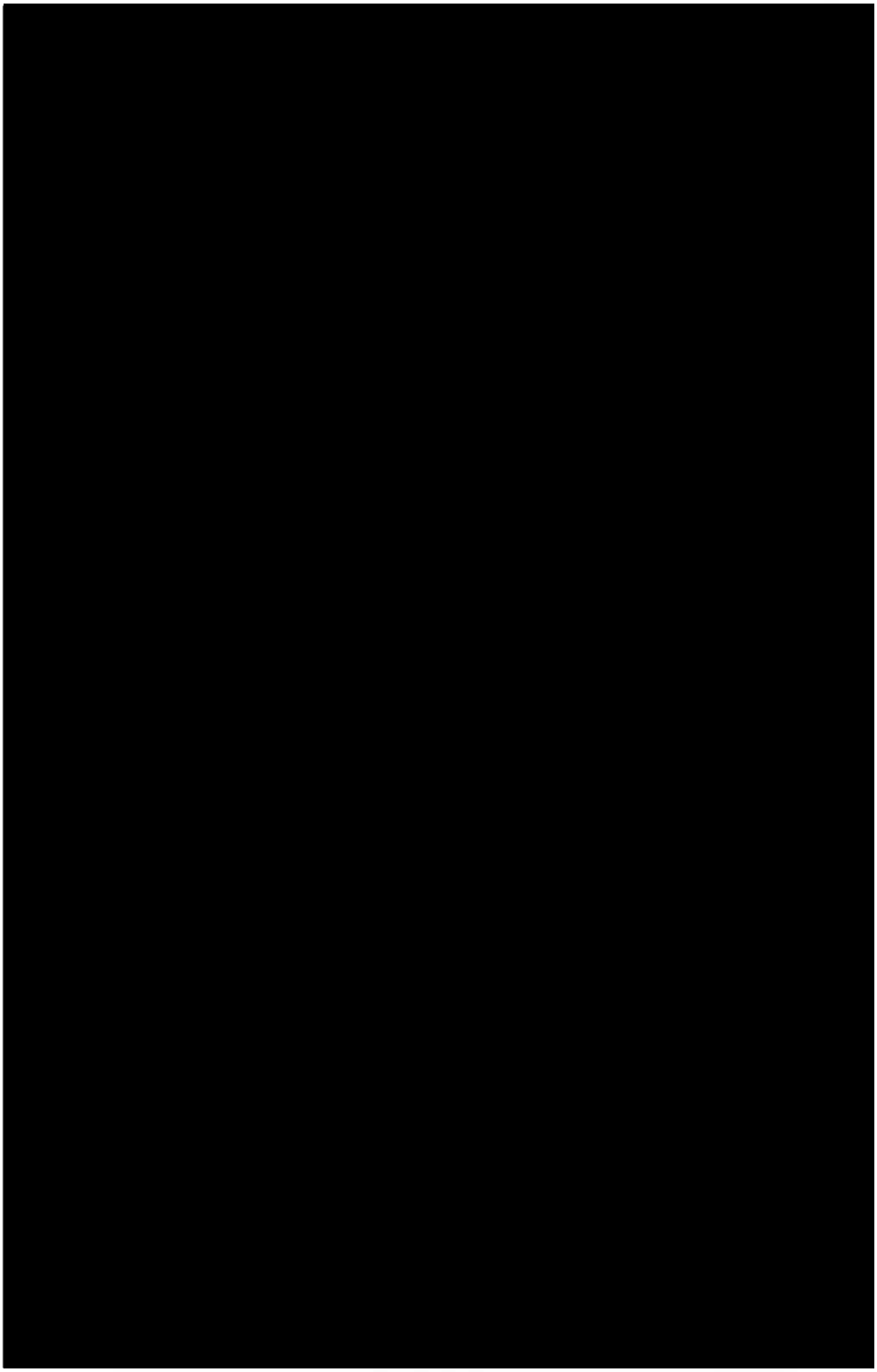
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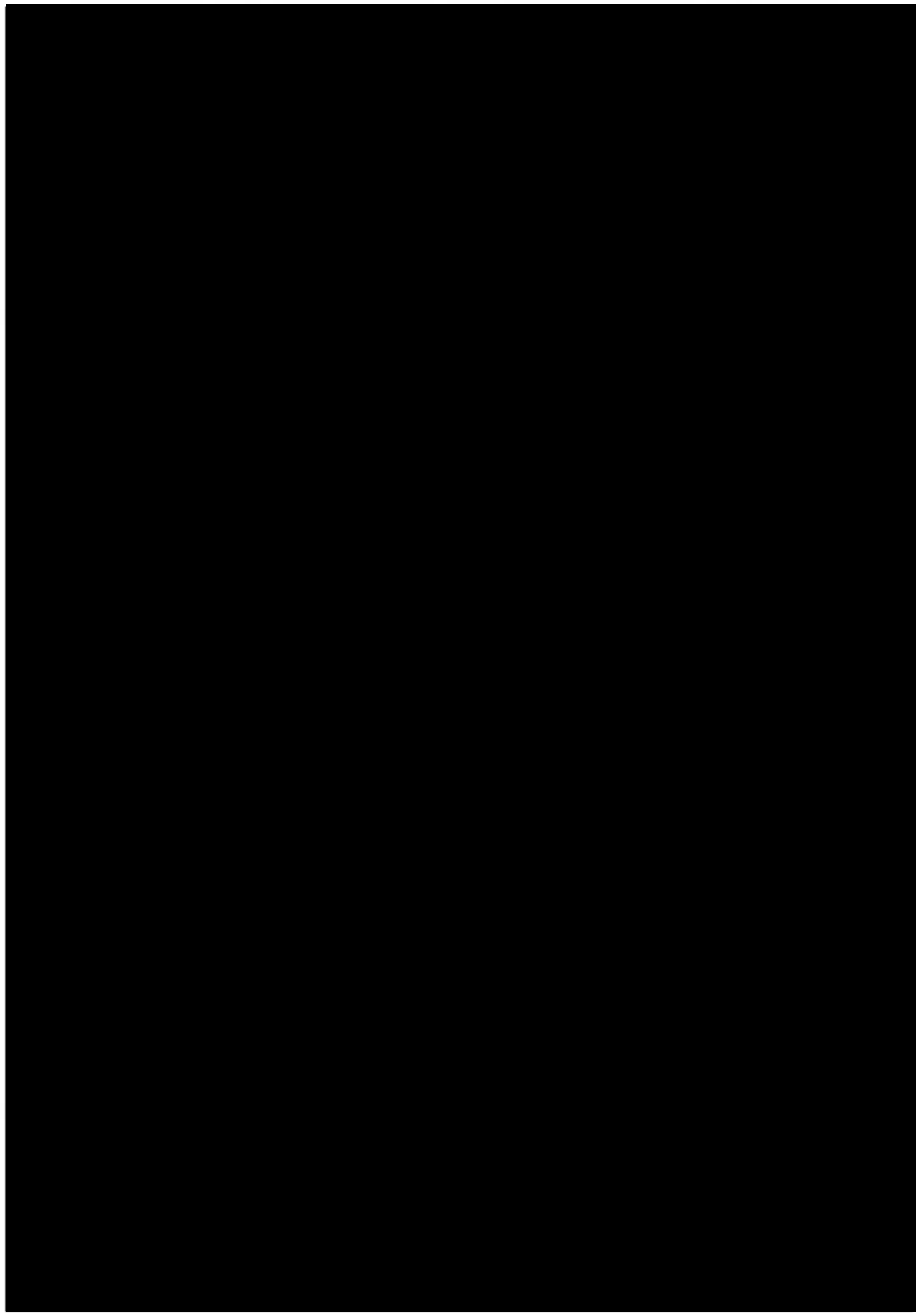


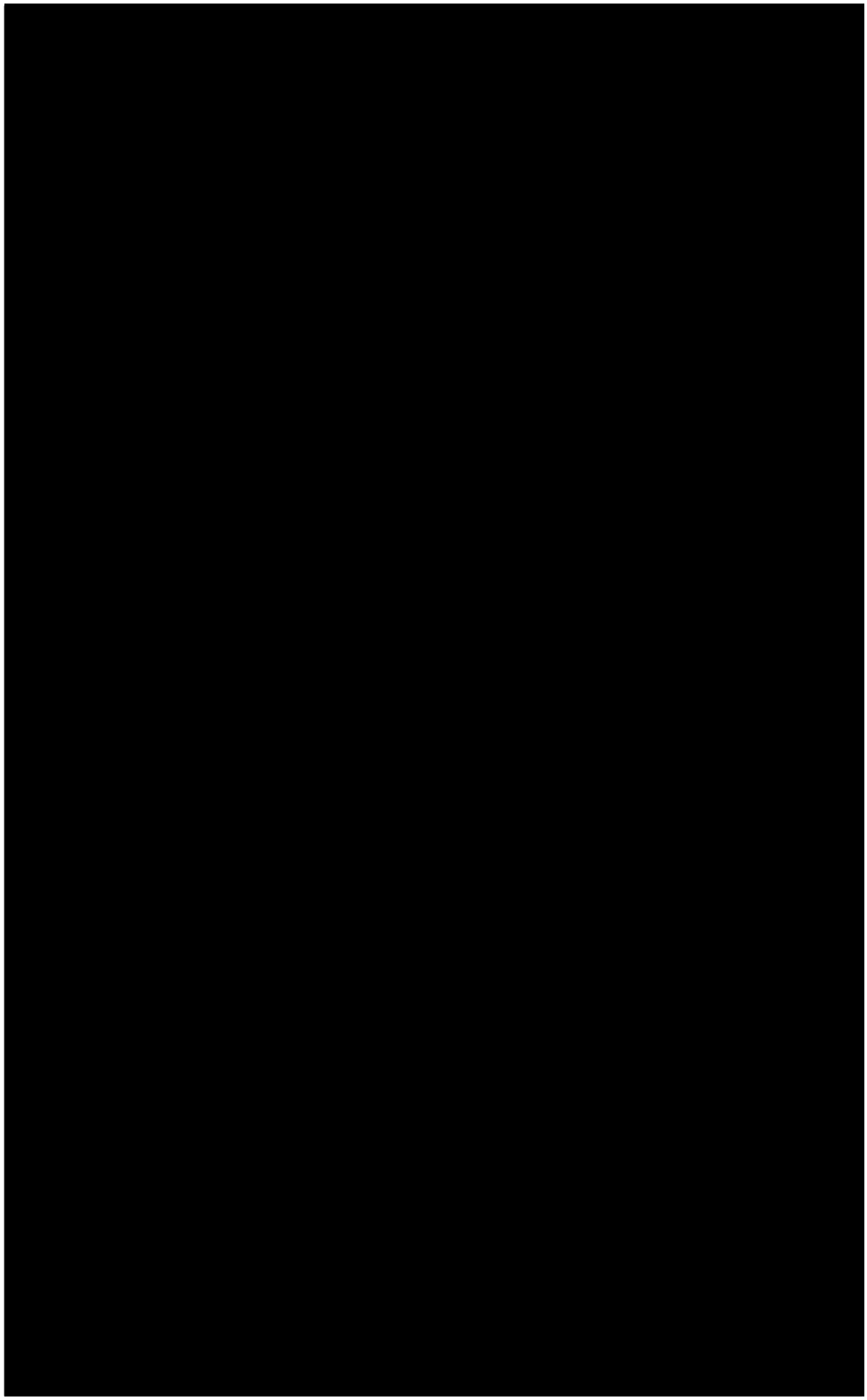


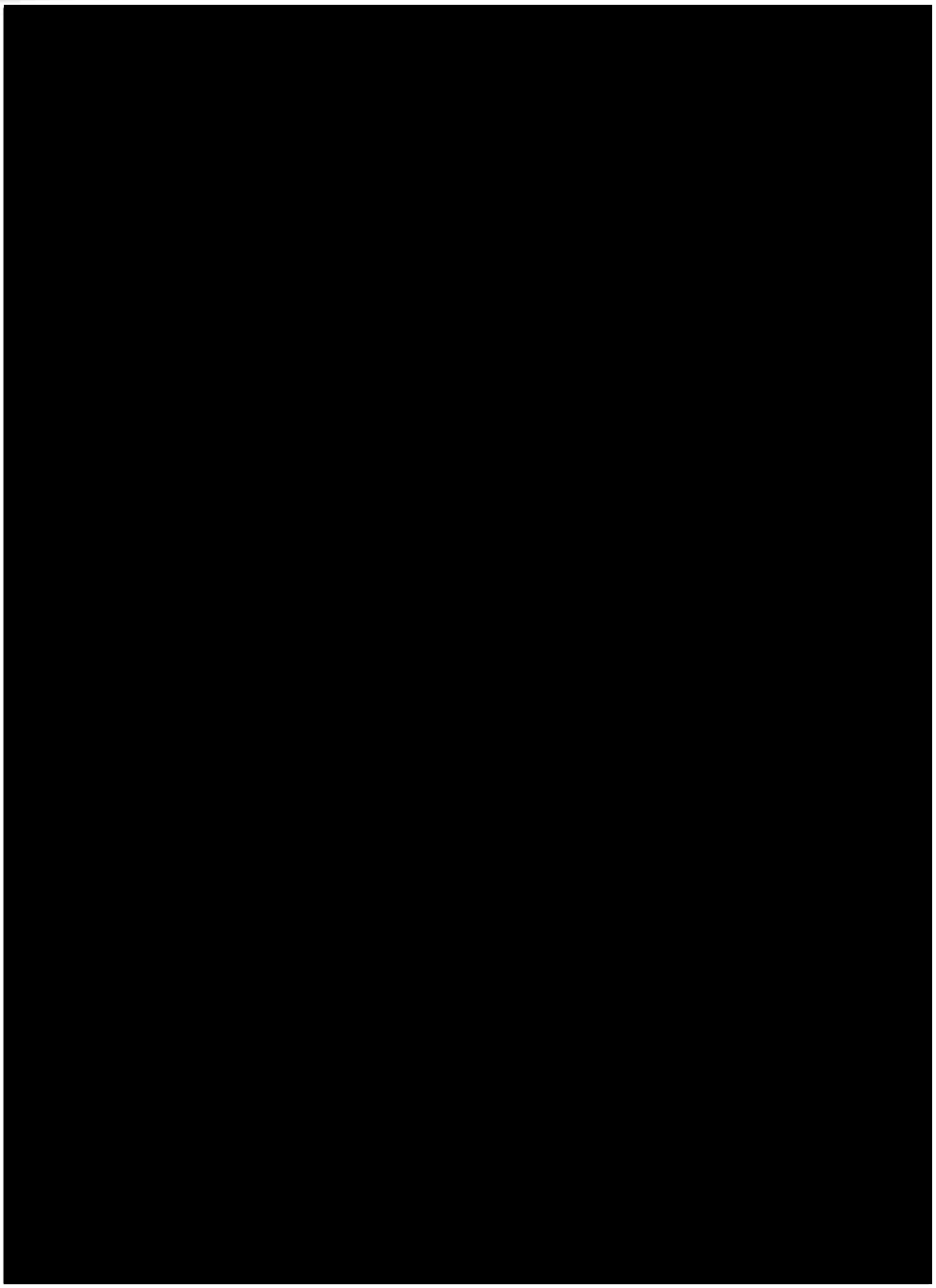


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Reporting to Steve throughout the project will be the core conversion team (shown in **Figure 4.7-6**) responsible for satisfying all Lottery CMS business and operational requirements. Every member of this team should be familiar to Lottery staff—they are, in fact, the same professionals who have supported the West Virginia AEGIS-Video system for the past eight years.



Figure 4.7-6: Scientific Games Core Conversion Team Members

Lottery Project Team

We anticipate the West Virginia Lottery will assume the following responsibilities during the conversion project.

Lottery Management. Lottery executive management and project team members will attend project planning and status meetings, perform oversight of progress and pending tasks, obtain Lottery approval of documents, project tasks and requests for modification to project direction. They will marshal any special Lottery resources when called for by exceptional situations.

Lottery Operations. This group, in additional to keeping the AEGIS-Video system running properly, will serve the important role of managing data center resources during SGVideo installation and testing. These employees will contribute heavily to business/operational requirements collection, receive SGVideo training in advance of user acceptance testing and be instrumental during the data migration and production launch phases.

CMS Users. Lottery employees currently using AEGIS-Video will be the primary contributors during the Scientific Games business requirements collection phase of the project. This group will provide critical input about processes, procedures, forms, screens, reports, accounting/ invoicing and scheduled changes to regulatory requirements. Select users may participate in initial test script reviews and/or acceptance test activities.

Venue Project Teams

Venue employees will contribute to the project by assisting in site reviews providing accurate gaming floor data (e.g., VLT asset details), coordinating on-site hardware installation and providing any needed security oversight while Scientific Games project team members are on site. These teams will be invaluable during the cut-over of the Venue to SGVideo.

Project Lines of Communications

A high level view of the CMS implementation project structure clearly defines the lines of communication, coordination and collaboration. The three primary points of contact for the project are:

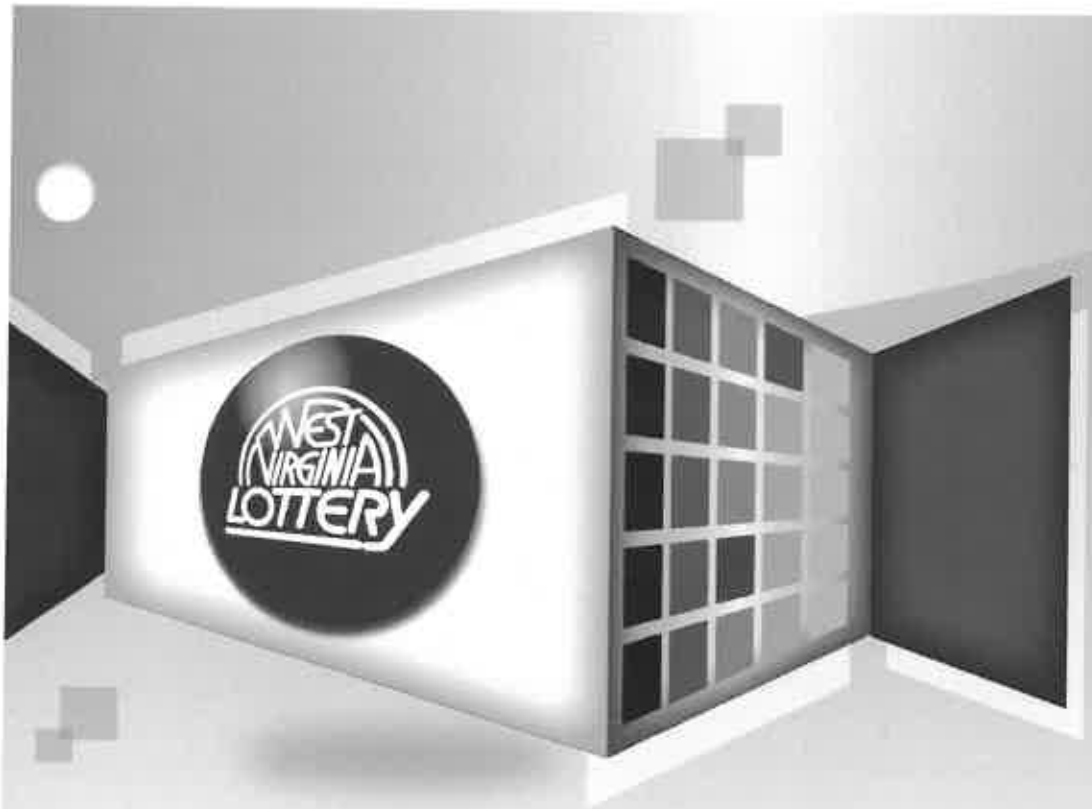
- The Project Manager, who works with Lottery participants and the Scientific Games account General Manager.

- The account General Manager, who works closely with the Project Manager to ensure a smooth transition from implementation to operation.
- A Lottery-designated primary contact, who provides oversight of the implementation project.

The structure of our implementation organization ensures that project status and escalation issues are always overseen by senior management. Each group lead has a direct line to a senior manager within the corporate offices; each of those managers has a direct line to top management.

The proposed structure for the Lottery teams is our suggestion based on dozens of similar video implementation projects.

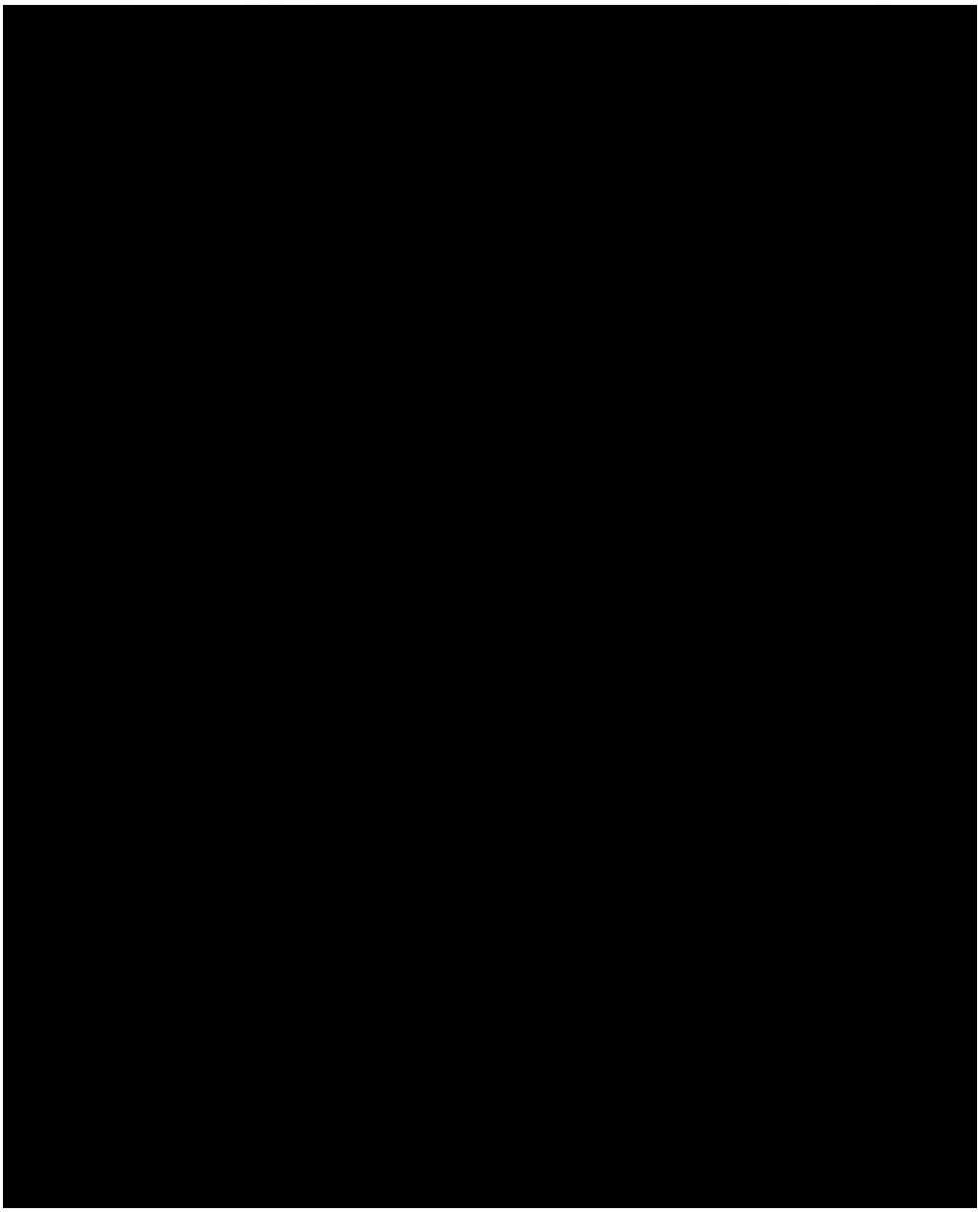
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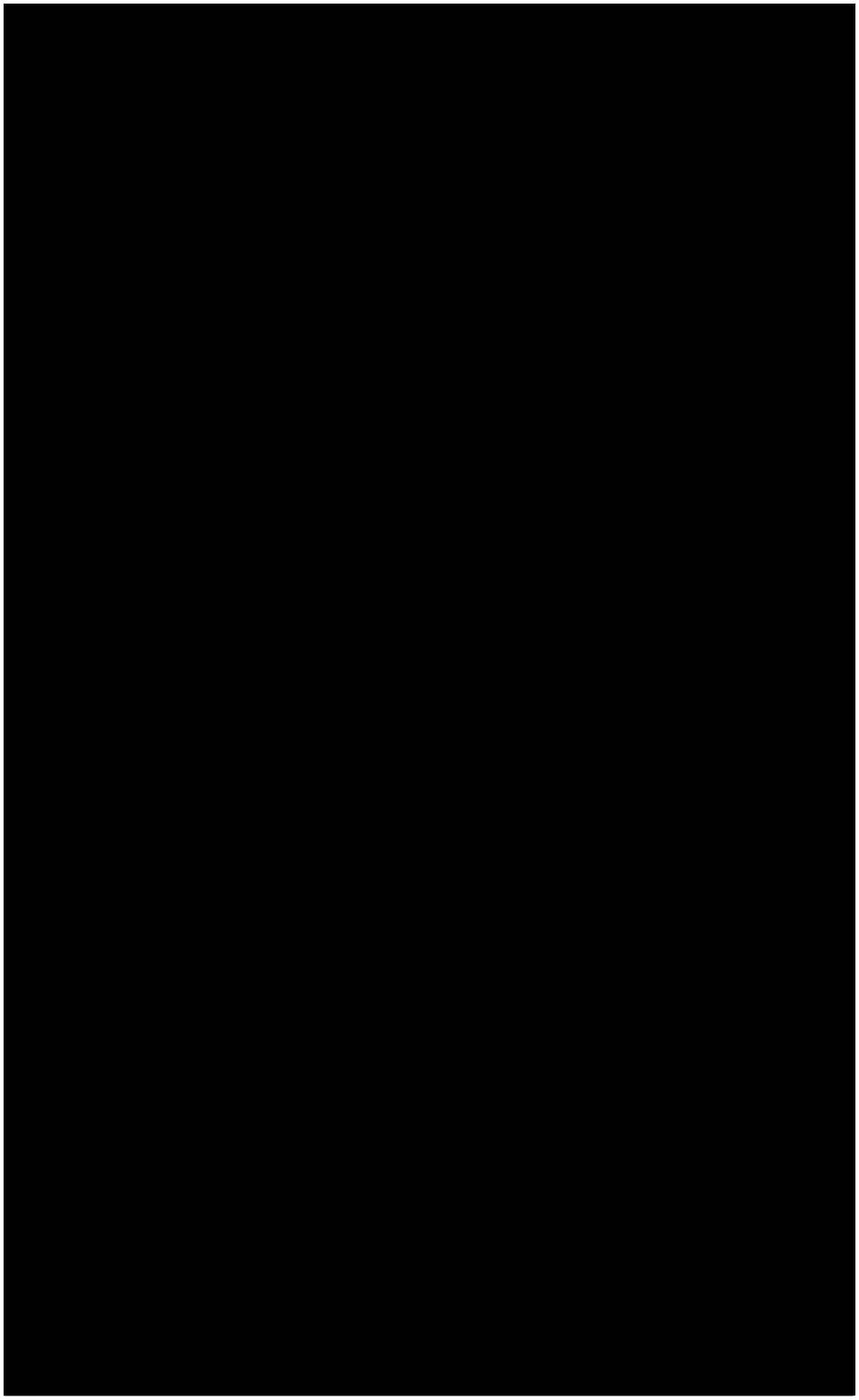


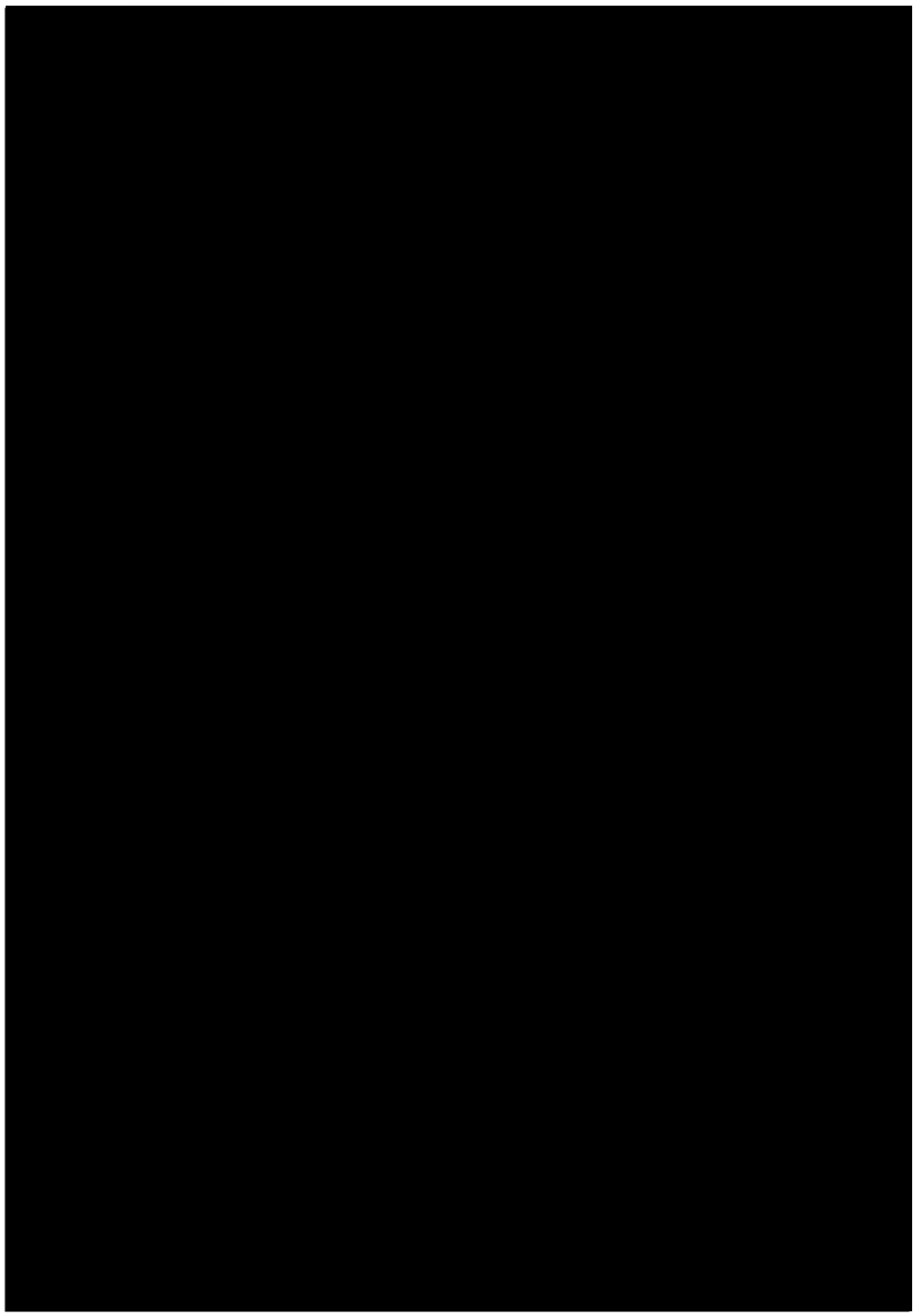
SECTION 4.8: TRAINING

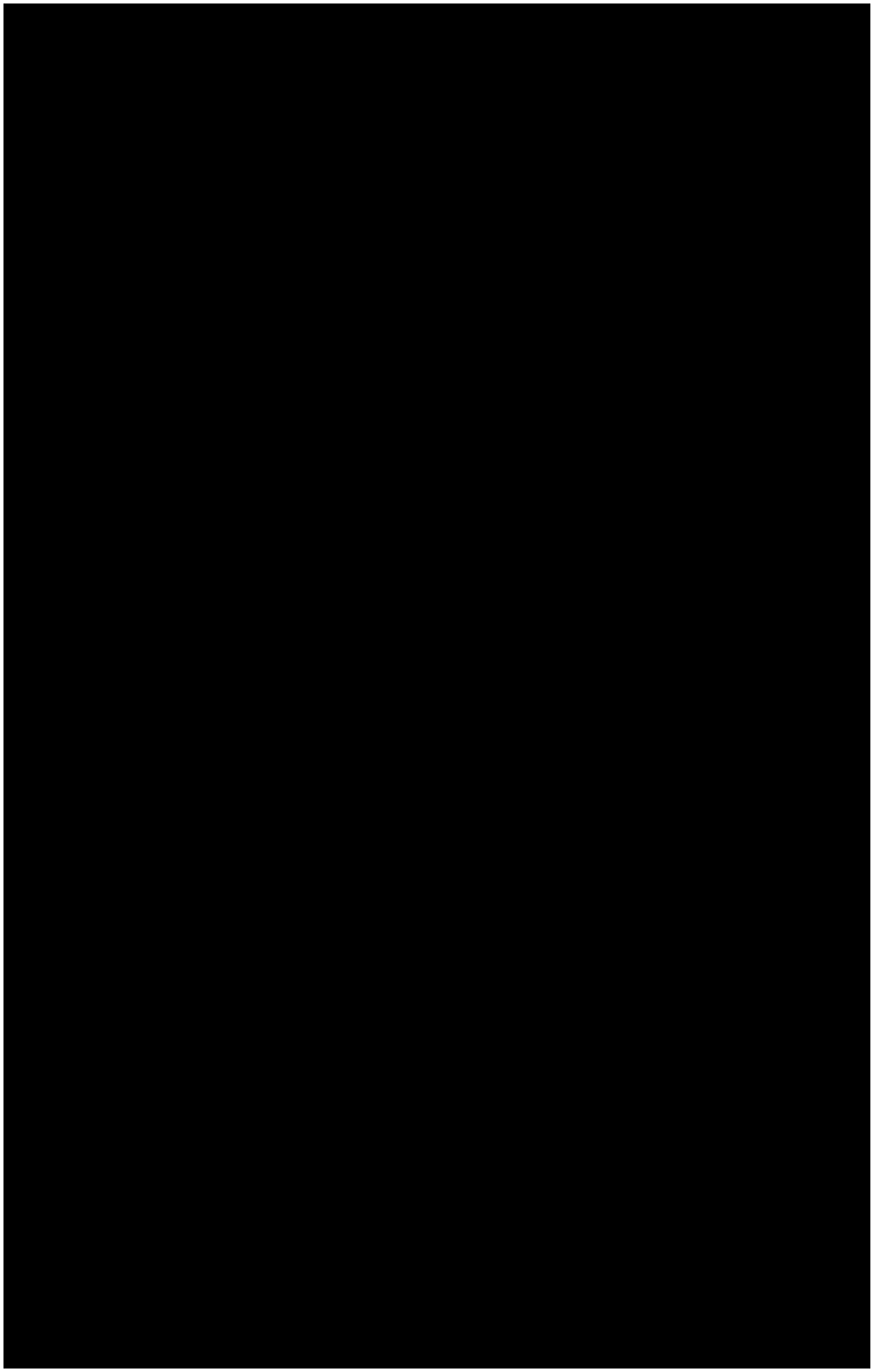
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Training Plan –SGVideo CMS for the West Virginia Lottery

Owner: Educational Services Department

Version: 1.0

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1 Terms, Initialisms and Acronyms

The following table contains the items relevant to this document.

Term	Meaning
AEGIS-Video	Legacy Scientific Games CMS running in the WVL
Central System	Computer system monitoring VLTs
device	A piece of active equipment connected to the CMS (e.g., Site Controller)
VLT	Video Lottery Terminal
G2S®	GSA standard: "Game to System" video gaming machine protocol
hierarchy	Any group of objects ranked so that everyone is subordinate to an object above it
NMS	"Network Management System"
SAS	GSA Standard "Slot Accounting System" video gaming machine protocol
SC	Site Controller
SGVideo	Most recent Scientific Games CMS; system being proposed to the WVL
SME	"Subject Matter Expert"
TBD	"To Be Determined"
venue	Gaming location managing slot machines; alternate term: "remote site"

2 Introduction

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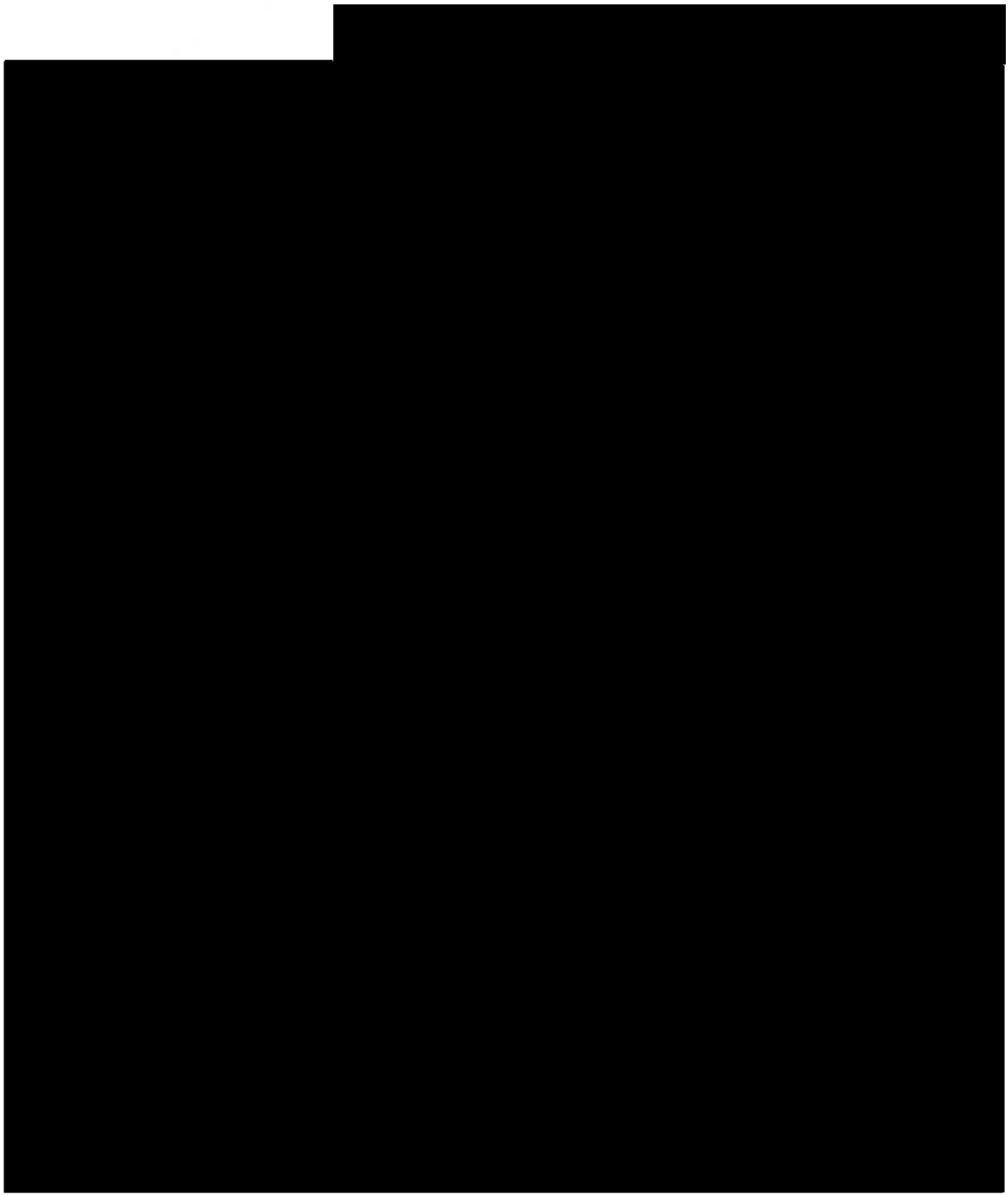
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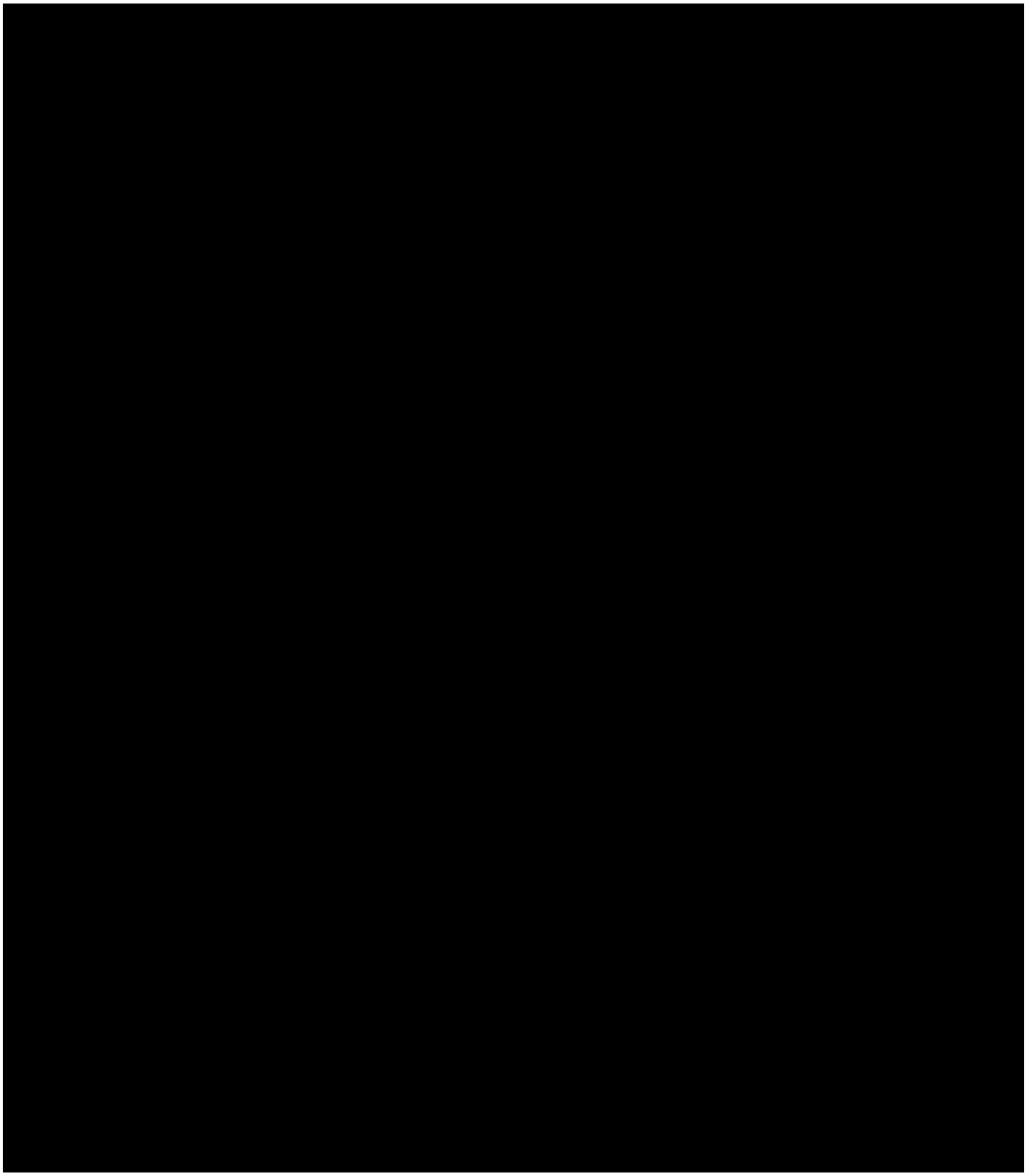
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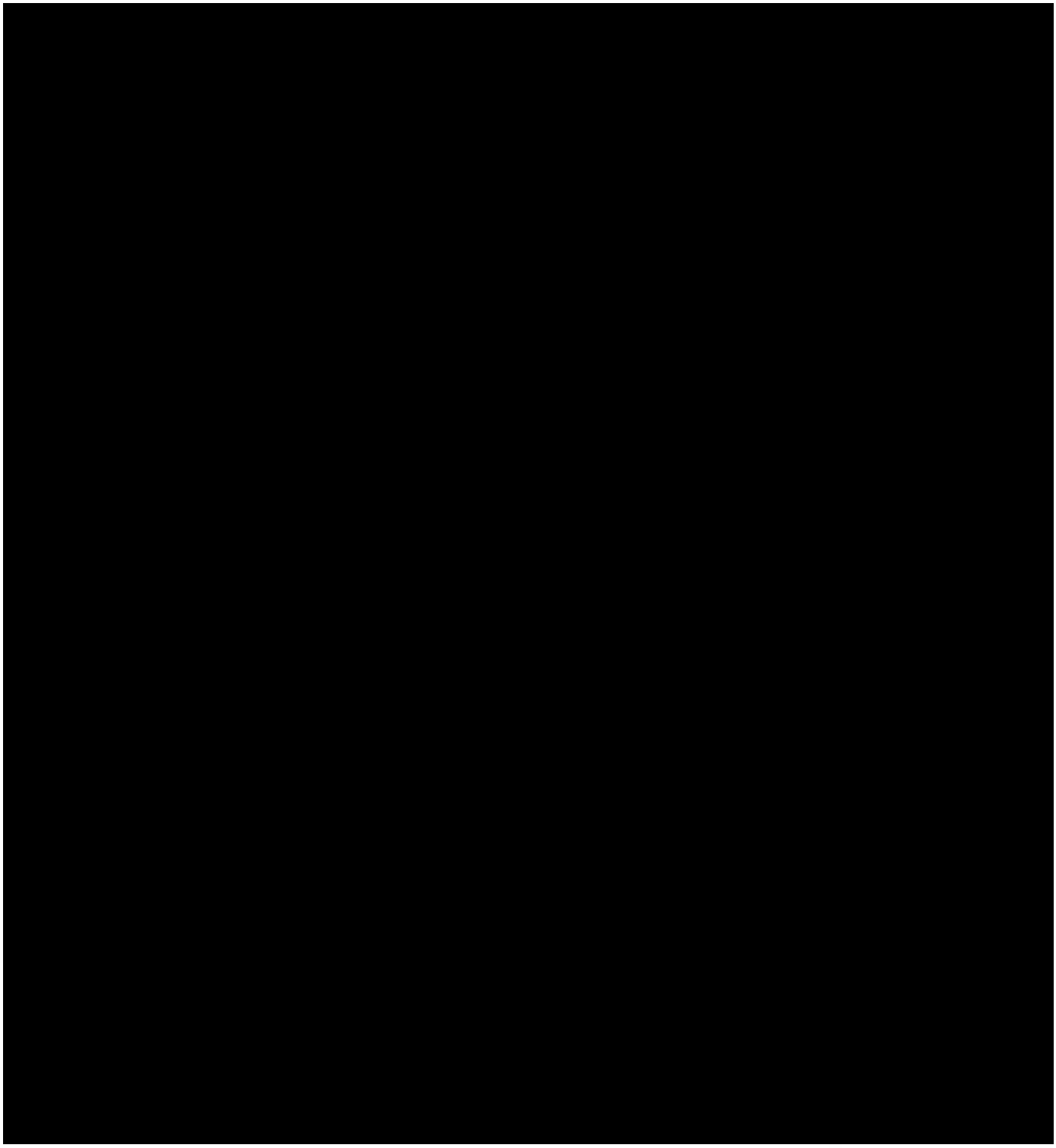
3 Scope

The training will cover all key areas of interest to the West Virginia Lottery as well as the training of the Lottery staff that will pass along the expertise to venue operators in support of the migration of AEGIS-Video to SGVideo. It will focus on training designated Lottery staff members.



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5 Form Training Evaluation

Owner: Technical Documentation and Training

Version: 1.0

Date:	Location:
Instructor(s):	

Please mark your answer by checking the box under your choice. Please mark only one answer per question.

Course Content					
Your Answer Choices	1-Strongly Disagree	2-Disagree	3-Not Sure	4-Agree	5-Strongly Agree
Course content was relevant to my job					
Course activities enhanced my understanding of the skills					
Sufficient instructions were given to allow me to apply the skills back on the job.					
Course materials supported my learning					
The course met my learning needs					

Instructors					
Your Answer Choices	1-Poor	2-Fair	3-Average	4-Above Average	5-Excellent
Knowledge of the material					
Presentation Style					
Ability to communicate in a clear manner					
Feedback and direction during the course					

Usability					
Your Answer Choices	1-Poor	2-Fair	3-Average	4-Above Average	5-Excellent
Easy to learn					
Easy to use					
Easy to remember					
Screen layout					
Sounds (if any)					
Input device (touch screen, keyboard, scanner, etc.)					
Impact on job performance					

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Comments:

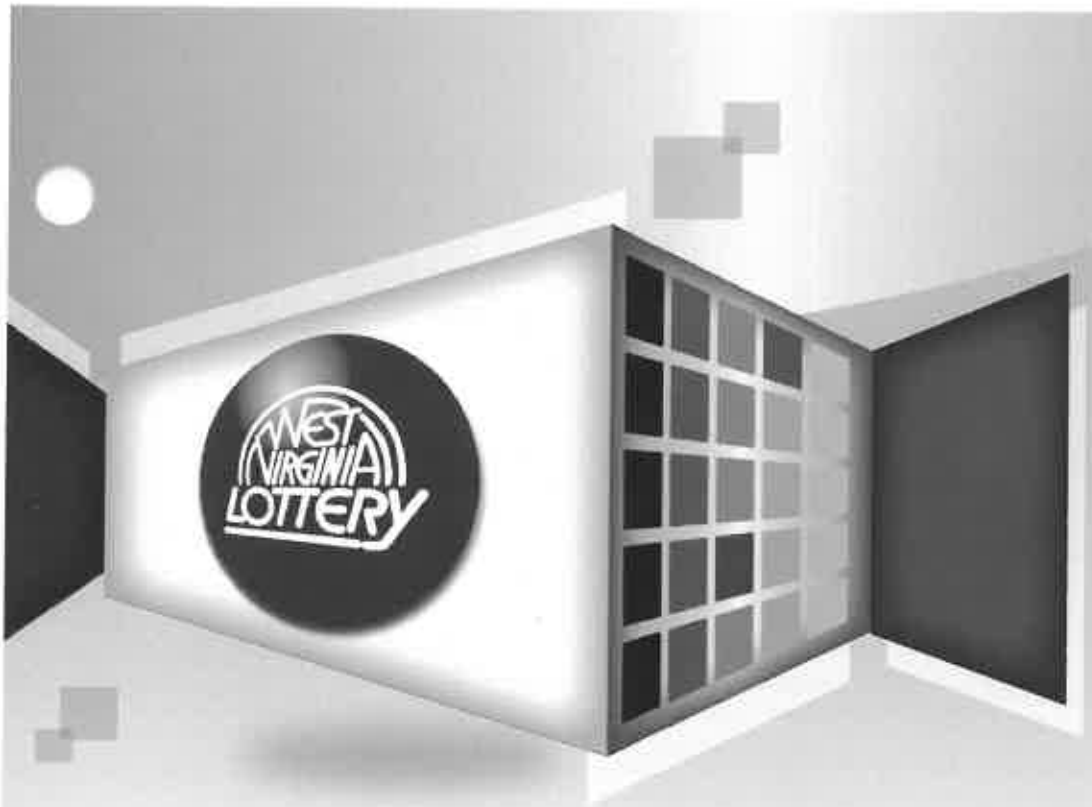
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7 Approvals (Internal)

I have read and concur with the training plan described within this document. All change requests for this training plan must utilize the established change management process for approval.

SG Director of Account Services	**Date:** _____
SG Knowledge Management Services	**Date:** _____
SG Production and Development Support	**Date:** _____
SG Production Network Manager	**Date:** _____
SG Field Service Manager	**Date:** _____

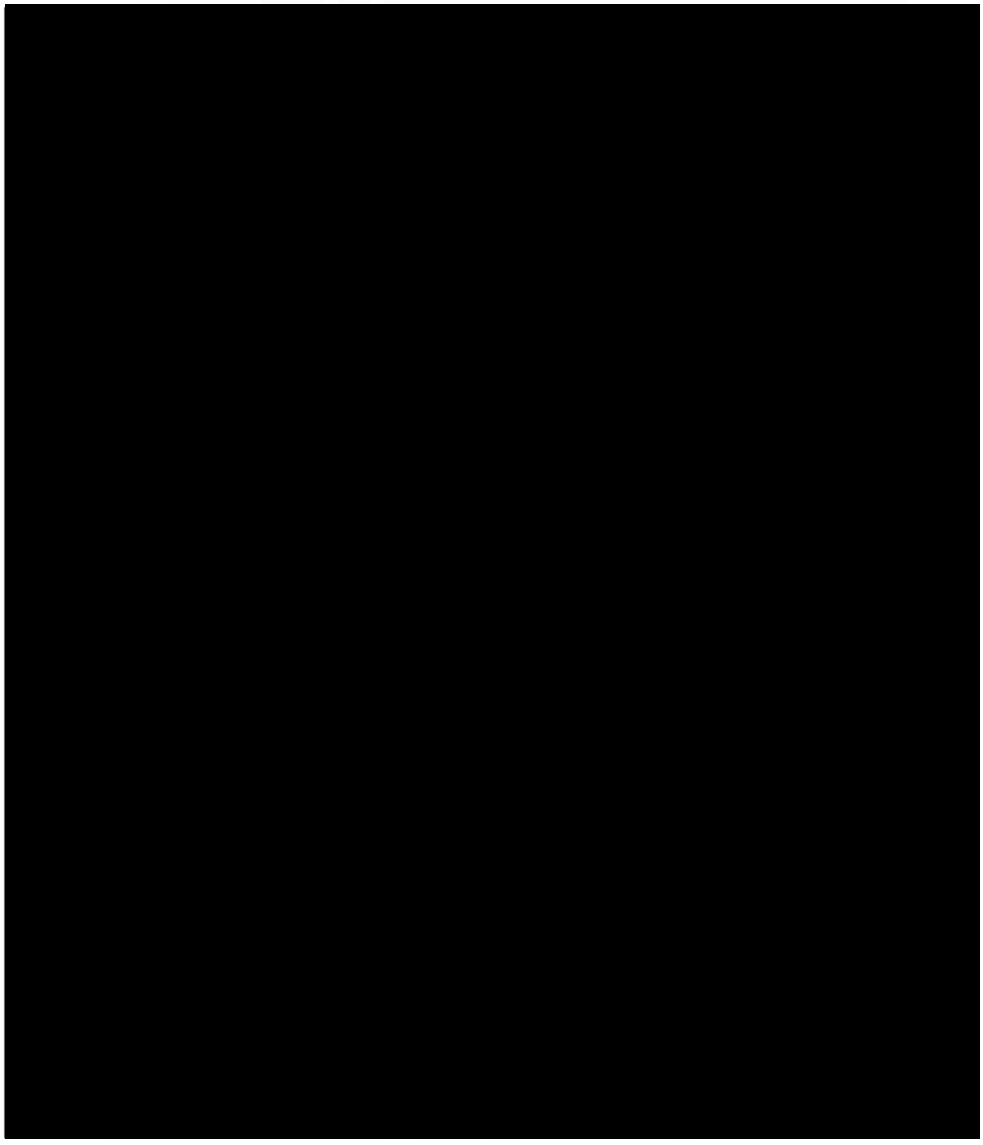
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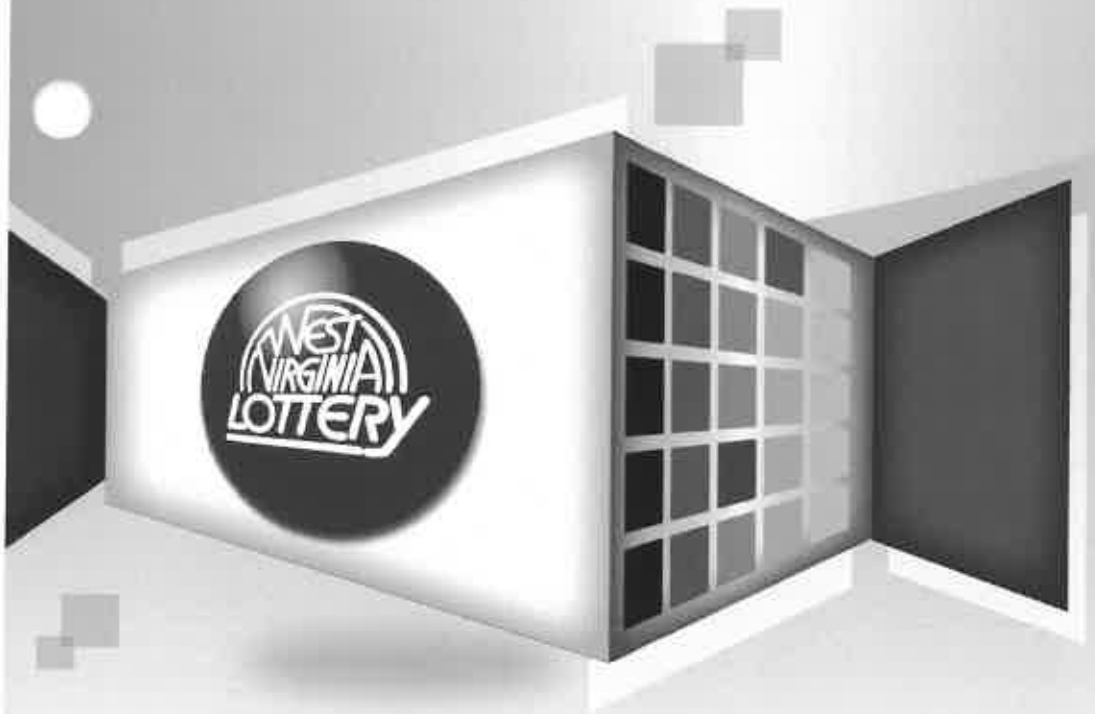
SECTION 4.9: ACCEPTANCE TESTING

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OPTIONAL PRODUCTS AND SERVICES

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OPTIONAL PRODUCTS AND SERVICES

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Scientific Games welcomes the opportunity to describe Optional Products and Services not specifically requested but possibly obtained separately from Scientific Games or its affiliates. With the convergence of key players in the gaming space, and our existing product and service offerings, Scientific Games' corporate family provides a portfolio of world-class products which have the potential to put the West Virginia Lottery on the cutting edge of Video Lottery worldwide. The products described below offer the West Virginia Lottery the opportunity to enhance your product offerings to provide more player interactive, player experience, and player opportunity than ever before in a Video Lottery jurisdiction. We look forward to discussing the following products and services with you.

ADVANCED LOTTERY BUSINESS SOLUTIONS

Recognizing that the lottery industry is dynamic and that technology will change, the Lottery and Scientific Games, on a continuing basis, will evaluate the most cost-effective, reliable, market-oriented and secure systems. Changes and enhancements that exceed RFP and contractually specified requirements (and which are not otherwise accommodated for in this RFP or by the pricing method in the RFP) will have the terms and price negotiated and approved by both parties, or be subject to a separate agreement, under this additionally priced offered option for advanced lottery business solutions. These include, but are not limited to, categorically different service obligations, and new technology enhancements. Scientific Games is prepared to offer new

technology, options or systems that become available in the future as an offered option. For any additional items/services required by the Lottery, not already included in the contract pricing, the Lottery and Scientific Games will negotiate for additional compensation.

The enhanced options our affiliates could provide include:

1. Player Loyalty/Rewards System and Services
2. iGaming System and Services
3. Sports Wagering System Services
4. Advanced Electronic Instant Ticket Solution (including terminals, system, and content)

1. PLAYER LOYALTY/REWARDS SYSTEM AND SERVICES

Systems Overview

In mid-2014, our corporate group merged with Bally Technologies, a major player in the gaming device and system business. Merging with Bally Technologies created a company with the ability to offer the broadest range of products and services to players worldwide.

The first slot data system was invented by Bally Technologies in 1976 and the company has been on an innovative climb innovating ever since. The Bally systems offer a full complement of products to help gaming operators retain and reward customers, manage and forecast finances, reduce risk, spot trends, and increase security. This technology is sophisticated, stable, and flexible so customers can take risk out of the equation.

Our corporate group, through the Bally merger, includes such major corporate, tribal and provincial gaming operators such as Caesars Entertainment, British Columbia Lottery Corporation (BCLC), Las Vegas Sands, Pinnacle Entertainment, Penn National Gaming, Mohegan Sun, Boyd Gaming, Foxwoods Resort Casino, Seminole Tribe of Florida, Australia Leisure & Hospitality (ALH), Sun International, and many more as customers. The Bally systems can be scaled to fit any size operation, with many small to mid-sized casinos around the world benefiting from Bally's robust technologies and support.

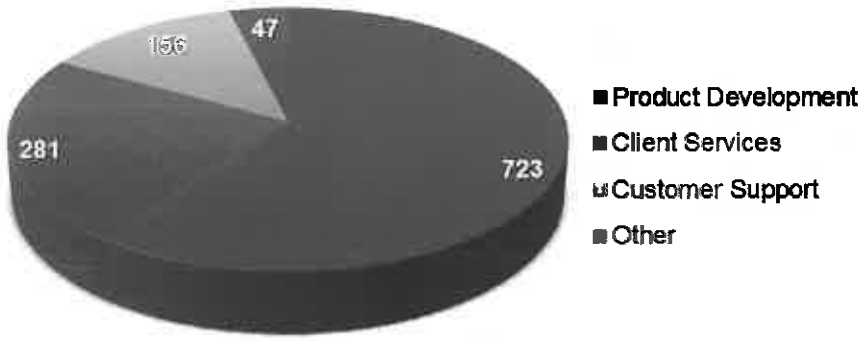
Throughout its history, Bally has introduced new and successful concepts in gaming devices and gaming systems. Today, with its team of innovative and creative game engineers, our corporate group through the Bally merger continues to lead the way in producing effective products that meet the

financial and operational objectives of its many customers. It is at the forefront of developing new products for the gaming industry.

Research and Development

Bally has made significant investments in systems research and development since 2005. During this time, Bally increased its total number of system employees from 411 to over 1,200, with approximately 60% of the systems employee base focused on developing new technologies for the gaming industry. A large portion of this increase is the result of adding two successful development centers in India, one in Bangalore and the other in Chennai. In addition, Bally expanded its development centers in Atlanta and Atlantic City. These wholly owned centers allow Bally systems significant competitive advantages that remain unmatched in the gaming industry. They complement and extend the capabilities of development facilities in Reno, Las Vegas, and Pleasanton, California.

1,207 SYSTEMS EMPLOYEES



BALLY CASINO MARKETPLACE (CMP)

CMP is the Bally casino management system suite that is currently operating in over 300 casinos across the U.S., Canada, Caribbean, South America, Australasia, and Europe. It handles player transaction data from nearly 180,000 gaming machines and over 5,700 tables. It is highly scalable as installations range from an operation with a few dozen EGMs and table games to one of the largest domestic casinos having over 5,000 units. It also has accommodated multi-property Class II and Class III installations operating in excess of 60,000 gaming machines.

It provides centralized operations for casino accounting, financial audits, credit lines (marker) reconciliation, and regulatory compliance reporting.

CMP manages player ratings for slots, tables, and other games. It shares player information with other departments such as the hotel registration desk or retail outlets so that the entire venue can appreciate the full value of the player.

Marketing functionality includes a patron loyalty program using a single player card across multiple properties including Racino, Casino, LVL locations and Lottery retail locations. This is known as Enterprise wide loyalty programs. Additionally, CMP incorporates a cage and credit solution that manages player transactions, fills and credits, among other cage operation functions. CMP includes the following core functions and features:

Player Club and Membership

- Rapid enrollment
- Tracking of all gaming action including slots, as well as live table games, Keno, and Bingo
- Comprehensive live search features to locate active players
- Identification and passport scanning
- Management of player comps
- Microsoft Reporting Services to export information directly to Excel

Cage and Credit

- Manage check cashing and markers
- Manage credit and collections
- Monitor fills and credit with the capability to issue audible alerts
- Manage front money and safekeeping
- Provide for secondary approvals

The CMP Player Tracking function is the operator's toolbox to effectively track player gaming and non-gaming activity. An operator can add excitement to the player program and achieve the competitive edge to attract new players and retain existing players.

CMP Power Rewards

With **Bally Power Rewards**, players have the ability to achieve additional awards based on play levels established by the operator. Bally Power Rewards promotions are flexible to work across the entire gaming floor. When used on the electronic gaming floor, Bally Power Rewards can be downloaded directly to the machine.

The promotional tools within the Power Rewards suite include:

- **Mad Multiplier** allows venue operations to stimulate play during slow periods and encourages play during certain days and times by awarding players bonus points that are worth a multiple of the base points they would normally earn. When players move between machines, or qualify for higher ranking club membership privileges, the promotion automatically adjusts to the challenging conditions. Multiple Mad Multiplier promotions can be setup and run concurrently targeting different player groups by including specific player type, tag code, club state and/or VIP status, across your entire venue operation, or even for a specific location, or for a specific game/game type.
- **Quick Draw Tickets (QD) and Electronic Quick Draw (eQD)** features allow players to exchange point awards for tickets stubs are either added to physical or virtual drawing barrels. A ticket drawing interface and drawing reports take the guesswork out of the whole process. With the click of a button, the marketing department can automate the entire drawing promotion process.

  QD and eQD promotions ensure that you award drawing tickets to players who actually play with increasing point liability. They are a useful and effective tool for decreasing point liability by allowing players to trade points for drawing tickets.
- **Stay n' Play** encourages incremental visits over several days which are tracked by player ratings at slots. For each day of the promotion that players earn a minimum number of base points, they earn a multiplier prize, as each day of the promotion their prize could double, triple or greater.
- **Step n' Win** awards players for reaching certain point accumulations in one day. Determine the point levels needed to earn each prize. Start off small to ensure that everyone is a winner and then increase the points needed to win the bigger prizes. The more steps in a day the better the rewards.

Power Rewards uses a flexible bonusing scheduler that allows multiple concurrent promotions to work simultaneously across you entire venue operation.

CMP Power Promotions

Bally Power Promotions gives the casino the ability to extend electronic incentive cash offers to its players automatically. With Bally Power Promotions, slot club members can use their slot club cards to convert their

valuable accumulated points and promotional dollars into playable credits without the hassle of going to the slot club booth. Not only does that keep club members playing longer, it means less labor to manage slot club operations.

2. IGAMING SYSTEMS AND SERVICES

Over the past four years, our corporate group has been a leader in pushing interactive gaming systems and services forward, and our affiliates would welcome the opportunity to bring our group's current strengths to a new partnership with the West Virginia Lottery. Some key highlights of our corporate group's interactive gaming business:

- Our affiliate launched an industry-leading mobile marketing solution, which has grown to support over 70 casinos, and 20 million players, across the United States.
- Our affiliate launched one of the first B2B social casinos in the United States with our partner Snoqualmie Casino. This was a major milestone as casino operators were able to take player favorite gaming content from their casino floor and monetize it for mobile and online gamers.
- Our affiliate was the first company licensed in the United States to provide online wagering technology.
- Our affiliate helped launch the New Jersey online gaming market by providing the platform, content and services that support GoldenNuggetCasino.com.
- Our affiliate launched a fully contained in-venue wagering system using mass market devices, allowing players to wager from anywhere on a casino property, not just the gaming floor.
- Our group has fully integrated its online solutions to land-based casino systems allowing operators a single view of player data and more robust bonusing across the enterprise.

As we move forward, our corporate group will continue to enhance product offerings for the mobile, social, and in-venue real money wagering markets in the following ways:

- Our corporate group will continue to enhance the overall depth and quality of its game content portfolio in two key ways. First, it will monitor the success of game titles on the land-based floor and work to launch them into the social and mobile product offerings quickly. This will allow our affiliates to leverage the game momentum from your floor into the monetized social gaming environment. Second, it will continue to innovate and develop content that appeals more to the social/mobile gambler so the West Virginia Lottery can continue to expand its

customer-base beyond those who are already land-based casino customers.

- Our corporate group will continue to revolutionize new social "gamification" features that not only serve to attract new players, but also help to retain and keep the attention of your existing players. Current examples include level-ups, refer a friend bonus, purchase incentives, game unlocking, integration to the core system and more.
- Our corporate group will continue to push the bounds of in-venue mobile wagering. Our group's current offering allows for wagering on Class III gaming content within the regulator approved bounds of your casino. Future developments will expand to include additional content including Bingo, Class II, Poker, and Lottery.
- Our corporate group will continue to lead the market in mobile features with enhancements that allow for personalized engagements per player—custom skinning, personalized messaging, loyalty point redemptions, etc.

Why choose Scientific Games' group's interactive products? Its cross-platform solution includes the Play4Fun social gaming platform, custom mobile concierge marketing applications, and future-facing on-premise mobile wagering solution. Each of these individually offers unique advantages and features which are greatly enhanced when integrated together.

It is our view that our group's cross-platform solution should be a seamless extension of your existing gaming and promotions that will allow you to reach your existing players and new players in a unique way. Scientific Games' affiliates offer a highly integrated, turnkey social gaming site, and a customized mobile wagering application. Here is a quick look at those products at a high level:

- **The Mobile Platform** – Currently serving over 21 million active players (roughly 10% of the United States population), our affiliate's mobile platform has re-invented the way that casinos market to and engage their customers. These mobile applications give you the ability to entertain, educate, influence, and market to your players 24 hours a day, seven days a week, from wherever they may be. Our affiliates have the broadest feature set in the industry, with native applications and mobile websites, concierge and marketing features, mobile games, systems integrations, and a powerful content management system. Our group also has more casino application clients by far than any other company. Why? Patrons heavily use our affiliates' applications, and this drives significant revenue to our customers.

- **The Play4Fun Network** – Scientific Games' affiliate's white-label Play4Fun Network platform empowers brick-and-mortar casinos to build engaged online communities. Robust technologies supported by innovative game content will ensure that the West Virgina Lottery can build an online player community with the marketing tools and compelling content needed to engage them. At any level, the success of your online offering will depend on the size of your online player community. Large audiences take time to build and will require a progressively enhanced player experience to be successful over time. Play4Fun Network is a cross platform social solution where operators can engage players with real-time, rules-based messages and offers designed to drive incremental trips to the casino floor. It is an easy-to-implement, easy-to-manage solution that integrates with a casino's player loyalty system to provide a 360° view of player activity, while proven social game mechanics keep players in the game.
- **On-Property Mobile Wagering** – In light of the recent slowdown of internet gaming legislation, and the under-performance in those markets where legalized online gaming has been permitted, Scientific Games' group's interactive business is focused on a new path forward—expanding the gaming experience at casino and resort properties through mobile wagering. This would allow players the added ability to wager on their favorite game from beyond the casino floor—in their hotel suites, at the restaurants, concert venues, nightclubs, pools and more. As mass market technology collides with the gaming market, our corporate group is planning for a world where the slot machine no longer weighs 250 lbs and sits anchored to the ground. We are talking about a world where the slot machine weighs less than 4 ounces, and fits very neatly in the palm of your hand. What this means for your players is more control, more convenience, and more opportunity to gamble. What this means for you is lower costs, lower overhead, and higher profit margins.

Our group would enjoy working with you on building your social gaming site and on property mobile wagering application. Our group is deeply committed to all our clients, and works extremely hard to make sure they get results and enjoy working with all of us. Ultimately, that's why our group never builds a project and walks away. Our group approaches this business with the same dedication and level of effort as the traditional systems and games business and strives to make this new and exciting aspect of your business effective from day one. Our affiliates know that there will be lots of learning on your side and are committed to helping you at every step. Through our corporate

group's technology acquisitions our parent has brought together some of the most experienced teams in the industry.

You will be hard pressed to meet a more passionate team. Our interactive business affiliates' engineers, designers, analysts, and executives are friendly, smart and incredibly passionate about impressing customers. They feel lucky to get to do this kind of work, and they put forth our best efforts in what they develop and create.

We believe our group's interactive business is the industry's top B2B provider of mobile, social, and in-venue real money wagering solutions for casino operators. Over the past four years our affiliates have discovered that there are two key elements to an interactive offering that will ultimately help enhance brand engagement and drive revenue—compelling content and a robust mobile offering to the land-based loyalty systems.

- **Compelling Content** – The game performance numbers coming from the real money online gaming markets in Europe, Canada, and New Jersey have proven one undeniable truth—online players gravitate towards the same content that is performing on the land-based casino floors. Scientific Games' group's interactive business is the exclusive distributor of gaming content from the WMS, Bally, and SHFL brands. This content represents approximately 90% of the table games footprint, and 35% of the slot footprint across your organization. We are proud to say that the- content your players love is only available from Scientific Games' affiliates.
- **A Robust Mobile Offering** – Advancements in mass market technology have created a player-base that is increasingly more demanding. They no longer want to be told when they are allowed to consume content; instead, they want to access their favorite content on their own schedules. This is why our corporate group believes in the power of a robust mobile offering. That said, for an enterprise with as diverse an offering as the West Virginia Lottery, one cannot assume players will want a singularly focused mobile application. Instead of providing a mobile application solely focused on delivering a social casino experience, our group's interactive business wraps this feature into the same download that your players are already using to make hotel and restaurant reservations, check their loyalty club information, receive targeted offers, engage with your social media accounts, and much more!

3. SPORTS BETTING

Scientific Games welcomes the opportunity to describe our corporate group's next generation sports book management system, Sports Betting: a full-featured, full-service sports book management solution that is in production both domestically and internationally. Our affiliate's solution combines a transaction processing engine, data warehouse, sophisticated communications technologies, and exciting new management tools to provide near 24-hour wagering and effective risk management controls.

Sports Betting is the latest version of a sports wagering system whose predecessor systems have been running in South America, the Caribbean and Nevada for more than seven years.

Scientific Games' group is experienced in the operation of the Sports Betting system as our affiliates are currently operating the system out of one of our group's North American data centers servicing sports wagering operations off the coast of Florida and in the Caribbean. And, importantly, it is a highly scalable system so that significant future growth in the will easily be supported. Sports Betting is designed to allow it to interface with diverse third party systems, using Application Program Interfaces (APIs), to easily integrate with Lottery Internal Control Systems (ICSs), back office processors, web-based applications, specialty gaming servers and requested enhancements. Our affiliate also offers a number of options to enhance the core business engine. The handicapping contest management module and player loyalty module provide powerful marketing tools to enhance the Lottery's sports offerings, including "in-game" wagering options, through the use of Rapid Bet Live™. We know our group has the best full service sports book management system in the industry. The product's flexible, yet robust and secure system architecture allows business management and decision making at an advanced level.

Sports Betting is a robust system which offers the full line of sports wagers including:

Straight Bets

A straight bet is an individual wager, typically at 11-10 odds, on whether a team will cover the point spread. For example, Pittsburgh was generally a 6 1/2-point favorite to win a game. Bettor A bet $110 on the Pittsburgh and Bettor B bet $110 on Arizona. Since Pittsburgh won the game by only 4 points, Bettor B won $100 on his bet and collected $210 (the $110 wagered, plus the

$100 winnings), Bettor A lost $110 and the casino won $10 (even though Bettor A lost $110, the casino only paid $100 in winnings to Bettor B).

Totals

The total (also called over/under) is a wager on whether the total points scored in the game will be over or under a designated number. If the total number (as set by bookmakers) was 46 1/2, and Pittsburgh scored 27 points and Arizona scored 23 points, bettors wagering on the over won because the total was 50 points, i.e. over 46 1/2. Similar to straight bets, total bets are typically offered at 11-10 odds.

Money Lines

The money line permits a bettor to choose one team or the other to win the game, without regard to the score. Rather than being offered as an 11-10 bet, the odds reflect the relative ability of the respective teams. For example, a money line bet on Pittsburgh might require a bettor to post $230 in order to win $100, while the opposite side of that bet might require a bettor to post $100 to win $190 on Arizona—the difference in payouts representing the house commission, often called the "vig" or "vigorish."

Parlays

A parlay is a single bet that links together two or more wagers; to win the bet, the player must win all of the wagers in the parlay. If the player loses one wager, he loses the entire bet. However, if he wins all of the wagers in the parlay, he wins a higher payoff than if he had placed the bets separately. To entice customers, bookmakers may offer such wagers such as 10-team parlays, with substantial payoffs to winners with minimal risk. In addition, a player can tie together multiple parlays to form a "round robin." For example, a 3-team round robin consists of three 2-team parlays (A + B, A + C, and B + C).

Parlay Cards

Parlay cards typically demand a minimum of three or four selections, with odds printed several days before the event. Because the odds information published on the cards is fixed when printed, the payoff table is usually offered at reduced odds and limited bet amounts. The hold percentage on parlay cards is higher than any other segment of the sports betting business. The vast majority of parlay cards are played during football season.

Propositions

Proposition bets, or "prop" bets, focus on the outcome of events within a given game. The house advantage in the odds is typically greater than for straight bets, often similar to the money line.

Teasers

Like the parlay, a teaser is a way of linking together two or more wagers. However, unlike the parlay, a teaser bet allows for some flexibility on the point spread. The bettor receives a number of points that he can apply to various games in his teaser bet, adjusting the point spread in his favor. However, the more points he uses, the lower the return on the bet. Because of the perceived advantage received from point spread reduction, the teaser payoff table is greatly reduced from those offered on parlay wagers. As with parlays, all selections must win for a payoff. Hold percentages on teasers are not mathematically absolute but are historically similar to the hold percentages used with parlay combinations. Teasers are also offered on parlay cards with a minimum of three or four selections up to a maximum of 20 selections.

Futures

A futures bet is a wager placed on an event typically far in the future, such as who will win next year's pro football championship game or the Kentucky Derby. Futures can sometimes provide bettors with higher odds on a team they like; however, the built-in house advantage in the odds is much higher than for daily bets. Futures are often offered on auto racing, baseball, basketball, football, golf, hockey, horse racing, soccer and tennis.

The Sports Betting sports book management system also provides a wide range of powerful management features and tools to support the following activities:

- Centralized management of all system functions
- Comprehensive "real time" risk management
- Redundant logging of transactions and database modifications
- System auditing and security monitoring
- Sales and activity data management
- Data review and report creation
- Venue accounting

Hardware and System Architecture

Scientific Games' affiliate's sports wagering system is equally impressive from a hardware and architectural perspective. The architecture is based on Microsoft "clustered" servers and Storage Area Network (SAN). A SAN is an architecture to attach remote computer storage devices to servers in such a way that the devices appear as locally attached to the operating system. The SAN disks used by this product use RAID storage technology to provide fail-safe redundant storage of data at both the primary and secondary data centers.

Operating System – VMware VSphere 4 Enterprise Server

VMware VSphere 4 Advanced Enterprise server will be used on the pair of redundant virtual hosts at the Primary and Backup sites. Virtualization is a proven software technology that is rapidly transforming the IT landscape and fundamentally changing the way that people compute. The advantages of a virtual environment are significant, offering highly reliable simplified system architecture to support in a low-power consumption, "greener" environment.

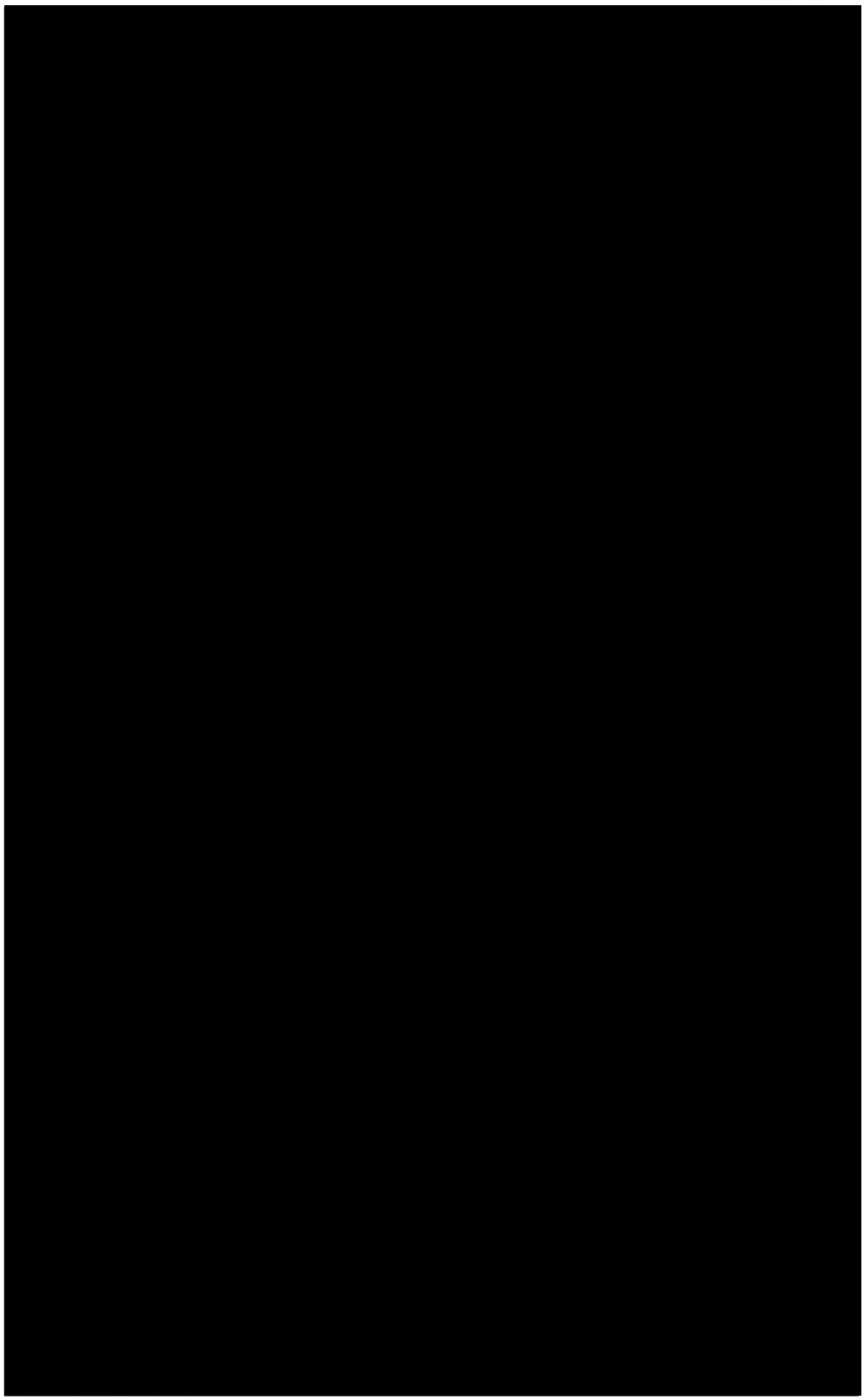
Sports Betting is a very modern, and proven system, that offers a sports lottery system that will meet all of the customer's needs now and for the next 10 years.

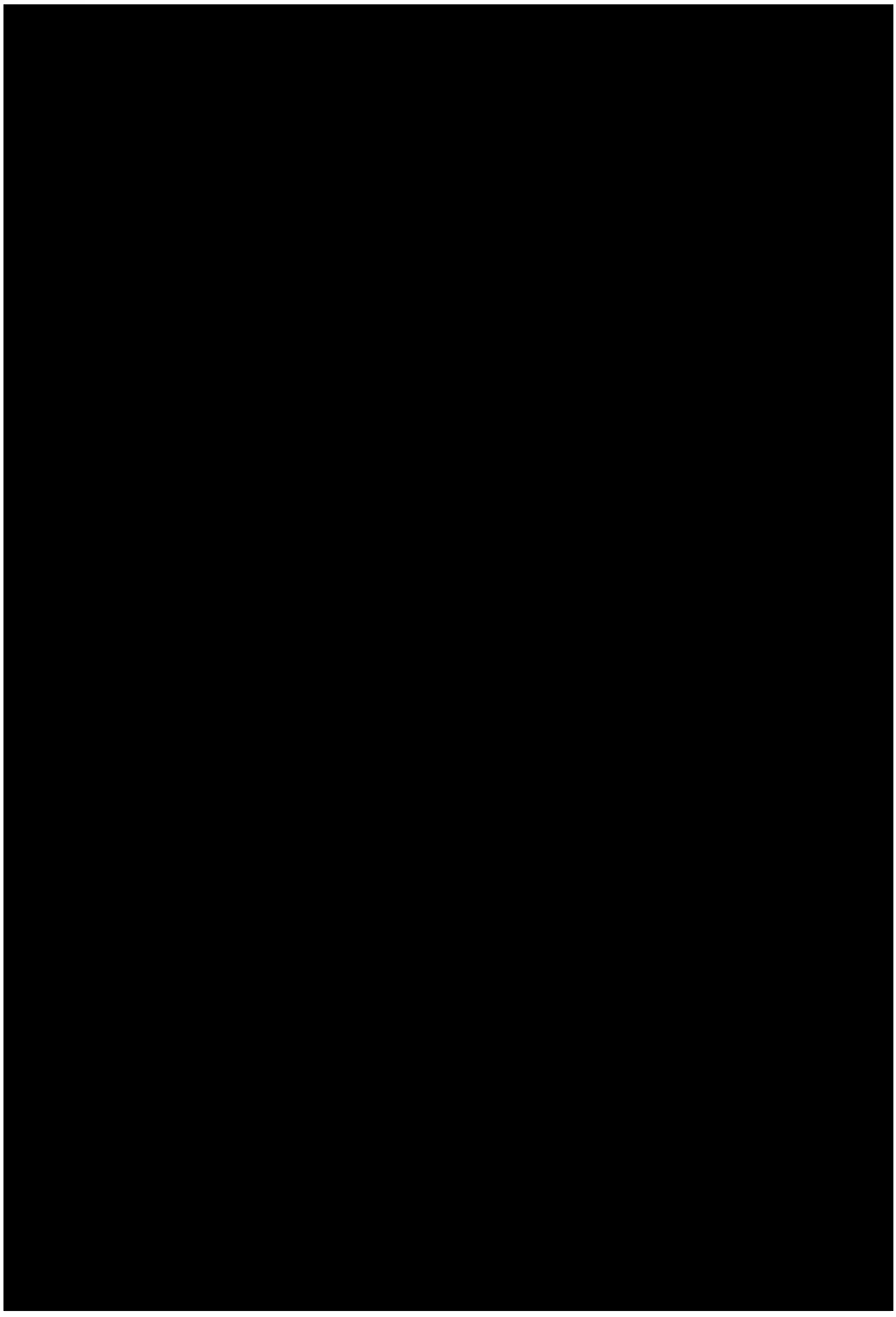
4. ADVANCED ELECTRONIC TICKET SOLUTION (INCLUDING TERMINALS, SYSTEM, AND CONTENT)

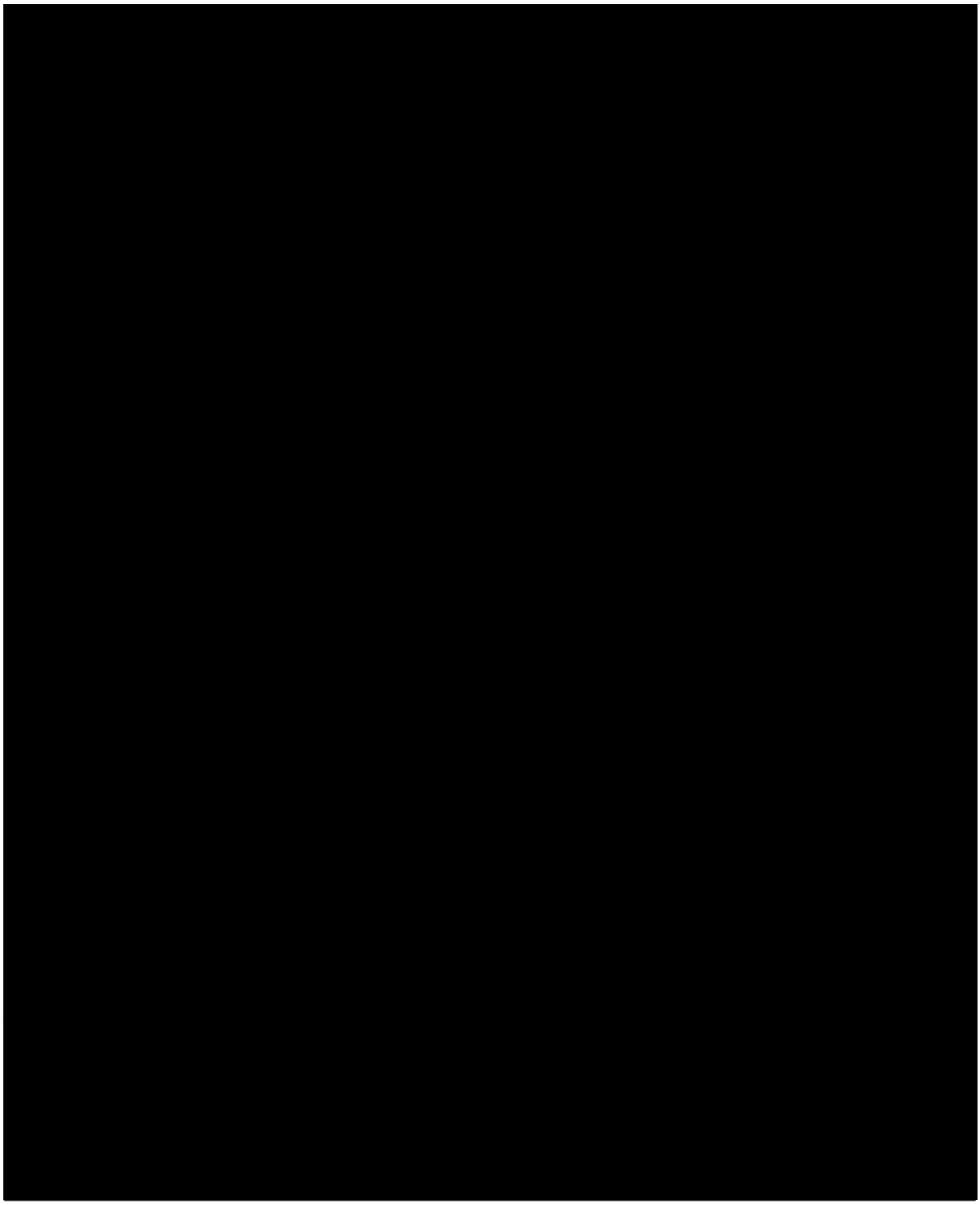
The solution proposed is based upon a design which couples the video management and control capabilities of the proven SGVideo Central Management System (CMS) with the robust TXE transaction engine currently used by Scientific Games to power some of the largest and most demanding lottery operations worldwide. The system provides the most flexible platform available today thanks to its open, service-oriented design. With the proposed Electronic Instant Ticket System (EIT), the system delivers a fully secure and auditable play experience, with full transactional detail of all activity.

Scientific Games' Electronic Instant Ticket System solution, including terminals, system and content offers our customers a secure, robust, reliable solution which adds additional features and benefits to the customer gaming portfolios.

Originally developed to support the sale of animated scratch games on a smart phone, the newest version of EIT is geared toward the needs of a Video Lottery operation and provides the functionality of an RNG in a more secure and auditable form. By using data supplied from the remotely-operated Ticket Generation Engine, the EIT allows the same "double blind" process used in the









Terminals

The Nevada Terminal

- Nevada is a state of the art 19" dual TFT screen cabinet
- Developed as the new generation cabinet for the UK licensed betting office market
- Designed for dual B2/B3 functionality as well as other SBG applications
- Runs a compendium of content, managed and updated remotely
- Suitable for high ambient light environments requiring a robust terminal



Figure 4: The Nevada Terminal

The Infinity Terminal

- Dual HD quality games screens in a 23" widescreen format offering great graphics, enriched colours and multi-touch functionality
- Video button panel provides total flexibility in game play and retains hardware 'start' and 'main menu' buttons
- Flexible printer design can accommodate a 6" roll and can be used for Ticket In Ticket Out operations
- Peripheral panel to accommodate a RFID/ NFC reader for player loyalty and electronic wallet applications
- High quality left and right speakers, part of the enhanced sound system, are located behind the play screens. A separate base speaker is located in the bottom of the cabinet
- Depth: 582 mm Width: 606 mm Height: 1888 mm
- Runs a compendium of content, managed and updated remotely
- Suitable for environments requiring a robust terminal



Figure 5: The Infinity Terminal

The T8 Terminal

- Dual HD quality games screens in a 23" widescreen format offering great graphics, enriched colors and multi-touch functionality
- Three screens as standard including video top-box that features attract sequences and on screen promotions
- Enhanced audio with low frequency bass speaker for improved sound quality
- Quick release artwork panels provide the ability to change terminal theme easily
- NV200 note acceptor with note payout and single smart hopper functionality
- Designed to accept TITO, CITO, and card reader technologies
- Depth: 485 mm Width: 565 mm Height: 2220 mm
- Runs a compendium of content, managed and updated remotely



Figure 6: The T8 Terminal

Summary

Scientific Games and our SGVideo EIT gaming system solution provides the highest level of integrity, security, functionality, accuracy and support for your gaming operations.

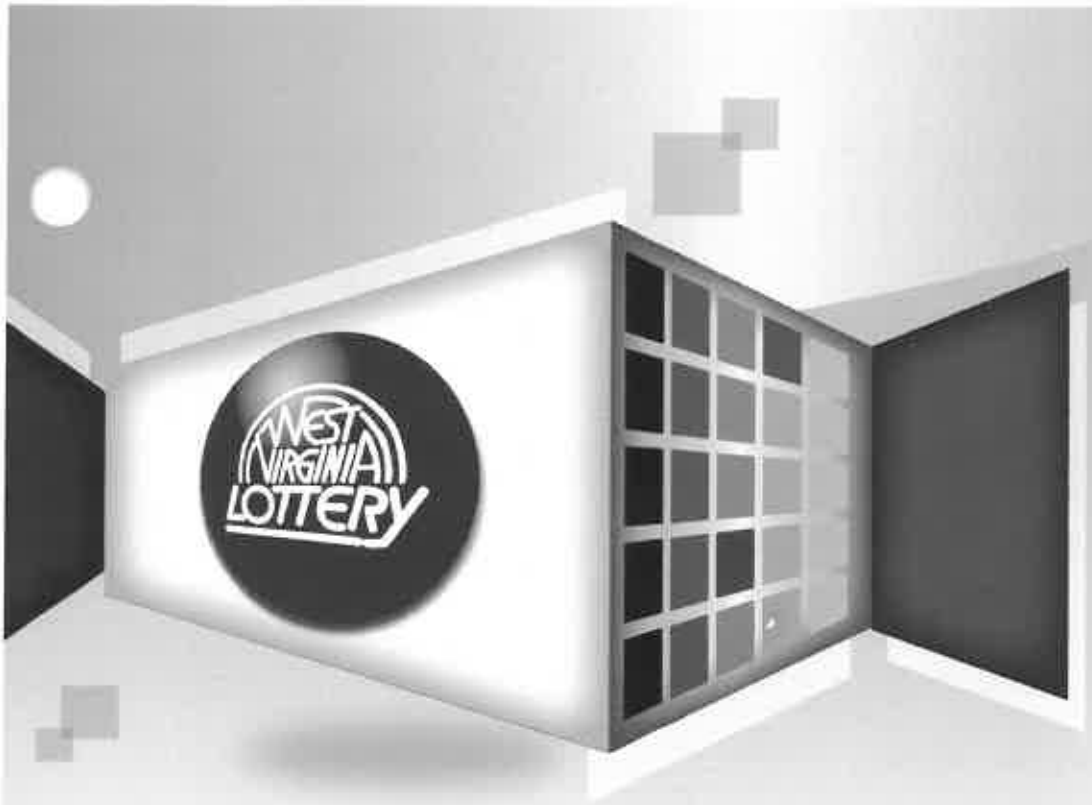
This includes:

- The most modern, versatile and robust Gaming System (SGVideo) available from any supplier to government and private operators
  - Extensive venue based support and management suite of tools
  - Highly secure and reliable
- Unparalleled Game design and development capability
  - UK, USA and India
- Worldwide technical support organization
  - USA, Austria, India, Hungary and Poland

Scientific Games, offers customer focused support backed by a technically solid and financially sound organization that is committed to the success of our customers.

Scientific Games will provide additional details regarding the information included in this Optional Products and Services section upon request from the Lottery.

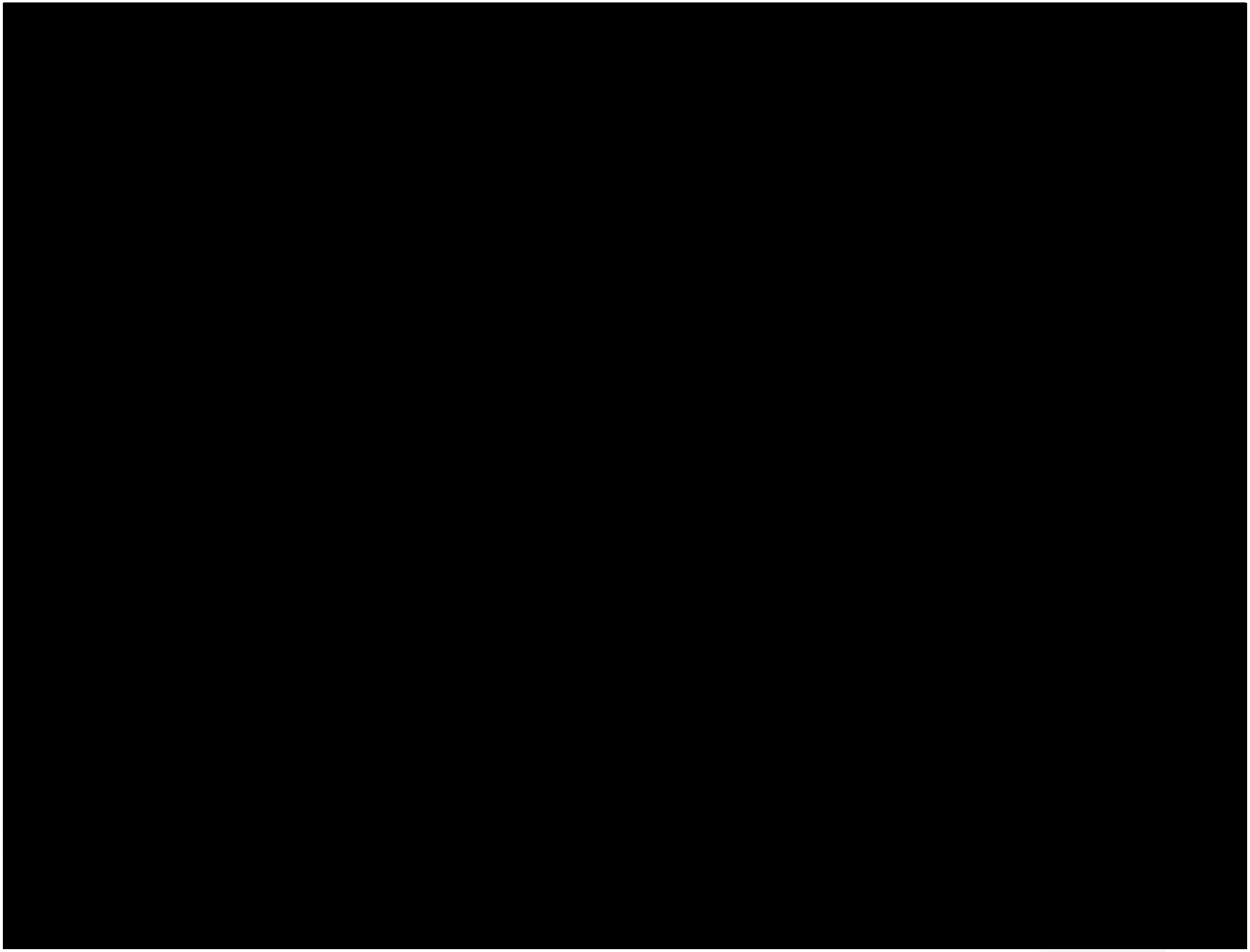
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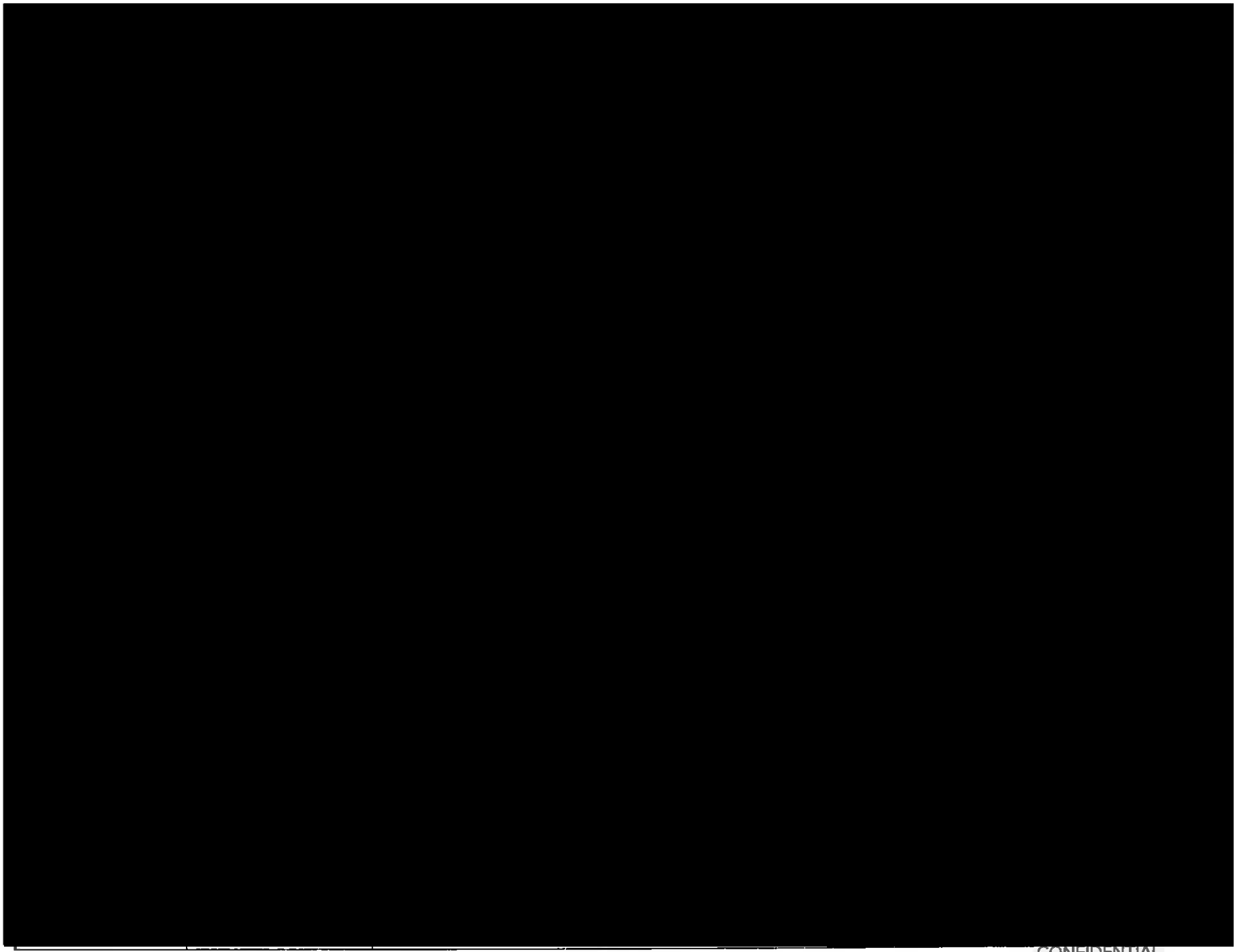


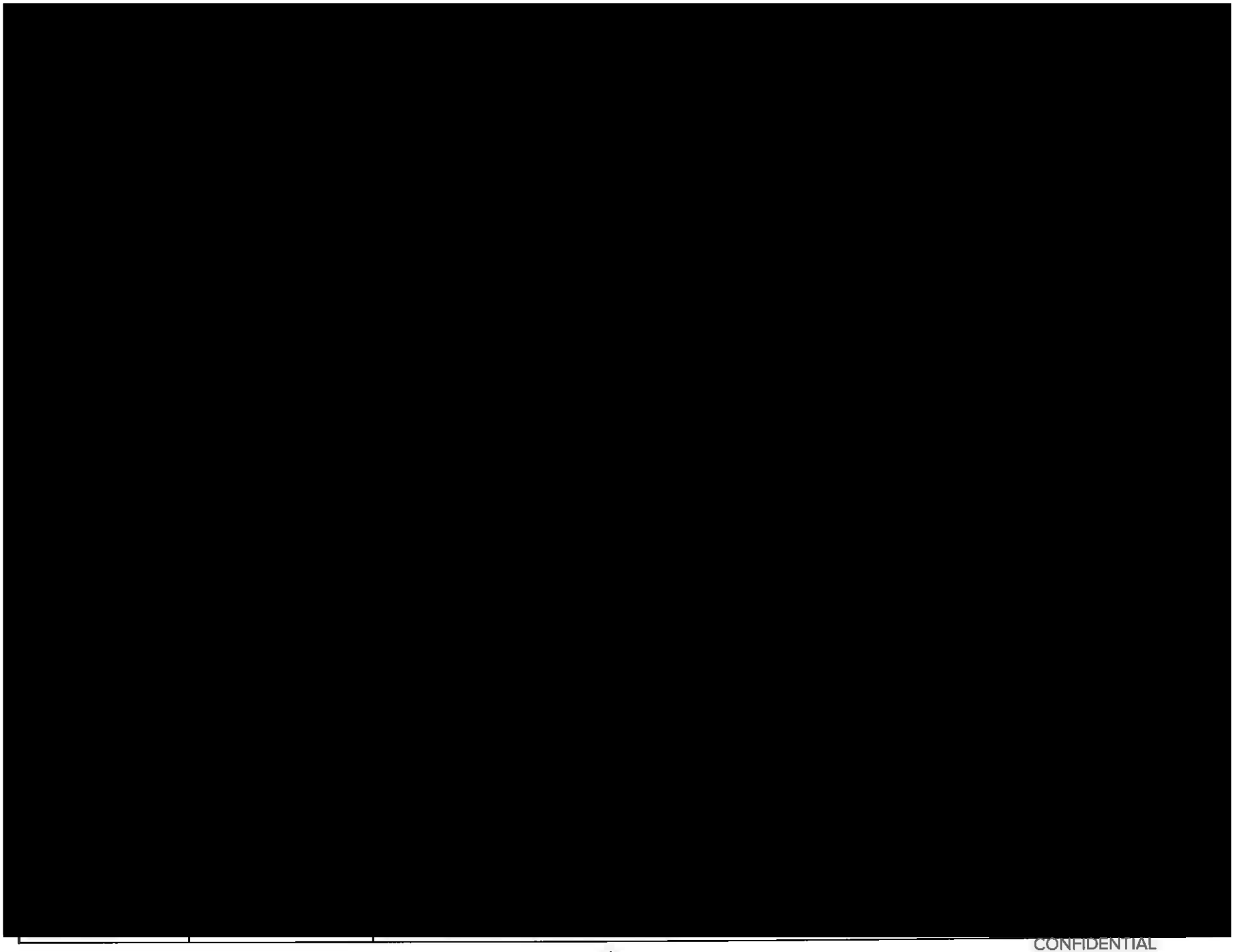
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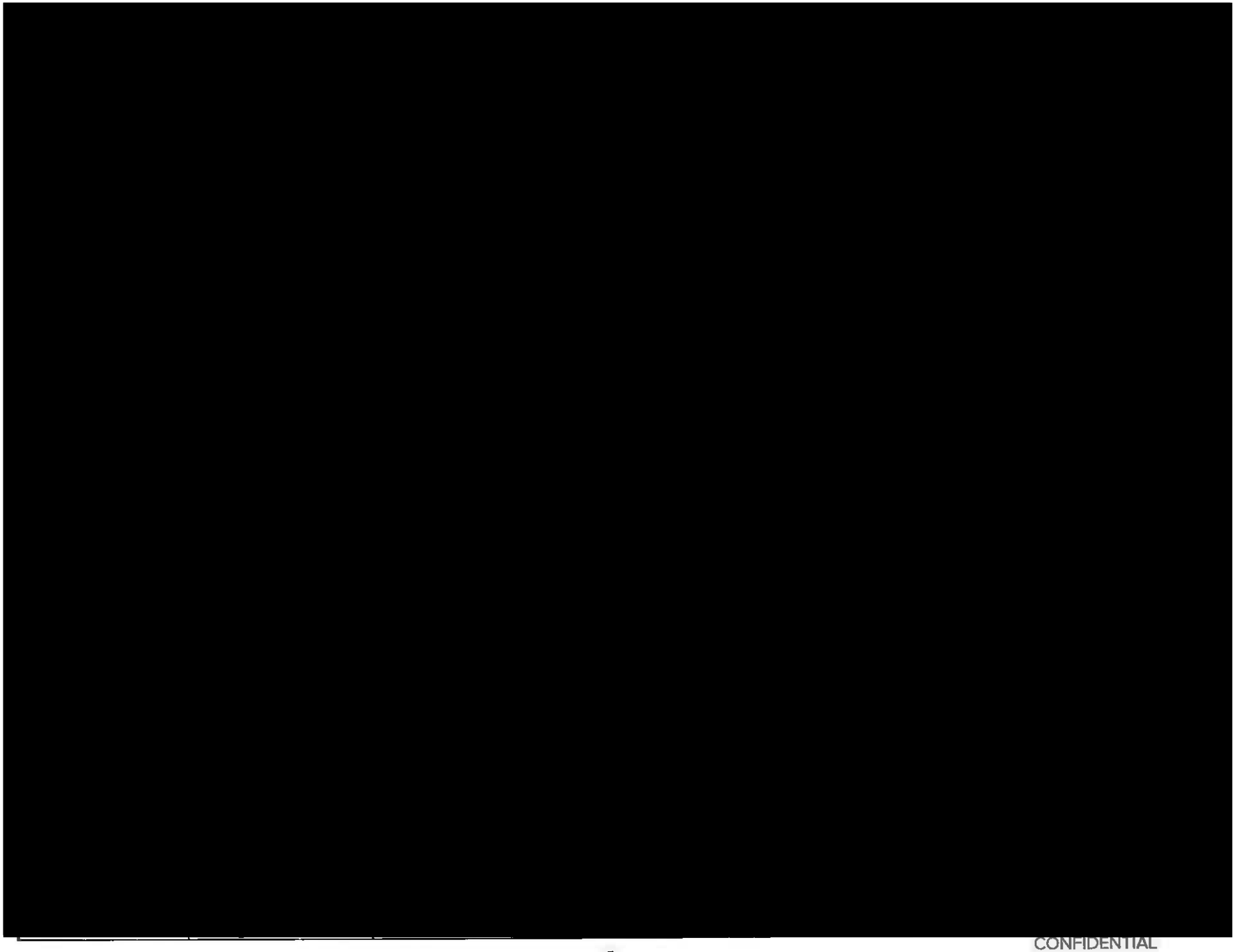
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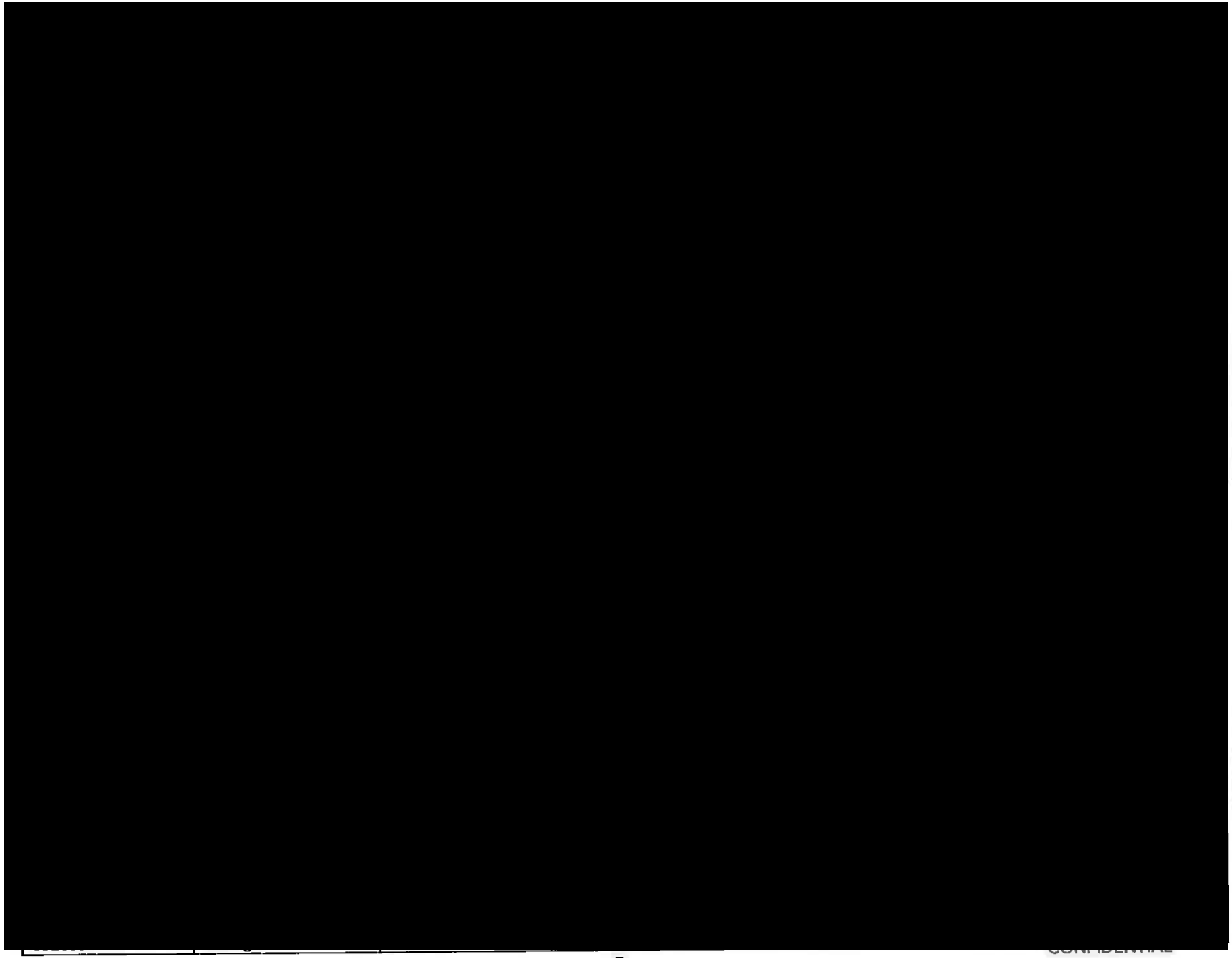


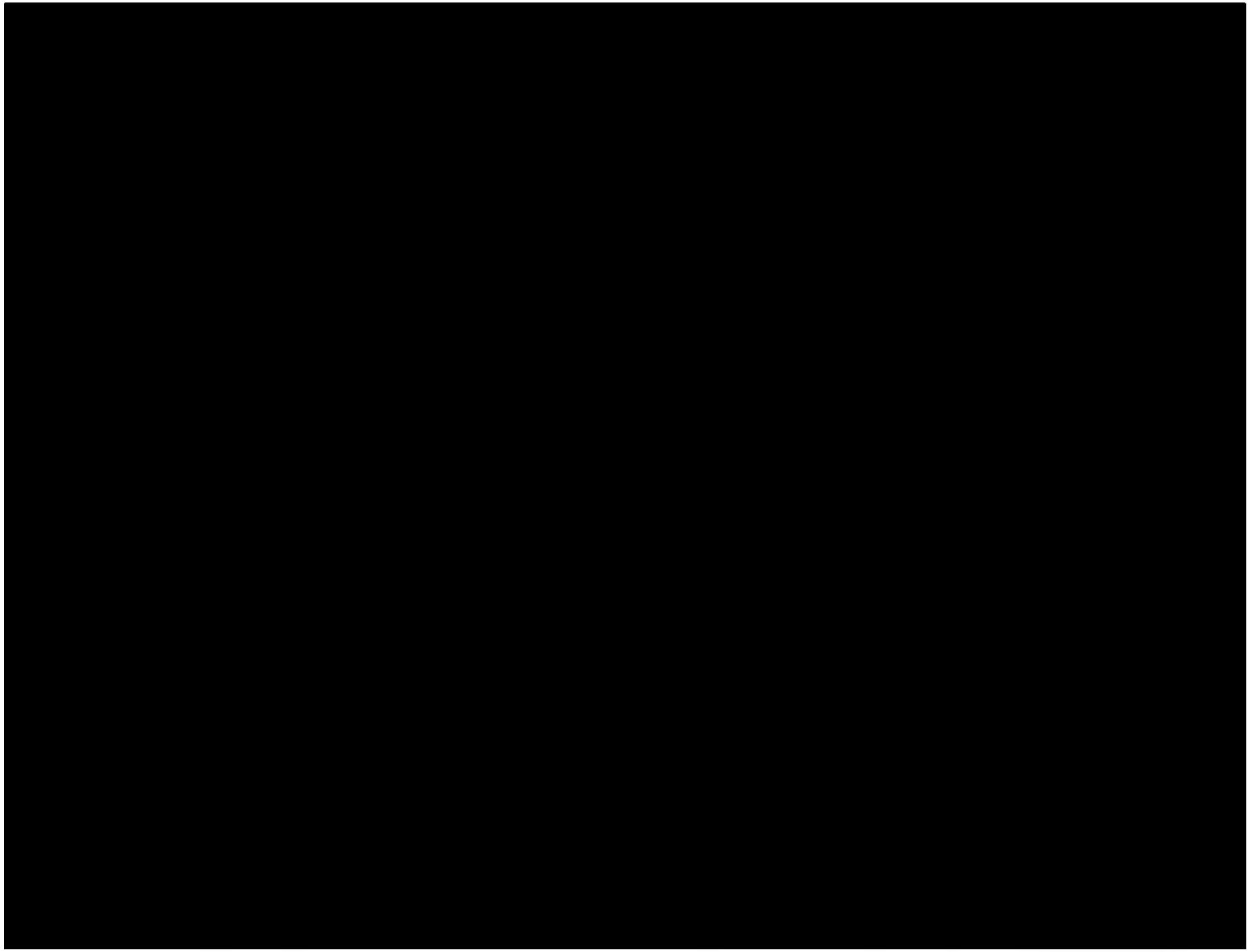




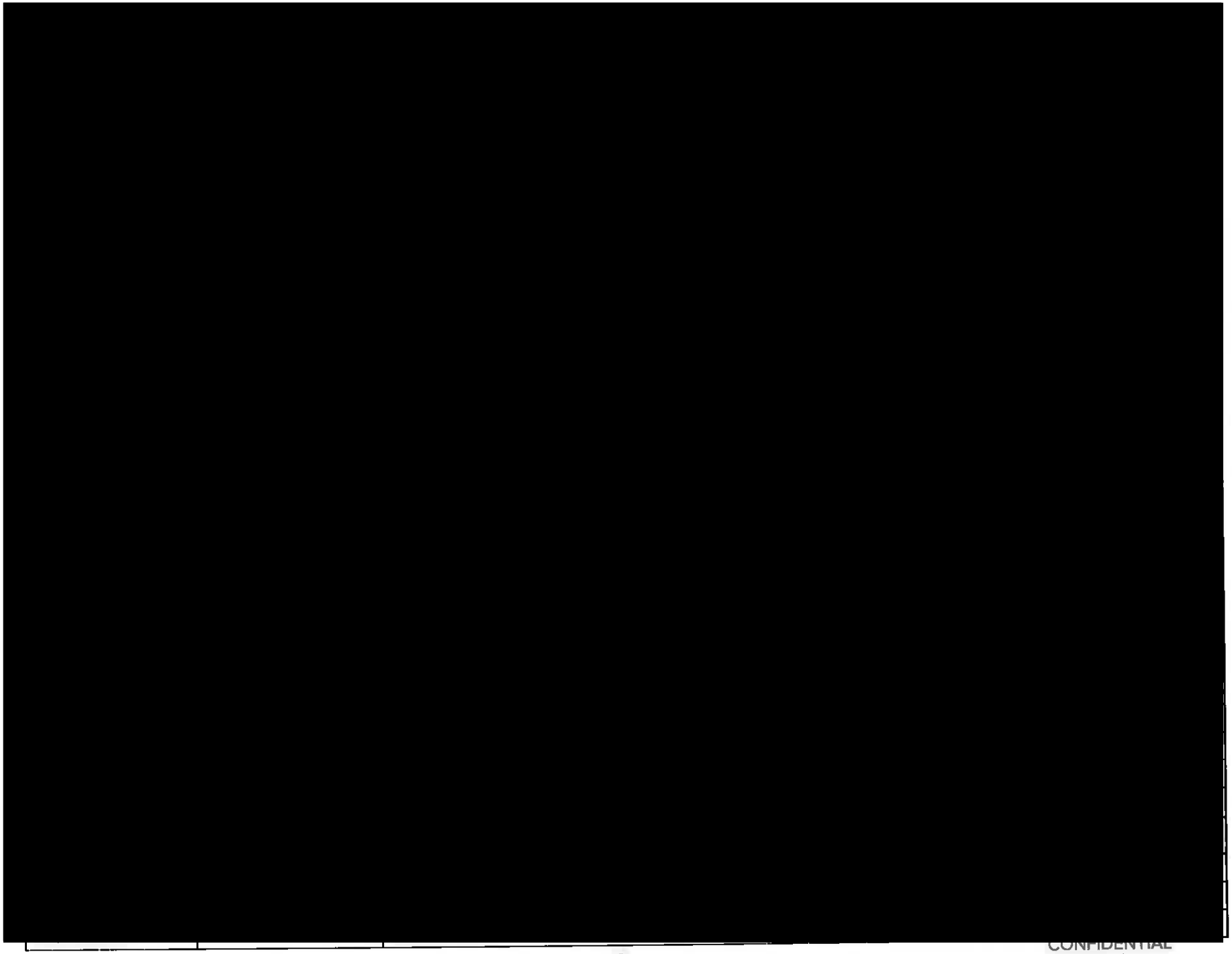








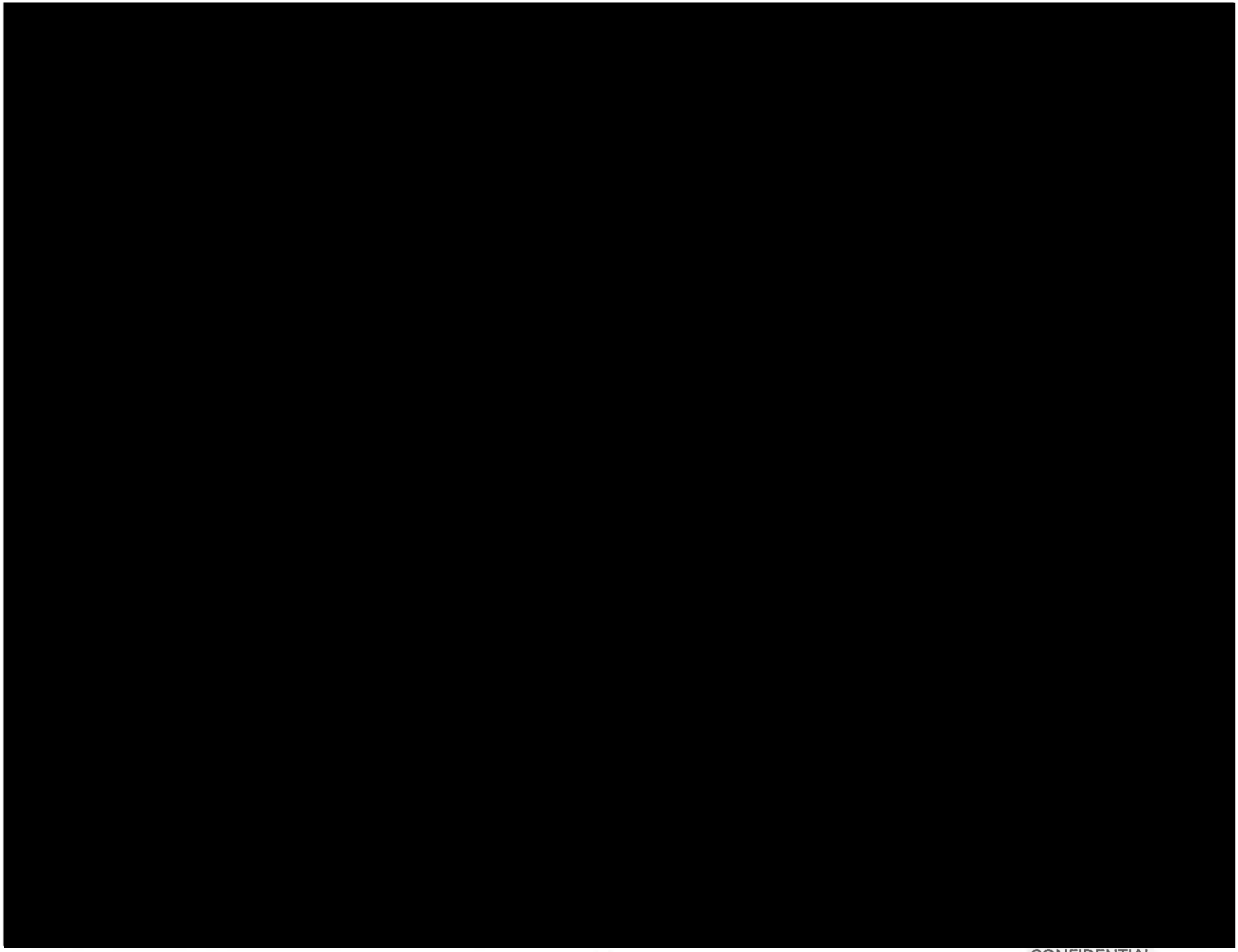
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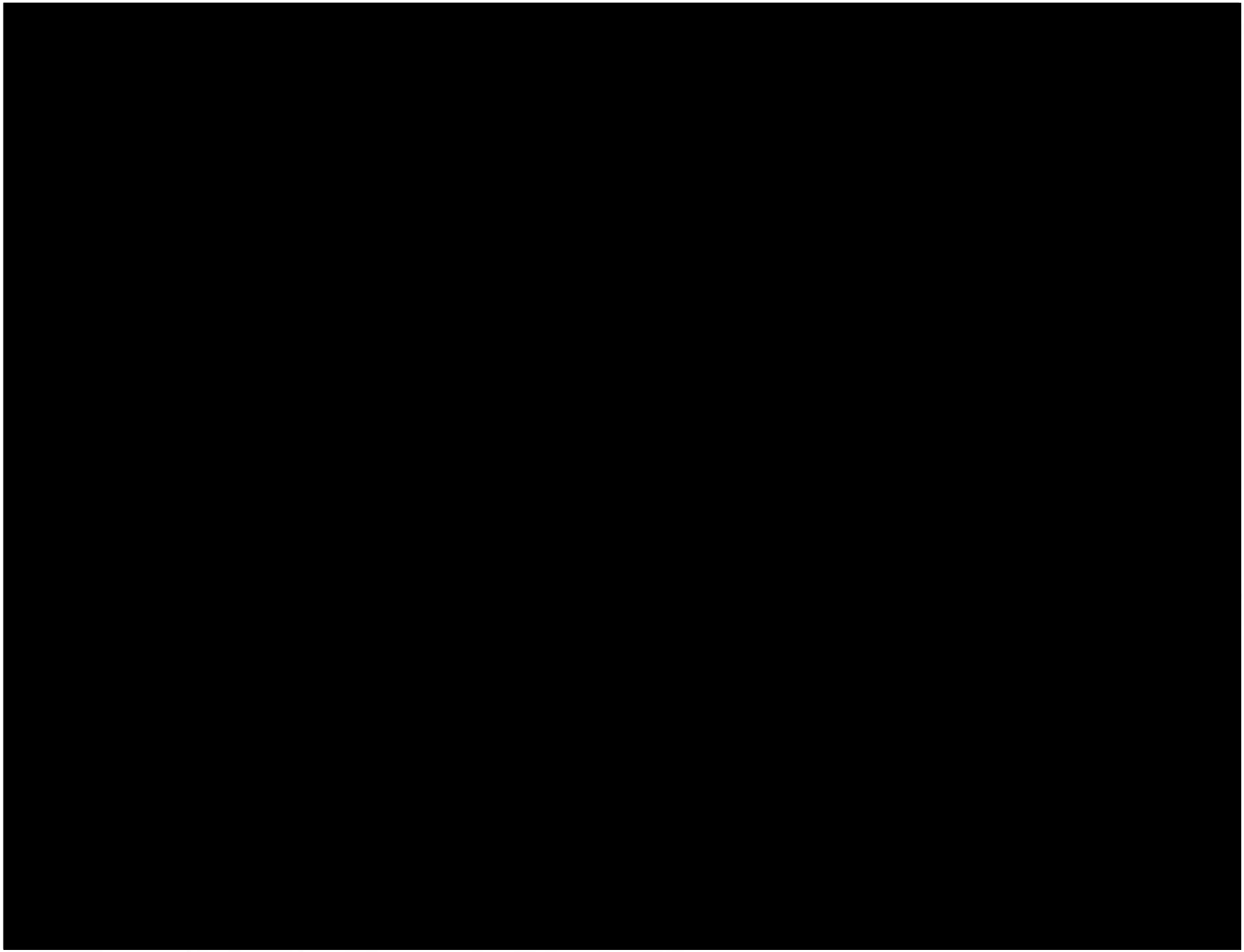




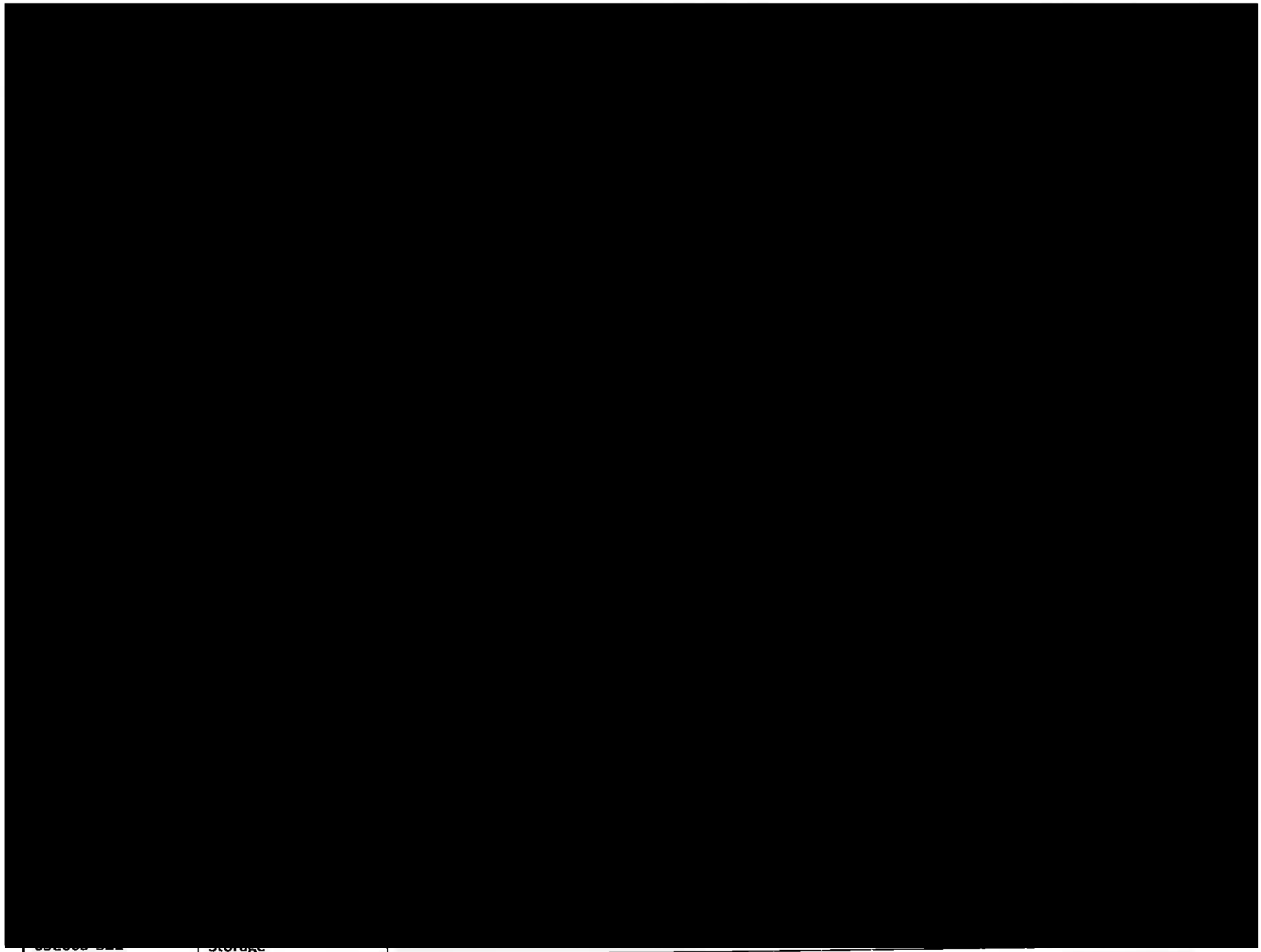
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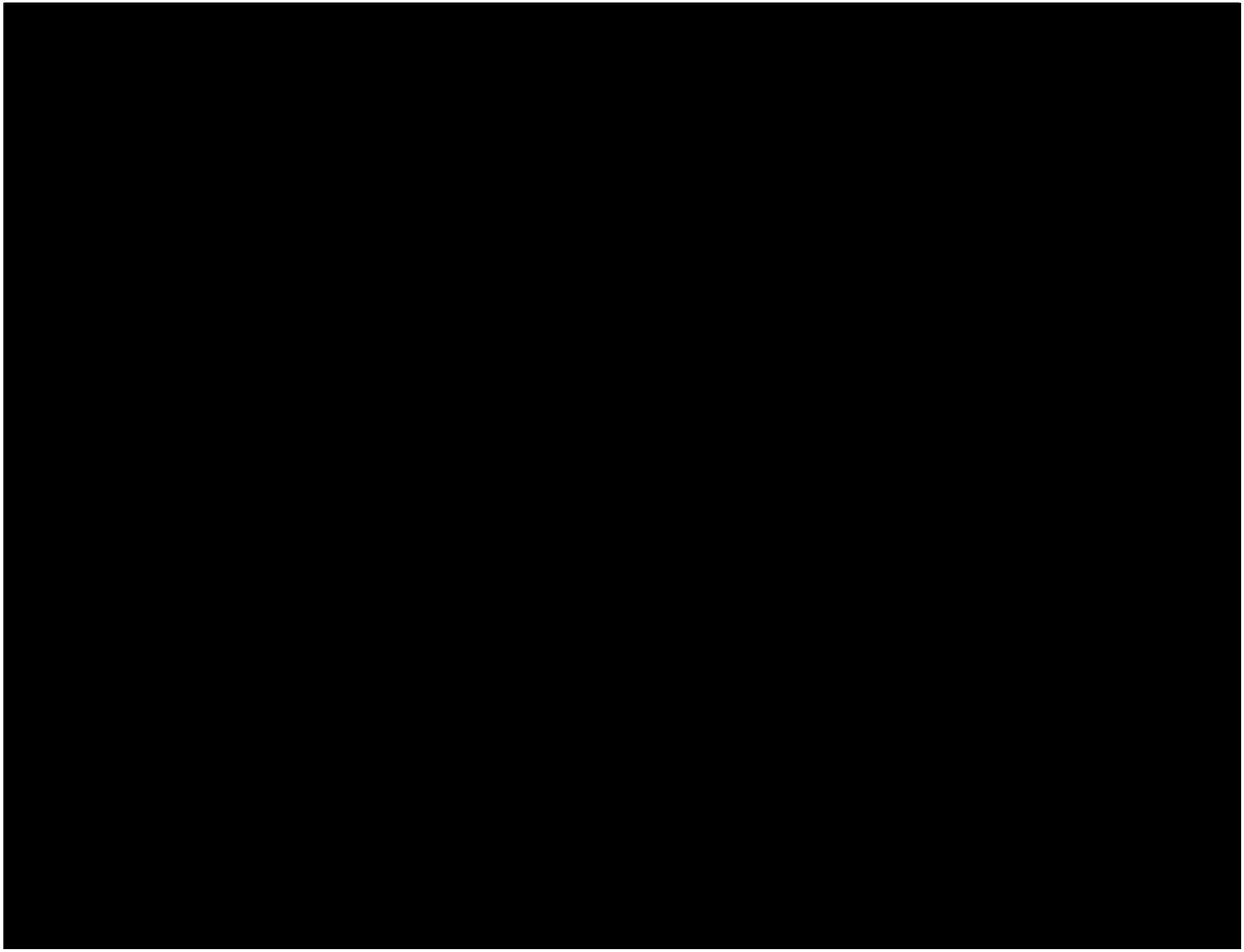


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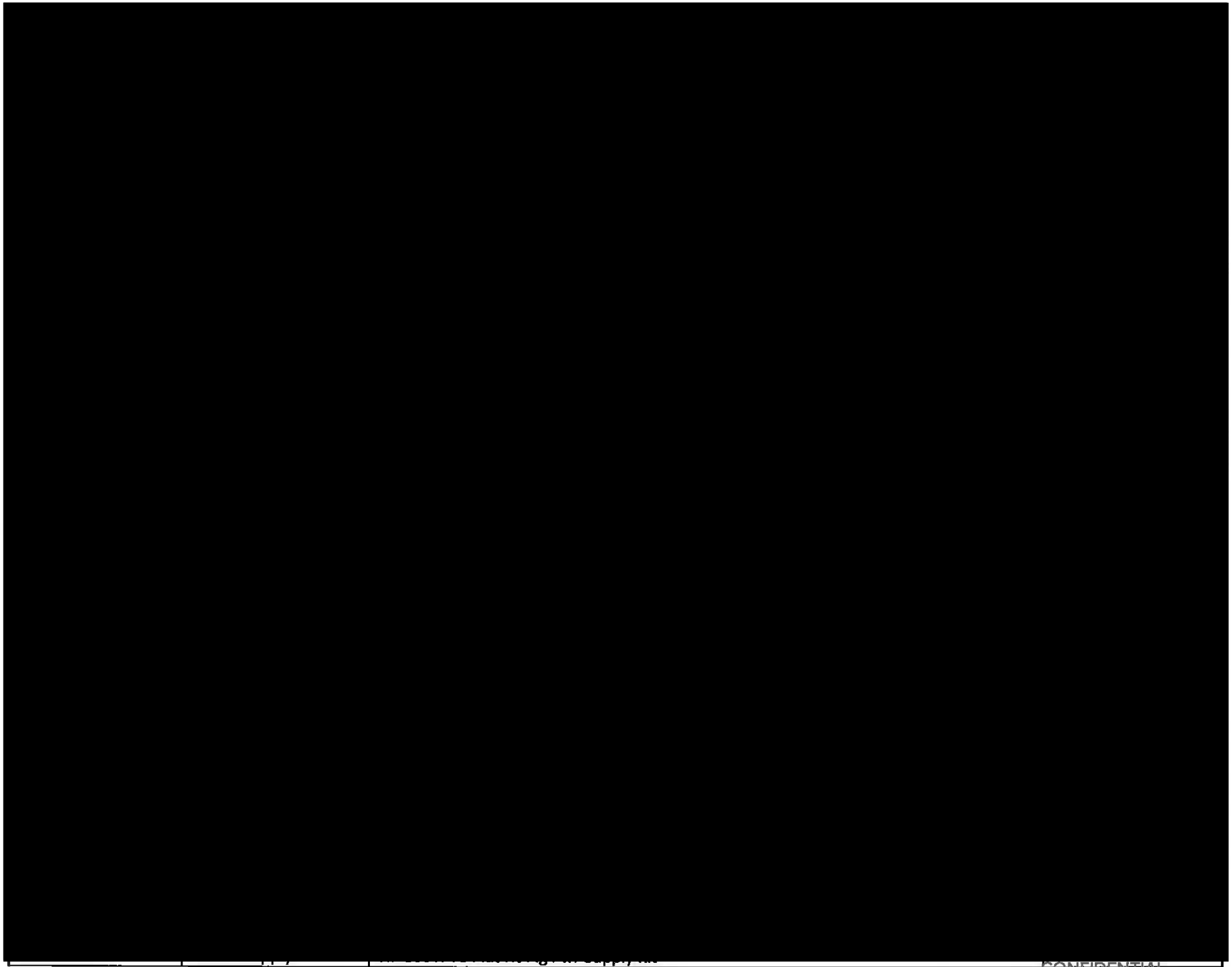
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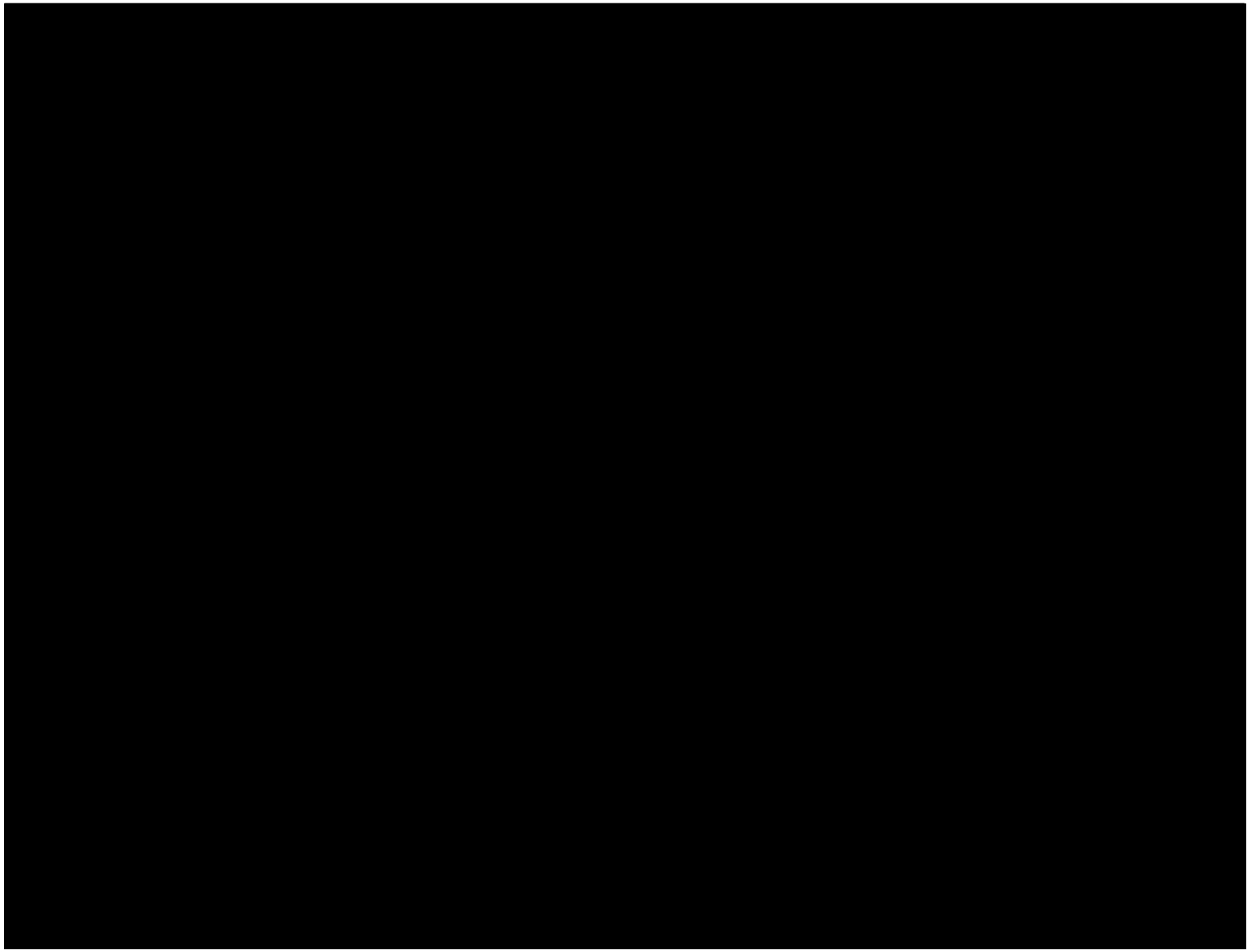


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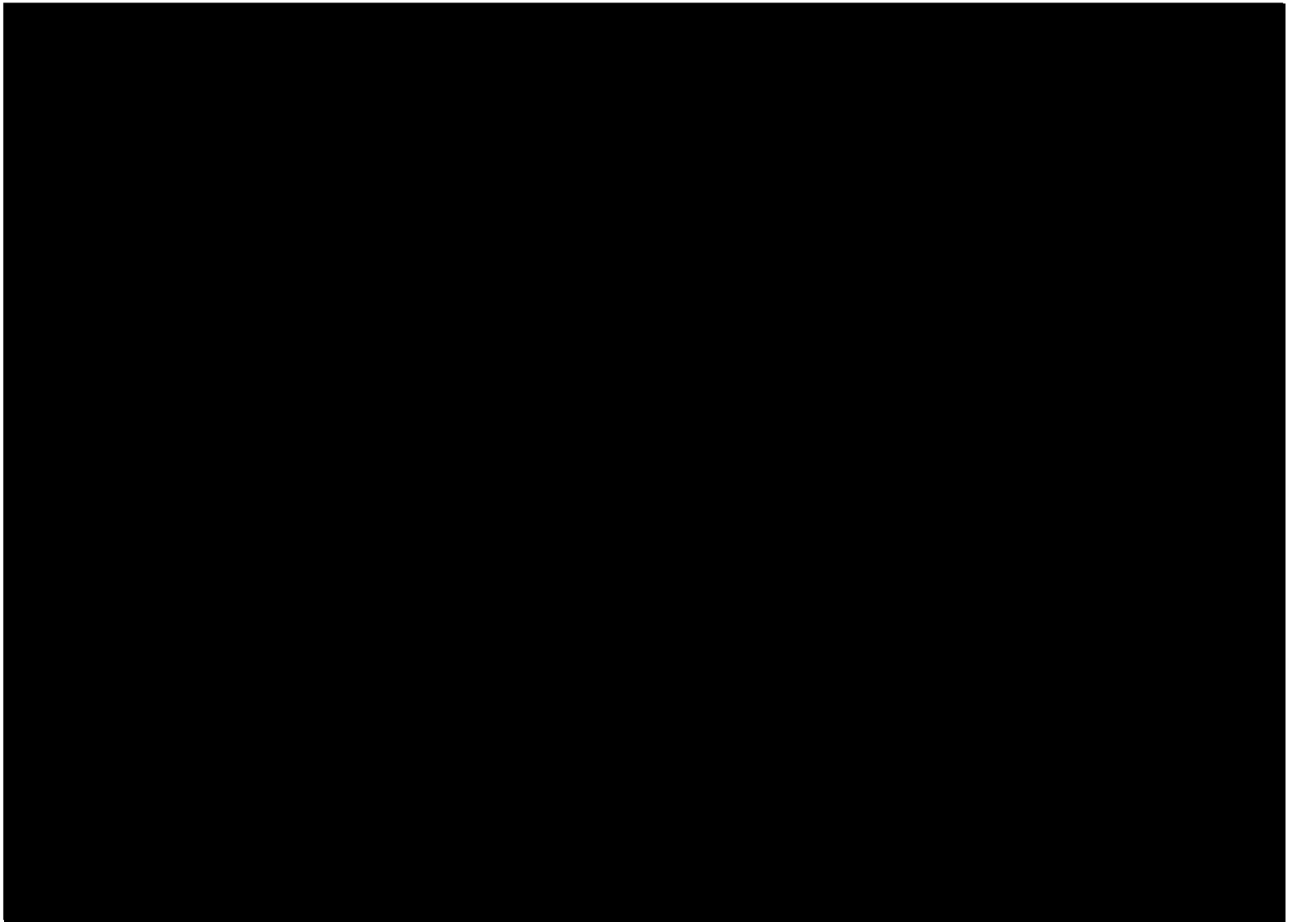




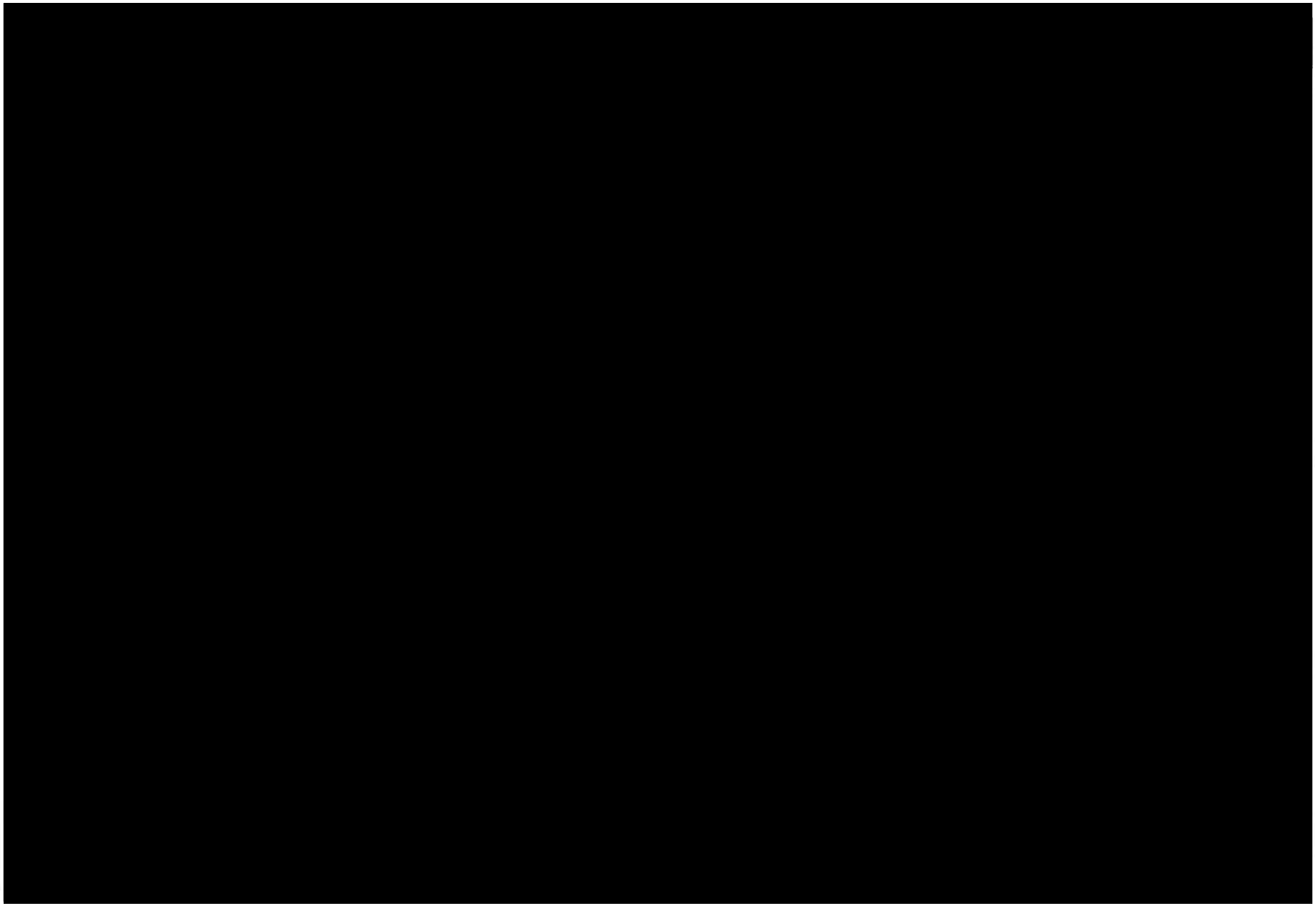




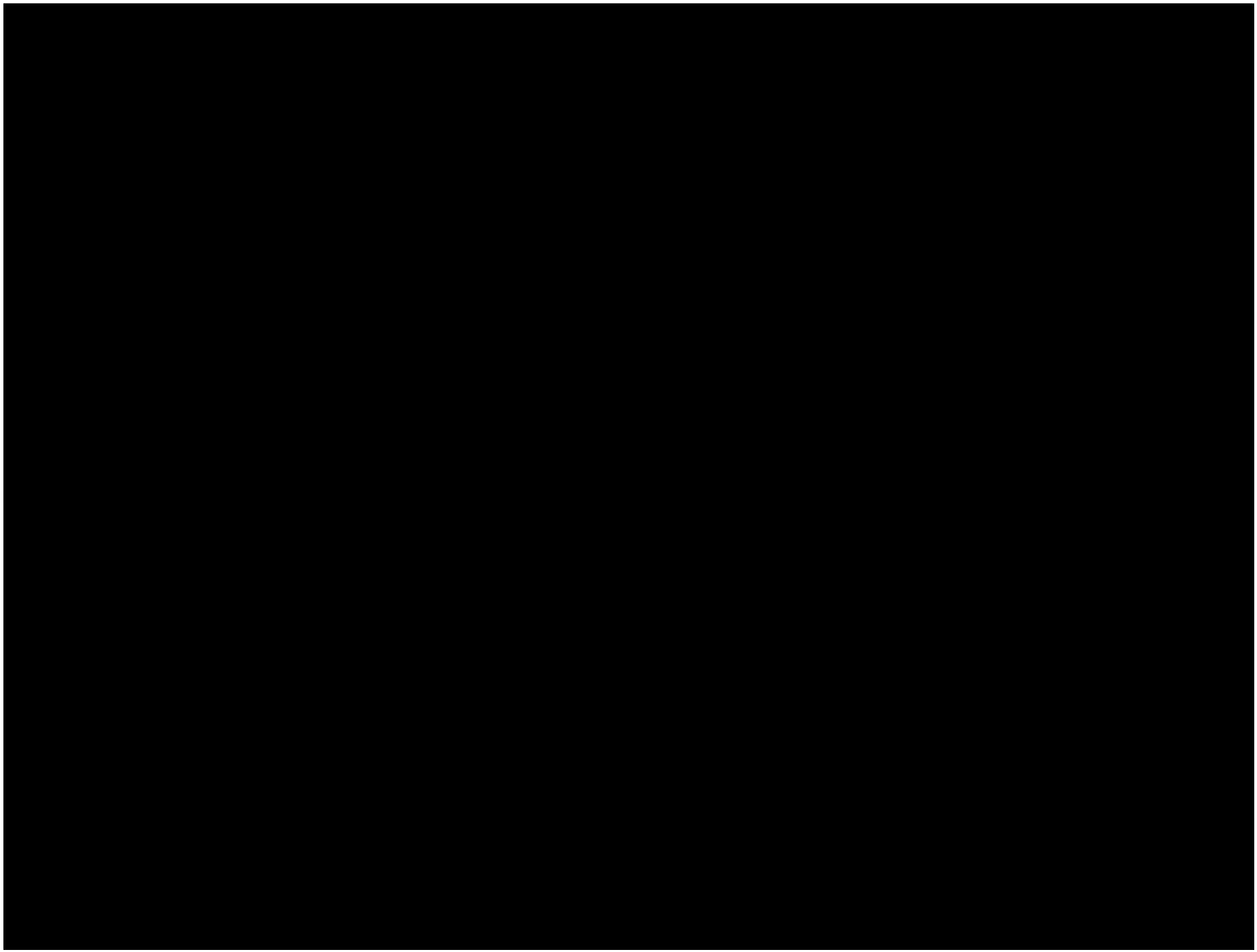
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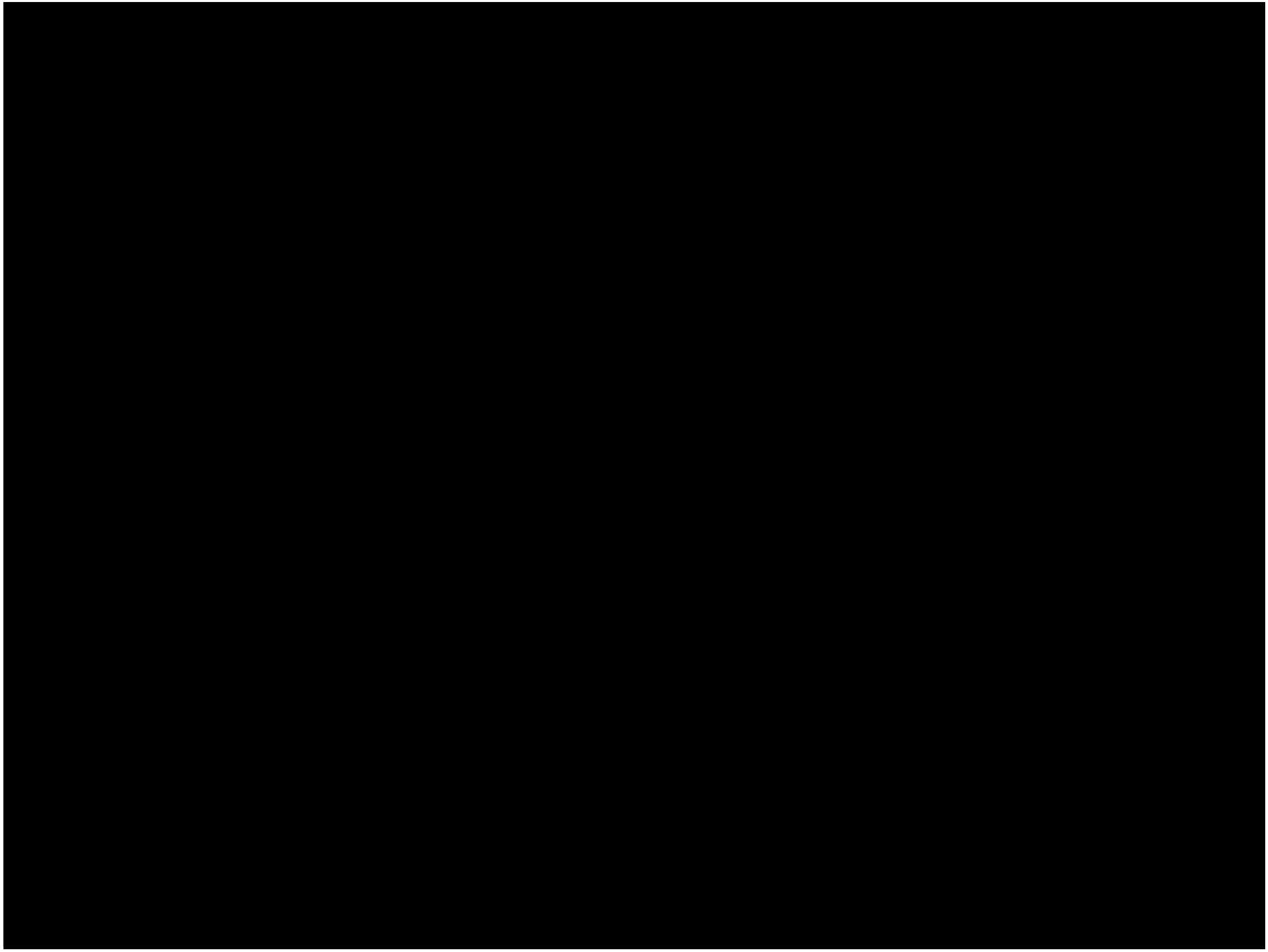


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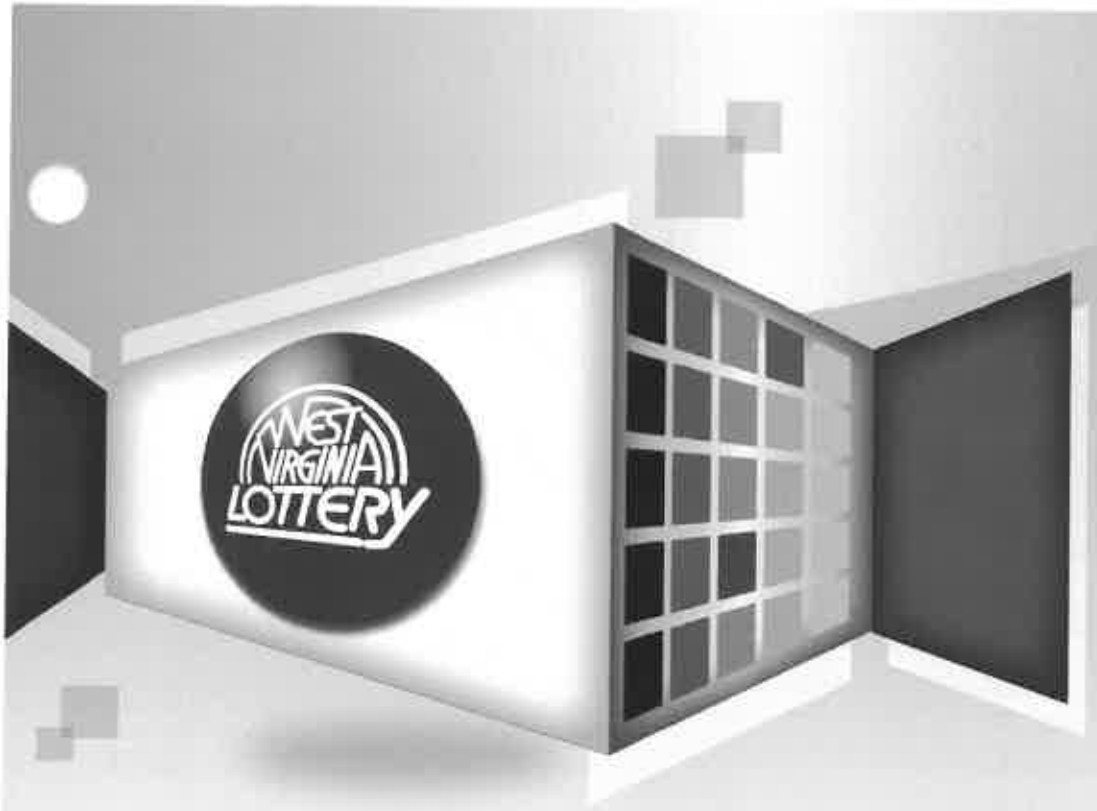


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SECTION 5: MANDATORY REQUIREMENTS

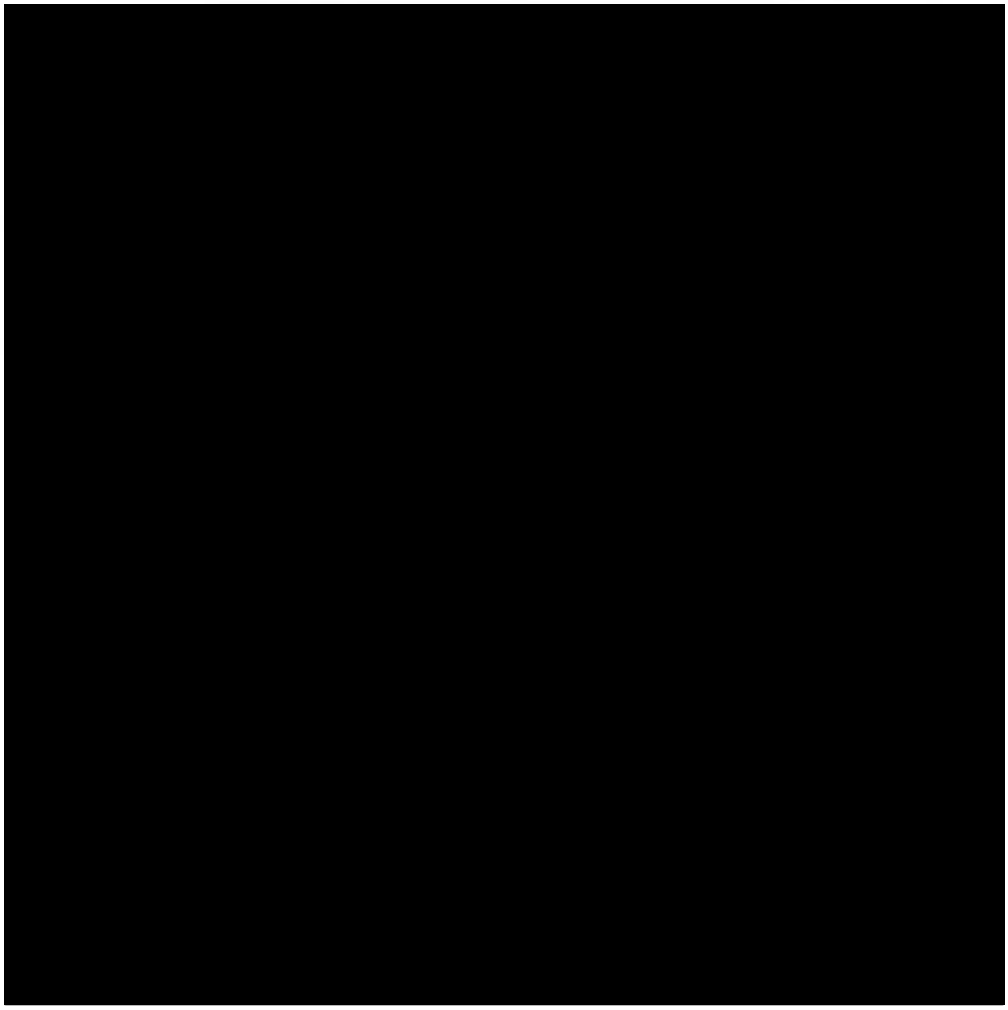
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SCIENTIFIC GAMES

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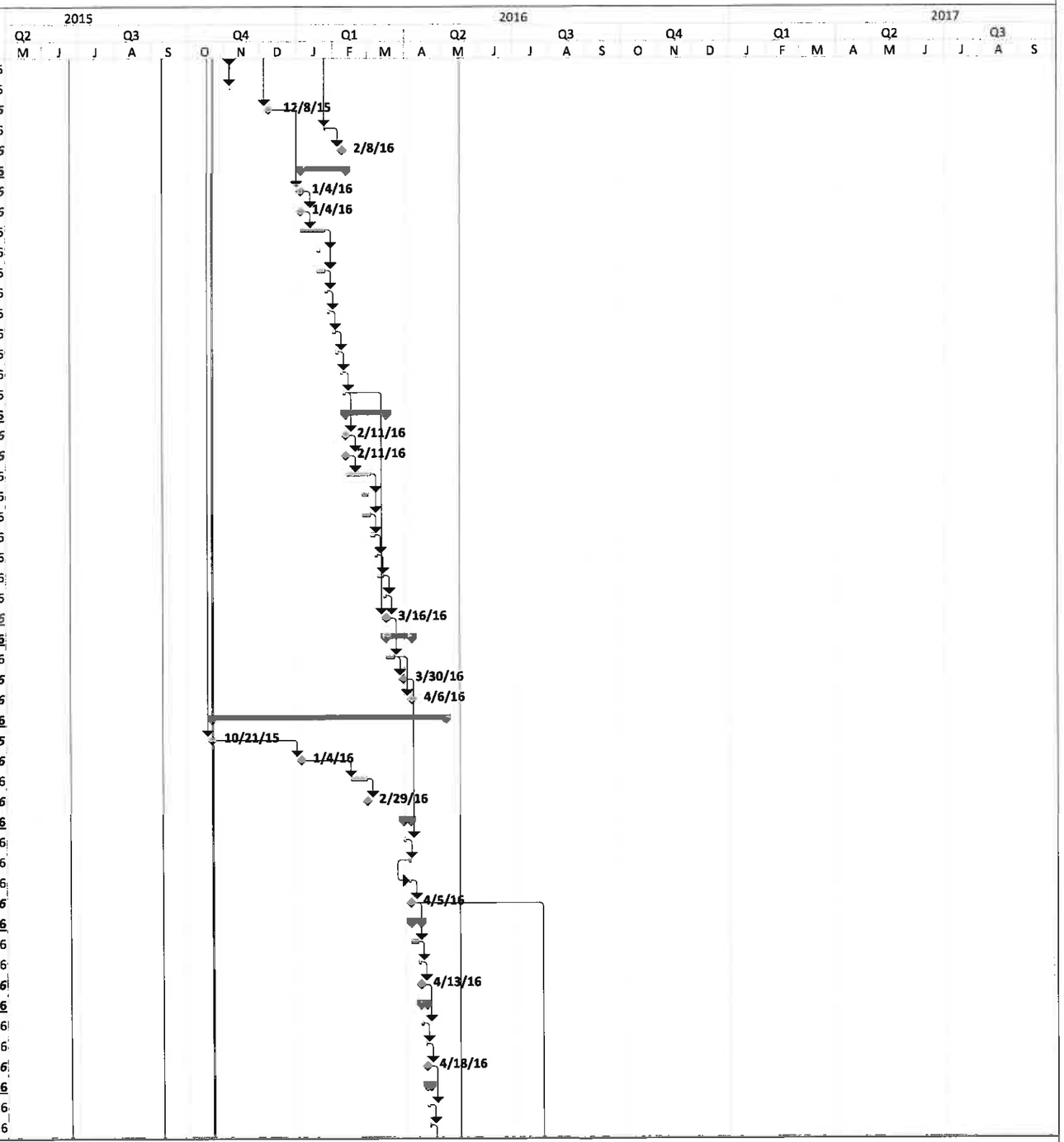
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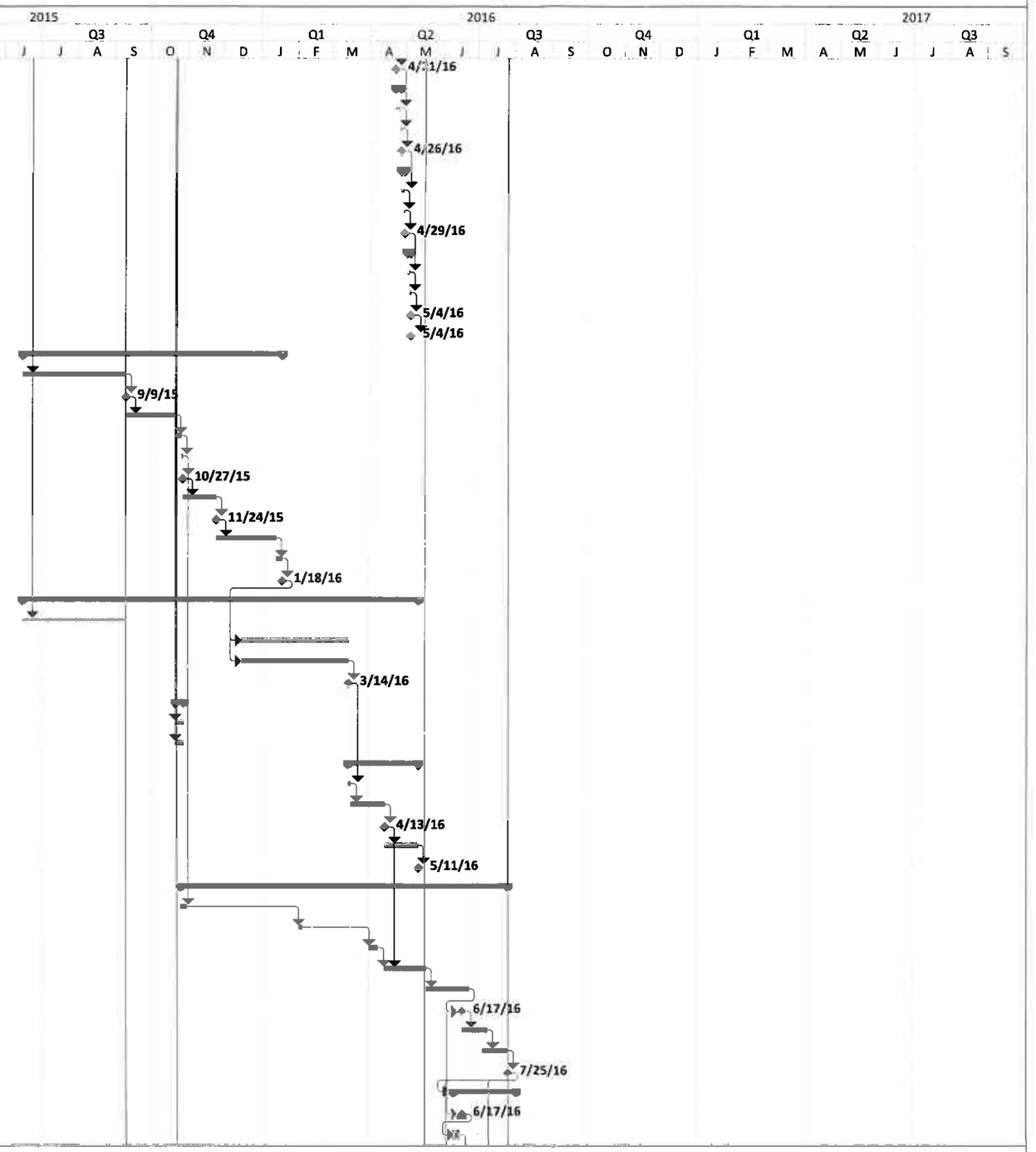


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ID	WBS	Task Name	Duration	Start	Finish
53	5.3.1	SGI Orders HW/SW (PDC Test System) / (Test System)	1 day	Nov 6 '15	Nov 6 '15
54	5.3.2	SGI Orders HW/SW (Primary, Backup)	1 day	Nov 6 '15	Nov 6 '15
55	*5.3.3*	***SGI Receives PDC, BDC, Test Equipment @ Alpharetta***	***0 days***	***Dec 8 '15***	***Dec 8 '15***
56	5.3.4	Order HW/SW RaceTrack/Resort Equipment	1 day	Jan 25 '16	Jan 25 '16
57	*5.3.5*	***Receive Race Track/Resort Equipment***	***0 days***	***Feb 8 '16***	***Feb 8 '16***
58	**5.3.6**	**Assemble equipment for PDC, BDC, Test racks**	**28 days**	**Jan 4 '16**	**Feb 11 '16**
59	*5.3.6.1*	***Assemble Racks, Install UPS, PDU, etc***	***0 days***	***Jan 4 '16***	***Jan 4 '16***
60	*5.3.6.2*	***Install Servers, Network Equipment, MSA, etc***	***0 days***	***Jan 4 '16***	***Jan 4 '16***
61	5.3.6.3	Install O/S on all servers	15 days	Jan 5 '16	Jan 25 '16
62	5.3.6.4	Install 3rd Party Software	3 days	Jan 19 '16	Jan 21 '16
63	5.3.6.5	Install SGVideo Software	5 days	Jan 19 '16	Jan 25 '16
64	5.3.6.6	Install Firewalls, Switches, Routers, etc.	2 days	Jan 26 '16	Jan 27 '16
65	5.3.6.7	Rack Connectivity Testing	2 days	Jan 28 '16	Jan 29 '16
66	5.3.6.8	System Connectivity Testing	3 days	Feb 1 '16	Feb 3 '16
67	5.3.6.9	Poll Testing (at SGI)	2 days	Feb 4 '16	Feb 5 '16
68	5.3.6.10	Validate Test System	2 days	Feb 8 '16	Feb 9 '16
69	5.3.6.11	Failover	2 days	Feb 10 '16	Feb 11 '16
70	**5.3.7**	**Assemble equipment for Race Track/Resort racks**	**24 days**	**Feb 11 '16**	**Mar 16 '16**
71	*5.3.7.1*	***Assemble Racks, Install UPS, PDU, etc***	***0 days***	***Feb 11 '16***	***Feb 11 '16***
72	*5.3.7.2*	***Install Servers, Network Equipment, MSA, etc***	***0 days***	***Feb 11 '16***	***Feb 11 '16***
73	5.3.7.3	Install O/S on all servers	15 days	Feb 12 '16	Mar 3 '16
74	5.3.7.4	Install 3rd Party Software	3 days	Feb 26 '16	Mar 1 '16
75	5.3.7.5	Install SGVideo Software	5 days	Feb 26 '16	Mar 3 '16
76	5.3.7.6	Install Firewalls, Switches, Routers, etc.	2 days	Mar 4 '16	Mar 7 '16
77	5.3.7.7	Rack Connectivity Testing	2 days	Mar 8 '16	Mar 9 '16
78	5.3.7.8	System Connectivity Testing	3 days	Mar 10 '16	Mar 14 '16
79	5.3.7.9	Poll Testing (at SGI)	2 days	Mar 15 '16	Mar 16 '16
80	*5.3.8*	***PDC, BDC, Test, Race Track/Resort Systems Build Complete***	***0 days***	***Mar 16 '16***	***Mar 16 '16***
81	**5.3.9**	**Shipping**	**15 days**	**Mar 17 '16**	**Apr 6 '16**
82	5.3.9.1	PDC/BDC/Test/Race Track/Resort Systems Inventory & Ship	5 days	Mar 17 '16	Mar 23 '16
83	*5.3.9.2*	***PDC/BDC/Test Systems Delivered (Begin Install)***	***0 days***	***Mar 30 '16***	***Mar 30 '16***
84	*5.3.9.3*	***Race Track/Resort Equipment Delivered (Begin Install)***	***0 days***	***Apr 6 '16***	***Apr 6 '16***
85	**5.4**	**Communications Lines**	**134 days**	**Oct 21 '15**	**May 4 '16**
86	*5.4.1*	***West Virginia Reviews Communication Line for PDC/BDC***	***0 days***	***Oct 21 '15***	***Oct 21 '15***
87	*5.4.2*	***Communications Line Install - Comm's Circuit from PDC to BDC***	***0 days***	***Jan 4 '16***	***Jan 4 '16***
88	5.4.3	Communications Line Install - Test System Support Connectivity	10 days	Feb 16 '16	Feb 29 '16
89	*5.4.4*	***PDC to BDC SGVideo (CMS) Communications Completed***	***0 days***	***Feb 29 '16***	***Feb 29 '16***
90	**5.4.5**	**Onsite Install - Test Systems**	**4 days**	**Mar 31 '16**	**Apr 5 '16**
91	5.4.5.1	Install Equipment (All wiring, all racks)	2 days	Mar 31 '16	Apr 1 '16
92	5.4.5.2	Perform Data Entry, Initial Polling test machines	2 days	Apr 4 '16	Apr 5 '16
93	5.4.5.3	Perform SGI System Validation	2 days	Apr 4 '16	Apr 5 '16
94	*5.4.5.4*	***Test Systems "Commissioning" Complete***	***0 days***	***Apr 5 '16***	***Apr 5 '16***
95	**5.4.6**	**Onsite Install - PDC/BDC Systems**	**6 days**	**Apr 6 '16**	**Apr 13 '16**
96	5.4.6.1	Install Equipment (All wiring, all racks)	4 days	Apr 6 '16	Apr 11 '16
97	5.4.6.2	Perform SGI System Validation	2 days	Apr 12 '16	Apr 13 '16
98	*5.4.6.3*	***Production Systems "Commissioning" Complete***	***0 days***	***Apr 13 '16***	***Apr 13 '16***
99	**5.4.7**	**Onsite Install - Mardi Gras TC Racks**	**3 days**	**Apr 14 '16**	**Apr 18 '16**
100	5.4.7.1	Install Equipment (All wiring, all racks)	2 days	Apr 14 '16	Apr 15 '16
101	5.4.7.2	Perform SGI System Validation	1 day	Apr 18 '16	Apr 18 '16
102	*5.4.7.3*	***Systems Install Complete***	***0 days***	***Apr 18 '16***	***Apr 18 '16***
103	**5.4.8**	**Onsite Install - Wheeling Island TC Racks**	**3 days**	**Apr 19 '16**	**Apr 21 '16**
104	5.4.8.1	Install Equipment (All wiring, all racks)	2 days	Apr 19 '16	Apr 20 '16
105	5.4.8.2	Perform SGI System Validation	1 day	Apr 21 '16	Apr 21 '16



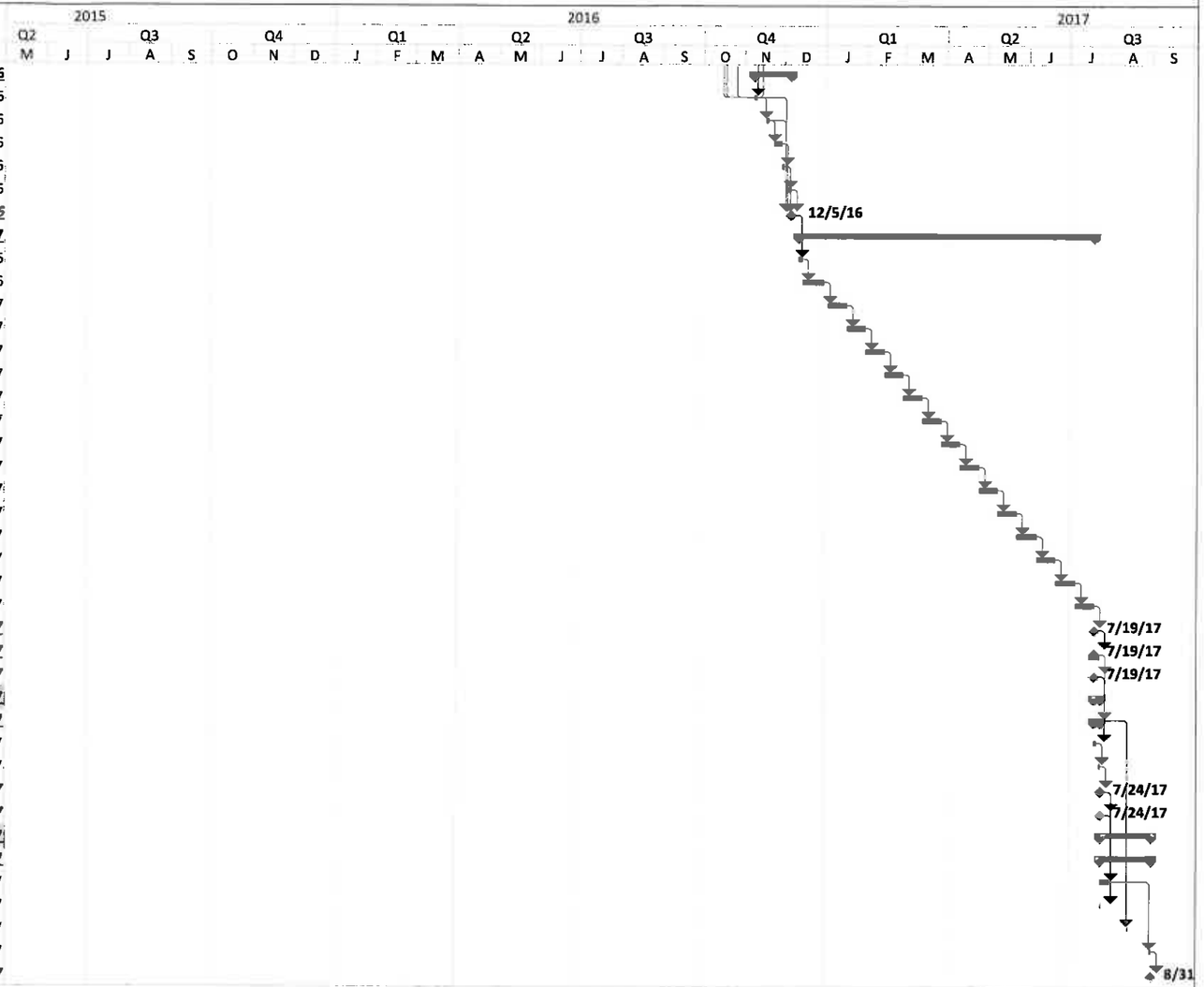
ID	WBS	Task Name	Duration	Start	Finish
106	*5.4.8.3*	***Systems Install Complete***	*0 days*	*Apr 21 '16*	*Apr 21 '16*
107	5.4.9	**Onsite Install - Mountaineer TC Racks**	3 days	Apr 22 '16	Apr 26 '16
108	5.4.9.1	Install Equipment (All wiring, all racks)	2 days	Apr 22 '16	Apr 25 '16
109	5.4.9.2	Perform SGI System Validation	1 day	Apr 26 '16	Apr 26 '16
110	*5.4.9.3*	***Systems Install Complete***	*0 days*	*Apr 26 '16*	*Apr 26 '16*
111	5.4.10	**Onsite Install - Hollywood TC Racks**	3 days	Apr 27 '16	Apr 29 '16
112	5.4.10.1	Install Equipment (All wiring, all racks)	2 days	Apr 27 '16	Apr 28 '16
113	5.4.10.2	Perform SGI System Validation	1 day	Apr 29 '16	Apr 29 '16
114	*5.4.10.3*	***Systems Install Complete***	*0 days*	*Apr 29 '16*	*Apr 29 '16*
115	5.4.11	**Onsite Install - Greenbrier TC Racks**	3 days	May 2 '16	May 4 '16
116	5.4.11.1	Install Equipment (All wiring, all racks)	2 days	May 2 '16	May 3 '16
117	5.4.11.2	Perform SGI System Validation	1 day	May 4 '16	May 4 '16
118	*5.4.11.3*	***Systems Install Complete***	*0 days*	*May 4 '16*	*May 4 '16*
119	*5.4.12*	*Site Surveys, Systems Hardware Procured, Delivered, Installation Complete*	*0 days*	*May 4 '16*	*May 4 '16*
120	6	**BUILD FUNCTIONAL SPECIFICATIONS**	147 days	Jun 16 '15	Jan 18 '16
121	6.1	Develop Preliminary Business Requirements Document (CRD)	60 days	Jun 16 '15	Sep 9 '15
122	*6.2*	***Submit CRD to West Virginia***	*0 days*	*Sep 9 '15*	*Sep 9 '15*
123	6.3	Customer Review & Comment re: CRD	30 days	Sep 10 '15	Oct 21 '15
124	6.4	Revise CRD Document	3 days	Oct 22 '15	Oct 26 '15
125	6.5	Customer Review & Approval of CRD Delta Document	1 day	Oct 27 '15	Oct 27 '15
126	*6.6*	*Business Requirements Document Completed & Accepted*	*0 days*	*Oct 27 '15*	*Oct 27 '15*
127	6.7	Develop Software Requirements Specification (SRS)	20 days	Oct 28 '15	Nov 24 '15
128	*6.8*	***Submit SRS to West Virginia***	*0 days*	*Nov 24 '15*	*Nov 24 '15*
129	6.9	Customer Review & Comment re: SRS	30 days	Nov 25 '15	Jan 13 '16
130	6.10	Revise SRS Document	3 days	Jan 14 '16	Jan 18 '16
131	*6.11*	*SRS Completed & Accepted*	*0 days*	*Jan 18 '16*	*Jan 18 '16*
132	7	**HOST CUSTOMIZATION/DEVELOPMENT SUPPORT**	229 days	Jun 16 '15	May 11 '16
133	7.1	Requirements Phase /CRD/FS/Design docs	60 days	Jun 16 '15	Sep 9 '15
134	7.2	Host & SC Customization	60 days	Dec 16 '15	Mar 14 '16
135	7.3	Protocol Support	60 days	Dec 16 '15	Mar 14 '16
136	*7.4*	***Host & SC Customization Completed***	*0 days*	*Mar 14 '16*	*Mar 14 '16*
137	7.5	**Environment Setup-Configuration**	5 days	Oct 22 '15	Oct 28 '15
138	7.5.1	Prepare Development Environment	5 days	Oct 22 '15	Oct 28 '15
139	7.5.2	Prepare Integration Test Environment	5 days	Oct 22 '15	Oct 28 '15
140	7.6	**Integration Testing**	42 days	Mar 15 '16	May 11 '16
141	7.6.1	Build and Configuration	2 days	Mar 15 '16	Mar 16 '16
142	7.6.2	Development Integration Testing	20 days	Mar 17 '16	Apr 13 '16
143	*7.6.3*	***Release to QA***	*0 days*	*Apr 13 '16*	*Apr 13 '16*
144	7.6.4	Development Fix/Release Cycle	20 days	Apr 14 '16	May 11 '16
145	*7.7*	*Host/Site Controller Development Complete*	*0 days*	*May 11 '16*	*May 11 '16*
146	8	**QUALITY ASSURANCE**	188 days	Oct 26 '15	Jul 25 '16
147	8.1	Initial Requirements Review	5 days	Oct 26 '15	Oct 30 '15
148	8.2	Test Plan and Test Case Creation	3 days	Feb 2 '16	Feb 4 '16
149	8.3	Environment Set Up	5 days	Apr 1 '16	Apr 7 '16
150	8.4	New Functionality Testing	25 days	Apr 13 '16	May 17 '16
151	8.5	System Regression Testing	25 days	May 18 '16	Jun 22 '16
152	*8.6*	***Release to Independent Test Lab***	*0 days*	*Jun 17 '16*	*Jun 17 '16*
153	8.7	Protocol Testing	15 days	Jun 17 '16	Jul 8 '16
154	8.8	Final Regression Testing	15 days	Jul 5 '16	Jul 25 '16
155	*8.9*	*SGI QA Testing Complete*	*0 days*	*Jul 25 '16*	*Jul 25 '16*
156	9	**INDEPENDENT TEST LAB TESTING**	36 days	Jun 10 '16	Aug 1 '16
157	*9.1*	*Test Lab System Testing and Validation for CMS Upgrade*	*0 days*	*Jun 17 '16*	*Jun 17 '16*
158	9.2	Environment Prep and Training	3 days	Jun 10 '16	Jun 14 '16



ID	WBS	Task Name	Duration	Start	Finish
159	9.3	System Testing and Validation for CMS Upgrade	30 days	Jun 20 '16	Aug 1 '16
160	*9.4*	*Independent Test Lab Testing Complete*	*0 days*	*Aug 1 '16*	*Aug 1 '16*
161	**10**	**WV UAT, ACCEPTANCE SIGNOFF**	**48 days**	**Jul 29 '16**	**Oct 6 '16**
162	*10.1*	*UAT System Testing and Validation for CMS Upgrade*	*0 days*	*Jul 29 '16*	*Jul 29 '16*
163	*10.2*	*Core Functionality Test Scripts*	*0 days*	*Jul 29 '16*	*Jul 29 '16*
164	10.3	Functionality and Requirements Test Scripts	15 days	Aug 4 '16	Aug 24 '16
165	10.4	Regression Test Scripts for VLCS Manager	15 days	Aug 25 '16	Sep 15 '16
166	10.5	Regression Test Scripts for C&C and EM	15 days	Sep 16 '16	Oct 6 '16
167	*10.6*	*UAT System Testing and Validation for CMS Upgrade Complete*	*0 days*	*Oct 6 '16*	*Oct 6 '16*
168	**11**	**TRAINING PREPARATION**	**288 days**	**Sep 10 '15**	**Oct 28 '16**
169	11.1	Update Training Material (End User / Remote Operators Training)	40 days	Jun 13 '16	Aug 8 '16
170	11.2	Update Licensed Facility Installer Training Material	5 days	Aug 9 '16	Sep 9 '16
171	11.3	Review & Approve Training Materials	10 days	Sep 7 '16	Sep 21 '16
172	*11.4*	*Training Material Approved (End User / Remote Operators Training)*	*0 days*	*Sep 21 '16*	*Sep 21 '16*
173	*11.5*	*Training Material Approved (Licensed Facility Installer Training)*	*0 days*	*Sep 21 '16*	*Sep 21 '16*
174	*11.6*	*Documentation for CMS staff, Remote Operators & Installers Complete*	*0 days*	*Sep 21 '16*	*Sep 21 '16*
175	11.7	Onsite UAT Training Set Up	5 days	Jul 19 '16	Jul 25 '16
176	11.8	Train West Virginia for UAT Testing	2 days	Jul 28 '16	Jul 29 '16
177	**11.9**	**Train Staff - End User Advanced Operations Training**	**21 days**	**Sep 21 '16**	**Oct 20 '16**
178	11.9.1	Systems Overview	5 days	Sep 21 '16	Sep 28 '16
179	11.9.2	Systems Operations	5 days	Sep 27 '16	Oct 4 '16
180	11.9.3	Introduction to User Manuals	5 days	Oct 3 '16	Oct 10 '16
181	11.9.4	Systems Setup and Configuration	5 days	Oct 7 '16	Oct 14 '16
182	11.9.5	Operating the System	5 days	Oct 13 '16	Oct 20 '16
183	*11.9.6*	*Staff Training & Documentation for CMS Complete*	*0 days*	*Oct 20 '16*	*Oct 20 '16*
184	**11.10**	**Site Survey Training**	**2 days**	**Sep 10 '15**	**Sep 11 '15**
185	11.10.1	Perform Site Survey Training for Field Staff	2 days	Sep 10 '15	Sep 11 '15
186	*11.10.2*	*Site Survey Training Complete*	*0 days*	*Sep 11 '15*	*Sep 11 '15*
187	**11.11**	**Site Controller Training - West Virginia & Technicians**	**1 day**	**Oct 25 '16**	**Oct 25 '16**
188	11.11.1	Perform SC & IP Cellular Training to West Virginia / SGI Technicians	1 day	Oct 25 '16	Oct 25 '16
189	*11.11.2*	*SC & IP Cellular Training Complete*	*0 days*	*Oct 25 '16*	*Oct 25 '16*
190	**11.12**	**Licensed Facility Installer Training**	**2 days**	**Oct 27 '16**	**Oct 28 '16**
191	11.12.1	Perform Field Service Staff Training - (Phase 1 - Trial Install)	1 day	Oct 27 '16	Oct 27 '16
192	11.12.2	Perform Field Service Staff Training - (Phase 2 - Roll-Out Office)	1 day	Oct 28 '16	Oct 28 '16
193	*11.12.3*	*FS Licensed Facility Installers Training Complete*	*0 days*	*Oct 28 '16*	*Oct 28 '16*
194	*11.12.4*	*Field Staff Training Complete*	*0 days*	*Oct 28 '16*	*Oct 28 '16*
195	*11.12.5*	*Documentation and Training Complete*	*0 days*	*Oct 28 '16*	*Oct 28 '16*
196	**12**	**PRODUCTION GO-LIVE & LICENSED FACILITY ROLLOUT**	**200 days**	**Oct 4 '16**	**Jul 19 '17**
197	**12.1**	**SGVideo Support**	**19.5 days**	**Oct 4 '16**	**Oct 31 '16**
198	12.1.1	Data conversion setup and testing	11 days	Oct 4 '16	Oct 20 '16
199	12.1.2	Migration Preparation	10 days	Oct 6 '16	Oct 20 '16
200	12.1.3	Data conversions for migrations	10 days	Oct 17 '16	Oct 31 '16
201	**12.2**	**Host support**	**20 days**	**Oct 4 '16**	**Nov 1 '16**
202	12.2.1	Engineering Support for Migration	20 days	Oct 4 '16	Nov 1 '16
203	**12.3**	**Site Support**	**175 days**	**Nov 8 '16**	**Jul 19 '17**
204	12.3.1	Installation support	175 days	Nov 8 '16	Jul 19 '17
205	**12.4**	**Production Go-Live**	**25 days**	**Oct 4 '16**	**Nov 8 '16**
206	12.4.1	Prepare SGVideo Systems & Environment for Go-Live	20 days	Oct 4 '16	Oct 31 '16
207	*12.4.2*	*CMS Production Go-Live*	*0 days*	*Nov 1 '16*	*Nov 1 '16*
208	*12.4.3*	*Data Conversion / Migration & Environment for Go-Live Complete*	*0 days*	*Nov 1 '16*	*Nov 1 '16*
209	*12.4.4*	*All RVL's and SAS-Only LVL's Immediately Migrate to SGVideo System*	*0 days*	*Nov 1 '16*	*Nov 1 '16*
210	*12.4.5*	*Production Go-Live & Migration of Gaming Machines to CMS Complete*	*0 days*	*Nov 1 '16*	*Nov 1 '16*
211	*12.4.6*	*Begin Venue Migrations at Race Track/Resort and LVL's*	*0 days*	*Nov 8 '16*	*Nov 8 '16*



ID	WBS	Task Name	Duration	Start	Finish
212	**12.5**	**Venue Migrations**	**18 days**	**Nov 8 '16**	**Dec 5 '16**
213	12.5.1	Go-Live Equipment Replacement #1 (Mardi Gras)	2 days	Nov 8 '16	Nov 9 '16
214	12.5.2	Go-Live Equipment Replacement #2 (Wheeling Island)	2 days	Nov 17 '16	Nov 18 '16
215	12.5.3	Go-Live Equipment Replacement #3 (Mountaineer)	2 days	Nov 23 '16	Nov 28 '16
216	12.5.4	Go-Live Equipment Replacement #4 (Hollywood)	2 days	Nov 29 '16	Nov 30 '16
217	12.5.5	Go-Live Equipment Replacement #5 (The Greenbrier)	2 days	Dec 2 '16	Dec 5 '16
218	*12.5.6*	***Race Track/Resort Equipment Installation Complete***	***0 days***	***Dec 5 '16***	***Dec 5 '16***
219	**12.6**	**Equipment Replacement and Comms Installation -(1500 LVL's)**	**153 days**	**Dec 12 '16**	**Jul 19 '17**
220	12.6.1	Go-Live Equipment Replacement - TRIAL	3 days	Dec 12 '16	Dec 14 '16
221	12.6.2	Go-Live Equipment Replacement (Cycle 1)	10 days	Dec 15 '16	Dec 30 '16
222	12.6.3	Go-Live Equipment Replacement (Cycle 2)	10 days	Jan 3 '17	Jan 16 '17
223	12.6.4	Go-Live Equipment Replacement (Cycle 3)	10 days	Jan 17 '17	Jan 30 '17
224	12.6.5	Go-Live Equipment Replacement (Cycle 4)	10 days	Jan 31 '17	Feb 13 '17
225	12.6.6	Go-Live Equipment Replacement (Cycle 5)	10 days	Feb 14 '17	Feb 27 '17
226	12.6.7	Go-Live Equipment Replacement (Cycle 6)	10 days	Feb 28 '17	Mar 13 '17
227	12.6.8	Go-Live Equipment Replacement (Cycle 7)	10 days	Mar 14 '17	Mar 27 '17
228	12.6.9	Go-Live Equipment Replacement (Cycle 8)	10 days	Mar 28 '17	Apr 10 '17
229	12.6.10	Go-Live Equipment Replacement (Cycle 9)	10 days	Apr 11 '17	Apr 24 '17
230	12.6.11	Go-Live Equipment Replacement (Cycle 10)	10 days	Apr 25 '17	May 8 '17
231	12.6.12	Go-Live Equipment Replacement (Cycle 11)	10 days	May 9 '17	May 22 '17
232	12.6.13	Go-Live Equipment Replacement (Cycle 12)	10 days	May 23 '17	Jun 6 '17
233	12.6.14	Go-Live Equipment Replacement (Cycle 13)	10 days	Jun 7 '17	Jun 20 '17
234	12.6.15	Go-Live Equipment Replacement (Cycle 14)	10 days	Jun 21 '17	Jul 5 '17
235	12.6.16	Go-Live Equipment Replacement (Cycle 15)	10 days	Jul 6 '17	Jul 19 '17
236	*12.6.17*	***LVL Equipment Replacement and Comms Installation Complete***	***0 days***	***Jul 19 '17***	***Jul 19 '17***
237	*12.6.18*	***CMS Install @ (4) Site Race Tracks, (1) Resort & (1500) LVL's Complete***	***0 days***	***Jul 19 '17***	***Jul 19 '17***
238	*12.6.19*	***7 x 24 Support Services Activated***	***0 days***	***Jul 19 '17***	***Jul 19 '17***
239	**13**	**PROJECT TRANSITION to West Virginia**	**3 days**	**Jul 20 '17**	**Jul 24 '17**
240	**13.1**	**Post Live - West Virginia Phase Out & Turnover Plan**	**3 days**	**Jul 20 '17**	**Jul 24 '17**
241	13.1.1	Prepare West Virginia Phase Out & Turnover Plan	2 days	Jul 20 '17	Jul 21 '17
242	13.1.2	Distribute & Review Phase Out & Turnover	1 day	Jul 24 '17	Jul 24 '17
243	*13.1.3*	***Phase Out & Turnover Plan Complete***	***0 days***	***Jul 24 '17***	***Jul 24 '17***
244	*13.1.4*	***West Virginia Conversion Complete***	***0 days***	***Jul 24 '17***	***Jul 24 '17***
245	**14**	**PROJECT REVIEW**	**28 days**	**Jul 25 '17**	**Aug 31 '17**
246	**14.1**	**SGI Internal Post Project Review**	**28 days**	**Jul 25 '17**	**Aug 31 '17**
247	14.1.1	Prepare & Distribute Final Post SGI Internal Project Review Report	5 days	Jul 25 '17	Jul 31 '17
248	14.1.2	Prepare & Distribute Final Turnover Documentation	1 day	Jul 25 '17	Jul 25 '17
249	14.1.3	Post Live 20 Day Checkpoint Status and Transition Meeting	1 day	Aug 14 '17	Aug 14 '17
250	14.1.4	Post Live 30 Day Checkpoint Status and Transition Meeting	1 day	Aug 31 '17	Aug 31 '17
251	*14.1.5*	***Project Complete***	***0 days***	***Aug 31 '17***	***Aug 31 '17***



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FIGURE 3.2-3 VIDEO GAMING SYSTEMS IMPLEMENTATION AND CONVERSION SUPPORT TEAM

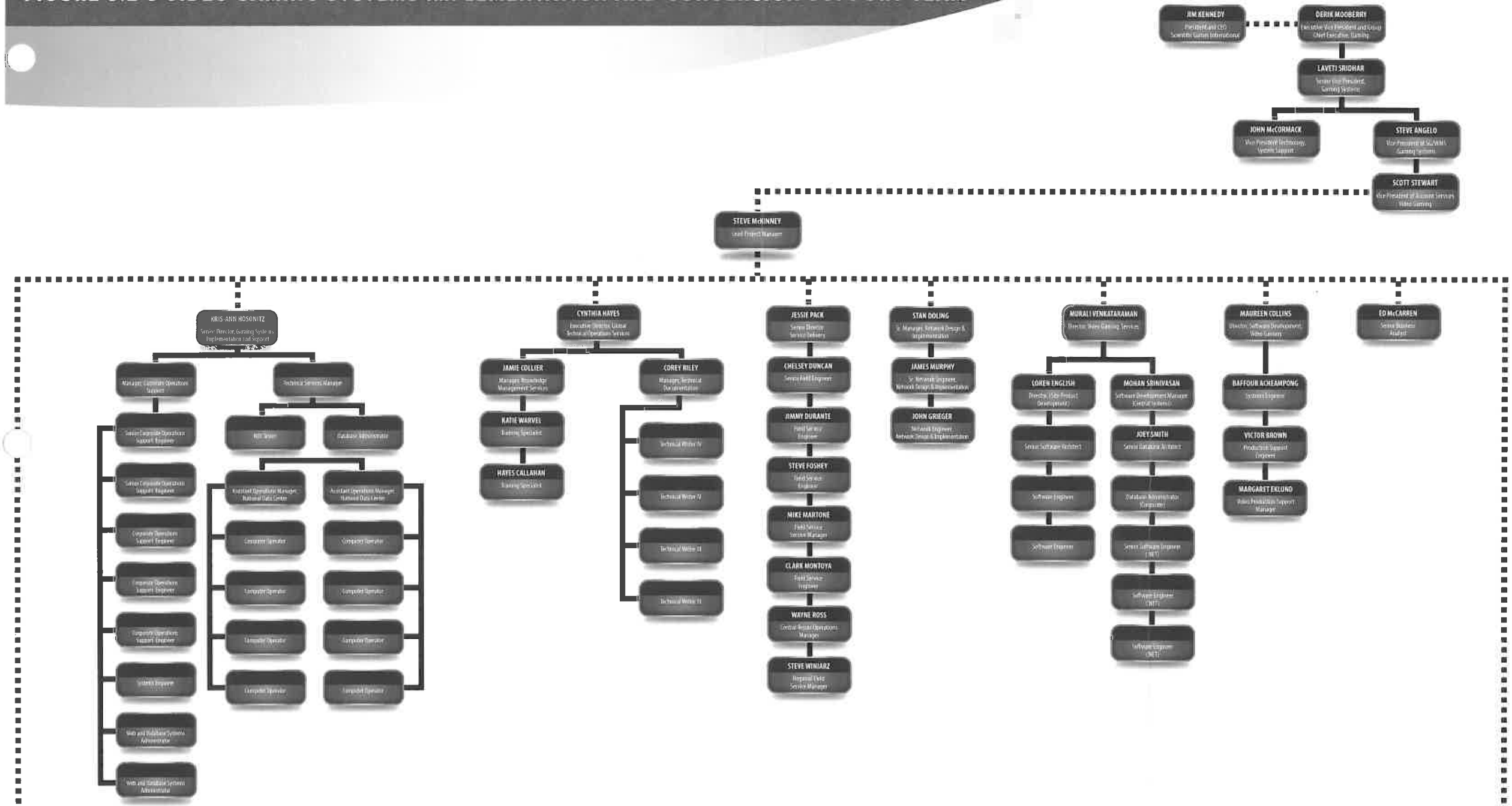
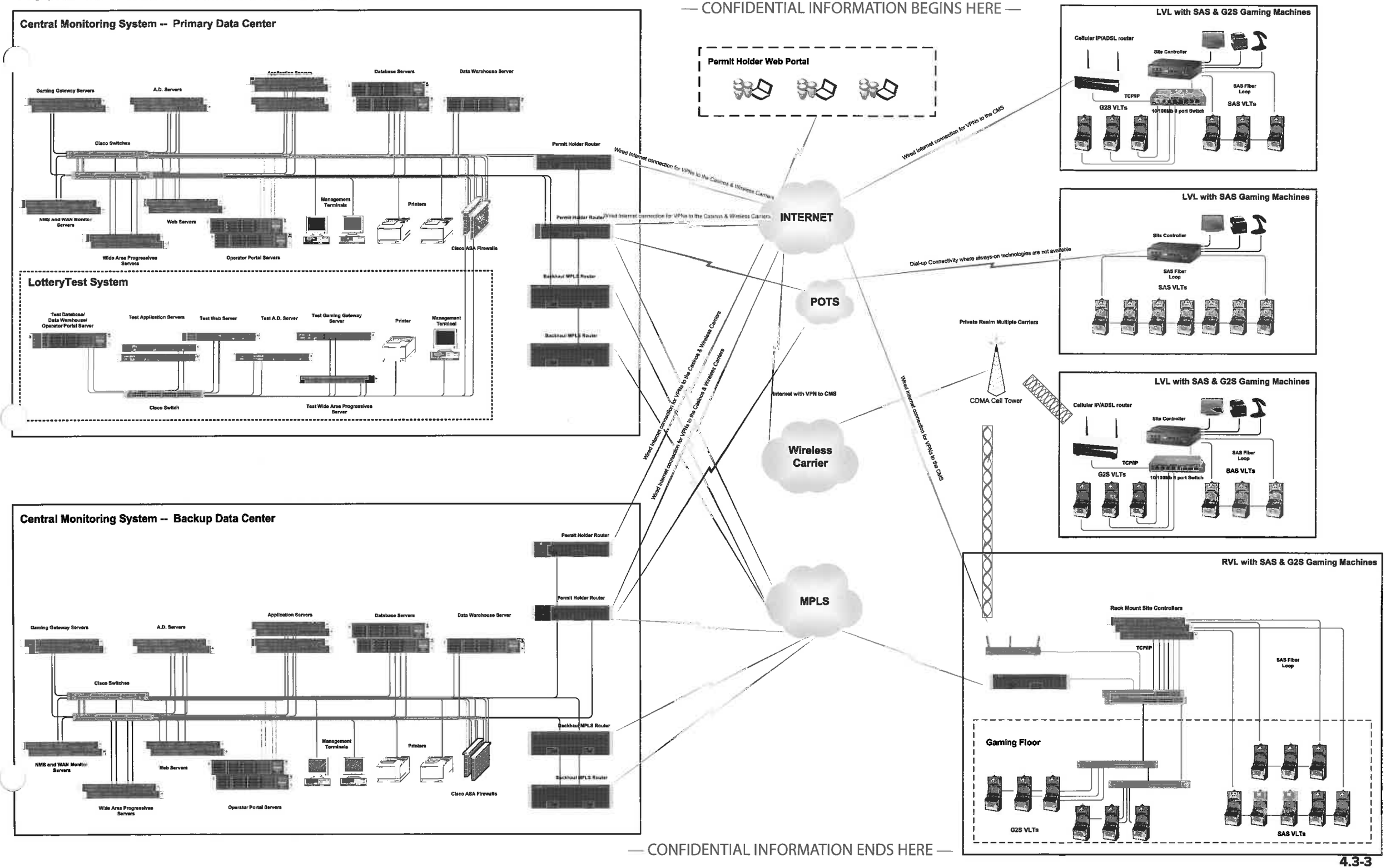


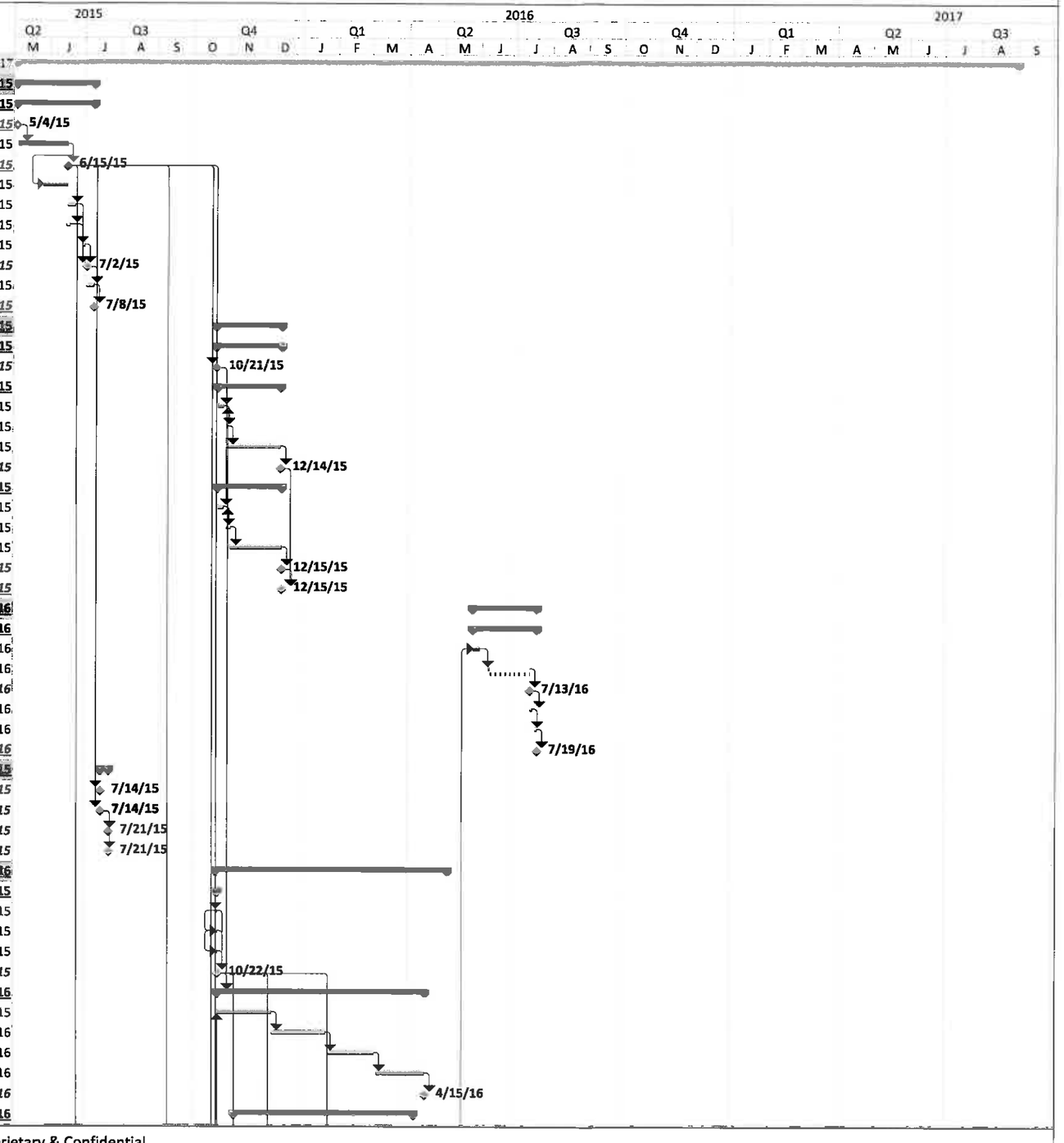
FIGURE 4.3-1: WEST VIRGINIA CMS NETWORK

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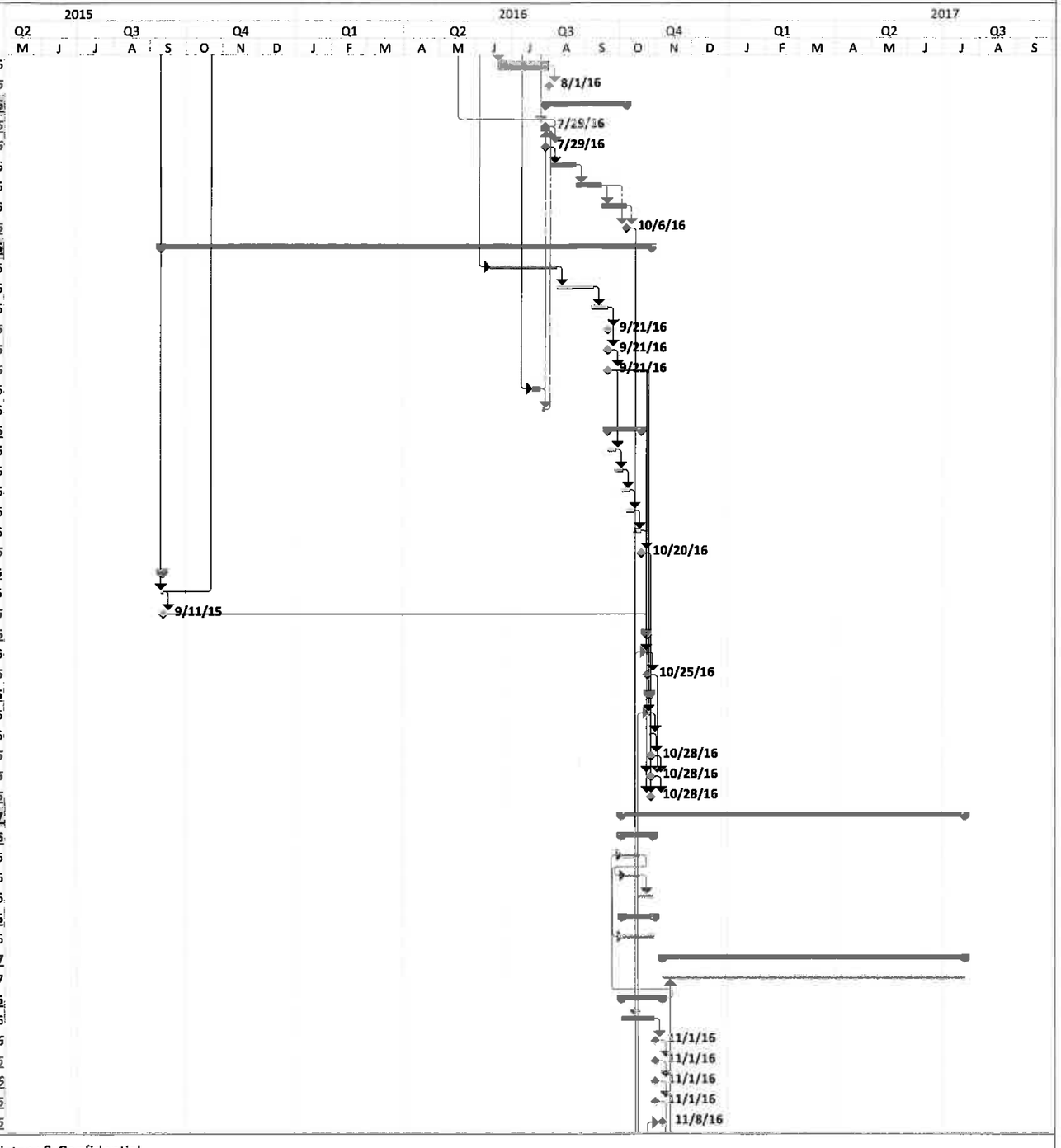


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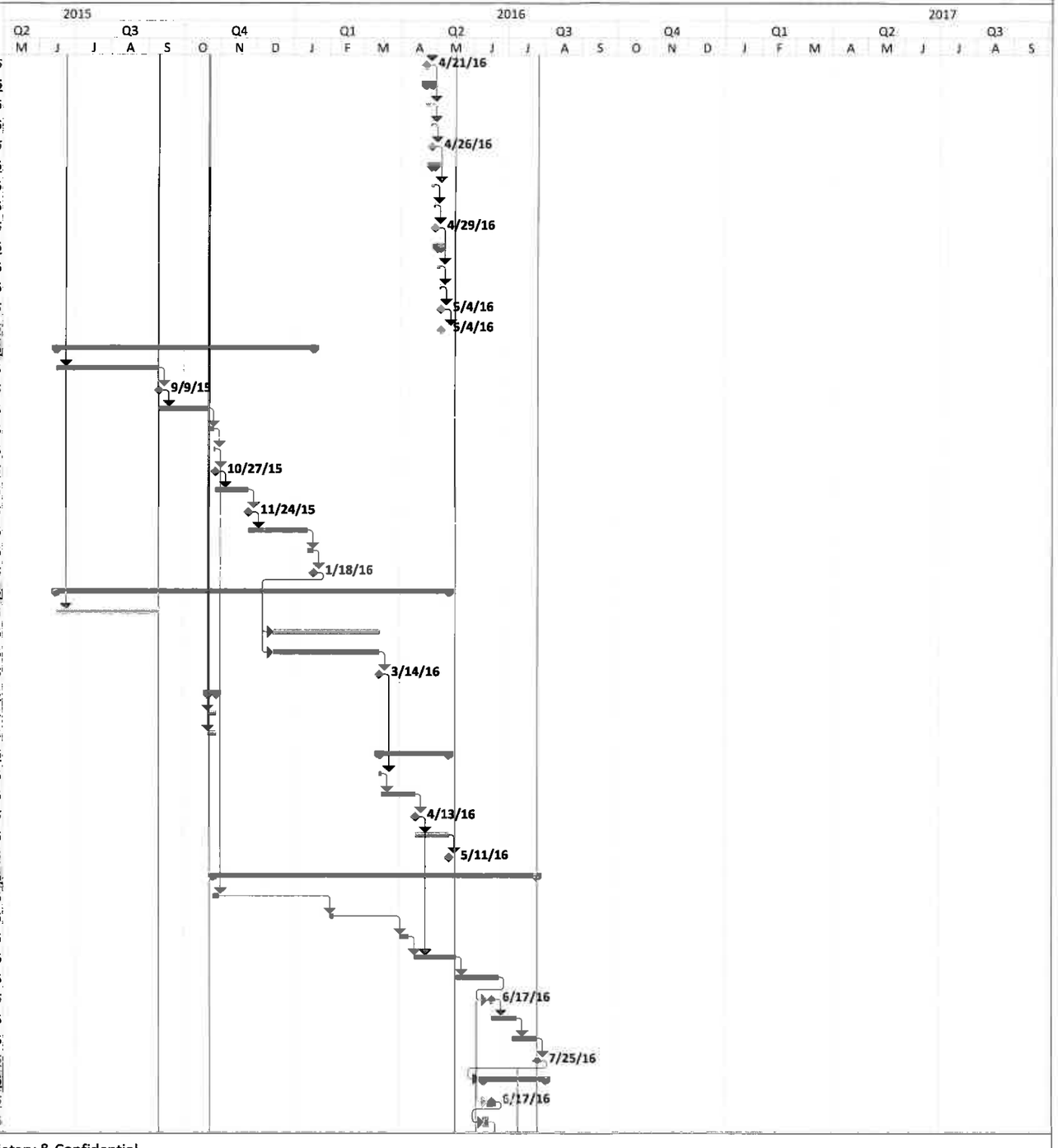
ID	WBS	Task Name	Duration	Start	Finish
0		**West Virginia SGVideo (CMS) Implementation Schedule**	**591 days**	**May 4 '15**	**Aug 31 '17**
1	1	**PROJECT MANAGEMENT**	**47 days**	**May 4 '15**	**Jul 8 '15**
2	1.1	**Project Activities**	**47 days**	**May 4 '15**	**Jul 8 '15**
3	1.1.1	*Contract Award*	*0 days*	*May 4 '15*	*May 4 '15*
4	1.1.2	Contract Negotiation & Approval	30 days	May 5 '15	Jun 15 '15
5	1.1.3	*Contract Execution (NTP)*	*0 days*	*Jun 15 '15*	*Jun 15 '15*
6	1.1.4	Prepare Project Plan	15 days	May 26 '15	Jun 15 '15
7	1.1.5	Develop Implementation Plan for CMS Upgrade	5 days	Jun 16 '15	Jun 22 '15
8	1.1.6	Prepare Project Kick-Off Materials	3 days	Jun 15 '15	Jun 17 '15
9	1.1.7	Conduct West Virginia Project Kick Off Meeting	2 days	Jun 29 '15	Jun 30 '15
10	1.1.8	***Submit Project Plan & Detailed Conversion Schedule***	***0 days***	***Jul 2 '15***	***Jul 2 '15***
11	1.1.9	West Virginia Review and Sign-Off of Project Plan	4 days	Jul 2 '15	Jul 8 '15
12	1.1.10	*Conversion Plan for CMS Upgrade Complete / Approved*	*0 days*	*Jul 8 '15*	*Jul 8 '15*
13	2	**West Virginia PDC & BDC Facilities**	**37 days**	**Oct 21 '15**	**Dec 15 '15**
14	2.1	**West Virginia PDC & BDC Preparation**	**37 days**	**Oct 21 '15**	**Dec 15 '15**
15	2.1.1	***West Virginia Reviews Architectural / Mechanical / Electrical Drawing & Permitting Proce***	***0 days***	***Oct 21 '15***	***Oct 21 '15***
16	2.1.2	**West Virginia PDC Facility Upgrades**	**35 days**	**Oct 23 '15**	**Dec 14 '15**
17	2.1.2.1	West Virginia Reviews PDC Equipment Specifications (from SGI)	3 days	Oct 23 '15	Oct 27 '15
18	2.1.2.2	West Virginia Create's PO's to have PDC Upgrades Completed	1 day	Oct 30 '15	Oct 30 '15
19	2.1.2.3	West Virginia Schedules & Completes PDC Upgrades (Electrical, HVAC, Space, etc.)	30 days	Oct 30 '15	Dec 14 '15
20	2.1.2.4	***West Virginia PDC Completed - Ready for Production & Test Systems***	***0 days***	***Dec 14 '15***	***Dec 14 '15***
21	2.1.3	**BDC Facility Upgrades**	**36 days**	**Oct 23 '15**	**Dec 15 '15**
22	2.1.3.1	Review BDC Equipment Specifications (from SGI)	3 days	Oct 23 '15	Oct 27 '15
23	2.1.3.2	Create's PO's to have BDC Upgrades Completed	2 days	Oct 30 '15	Nov 2 '15
24	2.1.3.3	Schedules & Completes BDC Upgrades (Electrical, HVAC, Space, etc.)	30 days	Nov 2 '15	Dec 15 '15
25	2.1.3.4	***BDC Completed - Ready for Production Systems***	***0 days***	***Dec 15 '15***	***Dec 15 '15***
26	2.1.3.5	*PDC/BDC Facilities Preparation Complete*	*0 days*	*Dec 15 '15*	*Dec 15 '15*
27	3	**DISASTER RECOVERY FAILOVER PLAN**	**37 days**	**May 26 '16**	**Jul 19 '16**
28	3.1	**Disaster Recovery Failover Plan**	**37 days**	**May 26 '16**	**Jul 19 '16**
29	3.1.1	Identify West Virginia System Failover Requirements	3 days	May 26 '16	May 31 '16
30	3.1.2	Develop Operations Failover Plan	25 days	Jun 8 '16	Jul 13 '16
31	3.1.3	***Submit Operations Failover Plan to West Virginia***	***0 days***	***Jul 13 '16***	***Jul 13 '16***
32	3.1.4	West Virginia Failover Plan Review	2 days	Jul 14 '16	Jul 15 '16
33	3.1.5	Revise Operations Failover Plan	2 days	Jul 18 '16	Jul 19 '16
34	3.1.6	*Disaster Revovery Operations Failover Plan Complete*	*0 days*	*Jul 19 '16*	*Jul 19 '16*
35	4	**WEST VIRGINIA DELIVERABLES**	**5 days**	**Jul 14 '15**	**Jul 21 '15**
36	4.1	***Documentation of all VLTe models, by manufacturer, currently installed in production***	***0 days***	***Jul 14 '15***	***Jul 14 '15***
37	4.2	***Documentation of all approved chip sets***	***0 days***	***Jul 14 '15***	***Jul 14 '15***
38	4.3	***Samples of all chips sets which are currently in production received at SGI Alpharetta***	***0 days***	***Jul 21 '15***	***Jul 21 '15***
39	4.4	***One gaming machine from each approved manufacturer to be received to SGI Alpharetta***	***0 days***	***Jul 21 '15***	***Jul 21 '15***
40	5	**INFRASTRUCTURE PREPARATION AND INSTALLATION**	**134 days**	**Oct 21 '15**	**May 4 '16**
41	5.1	**Facilities Specifications**	**1 day**	**Oct 22 '15**	**Oct 22 '15**
42	5.1.1	SGI Reviews System HW/SW Specifications	1 day	Oct 22 '15	Oct 22 '15
43	5.1.2	SGI Reviews Network Specification	1 day	Oct 22 '15	Oct 22 '15
44	5.1.3	SGI Reviews Telecom Specifications	1 day	Oct 22 '15	Oct 22 '15
45	5.1.4	***SGI Facilities Specs Complete***	***0 days***	***Oct 22 '15***	***Oct 22 '15***
46	5.2	**Site Surveys**	**120 days**	**Oct 23 '15**	**Apr 15 '16**
47	5.2.1	Conduct Site Survey for Region 1	30 days	Oct 23 '15	Dec 7 '15
48	5.2.2	Conduct Site Survey for Region 2	30 days	Dec 8 '15	Jan 22 '16
49	5.2.3	Conduct Site Survey for Region 3	30 days	Jan 25 '16	Mar 4 '16
50	5.2.4	Conduct Site Survey for Region 4	30 days	Mar 7 '16	Apr 15 '16
51	5.2.5	***Site Surveys Complete***	***0 days***	***Apr 15 '16***	***Apr 15 '16***
52	5.3	**SGVideo Hardware Installation**	**103 days**	**Nov 6 '15**	**Apr 6 '16**



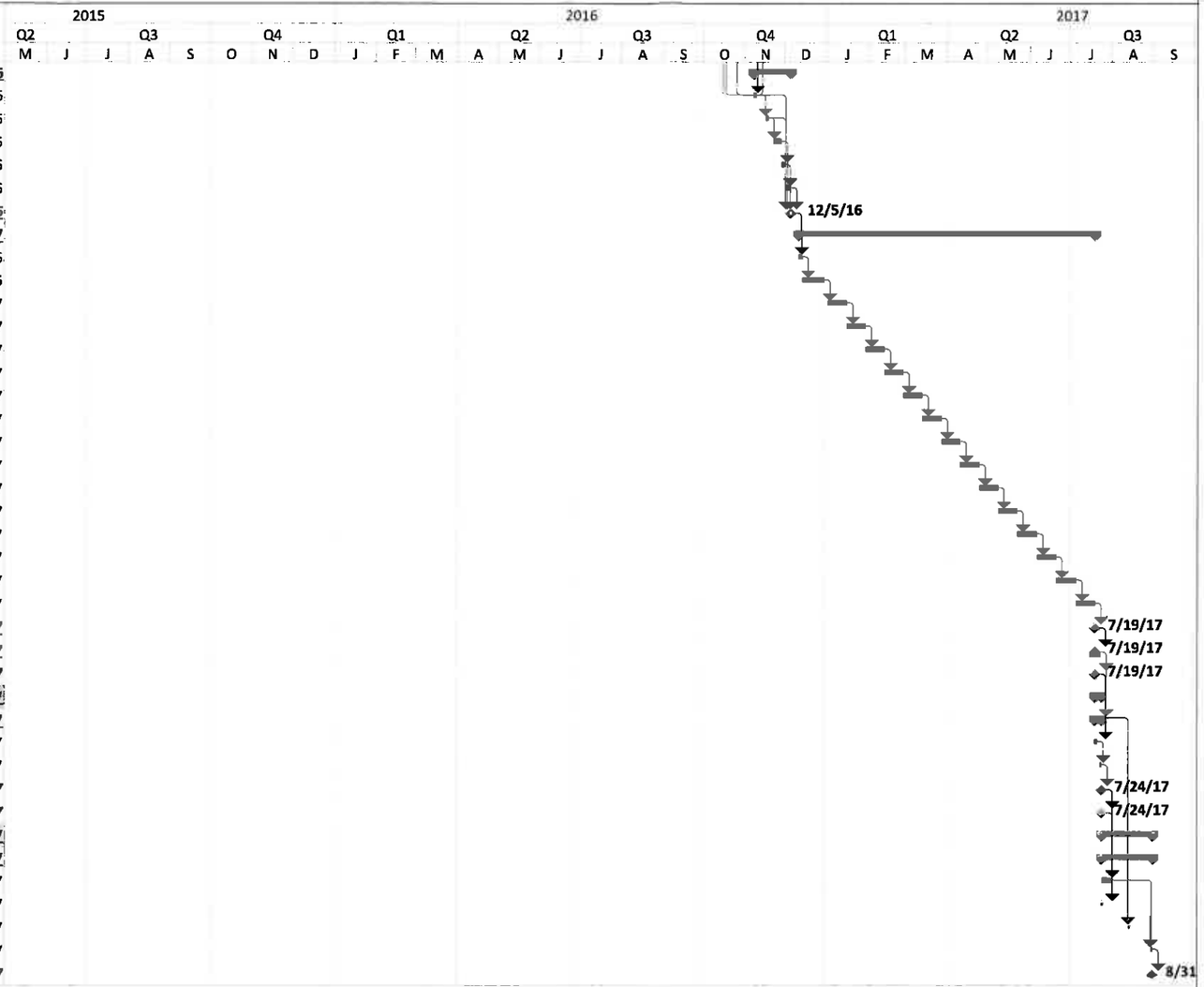
ID	WBS	Task Name	Duration	Start	Finish
159	9.3	System Testing and Validation for CMS Upgrade	30 days	Jun 20 '16	Aug 1 '16
160	*9.4*	*Independent Test Lab Testing Complete*	*0 days*	*Aug 1 '16*	*Aug 1 '16*
161	**10**	**WV UAT, ACCEPTANCE SIGNOFF**	**48 days**	**Jul 29 '16**	**Oct 6 '16**
162	*10.1*	*UAT System Testing and Validation for CMS Upgrade*	*0 days*	*Jul 29 '16*	*Jul 29 '16*
163	*10.2*	*Core Functionality Test Scripts*	*0 days*	*Jul 29 '16*	*Jul 29 '16*
164	10.3	Functionality and Requirements Test Scripts	15 days	Aug 4 '16	Aug 24 '16
165	10.4	Regression Test Scripts for VLCS Manager	15 days	Aug 25 '16	Sep 15 '16
166	10.5	Regression Test Scripts for C&C and EM	15 days	Sep 16 '16	Oct 6 '16
167	*10.6*	*UAT System Testing and Validation for CMS Upgrade Complete*	*0 days*	*Oct 6 '16*	*Oct 6 '16*
168	**11**	**TRAINING PREPARATION**	**288 days**	**Sep 10 '15**	**Oct 28 '16**
169	11.1	Update Training Material (End User / Remote Operators Training)	40 days	Jun 13 '16	Aug 8 '16
170	11.2	Update Licensed Facility Installer Training Material	5 days	Aug 9 '16	Sep 9 '16
171	11.3	Review & Approve Training Materials	10 days	Sep 7 '16	Sep 21 '16
172	*11.4*	*Training Material Approved (End User / Remote Operators Training)*	*0 days*	*Sep 21 '16*	*Sep 21 '16*
173	*11.5*	*Training Material Approved (Licensed Facility Installer Training)*	*0 days*	*Sep 21 '16*	*Sep 21 '16*
174	*11.6*	*Documentation for CMS staff, Remote Operators & Installers Complete*	*0 days*	*Sep 21 '16*	*Sep 21 '16*
175	11.7	Onsite UAT Training Set Up	5 days	Jul 19 '16	Jul 25 '16
176	11.8	Train West Virginia for UAT Testing	2 days	Jul 28 '16	Jul 29 '16
177	**11.9**	**Train Staff - End User Advanced Operations Training**	**21 days**	**Sep 21 '16**	**Oct 20 '16**
178	11.9.1	Systems Overview	5 days	Sep 21 '16	Sep 28 '16
179	11.9.2	Systems Operations	5 days	Sep 27 '16	Oct 4 '16
180	11.9.3	Introduction to User Manuals	5 days	Oct 3 '16	Oct 10 '16
181	11.9.4	Systems Setup and Configuration	5 days	Oct 7 '16	Oct 14 '16
182	11.9.5	Operating the System	5 days	Oct 13 '16	Oct 20 '16
183	*11.9.6*	*Staff Training & Documentation for CMS Complete*	*0 days*	*Oct 20 '16*	*Oct 20 '16*
184	**11.10**	**Site Survey Training**	**2 days**	**Sep 10 '15**	**Sep 11 '15**
185	11.10.1	Perform Site Survey Training for Field Staff	2 days	Sep 10 '15	Sep 11 '15
186	*11.10.2*	*Site Survey Training Complete*	*0 days*	*Sep 11 '15*	*Sep 11 '15*
187	**11.11**	**Site Controller Training - West Virginia & Technicians**	**1 day**	**Oct 25 '16**	**Oct 25 '16**
188	11.11.1	Perform SC & IP Cellular Training to West Virginia / SGI Technicians	1 day	Oct 25 '16	Oct 25 '16
189	*11.11.2*	*SC & IP Cellular Training Complete*	*0 days*	*Oct 25 '16*	*Oct 25 '16*
190	**11.12**	**Licensed Facility Installer Training**	**2 days**	**Oct 27 '16**	**Oct 28 '16**
191	11.12.1	Perform Field Service Staff Training - (Phase 1 - Trial Install)	1 day	Oct 27 '16	Oct 27 '16
192	11.12.2	Perform Field Service Staff Training - (Phase 2 - Roll-Out Office)	1 day	Oct 28 '16	Oct 28 '16
193	*11.12.3*	*FS Licensed Facility Installers Training Complete*	*0 days*	*Oct 28 '16*	*Oct 28 '16*
194	*11.12.4*	*Field Staff Training Complete*	*0 days*	*Oct 28 '16*	*Oct 28 '16*
195	*11.12.5*	*Documentation and Training Complete*	*0 days*	*Oct 28 '16*	*Oct 28 '16*
196	**12**	**PRODUCTION GO-LIVE & LICENSED FACILITY ROLLOUT**	**200 days**	**Oct 4 '16**	**Jul 19 '17**
197	**12.1**	**SGVideo Support**	**19.5 days**	**Oct 4 '16**	**Oct 31 '16**
198	12.1.1	Data conversion setup and testing	11 days	Oct 4 '16	Oct 20 '16
199	12.1.2	Migration Preparation	10 days	Oct 6 '16	Oct 20 '16
200	12.1.3	Data conversions for migrations	10 days	Oct 17 '16	Oct 31 '16
201	**12.2**	**Host support**	**20 days**	**Oct 4 '16**	**Nov 1 '16**
202	12.2.1	Engineering Support for Migration	20 days	Oct 4 '16	Nov 1 '16
203	**12.3**	**Site Support**	**175 days**	**Nov 8 '16**	**Jul 19 '17**
204	12.3.1	Installation support	175 days	Nov 8 '16	Jul 19 '17
205	**12.4**	**Production Go-Live**	**25 days**	**Oct 4 '16**	**Nov 8 '16**
206	12.4.1	Prepare SGVideo Systems & Environment for Go-Live	20 days	Oct 4 '16	Oct 31 '16
207	*12.4.2*	*CMS Production Go-Live*	*0 days*	*Nov 1 '16*	*Nov 1 '16*
208	*12.4.3*	*Data Conversion / Migration & Environment for Go-Live Complete*	*0 days*	*Nov 1 '16*	*Nov 1 '16*
209	*12.4.4*	*All RVL's and SAS-Only LVL's Immediately Migrate to SGVideo System*	*0 days*	*Nov 1 '16*	*Nov 1 '16*
210	*12.4.5*	*Production Go-Live & Migration of Gaming Machines to CMS Complete*	*0 days*	*Nov 1 '16*	*Nov 1 '16*
211	*12.4.6*	*Begin Venue Migrations at Race Track/Resort and LVL's*	*0 days*	*Nov 8 '16*	*Nov 8 '16*



ID	WBS	Task Name	Duration	Start	Finish
106	*5.4.8.3*	***Systems Install Complete***	*0 days*	*Apr 21 '16*	*Apr 21 '16*
107	**5.4.9**	**Onsite Install - Mountaineer TC Racks**	**3 days**	**Apr 22 '16**	**Apr 26 '16**
108	5.4.9.1	Install Equipment (All wiring, all racks)	2 days	Apr 22 '16	Apr 25 '16
109	5.4.9.2	Perform SGI System Validation	1 day	Apr 26 '16	Apr 26 '16
110	*5.4.9.3*	***Systems Install Complete***	*0 days*	*Apr 26 '16*	*Apr 26 '16*
111	**5.4.10**	**Onsite Install - Hollywood TC Racks**	**3 days**	**Apr 27 '16**	**Apr 29 '16**
112	5.4.10.1	Install Equipment (All wiring, all racks)	2 days	Apr 27 '16	Apr 28 '16
113	5.4.10.2	Perform SGI System Validation	1 day	Apr 29 '16	Apr 29 '16
114	*5.4.10.3*	***Systems Install Complete***	*0 days*	*Apr 29 '16*	*Apr 29 '16*
115	**5.4.11**	**Onsite Install - Greenbrier TC Racks**	**3 days**	**May 2 '16**	**May 4 '16**
116	5.4.11.1	Install Equipment (All wiring, all racks)	2 days	May 2 '16	May 3 '16
117	5.4.11.2	Perform SGI System Validation	1 day	May 4 '16	May 4 '16
118	*5.4.11.3*	***Systems Install Complete***	*0 days*	*May 4 '16*	*May 4 '16*
119	*5.4.12*	*Site Surveys, Systems Hardware Procured, Delivered, Installation Complete*	*0 days*	*May 4 '16*	*May 4 '16*
120	**6**	**BUILD FUNCTIONAL SPECIFICATIONS**	**147 days**	**Jun 16 '15**	**Jan 18 '16**
121	6.1	Develop Preliminary Business Requirements Document (CRD)	60 days	Jun 16 '15	Sep 9 '15
122	*6.2*	***Submit CRD to West Virginia***	*0 days*	*Sep 9 '15*	*Sep 9 '15*
123	6.3	Customer Review & Comment re: CRD	30 days	Sep 10 '15	Oct 21 '15
124	6.4	Revise CRD Document	3 days	Oct 22 '15	Oct 26 '15
125	6.5	Customer Review & Approval of CRD Delta Document	1 day	Oct 27 '15	Oct 27 '15
126	*6.6*	*Business Requirements Document Completed & Accepted*	*0 days*	*Oct 27 '15*	*Oct 27 '15*
127	6.7	Develop Software Requirements Specification (SRS)	20 days	Oct 28 '15	Nov 24 '15
128	*6.8*	***Submit SRS to West Virginia***	*0 days*	*Nov 24 '15*	*Nov 24 '15*
129	6.9	Customer Review & Comment re: SRS	30 days	Nov 25 '15	Jan 13 '16
130	6.10	Revise SRS Document	3 days	Jan 14 '16	Jan 18 '16
131	*6.11*	*SRS Completed & Accepted*	*0 days*	*Jan 18 '16*	*Jan 18 '16*
132	**7**	**HOST CUSTOMIZATION/DEVELOPMENT SUPPORT**	**229 days**	**Jun 16 '15**	**May 11 '16**
133	7.1	Requirements Phase /CRD/FS/Design docs	60 days	Jun 16 '15	Sep 9 '15
134	7.2	Host & SC Customization	60 days	Dec 16 '15	Mar 14 '16
135	7.3	Protocol Support	60 days	Dec 16 '15	Mar 14 '16
136	*7.4*	***Host & SC Customization Completed***	*0 days*	*Mar 14 '16*	*Mar 14 '16*
137	**7.5**	**Environment Setup-Configuration**	**5 days**	**Oct 22 '15**	**Oct 28 '15**
138	7.5.1	Prepare Development Environment	5 days	Oct 22 '15	Oct 28 '15
139	7.5.2	Prepare Integration Test Environment	5 days	Oct 22 '15	Oct 28 '15
140	**7.6**	**Integration Testing**	**42 days**	**Mar 15 '16**	**May 11 '16**
141	7.6.1	Build and Configuration	2 days	Mar 15 '16	Mar 16 '16
142	7.6.2	Development Integration Testing	20 days	Mar 17 '16	Apr 13 '16
143	*7.6.3*	***Release to QA***	*0 days*	*Apr 13 '16*	*Apr 13 '16*
144	7.6.4	Deveiopment Fix/Release Cycle	20 days	Apr 14 '16	May 11 '16
145	*7.7*	*Host/Site Controller Development Complete*	*0 days*	*May 11 '16*	*May 11 '16*
146	**8**	**QUALITY ASSURANCE**	**188 days**	**Oct 26 '15**	**Jul 25 '16**
147	8.1	Initial Requirements Review	5 days	Oct 26 '15	Oct 30 '15
148	8.2	Test Plan and Test Case Creation	3 days	Feb 2 '16	Feb 4 '16
149	8.3	Environment Set Up	5 days	Apr 1 '16	Apr 7 '16
150	8.4	New Functionality Testing	25 days	Apr 13 '16	May 17 '16
151	8.5	System Regression Testing	25 days	May 18 '16	Jun 22 '16
152	*8.6*	***Release to Independent Test Lab***	*0 days*	*Jun 17 '16*	*Jun 17 '16*
153	8.7	Protocol Testing	15 days	Jun 17 '16	Jul 8 '16
154	8.8	Final Regression Testing	15 days	Jul 5 '16	Jul 25 '16
155	*8.9*	*SGI QA Testing Complete*	*0 days*	*Jul 25 '16*	*Jul 25 '16*
156	**9**	**INDEPENDENT TEST LAB TESTING**	**36 days**	**Jun 10 '16**	**Aug 1 '16**
157	*9.1*	*Test Lab System Testing and Validation for CMS Upgrade*	*0 days*	*Jun 17 '16*	*Jun 17 '16*
158	9.2	Environment Prep and Training	3 days	Jun 10 '16	Jun 14 '16

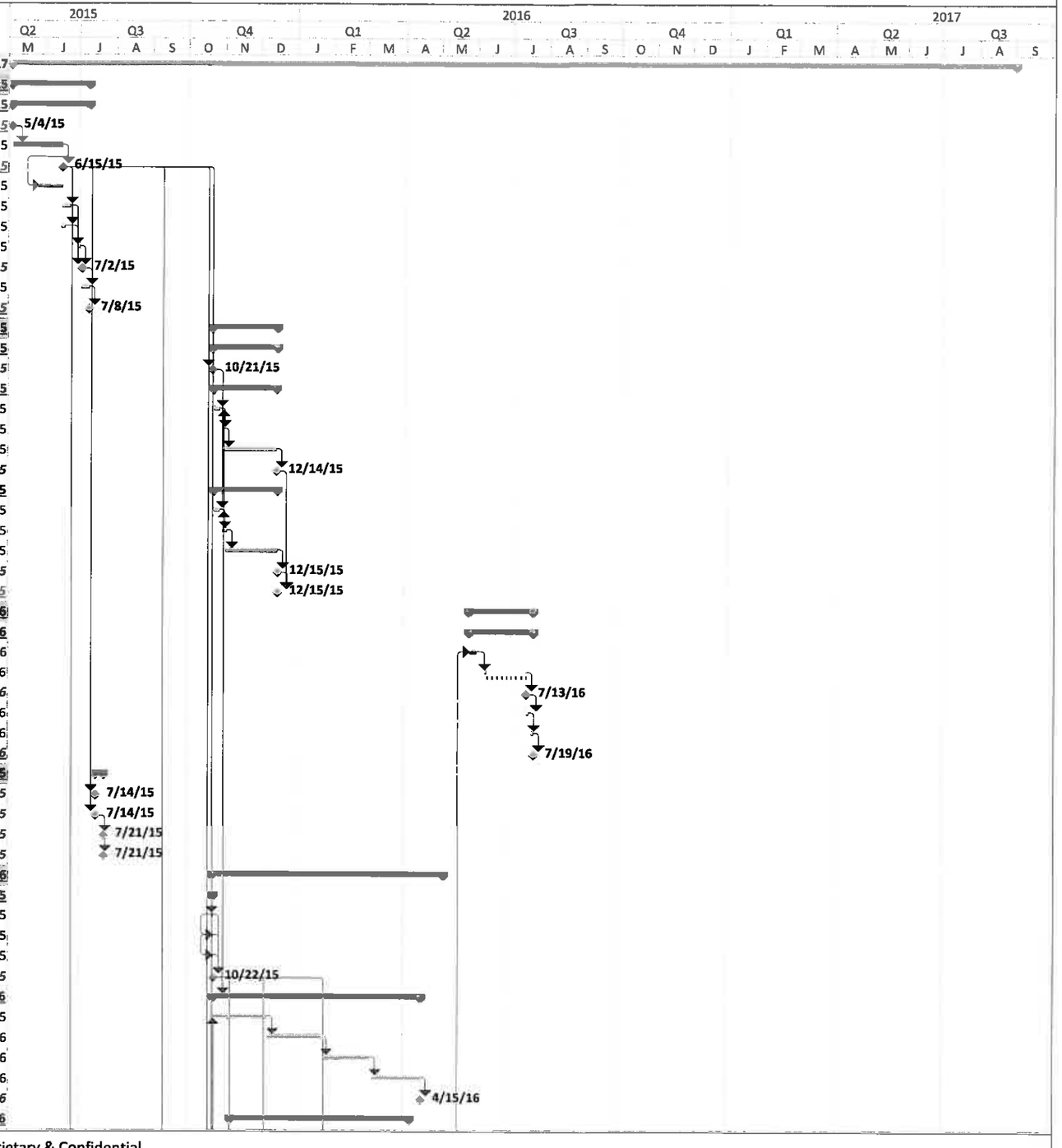


ID	WBS	Task Name	Duration	Start	Finish
212	**12.5**	**Venue Migrations**	**18 days**	**Nov 8 '16**	**Dec 5 '16**
213	12.5.1	Go-Live Equipment Replacement #1 (Mardi Gras)	2 days	Nov 8 '16	Nov 9 '16
214	12.5.2	Go-Live Equipment Replacement #2 (Wheeling Island)	2 days	Nov 17 '16	Nov 18 '16
215	12.5.3	Go-Live Equipment Replacement #3 (Mountaineer)	2 days	Nov 23 '16	Nov 28 '16
216	12.5.4	Go-Live Equipment Replacement #4 (Hollywood)	2 days	Nov 29 '16	Nov 30 '16
217	12.5.5	Go-Live Equipment Replacement #5 (The Greenbrier)	2 days	Dec 2 '16	Dec 5 '16
218	*12.5.6*	*Race Track/Resort Equipment Installation Complete*	*0 days*	*Dec 5 '16*	*Dec 5 '16*
219	**12.6**	**Equipment Replacement and Comms Installation -(1500 LVL's)**	**153 days**	**Dec 12 '16**	**Jul 19 '17**
220	12.6.1	Go-Live Equipment Replacement - TRIAL	3 days	Dec 12 '16	Dec 14 '16
221	12.6.2	Go-Live Equipment Replacement (Cycle 1)	10 days	Dec 15 '16	Dec 30 '16
222	12.6.3	Go-Live Equipment Replacement (Cycle 2)	10 days	Jan 3 '17	Jan 16 '17
223	12.6.4	Go-Live Equipment Replacement (Cycle 3)	10 days	Jan 17 '17	Jan 30 '17
224	12.6.5	Go-Live Equipment Replacement (Cycle 4)	10 days	Jan 31 '17	Feb 13 '17
225	12.6.6	Go-Live Equipment Replacement (Cycle 5)	10 days	Feb 14 '17	Feb 27 '17
226	12.6.7	Go-Live Equipment Replacement (Cycle 6)	10 days	Feb 28 '17	Mar 13 '17
227	12.6.8	Go-Live Equipment Replacement (Cycle 7)	10 days	Mar 14 '17	Mar 27 '17
228	12.6.9	Go-Live Equipment Replacement (Cycle 8)	10 days	Mar 28 '17	Apr 10 '17
229	12.6.10	Go-Live Equipment Replacement (Cycle 9)	10 days	Apr 11 '17	Apr 24 '17
230	12.6.11	Go-Live Equipment Replacement (Cycle 10)	10 days	Apr 25 '17	May 8 '17
231	12.6.12	Go-Live Equipment Replacement (Cycle 11)	10 days	May 9 '17	May 22 '17
232	12.6.13	Go-Live Equipment Replacement (Cycle 12)	10 days	May 23 '17	Jun 6 '17
233	12.6.14	Go-Live Equipment Replacement (Cycle 13)	10 days	Jun 7 '17	Jun 20 '17
234	12.6.15	Go-Live Equipment Replacement (Cycle 14)	10 days	Jun 21 '17	Jul 5 '17
235	12.6.16	Go-Live Equipment Replacement (Cycle 15)	10 days	Jul 6 '17	Jul 19 '17
236	*12.6.17*	*LVL Equipment Replacement and Comms Installation Complete*	*0 days*	*Jul 19 '17*	*Jul 19 '17*
237	*12.6.18*	*CMS Install @ (4) Site Race Tracks, (1) Resort & (1500) LVL's Complete*	*0 days*	*Jul 19 '17*	*Jul 19 '17*
238	*12.6.19*	***7 x 24 Support Services Activated***	***0 days***	***Jul 19 '17***	***Jul 19 '17***
239	**13**	**PROJECT TRANSITION to West Virginia**	**3 days**	**Jul 20 '17**	**Jul 24 '17**
240	**13.1**	**Post Live - West Virginia Phase Out & Turnover Plan**	**3 days**	**Jul 20 '17**	**Jul 24 '17**
241	13.1.1	Prepare West Virginia Phase Out & Turnover Plan	2 days	Jul 20 '17	Jul 21 '17
242	13.1.2	Distribute & Review Phase Out & Turnover	1 day	Jul 24 '17	Jul 24 '17
243	*13.1.3*	***Phase Out & Turnover Plan Complete***	***0 days***	***Jul 24 '17***	***Jul 24 '17***
244	*13.1.4*	*West Virginia Conversion Complete*	*0 days*	*Jul 24 '17*	*Jul 24 '17*
245	**14**	**PROJECT REVIEW**	**28 days**	**Jul 25 '17**	**Aug 31 '17**
246	**14.1**	**SGI Internal Post Project Review**	**28 days**	**Jul 25 '17**	**Aug 31 '17**
247	14.1.1	Prepare & Distribute Final Post SGI Internal Project Review Report	5 days	Jul 25 '17	Jul 31 '17
248	14.1.2	Prepare & Distribute Final Turnover Documentation	1 day	Jul 25 '17	Jul 25 '17
249	14.1.3	Post Live 20 Day Checkpoint Status and Transition Meeting	1 day	Aug 14 '17	Aug 14 '17
250	14.1.4	Post Live 30 Day Checkpoint Status and Transition Meeting	1 day	Aug 31 '17	Aug 31 '17
251	*14.1.5*	*Project Complete*	*0 days*	*Aug 31 '17*	*Aug 31 '17*

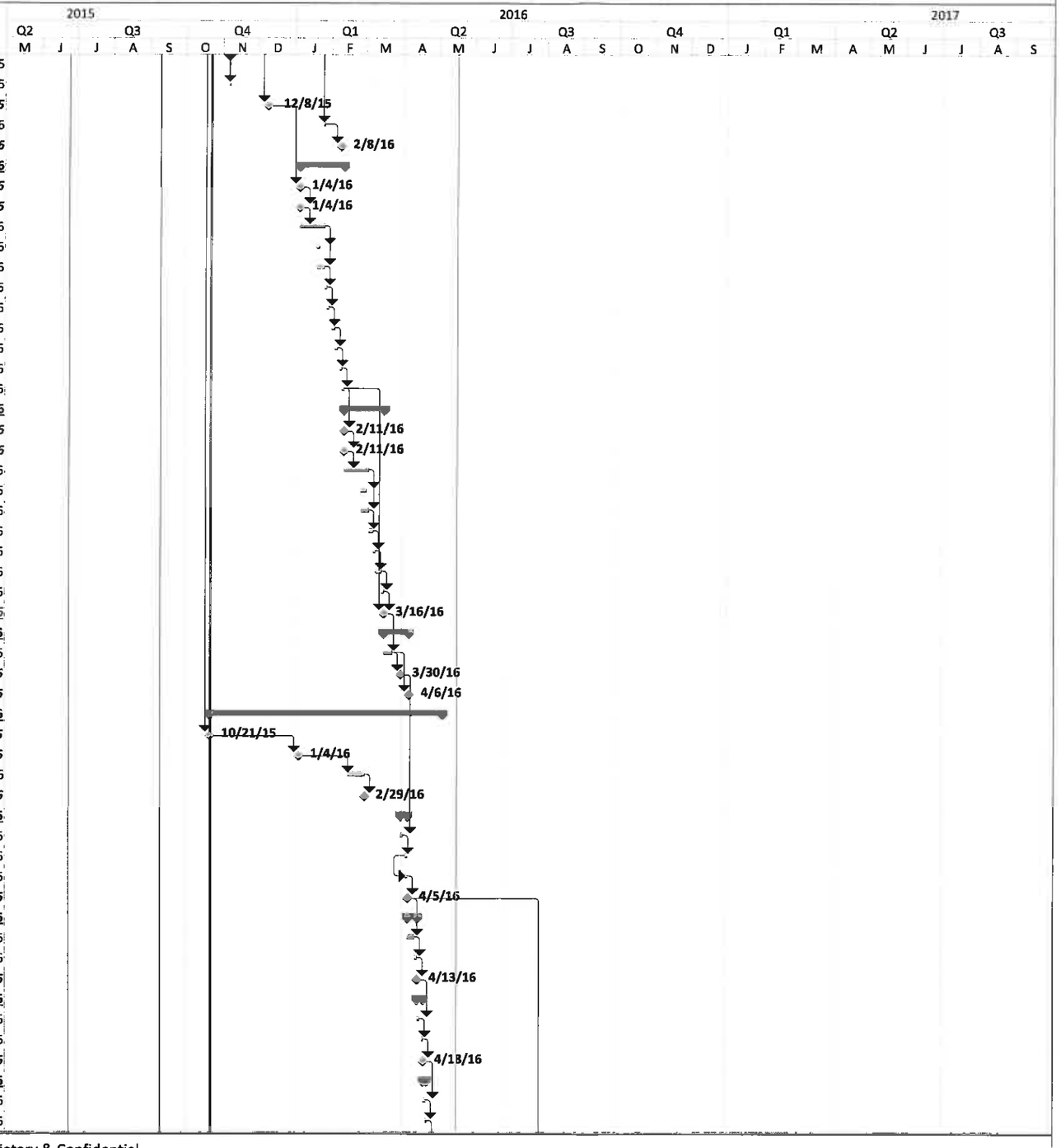


— CONFIDENTIAL INFORMATION ENDS HERE —

ID	WBS	Task Name	Duration	Start	Finish
0		**West Virginia SGVideo (CMS) Implementation Schedule**	**591 days**	**May 4 '15**	**Aug 31 '17**
1	1	**PROJECT MANAGEMENT**	**47 days**	**May 4 '15**	**Jul 8 '15**
2	1.1	**Project Activities**	**47 days**	**May 4 '15**	**Jul 8 '15**
3	*1.1.1*	***Contract Award***	***0 days***	***May 4 '15***	***May 4 '15***
4	1.1.2	Contract Negotiation & Approval	30 days	May 5 '15	Jun 15 '15
5	*1.1.3*	***Contract Execution (NTP)***	***0 days***	***Jun 15 '15***	***Jun 15 '15***
6	1.1.4	Prepare Project Plan	15 days	May 26 '15	Jun 15 '15
7	1.1.5	Develop Implementation Plan for CMS Upgrade	5 days	Jun 16 '15	Jun 22 '15
8	1.1.6	Prepare Project Kick-Off Materials	3 days	Jun 15 '15	Jun 17 '15
9	1.1.7	Conduct West Virginia Project Kick Off Meeting	2 days	Jun 29 '15	Jun 30 '15
10	*1.1.8*	***Submit Project Plan & Detailed Conversion Schedule***	***0 days***	***Jul 2 '15***	***Jul 2 '15***
11	1.1.9	West Virginia Review and Sign-Off of Project Plan	4 days	Jul 2 '15	Jul 8 '15
12	*1.1.10*	***Conversion Plan for CMS Upgrade Complete / Approved***	***0 days***	***Jul 8 '15***	***Jul 8 '15***
13	2	**West Virginia PDC & BDC Facilities**	**37 days**	**Oct 21 '15**	**Dec 15 '15**
14	2.1	**West Virginia PDC & BDC Preparation**	**37 days**	**Oct 21 '15**	**Dec 15 '15**
15	*2.1.1*	***West Virginia Reviews Architectural / Mechanical / Electrical Drawing & Permitting Proce***	***0 days***	***Oct 21 '15***	***Oct 21 '15***
16	2.1.2	**West Virginia PDC Facility Upgrades**	**35 days**	**Oct 23 '15**	**Dec 14 '15**
17	2.1.2.1	West Virginia Reviews PDC Equipment Specifications (from SGI)	3 days	Oct 23 '15	Oct 27 '15
18	2.1.2.2	West Virginia Create's PO's to have PDC Upgrades Completed	1 day	Oct 30 '15	Oct 30 '15
19	2.1.2.3	West Virginia Schedules & Completes PDC Upgrades (Electrical, HVAC, Space, etc.)	30 days	Oct 30 '15	Dec 14 '15
20	***2.1.2.4***	***West Virginia PDC Completed - Ready for Production & Test Systems***	***0 days***	***Dec 14 '15***	***Dec 14 '15***
21	2.1.3	**BDC Facility Upgrades**	**36 days**	**Oct 23 '15**	**Dec 15 '15**
22	2.1.3.1	Review BDC Equipment Specifications (from SGI)	3 days	Oct 23 '15	Oct 27 '15
23	2.1.3.2	Create's PO's to have BDC Upgrades Completed	2 days	Oct 30 '15	Nov 2 '15
24	2.1.3.3	Schedules & Completes BDC Upgrades (Electrical, HVAC, Space, etc.)	30 days	Nov 2 '15	Dec 15 '15
25	***2.1.3.4***	***BDC Completed - Ready for Production Systems***	***0 days***	***Dec 15 '15***	***Dec 15 '15***
26	*2.1.3.5*	***PDC/BDC Facilities Preparation Complete***	***0 days***	***Dec 15 '15***	***Dec 15 '15***
27	3	**DISASTER RECOVERY FAILOVER PLAN**	**37 days**	**May 26 '16**	**Jul 19 '16**
28	3.1	**Disaster Recovery Failover Plan**	**37 days**	**May 26 '16**	**Jul 19 '16**
29	3.1.1	Identify West Virginia System Failover Requirements	3 days	May 26 '16	May 31 '16
30	3.1.2	Develop Operations Failover Plan	25 days	Jun 8 '16	Jul 13 '16
31	*3.1.3*	***Submit Operations Failover Plan to West Virginia***	***0 days***	***Jul 13 '16***	***Jul 13 '16***
32	3.1.4	West Virginia Failover Plan Review	2 days	Jul 14 '16	Jul 15 '16
33	3.1.5	Revise Operations Failover Plan	2 days	Jul 18 '16	Jul 19 '16
34	*3.1.6*	***Disaster Revovery Operations Failover Plan Complete***	***0 days***	***Jul 19 '16***	***Jul 19 '16***
35	4	**WEST VIRGINIA DELIVERABLES**	**5 days**	**Jul 14 '15**	**Jul 21 '15**
36	*4.1*	***Documentation of all VLTe models, by manufacturer, currently installed in production***	***0 days***	***Jul 14 '15***	***Jul 14 '15***
37	*4.2*	***Documentation of all approved chip sets***	***0 days***	***Jul 14 '15***	***Jul 14 '15***
38	*4.3*	***Samples of all chips sets which are currently in production received at SGI Alpharetta***	***0 days***	***Jul 21 '15***	***Jul 21 '15***
39	*4.4*	***One gaming machine from each approved manufacturer to be received to SGI Alpharetta***	***0 days***	***Jul 21 '15***	***Jul 21 '15***
40	5	**INFRASTRUCTURE PREPARATION AND INSTALLATION**	**134 days**	**Oct 21 '15**	**May 4 '16**
41	5.1	**Facilities Specifications**	**1 day**	**Oct 22 '15**	**Oct 22 '15**
42	5.1.1	SGI Reviews System HW/SW Specifications	1 day	Oct 22 '15	Oct 22 '15
43	5.1.2	SGI Reviews Network Specification	1 day	Oct 22 '15	Oct 22 '15
44	5.1.3	SGI Reviews Telecom Specifications	1 day	Oct 22 '15	Oct 22 '15
45	*5.1.4*	***SGI Facilities Specs Complete***	***0 days***	***Oct 22 '15***	***Oct 22 '15***
46	5.2	**Site Surveys**	**120 days**	**Oct 23 '15**	**Apr 15 '16**
47	5.2.1	Conduct Site Survey for Region 1	30 days	Oct 23 '15	Dec 7 '15
48	5.2.2	Conduct Site Survey for Region 2	30 days	Dec 8 '15	Jan 22 '16
49	5.2.3	Conduct Site Survey for Region 3	30 days	Jan 25 '16	Mar 4 '16
50	5.2.4	Conduct Site Survey for Region 4	30 days	Mar 7 '16	Apr 15 '16
51	*5.2.5*	***Site Surveys Complete***	***0 days***	***Apr 15 '16***	***Apr 15 '16***
52	5.3	**SGVideo Hardware Installation**	**103 days**	**Nov 6 '15**	**Apr 6 '16**



ID	WBS	Task Name	Duration	Start	Finish
53	5.3.1	SGI Orders HW/SW (PDC Test System) / (Test System)	1 day	Nov 6 '15	Nov 6 '15
54	5.3.2	SGI Orders HW/SW (Primary, Backup)	1 day	Nov 6 '15	Nov 6 '15
55	*5.3.3*	***SGI Receives PDC, BDC, Test Equipment @ Alpharetta***	***0 days***	***Dec 8 '15***	***Dec 8 '15***
56	5.3.4	Order HW/SW RaceTrack/Resort Equipment	1 day	Jan 25 '16	Jan 25 '16
57	*5.3.5*	***Receive Race Track/Resort Equipment***	***0 days***	***Feb 8 '16***	***Feb 8 '16***
58	**5.3.6**	**Assemble equipment for PDC, BDC, Test racks**	**28 days**	**Jan 4 '16**	**Feb 11 '16**
59	*5.3.6.1*	***Assemble Racks, Install UPS, PDU, etc***	***0 days***	***Jan 4 '16***	***Jan 4 '16***
60	*5.3.6.2*	***Install Servers, Network Equipment, MSA, etc***	***0 days***	***Jan 4 '16***	***Jan 4 '16***
61	5.3.6.3	Install O/S on all servers	15 days	Jan 5 '16	Jan 25 '16
62	5.3.6.4	Install 3rd Party Software	3 days	Jan 19 '16	Jan 21 '16
63	5.3.6.5	Install SGVideo Software	5 days	Jan 19 '16	Jan 25 '16
64	5.3.6.6	Install Firewalls, Switches, Routers, etc.	2 days	Jan 26 '16	Jan 27 '16
65	5.3.6.7	Rack Connectivity Testing	2 days	Jan 28 '16	Jan 29 '16
66	5.3.6.8	System Connectivity Testing	3 days	Feb 1 '16	Feb 3 '16
67	5.3.6.9	Poll Testing (at SGI)	2 days	Feb 4 '16	Feb 5 '16
68	5.3.6.10	Validate Test System	2 days	Feb 8 '16	Feb 9 '16
69	5.3.6.11	Failover	2 days	Feb 10 '16	Feb 11 '16
70	**5.3.7**	**Assemble equipment for Race Track/Resort racks**	**24 days**	**Feb 11 '16**	**Mar 16 '16**
71	*5.3.7.1*	***Assemble Racks, Install UPS, PDU, etc***	***0 days***	***Feb 11 '16***	***Feb 11 '16***
72	*5.3.7.2*	***Install Servers, Network Equipment, MSA, etc***	***0 days***	***Feb 11 '16***	***Feb 11 '16***
73	5.3.7.3	Install O/S on all servers	15 days	Feb 12 '16	Mar 3 '16
74	5.3.7.4	Install 3rd Party Software	3 days	Feb 26 '16	Mar 1 '16
75	5.3.7.5	Install SGVideo Software	5 days	Feb 26 '16	Mar 3 '16
76	5.3.7.6	Install Firewalls, Switches, Routers, etc.	2 days	Mar 4 '16	Mar 7 '16
77	5.3.7.7	Rack Connectivity Testing	2 days	Mar 8 '16	Mar 9 '16
78	5.3.7.8	System Connectivity Testing	3 days	Mar 10 '16	Mar 14 '16
79	5.3.7.9	Poll Testing (at SGI)	2 days	Mar 15 '16	Mar 16 '16
80	*5.3.8*	***PDC, BDC, Test, Race Track/Resort Systems Build Complete***	***0 days***	***Mar 16 '16***	***Mar 16 '16***
81	**5.3.9**	**Shipping**	**15 days**	**Mar 17 '16**	**Apr 6 '16**
82	5.3.9.1	PDC/BDC/Test/Race Track/Resort Systems Inventory & Ship	5 days	Mar 17 '16	Mar 23 '16
83	*5.3.9.2*	***PDC/BDC/Test Systems Delivered (Begin Install)***	***0 days***	***Mar 30 '16***	***Mar 30 '16***
84	*5.3.9.3*	***Race Track/Resort Equipment Delivered (Begin Install)***	***0 days***	***Apr 6 '16***	***Apr 6 '16***
85	**5.4**	**Communications Lines**	**134 days**	**Oct 21 '15**	**May 4 '16**
86	*5.4.1*	***West Virginia Reviews Communication Line for PDC/BDC***	***0 days***	***Oct 21 '15***	***Oct 21 '15***
87	*5.4.2*	***Communications Line Install - Comm's Circuit from PDC to BDC***	***0 days***	***Jan 4 '16***	***Jan 4 '16***
88	5.4.3	Communications Line Install - Test System Support Connectivity	10 days	Feb 16 '16	Feb 29 '16
89	*5.4.4*	***PDC to BDC SGVideo (CMS) Communications Completed***	***0 days***	***Feb 29 '16***	***Feb 29 '16***
90	**5.4.5**	**Onsite Install - Test Systems**	**4 days**	**Mar 31 '16**	**Apr 5 '16**
91	5.4.5.1	Install Equipment (All wiring, all racks)	2 days	Mar 31 '16	Apr 1 '16
92	5.4.5.2	Perform Data Entry, Initial Polling test machines	2 days	Apr 4 '16	Apr 5 '16
93	5.4.5.3	Perform SGI System Validation	2 days	Apr 4 '16	Apr 5 '16
94	*5.4.5.4*	***Test Systems "Commissioning" Complete***	***0 days***	***Apr 5 '16***	***Apr 5 '16***
95	**5.4.6**	**Onsite Install - PDC/BDC Systems**	**6 days**	**Apr 6 '16**	**Apr 13 '16**
96	5.4.6.1	Install Equipment (All wiring, all racks)	4 days	Apr 6 '16	Apr 11 '16
97	5.4.6.2	Perform SGI System Validation	2 days	Apr 12 '16	Apr 13 '16
98	*5.4.6.3*	***Production Systems "Commissioning" Complete***	***0 days***	***Apr 13 '16***	***Apr 13 '16***
99	**5.4.7**	**Onsite Install - Mardi Gras TC Racks**	**3 days**	**Apr 14 '16**	**Apr 18 '16**
100	5.4.7.1	Install Equipment (All wiring, all racks)	2 days	Apr 14 '16	Apr 15 '16
101	5.4.7.2	Perform SGI System Validation	1 day	Apr 18 '16	Apr 18 '16
102	*5.4.7.3*	***Systems Install Complete***	***0 days***	***Apr 18 '16***	***Apr 18 '16***
103	**5.4.8**	**Onsite Install - Wheeling Island TC Racks**	**3 days**	**Apr 19 '16**	**Apr 21 '16**
104	5.4.8.1	Install Equipment (All wiring, all racks)	2 days	Apr 19 '16	Apr 20 '16
105	5.4.8.2	Perform SGI System Validation	1 day	Apr 21 '16	Apr 21 '16





Submitted to:
West Virginia Lottery
Department of Administration
Purchasing Division
2019 Washington Street East
Charleston, West Virginia 25305-0130

Submitted by:
Scientific Games International, Inc.
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Central Management System (CMS)
CRFP LOT1500000001
March 12, 2015
Financial Information

SG
SCIENTIFIC GAMES

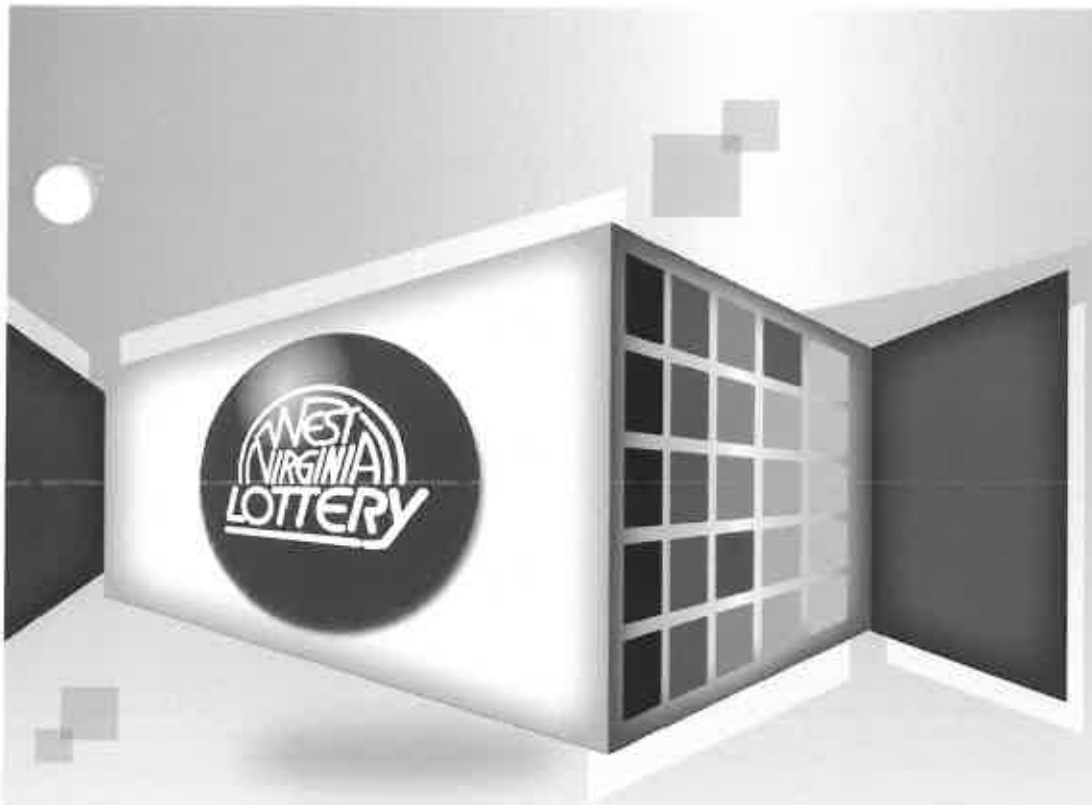


FINANCIAL INFORMATION

As evidence of our financial responsibility and stability for performance of the Contract, we have provided financial information on our parent company, Scientific Games Corporation. We understand that the Lottery reserves the right to require any additional information necessary to determine our financial integrity and responsibility.

As required by RFP Section 4, Subsection 3.2.2, Scientific Games' has provided two printed copies of our Financial Information for purchasing and the state auditor of the following information listed below. An electronic copy of this information has been included with each convenience copy on DVD:

- SEC Form 10-K for most recent year-end
- SEC Form 10-Q for all quarters since filing of 10-K
- SEC Forms 8-K or Series 13 filings since filing of 10-K
- Most recent Proxy Statement



2014 SG 10-Q (Q3 AMENDMENT)

SG
SCIENTIFIC GAMES

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q/A

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

For the quarterly period ended September 30, 2014

OR

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

For the transition period from to

Commission file number: 0-13063

SCIENTIFIC GAMES CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**81-0422894**
(State or other jurisdiction of incorporation or organization)	(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 required 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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

Large accelerated filer ☐	Accelerated filer ☒
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The registrant has the following number of shares outstanding of each of the registrant's classes of common stock as of October 28, 2014:
Class A Common Stock: 84,829,084
Class B Common Stock: None

EXPLANATORY NOTE REGARDING THIS FORM 10-Q/A

Scientific Games Corporation (the "Company") is filing this Amendment No. 1 on Form 10-Q/A ("Form 10-Q/A") to its Quarterly Report on Form 10-Q for the three months ended September 30, 2014, originally filed with the Securities and Exchange Commission on October 31, 2014 (the "original Form 10-Q"), solely to amend Exhibits 32.1 and 32.2, the certifications of its principal executive officer and principal financial officer pursuant to Section 906 of the Sarbanes Oxley Act of 2002, to correct certain typographical errors therein and to correct certain typographical errors in the exhibit index. The Company is filing the complete text of the original Form 10-Q and Exhibits 31.1, 31.2, 32.1 and 32.2 in their entirety in this Form 10-Q/A to reflect the above changes. Except for the changes described above, the information in this Form 10-Q/A has not been changed from the original Form 10-Q or updated to reflect events that occurred after October 31, 2014, the filing date of the original Form 10-Q.

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
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AND OTHER INFORMATION
THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2014

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Glossary of Terms

As used in this Quarterly Report on Form 10-Q, the terms "we," "us," "our" and the "Company" mean Scientific Games Corporation and its consolidated subsidiaries. The following terms or acronyms used in this Form 10-Q are defined below:

Term or Acronym	Definition
2018 Notes	8.125% senior subordinated notes due 2018 issued by Scientific Games Corporation
2019 Notes	9.250% senior subordinated notes due 2019 issued by SGI
2020 Notes	6.250% senior subordinated notes due 2020 issued by SGI
2021 Notes	6.625% senior subordinated notes due 2021 issued by SGI
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
Bally	Bally Technologies, Inc.
Barcrest	Barcrest Group Limited, an indirect wholly owned subsidiary of Scientific Games Corporation
China Loans	RMB denominated loans due 2014
CSG	Beijing CITIC Scientific Games Technology Co., Ltd., the instant games supplier to the CSL, in which we have a 49% equity interest
CSL	China Sports Lottery
D&A	depreciation and amortization expense
ESPP	Employee Stock Purchase Plan
FASB	Financial Accounting Standards Board
GLB	Beijing Guard Libang Technology Co., Ltd., a provider of lottery systems and services to the China Welfare Lottery, in which we have a 50% equity interest
Global Draw	The Global Draw Limited, an indirect wholly owned subsidiary of Scientific Games Corporation
Hellenic Lotteries	Hellenic Lotteries S.A., the operator of the Greek state lotteries, in which we have a 16.5% equity interest
ITL	International Terminal Leasing, an entity that leases gaming machines to us for provision to our customers, in which we have a 50% equity interest
LAP	local-area progressive
LBO	licensed betting office
LNS	Lotterie Nazionali S.r.l., the operator of the Gratta e Vinci instant ticket lottery in Italy, in which we have a 20% equity interest
MD&A	Management's discussion and analysis of financial condition and results of operations
Northstar Illinois	Northstar Lottery Group, LLC, the private manager of the Illinois lottery, in which we have a 20% equity interest
Northstar New Jersey	Northstar New Jersey Lottery Group, LLC, the operating entity that provides marketing and sales services to the New Jersey lottery, in which we have a 17.69% equity interest
Note	refers to a note to our Consolidated Financial Statements, unless otherwise specified
participation	with respect to our lottery business, refers to a contract or arrangement in which we are paid based on a percentage of retail sales
PMA	private management agreement
Provoloto	SG Provoloto, S. de R.L. de C.V., an indirect wholly owned subsidiary of Scientific Games Corporation until February 2014
R&D	research and development expense
RCN	Roberts Communications Network, LLC, a provider of communications services to racing and other customers, in which we have a 29.4% equity interest
RMB	Chinese Renminbi Yuan
RSU	restricted stock unit
SEC	Securities and Exchange Commission
SG&A	selling, general and administrative expense
SGMS Escrow Corp.	wholly owned unrestricted subsidiary of SGI
SGI	Scientific Games International, Inc., a direct wholly owned subsidiary of Scientific Games Corporation
Sportech	Sportech plc, an operator and supplier of sports pools and tote systems, in which we had a 20% equity interest until January 2014
U.S.	United States of America
U.S. GAAP	accounting principles generally accepted in the United States of America
VLT	video lottery terminal
WAP	wide-area progressive
WMS	WMS Industries Inc., a direct wholly owned subsidiary of Scientific Games Corporation

Forward-Looking Statements

Throughout this Quarterly Report on Form 10-Q, we make "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements describe future expectations, plans, results or strategies and can often be identified by the use of terminology such as "may," "will," "estimate," "intend," "continue," "believe," "expect," "anticipate," "should," "could," "potential," "opportunity," or similar terminology. The forward-looking statements contained in this Quarterly Report on Form 10-Q are generally located 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 statements are based upon management's current expectations, assumptions and estimates and are not guarantees of future timing, results or performance. Actual results may differ materially from those contemplated in these statements due to a variety of risks and uncertainties and other factors, including, among other things:

- competition;
- U.S. and international economic and industry conditions, including declines in or slow growth of lottery retail sales or gross gaming revenues, reductions in or constraints on capital spending by gaming or lottery operators and credit risk relating to customers;
- slow growth of new gaming jurisdictions, slow addition of casinos in existing jurisdictions and declines in the replacement cycle of gaming machines;
- ownership changes and consolidation in the casino industry;
- opposition to legalized gaming or the expansion thereof;
- inability to adapt to, and offer products that keep pace with, evolving technology;
- inability to develop successful gaming or lottery concepts and content;
- laws and government regulation, including those relating to gaming licenses and environmental laws;
- inability to identify and capitalize on trends and changes in the gaming and lottery industries, including the expansion of interactive gaming;
- dependence upon key providers in our social gaming business;
- retention and renewal of existing contracts or entry into new or revised contracts;
- level of our indebtedness, higher interest rates, unavailability or inadequacy of cash flows and liquidity to satisfy obligations or future needs, and restrictions and covenants in our debt agreements;
- protection of our intellectual property, ability to license third party intellectual property and the intellectual property rights of others;
- security and integrity of our software and systems and reliance on or failures in our information technology systems;
- natural events that disrupt our operations or those of our customers, suppliers or regulators;
- inability to benefit from, and risks associated with, strategic equity investments and relationships, including (1) the inability of our joint venture to meet the net income targets or otherwise to realize the anticipated benefits under its PMA with the Illinois lottery, (2) the inability of our joint venture to meet the net income targets or other requirements under its agreement to provide marketing and sales services to the New Jersey lottery or otherwise to realize the anticipated benefits under such agreement (including as a result of a protest) and (3) failure to realize the anticipated benefits related to the award to our consortium of an instant lottery game concession in Greece;
- failure to achieve the intended benefits of the WMS acquisition, including due to the inability to realize synergies in the anticipated amounts or within the contemplated time-frames or cost expectations, or at all;
- inability to complete future acquisitions, including the pending acquisition of Bally due to the failure to obtain the required approvals or debt financing or otherwise;
- litigation relating to the pending Bally acquisition;
- disruption of our current plans and operations in connection with the pending Bally acquisition (whether prior to its completion or following its completion, including in connection with the integration of Bally), including departure of key personnel or inability to recruit additional qualified personnel or maintain relationships with customers, suppliers or other third parties;
- costs, charges and expenses relating to the pending Bally acquisition;
- inability to successfully integrate future acquisitions, including Bally (including SHFL entertainment, Inc. and Dragonplay Ltd.) following completion of the pending Bally acquisition;
- failure to realize the intended benefits of the pending Bally acquisition, including the inability to realize the anticipated synergies in the anticipated amounts or within the contemplated time-frames or cost expectations, or at all;
- inability to control Bally until completion of the Bally acquisition;
- incurrence of restructuring costs, revenue recognition standards and impairment charges;
- fluctuations in our results due to seasonality and other factors;
- dependence on suppliers and manufacturers;
- risks relating to foreign operations, including fluctuations in foreign currency exchange rates and restrictions on the import of our products;

- dependence on our employees;
- litigation and other liabilities relating to our business, including litigation and liabilities relating to our contracts and licenses, our products and systems, our employees, intellectual property and our strategic relationships;
- influence of certain stockholders; and
- stock price volatility.

Additional information regarding risks and uncertainties and other factors that could cause actual results to differ materially from those contemplated in forward-looking statements is included from time to time in our filings with the SEC, including under the heading "Risk Factors" in our most recent Annual Report on Form 10-K. Forward-looking statements speak only as of the date they are made and, except for our ongoing obligations under the U.S. federal securities laws, we undertake no obligation to publicly update any forward-looking statements whether as a result of new information, future events or otherwise.

This Quarterly Report on Form 10-Q may contain references to industry market data and certain industry forecasts. Industry market data and industry forecasts are obtained from publicly available information and industry publications. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of that information is not guaranteed. Although we believe industry information to be accurate, it is not independently verified by us and we do not make any representation as to the accuracy of that information. In general, we believe there is less publicly available information concerning the international lottery and gaming industries than the lottery and gaming industries in the U.S.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME
(Unaudited, in millions, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Revenue:				
Instant games	$ 130.8	$ 129.7	$ 392.4	$ 379.0
Services	182.8	80.7	538.9	247.7
Product sales	102.0	24.0	289.3	62.3
Total revenue	415.6	234.4	1,220.6	689.0
Operating expenses:				
Cost of instant games (1)	69.7	70.6	212.5	210.3
Cost of services (1)	69.6	42.6	200.7	135.0
Cost of product sales (1)	59.9	13.3	161.2	39.3
Selling, general and administrative	95.6	45.6	282.6	139.1
Research and development	26.3	1.4	77.0	4.7
Employee termination and restructuring	1.9	—	12.4	0.3
Depreciation and amortization	100.4	35.2	290.5	111.1
Operating (loss) income	(7.8)	25.7	(16.3)	49.2
Other income (expense):				
Interest expense	(45.7)	(25.2)	(142.9)	(75.3)
Earnings (loss) from equity investments	(14.0)	3.4	(7.8)	13.0
Loss on early extinguishment of debt	—	—	(25.9)	—
Gain on sale of equity interest	—	—	14.5	—
Other income (expense), net	3.1	—	9.2	(0.8)
Total other expense	(56.6)	(21.8)	(152.9)	(63.1)
Net (loss) income from continuing operations before income taxes	(64.4)	3.9	(169.2)	(13.9)
Income tax expense	(5.4)	(4.3)	(18.0)	(11.2)
Net loss from continuing operations	$ (69.8)	$ (0.4)	$ (187.2)	$ (25.1)
Discontinued operations:				
Loss from discontinued operations	—	(0.1)	—	(2.7)
Gain on sale of assets	—	—	—	0.8
Income tax benefit	—	—	—	0.3
Net loss from discontinued operations	$ —	$ (0.1)	$ —	$ (1.6)
Net loss	**$ (69.8)**	**$ (0.5)**	**$ (187.2)**	**$ (26.7)**
Other comprehensive (loss) income:				
Foreign currency translation (loss) gain	(57.8)	42.3	(47.7)	3.6
Pension and post-retirement gain (loss), net of tax	0.4	(0.5)	0.3	0.2
Derivative financial instruments unrealized (loss) gain, net of tax	2.3	(2.6)	(4.0)	(1.9)
Other comprehensive (loss) income	(55.1)	39.2	(51.4)	1.9
Comprehensive (loss) income	$ (124.9)	$ 38.7	$ (238.6)	$ (24.8)

(1) Exclusive of depreciation and amortization.

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME (cont'd)
(Unaudited, in millions, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Basic net loss per share				
Continuing operations	$ (0.82)	$ (0.01)	$ (2.22)	$ (0.29)
Discontinued operations	—	—	—	(0.02)
Total basic net loss per share	$ (0.82)	$ (0.01)	$ (2.22)	$ (0.31)
Diluted net loss per share:				
Continuing operations	$ (0.82)	$ (0.01)	$ (2.22)	$ (0.29)
Discontinued operations	—	—	—	(0.02)
Total diluted net loss per share	$ (0.82)	$ (0.01)	$ (2.22)	$ (0.31)
Weighted average number of shares used in per share calculations:				
Basic shares	84.7	85.1	84.5	84.9
Diluted shares	84.7	85.1	84.5	84.9

See accompanying notes to consolidated financial statements.

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in millions, except par value)

	September 30, 2014	December 31, 2013
ASSETS	(Unaudited)	
Current assets:		
Cash and cash equivalents	$ 132.5	$ 153.7
Restricted cash	12.1	10.9
Accounts receivable, net	297.3	346.0
Notes receivable, net	128.1	158.7
Inventories	170.9	137.8
Deferred income taxes, current portion	36.2	31.0
Prepaid expenses, deposits and other current assets	72.9	119.3
Total current assets	850.0	957.4
Property and equipment, net	739.6	773.1
Long-term notes receivable	55.5	72.6
Goodwill	1,168.7	1,183.1
Intangible assets, net	500.3	411.1
Software, net	306.8	343.5
Equity investments	298.7	367.2
Other assets	119.3	128.4
Total assets	$ 4,038.9	$ 4,236.4
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Debt payments due within one year	$ 30.9	$ 30.4
Accounts payable	94.3	140.9
Accrued liabilities	266.9	280.3
Total current liabilities	392.1	451.6
Deferred income taxes	146.6	138.0
Other long-term liabilities	216.1	109.6
Long-term debt, excluding current installments	3,178.4	3,162.2
Total liabilities	3,933.2	3,861.4
Commitments and contingencies		
Stockholders' equity:		
Class A common stock, par value $0.01 per share: 199.3 shares authorized; 102.0 and 100.4 shares issued and 84.8 and 85.2 shares outstanding, respectively	1.0	1.0
Additional paid-in capital	736.6	737.8
Accumulated loss	(423.6)	(236.4)
Treasury stock, at cost: 17.2 and 15.2 shares held, respectively	(175.2)	(145.7)
Accumulated other comprehensive (loss) income	(33.1)	18.3
Total stockholders' equity	105.7	375.0
Total liabilities and stockholders' equity	$ 4,038.9	$ 4,236.4

See accompanying notes to consolidated financial statements.

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, in millions)

	Nine Months Ended September 30,	
	2014	2013
Cash flows from operating activities:		
Net loss	$ (187.2)	$ (26.7)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	290.5	111.7
Change in deferred income taxes	5.2	1.5
Stock-based compensation	18.1	17.3
Non-cash interest expense	12.8	5.1
Loss (earnings) from equity investments, net	7.8	(13.0)
Distributed earnings from equity investments	22.5	28.8
Loss on early extinguishment of debt	25.9	—
Gain on sale of equity interest	(14.5)	—
Changes in current assets and liabilities, net of effects of acquisitions:		
Accounts and notes receivable	80.8	9.6
Inventories	(30.9)	(9.3)
Accounts payable	(36.5)	(18.2)
Accrued liabilities	1.2	(2.4)
Other current assets and liabilities	41.6	(4.8)
Other	(3.9)	(4.0)
Net cash provided by operating activities	233.4	95.6
Cash flows from investing activities:		
Additions to property and equipment	(32.4)	(22.9)
Lottery and gaming services expenditures	(73.1)	(51.3)
Intangible assets and software expenditures	(70.8)	(38.1)
Proceeds from asset disposals	0.5	10.9
Change in other assets and liabilities, net	—	(0.2)
Additions to equity method investments	(43.3)	(65.0)
Distributions of capital on equity investments	45.4	19.4
Proceeds from sale of equity interest	44.9	—
Restricted cash	(1.1)	30.8
Business acquisitions, net of cash acquired	—	(0.4)
Net cash used in investing activities	(129.9)	(116.8)
Cash flows from financing activities:		
Proceeds from the issuance of long-term debt	347.9	3.9
Payments on long-term debt	(377.3)	(13.4)
Payments of financing fees	(22.8)	(2.0)
Payments on license obligations	(7.0)	—
Common stock repurchases	(29.5)	—
Contingent earnout payments	(10.2)	—
Net redemptions of common stock under stock-based compensation plans	(19.1)	(2.1)
Net cash used in financing activities	(118.0)	(13.6)
Effect of exchange rate changes on cash and cash equivalents	(6.7)	(0.7)
Decrease in cash and cash equivalents	(21.2)	(35.5)
Cash and cash equivalents, beginning of period	153.7	109.0
Cash and cash equivalents, end of period	$ 132.5	$ 73.5

See accompanying notes to consolidated financial statements.

(1) Description of the Business and Summary of Significant Accounting Policies

Description of the Business

We are a leading diversified supplier of technology-based products and services to the gaming and lottery industries. Our portfolio includes instant and draw-based lottery games; gaming machines and game content; server-based lottery and gaming systems; sports betting technology; loyalty and rewards programs; and interactive products and services. Upon our acquisition of WMS in October 2013, we significantly expanded our global gaming business.

Basis of Presentation and Principles of Consolidation

The accompanying consolidated financial statements of the Company have been prepared in accordance with SEC and U.S. GAAP requirements. All monetary values set forth in these financial statements are in U.S. dollars ("$") unless otherwise stated herein. The accompanying consolidated financial statements include the Company's accounts and subsidiaries that are wholly owned and in which we have a controlling financial interest. Investments in other entities in which we do not have a controlling financial interest but we exert significant influence are accounted for in the consolidated financial statements using the equity method of accounting. All intercompany balances and transactions have been eliminated in consolidation. We have evaluated subsequent events through the date of these financial statements. In the opinion of management, we have made all adjustments necessary to present fairly our consolidated financial position, results of operations, comprehensive (loss) income and cash flows for the periods presented. Such adjustments are of a normal, recurring nature. These consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our 2013 Annual Report on Form 10-K. Interim results of operations are not necessarily indicative of results of operations for a full year.

In our Consolidated Statements of Operations and Comprehensive (Loss) Income for the three and nine months ended September 30, 2013, we reclassified $1.4 million and $4.7 million, respectively, of R&D expense previously included within SG&A to conform to the current-year presentation.

On March 25, 2013, we completed the sale of our installed base of gaming machines in our pub business as discussed in Note 3 (Acquisitions and Dispositions) in this Quarterly Report on Form 10-Q. The results of the discontinued pub operations for the three and nine months ended September 30, 2013 are presented herein in accordance with ASC 205, *Presentation of Financial Statements - Discontinued Operations.* There were no results of operations for his business for the three or nine months ended September 30, 2014.

Significant Accounting Policies

There have been no changes to our significant accounting policies described in Note 1 (Description of the Business and Summary of Significant Accounting Policies) in our 2013 Annual Report on Form 10-K except for the addition of our lease accounting policy and an update to our minimum guarantees policy as described below.

Lease Accounting

We account for assets held under leases in accordance with ASC 840, *Leases*. For leases classified as operating leases, we record expense on a straight-line basis over the base term of the lease agreements. For assets accounted for as capital leases, we record the lower of the net present value of the future minimum lease payments or the fair value of the leased asset at the inception of the lease. Amortization expense is computed using the straight-line method over the shorter of the estimated useful lives of the asset or the period of the related lease.

Minimum Guarantees

We enter into long-term license agreements in which we are obligated to pay a minimum guaranteed amount of royalties, typically annually. We account for the minimum guaranteed obligations within other long-term liabilities at the onset of the license arrangement and record a corresponding licensed asset within intangible assets, net. The licensed assets related to the minimum guaranteed obligations are amortized over the term of the license agreement and included in depreciation and amortization. The long-term liability related to the minimum guaranteed obligations is reduced as royalty payments are made under the license agreement. The weighted average remaining term of our license agreements with minimum guaranteed obligations was six years and four years as of September 30, 2014 and December 31, 2013, respectively. Our total minimum guaranteed obligations reflected in our Consolidated Balance Sheets were $178.3 million and $216.0 million as of September

30, 2014 and December 31, 2013, respectively. Additionally, our remaining expected future payments of minimum guaranteed obligations is $10.6 million (with $27.4 million of payments made through September 30, 2014), $29.2 million, $28.9 million, $28.7 million and $80.9 million in the years ending December 31, 2014, 2015, 2016, 2017 and 2018 and thereafter, respectively.

Recently Issued Accounting Guidance

In January 2014, the FASB issued ASU 2014-05, *Service Concession Arrangements (Topic 853), a consensus of the FASB Emerging Issues Task Force,* which specified that an operating entity should not account for a service concession arrangement within the scope of the update as a lease in accordance with ASC 840, *Leases*. The guidance is effective for fiscal years beginning after December 15, 2014. We do not expect ASU 2014-05 to have a material effect on our financial condition, results of operations or cash flows.

In April 2014, the FASB issued ASU 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity.* ASU 2014-08 changes the criteria for reporting discontinued operations and modifies related disclosure requirements. The new guidance is effective on a prospective basis for fiscal years beginning after December 15, 2014, and interim periods thereafter. We do not expect ASU 2014-08 to have a material effect on our financial condition, results of operations or cash flows.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. The amended guidance outlines a single comprehensive revenue model for entities to use in accounting for revenue from contracts with customers. The guidance supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that "an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services." ASU 2014-09 is effective for fiscal years, and interim reporting periods within those years, beginning after December 15, 2016 (early adoption is not permitted). We are currently evaluating the impact of adopting ASU 2014-09.

In June 2014, the FASB issued ASU No. 2014-12, *Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period*. ASU 2014-12 requires that a performance target that affects vesting and could be achieved after the requisite service period be treated as a performance condition. A reporting entity should apply existing guidance in ASC 718, *Compensation—Stock Compensation*, as it relates to such awards. ASU 2014-12 is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2015 with early adoption permitted using either of two methods: (i) prospective to all awards granted or modified after the effective date; or (ii) retrospective to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter, with the cumulative effect of applying ASU 2014-12 as an adjustment to the opening retained earnings balance as of the beginning of the earliest annual period presented in the financial statements. We do not expect ASU 2014-12 to have a material effect on our financial condition, results of operations or cash flows.

In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements - Going Concern: Disclosure of Uncertainties About an Entity's Ability to Continue as a Going Concern*. ASU 2014-15 requires management to perform interim and annual assessments as to whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern within one year of the date the financial statements are issued and to provide related disclosures, if required. ASU 2014-15 is effective for annual periods ending after December 15, 2016 and for annual periods and interim periods thereafter. Early adoption is permitted. We do not expect ASU 2014-15 to have a material effect on our financial condition, results of operations or cash flows.

(2) Reportable Business Segment Information

We report our operations in three business segments—Instant Products, Lottery Systems and Gaming—representing our different products and services. These are our reportable segments under ASC 280, *Segment Reporting*. The Instant Products and Lottery Systems business segments are managed by one executive and the Gaming business segment is managed by a different executive, both of whom report to our chief executive officer (who is our "chief operating decision maker" under applicable accounting standards). Our three business segments represent the aggregation of similar operating segments. Our Instant Products business segment is comprised of our instant products operating segment, which provides instant lottery games and related value-added services, as well as licensed brands that are printed on instant lottery games and other promotional lottery products. Our Lottery Systems business segment is comprised of our lottery systems operating segment, which provides products and services to lottery operators generally comprised of a central system, customized computer software, data communication services, support and/or related equipment. Our Gaming business segment includes (1) our gaming operating segment, which generally sells new and used gaming machines, conversion kits and parts, and leases or otherwise provides

gaming machines, systems and content, to commercial, tribal and governmental gaming operators, and (2) our interactive operating segment, which provides social gaming entertainment and game server services for real-money gaming. Additional discussion regarding the products and services from which each reportable business segment derives its revenue is included in Note 1 (Description of the Business and Summary of Significant Accounting Policies) in our 2013 Annual Report on Form 10-K.

Effective in the fourth quarter of 2013, we revised our business and operating segments to reflect the reorganization of our business following the WMS acquisition and the resulting changes in the financial information regularly reviewed by our chief executive officer. Based on that review, we moved our video systems operating segment from the Lottery Systems business segment to the Gaming business segment. This change, which was effective as of December 31, 2013, had no impact on the Company's consolidated financial statements for any periods. Business segment information for the three and nine months ended September 30, 2013 has been adjusted to reflect this change.

The following tables present revenue, cost of revenue, SG&A, R&D, employee termination and restructuring, D&A, operating (loss) income from continuing operations and earnings (loss) from equity investments by business segment for the three and nine months ended September 30, 2014 and 2013. Certain unallocated expenses managed at the corporate level, comprised primarily of general and administrative costs and other income (expense), net, are not allocated to our business segments. Segment results for 2013 below do not include the results of WMS, which we acquired in October 2013. The increase in unallocated corporate costs for the three and nine months ended September 30, 2014 primarily related to the inclusion of WMS results.

	Three Months Ended September 30, 2014			
	Instant Products	Lottery Systems	Gaming	Total
Revenue				
Instant games	$ 130.8	$ —	$ —	$ 130.8
Services	—	48.2	134.6	182.8
Product sales	3.2	30.5	68.3	102.0
Total revenue	134.0	78.7	202.9	415.6
Cost of instant games (1)	69.7	—	—	69.7
Cost of services (1)	—	30.4	39.2	69.6
Cost of product sales (1)	2.4	24.6	32.9	59.9
Selling, general and administrative	12.2	5.6	42.4	60.2
Research and development	0.5	0.9	24.9	26.3
Employee termination and restructuring	0.4	—	1.5	1.9
Depreciation and amortization	8.9	16.0	69.8	94.7
Segment operating income (loss) from continuing operations	$ 39.9	$ 1.2	$ (7.8)	$ 33.3
Unallocated corporate costs				41.1
Consolidated operating loss from continuing operations				$ (7.8)
Earnings (loss) from equity investments	$ (15.4)	$ 0.1	$ 1.3	$ (14.0)

(1) Exclusive of depreciation and amortization.

	Three Months Ended September 30, 2013			
	Instant Products	Lottery Systems	Gaming	Total
Revenue:				
Instant games	$ 129.7	$ —	$ —	$ 129.7
Services	—	48.6	32.1	80.7
Product sales	3.1	13.6	7.3	24.0
Total revenue	132.8	62.2	39.4	234.4
Cost of instant games (1)	70.6	—	—	70.6
Cost of services (1)	—	27.1	15.5	42.6
Cost of product sales (1)	2.2	7.3	3.8	13.3
Selling, general and administrative	11.5	5.3	6.3	23.1
Research and development	0.1	0.9	0.4	1.4
Depreciation and amortization	9.2	13.4	12.4	35.0
Segment operating income from continuing operations	$ 39.2	$ 8.2	$ 1.0	$ 48.4
Unallocated corporate costs				22.7
Consolidated operating income from continuing operations				$ 25.7
Earnings (loss) from equity investments	$ 5.2	$ 0.1	$ (1.9)	$ 3.4

(1) Exclusive of depreciation and amortization.

	Nine Months Ended September 30, 2014			
	Instant Products	Lottery Systems	Gaming	Total
Revenue:				
Instant games	$ 392.4	$ —	$ —	$ 392.4
Services	—	149.3	389.6	538.9
Product sales	9.4	63.3	216.6	289.3
Total revenue	401.8	212.6	606.2	1,220.6
Cost of instant games (1)	212.5	—	—	212.5
Cost of services (1)	—	90.4	110.3	200.7
Cost of product sales (1)	6.5	50.8	103.9	161.2
Selling, general and administrative	38.9	17.1	132.9	188.9
Research and development	1.0	1.7	74.3	77.0
Employee termination and restructuring	1.6	—	8.9	10.5
Depreciation and amortization	26.2	44.6	200.2	271.0
Segment operating income (loss) from continuing operations	$ 115.1	$ 8.0	$ (24.3)	$ 98.8
Unallocated corporate costs				115.1
Consolidated operating loss from continuing operations				$ (16.3)
Earnings (loss) from equity investments	$ (12.4)	$ 1.3	$ 3.3	$ (7.8)

(1) Exclusive of depreciation and amortization.

	Nine Months Ended September 30, 2013			
	Instant Products	Lottery Systems	Gaming	Total
Revenue:				
Instant games	$ 379.0	$ —	$ —	$ 379.0
Services	—	146.1	101.6	247.7
Product sales	10.1	35.2	17.0	62.3
Total revenue	389.1	181.3	118.6	689.0
Cost of instant games (1)	210.3	—	—	210.3
Cost of services (1)	—	82.0	53.0	135.0
Cost of product sales (1)	7.2	22.4	9.7	39.3
Selling, general and administrative	35.5	16.0	19.3	70.8
Research and development	0.4	3.1	1.2	4.7
Employee termination and restructuring	0.3	—	—	0.3
Depreciation and amortization	27.0	38.8	44.8	110.6
Segment operating income (loss) from continuing operations	$ 108.4	$ 19.0	$ (9.4)	$ 118.0
Unallocated corporate costs				68.8
Consolidated operating income from continuing operations				$ 49.2
Earnings (loss) from equity investments	$ 15.8	$ 0.7	$ (3.5)	$ 13.0

(1) Exclusive of depreciation and amortization.

The following table presents a reconciliation of business segment operating income from continuing operations to net (loss) income from continuing operations before income taxes for each period:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Reportable business segment operating income from continuing operations	$ 33.3	$ 48.4	$ 98.8	$ 118.0
Unallocated corporate costs	(41.1)	(22.7)	(115.1)	(68.8)
Consolidated operating (loss) income from continuing operations	(7.8)	25.7	(16.3)	49.2
Interest expense	(45.7)	(25.2)	(142.9)	(75.3)
Earnings (loss) from equity investments	(14.0)	3.4	(7.8)	13.0
Loss on early extinguishment of debt	—	—	(25.9)	—
Gain on sale of equity interest	—	—	14.5	—
Other income (expense), net	3.1	—	9.2	(0.8)
Net (loss) income from continuing operations before income taxes	$ (64.4)	$ 3.9	$ (169.2)	$ (13.9)

In evaluating segment financial performance, we focus on operating income as a segment's measure of profit or loss. Segment operating income is income before other income (expense), net, interest expense, earnings (loss) from equity investments, loss on early extinguishment of debt, gain on sale of equity interest, unallocated corporate costs and income taxes. The accounting policies of the business segments are the same as those described in our summary of significant accounting policies in Note 1 (Description of the Business and Summary of Significant Accounting Policies) in this Quarterly Report on Form 10-Q and Note 1 (Description of the Business and Summary of Significant Accounting Policies) in our 2013 Annual Report on Form 10-K.

(3) Acquisitions and Dispositions

Pending Acquisition of Bally

On August 1, 2014, we entered into a merger agreement pursuant to which we agreed to acquire Bally, a leading supplier of gaming machines, table game products, systems, and interactive gaming solutions, for $83.30 in cash per common share. The aggregate transaction value is approximately $5.1 billion, including the refinancing of approximately $1.8 billion of existing Bally net debt.

We received early termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), in August 2014, which satisfied one of the conditions to closing the merger. The closing of the merger remains subject to approval of the merger by Bally stockholders, receipt of certain gaming regulatory approvals and other customary closing conditions.

The merger agreement contains certain termination rights for both Scientific Games and Bally and further provides that, in connection with termination of the merger agreement under specified circumstances, (1) we may be required to pay to Bally a termination fee of $105.0 million if all the conditions to closing have been met and the merger is not consummated because of a breach by our lenders of their obligations to finance the transaction, (2) we may be required to pay to Bally a termination fee of $105.0 million if the parties are unable to obtain the gaming regulatory approvals that are conditions to closing and (3) Bally may be required to pay us a termination fee of $80.0 million under specified circumstances, including, but not limited to, a change in the Bally board's recommendation of the merger or in connection with Bally's termination of the merger agreement to enter into a written definitive agreement for a "superior proposal" (as defined in the merger agreement).

The transaction is expected to be completed in the fourth quarter. However, no assurance can be given that the transaction will be completed.

Acquisitions

On October 18, 2013, we acquired WMS, a global gaming supplier with a diversified suite of products and strong content creation capabilities, for $1,485.9 million.

Subsequent to the filing of our 2013 Annual Report on Form 10-K, we adjusted the estimated fair values of certain WMS assets to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date. The adjustments resulted in a decrease in goodwill of approximately $3.8 million related to the recognition of non-U.S.-based current and deferred tax assets and liabilities. We have applied the adjustment retrospectively to the opening balance sheet at October 18, 2013.

We have completed the allocation of the purchase price, which resulted in the purchase price exceeding the aggregate fair value of the acquired assets and assumed liabilities at the acquisition date by $381.8 million. Such excess amount has been recognized as goodwill within our Gaming segment. We attribute this goodwill to enhanced financial and operational scale, market diversification, opportunities for synergies and other strategic benefits. None of the goodwill associated with the acquisition is deductible for income tax purposes and, as such, no deferred taxes have been recorded related to goodwill.

	At October 18, 2013
Current assets	$ 503.9
Long-term notes receivable	76.2
Property, plant and equipment, net	465.8
Goodwill	381.8
Intangible assets	325.0
Intellectual property	201.2
Other long-term assets	7.8
Total assets	1,961.7
Current liabilities	(158.9)
Deferred income taxes	(166.6)
Long-term liabilities	(150.3)
Total liabilities	(475.8)
Total equity purchase price	$ 1,485.9

As required by ASC 805, *Business Combinations*, the following unaudited pro forma financial information for the three and nine months ended September 30, 2013 gives effect to the WMS acquisition as if it had been completed on January 1, 2012. The unaudited pro forma financial information is presented for illustrative purposes only and is not necessarily indicative of what the operating results actually would have been had the WMS acquisition been completed on January 1, 2012. The unaudited pro forma financial information does not purport to project the future operating results of the Company. The unaudited pro forma financial information does not reflect (1) any anticipated synergies (or costs to achieve anticipated

nergies) or (2) the impact of non-recurring items directly related to the WMS acquisition.

	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2013
Revenue from Consolidated Statements of Operations and Comprehensive (Loss) Income	$ 234.4	$ 689.0
Add: WMS revenue not reflected in Consolidated Statements of Operations and Comprehensive (Loss) Income	166.4	547.1
Unaudited pro forma revenue	$ 400.8	$ 1,236.1

	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2013
Net loss from continuing operations from Consolidated Statements of Operations and Comprehensive (Loss) Income	$ (0.4)	$ (25.1)
Add: WMS net loss from continuing operations not reflected in Consolidated Statements of Operations and Comprehensive (Loss) Income plus pro forma adjustments (1), (2), (3) and (4) below	(25.4)	(45.0)
Unaudited pro forma net loss from continuing operations	$ (25.8)	$ (70.1)

Unaudited pro forma amounts reflect the following adjustments:

(1) An adjustment to reflect additional D&A of $8.4 million and $28.9 million for the three and nine months ended September 30, 2013, respectively, that would have been incurred assuming the fair value adjustments to intangible assets and property and equipment had been applied on January 1, 2012.

(2) An adjustment to reverse acquisition-related fees and expenses of $3.5 million and $20.5 million for the three and nine months ended September 30, 2013, respectively.

(3) An adjustment to reflect additional interest expense of $20.4 million and $61.0 million for the three and nine months ended September 30, 2013, respectively, that would have been incurred assuming our new credit facilities were in place as of January 1, 2012.

(4) An adjustment of $0.5 million and $3.0 million to reverse the U.S. tax benefit and expense of WMS for the three and nine months ended September 30, 2013, respectively, under the assumption that the U.S. taxable income of WMS would have been offset by U.S. tax attributes of the Company.

Dispositions

On March 25, 2013, we completed the sale of our installed base of gaming terminals in our pub business for £0.5 million. There were no results of operations for this business for the three and nine months ended September 30, 2014. The components of our loss from discontinued operations for the three and nine months ended September 30, 2013 are presented below:

	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2013
Revenue:		
Services	$ —	$ 1.8
Operating expenses:		
Cost of services (1)	0.1	3.0
Selling, general and administrative	—	1.0
Depreciation and amortization	—	0.5
Loss from discontinued operations	(0.1)	(2.7)
Other expense	—	—
Gain on sale of assets	—	0.8
Income tax benefits	—	0.3
Net loss from discontinued operations	$ (0.1)	$ (1.6)

(1) Exclusive of depreciation and amortization.

(4) Restructuring Plans

We recorded pre-tax employee termination and restructuring costs of $1.9 million and $0 for the three months ended September 30, 2014 and 2013, respectively, and recorded pre-tax employee termination and restructuring costs of $12.4 million and $0.3 million for the nine months ended September 30, 2014 and 2013, respectively. Employee termination and restructuring initiatives reported in the nine months ended September 30, 2013 were related to initiatives that were completed as of September 30, 2013 and therefore, are not included in the tables below.

WMS Integration-Related Restructuring Plan

Upon our acquisition of WMS in October 2013, we began integrating Scientific Games and WMS and implementing our plans to streamline our operations and cost structure. We have recorded costs that meet the criteria under ASC 420, *Exit and Disposal Cost Obligations*, in each of our segments associated with integration activities that have been initiated in the relevant period. These costs include employee severance costs, costs relating to the exiting of facilities and costs related to exiting two immaterial businesses.

Unallocated corporate employee termination costs primarily related to terminations of certain executives, including our former chief executive officer, in the fourth quarter of 2013.

Other Restructuring Plans

In December 2013, we initiated a plan to exit our Provoloto instant lottery game operations in Mexico, which was completed during the three months ended March 31, 2014. In June 2014, we initiated a plan to exit our paper roll conversion operations in the U.S., which are immaterial to our operations. Employee termination and restructuring costs related to these initiatives are included in our Instant Products segment.

Employee Termination and Restructuring Costs by Segment

The following table presents a summary of employee termination and restructuring costs by segment related to the restructuring plans described above, including the costs incurred during the three and nine months ended September 30, 2014, the cumulative costs incurred through September 30, 2014 since the relevant restructuring activities were initiated and the total expected costs related to the relevant restructuring activities that have been initiated. As additional integration-related activities are initiated, we expect to incur additional costs related to those activities.

Business Segment		Employee Termination Costs	Property Costs	Other	Total
Instant Products	Three months ended September 30, 2014	$ —	$ 0.4	$ —	$ 0.4
	Nine months ended September 30, 2014	1.0	0.4	0.2	1.6
	Cumulative	1.0	0.4	4.9	6.3
	Expected Total	1.0	0.4	4.9	6.3
Lottery Systems	Three months ended September 30, 2014	—	—	—	—
	Nine months ended September 30, 2014	—	—	—	—
	Cumulative	0.4	—	—	0.4
	Expected Total	0.4	—	—	0.4
Gaming	Three months ended September 30, 2014	1.4	—	0.1	1.5
	Nine months ended September 30, 2014	6.8	0.4	1.7	8.9
	Cumulative	10.6	1.4	5.5	17.5
	Expected Total	10.6	1.4	5.6	17.6
Unallocated corporate	Three months ended September 30, 2014	—	—	—	—
	Nine months ended September 30, 2014	1.7	0.2	—	1.9
	Cumulative	8.6	2.3	—	10.9
	Expected Total	8.6	2.3	—	10.9
Total	Three months ended September 30, 2014	$ 1.4	$ 0.4	$ 0.1	$ 1.9
	Nine months ended September 30, 2014	$ 9.5	$ 1.0	$ 1.9	$ 12.4
	Cumulative	$ 20.6	$ 4.1	$ 10.4	$ 35.1
	Expected Total	$ 20.6	$ 4.1	$ 10.5	$ 35.2

The following table presents a summary of employee termination and restructuring costs and changes in the related accruals.

	Employee Termination Costs	Property Costs	Other	Total
Balance as of December 31, 2013	$ 9.3	$ 2.8	$ 0.1	$ 12.2
Additional accruals	9.5	1.0	1.9	12.4
Cash payments	(12.1)	(0.9)	(1.9)	(14.9)
Non-cash expense	0.5	(0.6)	1.6	1.5
Balance as of September 30, 2014	$ 7.2	$ 2.3	$ 1.7	$ 11.2

(5) Basic and Diluted Net Loss Per Share

The following represents a reconciliation of the numerator and denominator used in computing basic and diluted net loss per share available to common stockholders for the three and nine months ended September 30, 2014 and 2013:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net loss				
Net loss from continuing operations	$ (69.8)	$ (0.4)	$ (187.2)	$ (25.1)
Net loss from discontinued operations	—	(0.1)	—	(1.6)
Net loss	$ (69.8)	$ (0.5)	$ (187.2)	$ (26.7)
Weighted average number of shares used in per share calculations:				
Basic shares	84.7	85.1	84.5	84.9
Diluted shares	84.7	85.1	84.5	84.9
Basic net loss per share:				
Continuing operations	$ (0.82)	$ (0.01)	$ (2.22)	$ (0.29)
Discontinued operations	—	—	—	(0.02)
Total basic net loss per share	$ (0.82)	$ (0.01)	$ (2.22)	$ (0.31)
Diluted net loss per share:				
Continuing operations	$ (0.82)	$ (0.01)	$ (2.22)	$ (0.29)
Discontinued operations	—	—	—	(0.02)
Total diluted net loss per share	$ (0.82)	$ (0.01)	$ (2.22)	$ (0.31)

For all periods presented, basic and diluted net loss per share is the same, as any additional common stock equivalents would be anti-dilutive. We excluded 1.7 million and 3.4 million of stock options from the weighted average diluted common shares outstanding as of September 30, 2014 and 2013, respectively, which would have been anti-dilutive due to the net loss in those periods. In addition, we excluded 4.0 million and 5.1 million of RSUs from the calculation of weighted average diluted common shares outstanding as of September 30, 2014 and 2013, respectively, which would have been anti-dilutive due to the net loss in those periods.

(6) Accounts and Notes Receivable and Credit Quality of Notes Receivable

Accounts and Notes Receivable

The following summarizes the components of our current and long-term accounts and notes receivable, net, as of September 30, 2014 and December 31, 2013:

	September 30, 2014	December 31, 2013
Current:		
Accounts receivable	$ 307.9	$ 360.4
Notes receivable	135.5	164.3
Allowance for doubtful accounts	(18.0)	(20.0)
Current accounts and notes receivable, net	$ 425.4	$ 504.7
Long-term:		
Notes receivable	55.5	72.6
Total accounts and notes receivable, net	$ 480.9	$ 577.3

Credit Quality of Notes Receivable

We carry our notes receivable at face amounts less an allowance for doubtful accounts and imputed interest. Interest income is recognized ratably over the life of the note receivable and any related fees or costs to establish the notes are expensed as incurred, as they are considered insignificant. Actual or imputed interest, if any, is determined based on stated rates or current

market rates at the time the note originated and is recorded as interest income in other income (expense), net, ratably over the payment period. We impute interest income on notes receivable with terms greater than one year that do not contain a stated interest rate. The interest rates on our outstanding notes receivable ranged from 4.0% to 10.4% at September 30, 2014. Our policy is to generally recognize interest on our notes receivable until the note receivable is deemed non-performing, which we define as a note on which payments are over 180 days past due. The amount of our non-performing notes was immaterial at September 30, 2014.

We monitor the credit quality of our accounts receivable by reviewing an aging of customer invoices. Invoices are considered past due if a scheduled payment is not received within agreed upon terms. Our notes receivable are reviewed for impairment at least quarterly. We also review a variety of other relevant qualitative information such as collection experience, economic conditions and customer-specific financial conditions to evaluate credit risk in recording the allowance for doubtful accounts or as an indicator of an impaired loan. Where possible, we seek payment deposits, collateral, pledge agreements, bills of exchange, foreign bank letters of credit or personal guarantees with respect to notes receivable from our customers. However, the majority of our international notes receivable are not collateralized. Currently, we have not sold our notes receivable to third parties; therefore, we do not have any off-balance sheet liabilities for factored receivables.

The government authorities in Argentina limit the exchange of pesos into U.S. dollars and the transfer of funds from Argentina. Our accounts and notes receivable, net, from customers in Argentina at September 30, 2014 was $24.9 million, which is denominated in U.S. dollars, although, under the terms of our arrangements with our customers in Argentina, they are required to pay us in pesos at the spot exchange rate between the peso and the U.S. dollar on the date of payment. In evaluating the collectability of customer receivables in Argentina at September 30, 2014, we specifically evaluated recent payments, receivable aging, any additional security or collateral we had (bills of exchange, pledge agreements, etc.) and other facts and circumstances relevant to our customers' ability to pay. Our customers in Argentina have continued to pay us in pesos based on the spot exchange rate between the peso and the U.S. dollar on the payment date. We collected $27.5 million of outstanding receivables from customers in Argentina during the nine months ended September 30, 2014.

Recent government actions and challenges affecting the gaming industry in Mexico have increased the credit quality risk with respect to certain of our current Mexico customers. Our accounts and notes receivable, net, from customers in Mexico at September 30, 2014 was $36.1 million. We collected $14.2 million of outstanding receivables from customers in Mexico during the nine months ended September 30, 2014.

The following summarizes the components of total notes receivable, net, as of September 30, 2014 and December 31, 2013:

	September 30, 2014	Balances over 90 days past due	December 31, 2013	Balances over 90 days past due
Notes receivable:				
Domestic	$ 48.1	$ 2.2	$ 65.1	$ 0.4
International	142.9	8.2	171.8	8.7
Total notes receivable	191.0	10.4	236.9	9.1
Notes receivable allowance for doubtful accounts:				
Domestic	—	—	—	—
International	(7.4)	(4.7)	(5.6)	(3.3)
Total notes receivable allowance for doubtful accounts	(7.4)	(4.7)	(5.6)	(3.3)
Note receivable, net	$ 183.6	$ 5.7	$ 231.3	$ 5.8

At September 30, 2014, 3.1% of our total notes receivable, net, was past due by over 90 days compared to 2.5% at December 31, 2013.

The following tables detail our evaluation of notes receivable for impairment as of September 30, 2014 and December 31, 2013:

	September 30, 2014	Ending Balance Individually Evaluated for Impairment	Ending Balance Collectively Evaluated for Impairment
Notes receivable:			
Domestic	$ 48.1	$ 6.7	$ 41.4
International	142.9	78.9	64.0
Total notes receivable	$ 191.0	$ 85.6	$ 105.4

	December 31, 2013	Ending Balance Individually Evaluated for Impairment	Ending Balance Collectively Evaluated for Impairment
Notes receivable:			
Domestic	$ 65.1	$ 4.8	$ 60.3
International	171.8	99.7	72.1
Total notes receivable	$ 236.9	$ 104.5	$ 132.4

The following table reconciles the allowance for doubtful notes receivable from December 31, 2013 to September 30, 2014:

	Total	Ending Balance Individually Evaluated for Impairment	Ending Balance Collectively Evaluated for Impairment
Beginning balance at December 31, 2013	$ 5.6	$ 5.6	$ —
Charge-offs	(0.1)	(0.1)	—
Recoveries	—	—	—
Provision	1.9	1.9	—
Ending balance at September 30, 2014	$ 7.4	$ 7.4	$ —

Modifications to original financing terms are exceptions to our cash collection process and are a function of collection activities with the customer. If a customer requests a modification of financing terms during the collection process, we evaluate the proposed modification in relation to the recovery of our gaming machines, generally seek additional security and recognize any additional interest income ratably over the remaining new financing term. Additionally, we often take the opportunity to simplify the customer's future payments by consolidating several notes (each typically representing an individual purchase transaction) into one note. In those instances, the aging of any outstanding receivable balance would be adjusted to reflect the new payment terms. Any such modifications generally do not include a concession on the amount owed and generally result only in a delay of payments relative to the original terms.

The following summarizes the notes receivable financing terms that were modified during the nine months ended September 30, 2014:

	Nine Months Ended September 30, 2014			
	# of Customers	# of Notes	Pre-Modification Investment	Post-Modification Investment
Financing term modifications:				
International (1)	9	28	$ 12.8	$ 12.8
Total financing term modifications	9	28	$ 12.8	$ 12.8

(1) The modifications are detailed below:

- One customer for which 12 notes were consolidated into one note aggregating $4.0 million, with an average 28-month payment extension;
- One customer for which three notes were consolidated into one note aggregating $3.1 million, with an average four-month payment extension;
- One customer with a note for $2.3 million for which original payment terms were extended by nine months;

- One customer for which four notes were consolidated into one note aggregating $1.4 million, with an average five-month extension, and another note for $0.2 million for which original payment terms were extended by seven months;
- One customer for which two notes were consolidated into one note aggregating $0.7 million, with an average 15-month payment extension;
- One customer with a note for $0.5 million for which original payment terms were extended by 21 months;
- One customer with a note for $0.3 million for which original payment terms were extended by 27 months;
- One customer for which two notes were consolidated into one note aggregating $0.2 million, with an average 14-month payment extension; and
- One customer with a note for $0.1 million for which original payment terms were extended by 21 months.

In certain international jurisdictions, we offer extended financing terms related to our customers. Such financing activities subject us to increased credit risk, which could be exacerbated by, among other things, unfavorable economic conditions or political or economic instability in those regions. Our notes receivable were concentrated in the following international gaming jurisdictions at September 30, 2014:

Peru	25%
Mexico	17%
Argentina	12%
Colombia	10%
Other (less than 5% individually)	11%
Total international notes receivable as a percentage of total notes receivable	75%

(7) Inventories

Inventories consisted of the following as of the dates presented below:

	September 30, 2014	December 31, 2013
Parts and work-in-process	$ 70.4	$ 62.1
Finished goods	100.5	75.7
Inventory	$ 170.9	$ 137.8

Parts and work-in-process include parts for lottery terminals, gaming machines and instant lottery ticket materials as well as labor and overhead costs associated with the manufacturing of instant lottery games. Our finished goods inventory primarily consists of instant games for our participation arrangements, gaming machines for sale and our licensed branded merchandise.

(8) Property and Equipment

The following table presents certain information regarding our lottery and gaming equipment at September 30, 2014 and December 31, 2013:

	September 30, 2014	December 31, 2013
Lottery equipment	$ 358.8	$ 350.3
Less: accumulated depreciation	(237.7)	(210.6)
Net lottery equipment	121.1	139.7
Gaming equipment	478.3	439.7
Less: accumulated depreciation	(223.9)	(145.0)
Net gaming equipment	254.4	294.7
Total lottery and gaming equipment, net	$ 375.5	$ 434.4

The following table presents certain information regarding our other property and equipment, including capital leases, at September 30, 2014 and December 31, 2013:

	September 30, 2014	December 31, 2013
Land	$ 25.1	$ 25.6
Buildings and leasehold improvements	182.2	181.6
Machinery and equipment	269.3	239.1
Furniture and fixtures	25.6	30.1
Transportation equipment	4.4	6.4
Construction in progress	12.0	33.4
Capital leases	41.8	—
Less: accumulated depreciation	(196.3)	(177.5)
Total other property and equipment, net	$ 364.1	$ 338.7
Total property and equipment, net	$ 739.6	$ 773.1

Depreciation expense for the three and nine months ended September 30, 2014 was $58.5 million and $166.8 million, respectively. Depreciation expense for the three and nine months ended September 30, 2013 was $23.7 million and $78.2 million, respectively. Depreciation expense is excluded from cost of instant games, cost of services, cost of product sales and other operating expenses and is separately stated within depreciation and amortization on the Consolidated Statements of Operations and Comprehensive (Loss) Income. Accumulated amortization of capital lease assets was $3.4 million and $0 as of September 30, 2014 and December 31, 2013, respectively.

(9) Intangible Assets and Goodwill

Intangible Assets

The following presents certain information regarding our intangible assets as of September 30, 2014 and December 31, 2013. Amortizable intangible assets are generally amortized on a straight-line basis over their estimated useful lives with no estimated residual values.

Intangible Assets	Gross Carrying Amount	Accumulated Amortization	Net Balance
Balance as of September 30, 2014			
Amortizable intangible assets:			
Patents	$ 17.1	$ 8.0	$ 9.1
Customer lists	161.3	37.2	124.1
Licenses	309.2	82.4	226.8
Intellectual property	8.5	6.6	1.9
Brand name	39.3	3.8	35.5
Non-compete agreements	0.3	0.2	0.1
Lottery contracts	1.5	1.5	—
	537.2	139.7	397.5
Non-amortizable intangible assets:			
Trade name	104.9	2.1	102.8
Total intangible assets	$ 642.1	$ 141.8	$ 500.3
Balance as of December 31, 2013			
Amortizable intangible assets:			
Patents	$ 14.5	$ 7.1	$ 7.4
Customer lists	161.9	24.0	137.9
Licenses	181.0	59.9	121.1
Intellectual property	8.6	5.7	2.9
Brand name	39.3	0.6	38.7
Non-compete agreements	0.4	0.2	0.2
Lottery contracts	1.5	1.4	0.1
	407.2	98.9	308.3
Non-amortizable intangible assets:			
Trade name	104.9	2.1	102.8
Total intangible assets	$ 512.1	$ 101.0	$ 411.1

Acquired intangible assets related to customer relationships and long-term licenses are amortized over a weighted average useful life of approximately 13.6 years and 2.9 years, respectively. The increase in the carrying amount of licenses for the nine months ended September 30, 2014 primarily reflected the recording of approximately $106 million associated with a long-term license agreement, which was amended and extended in the first quarter of 2014. The carrying value of the licensed asset increased to reflect the additional minimum guaranteed obligations under the amended license agreement. For additional information regarding licensed assets with minimum guaranteed obligations, see Note 1 (Description of the Business and Summary of Significant Accounting Policies) in this Quarterly Report on Form 10-Q.

The aggregate intangible amortization expense for the three and nine months ended September 30, 2014 was $18.1 million and $49.0 million, respectively. The aggregate intangible amortization expense for the three and nine months ended September 30, 2013 was $5.2 million and $15.0 million, respectively. These amounts are included in depreciation and amortization in our Consolidated Statements of Operations and Comprehensive (Loss) Income.

Goodwill

The table below reconciles the change in the carrying amount of goodwill by reportable segment from December 31, 2012 to September 30, 2014.

Goodwill	Instant Products	Lottery Systems	Gaming	Totals
Balance as of December 31, 2012	$ 328.0	$ 210.7	$ 262.7	$ 801.4
Acquisitions	—	—	381.8	381.8
Impairments	(5.4)	—	—	(5.4)
Foreign currency adjustments	(2.4)	2.7	5.0	5.3
Reallocation of goodwill	20.0	(39.7)	19.7	—
Balance as of December 31, 2013	340.2	173.7	669.2	1,183.1
Foreign currency adjustments	(2.8)	(6.0)	(5.6)	(14.4)
Balance as of September 30, 2014	$ 337.4	$ 167.7	$ 663.6	$ 1,168.7

Subsequent to the filing of our 2013 Annual Report on Form 10-K, we adjusted the estimated fair values of certain WMS assets acquired to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date. The adjustments resulted in a decrease in goodwill of approximately $3.8 million related to the recognition of non-U.S.-based current and deferred tax assets and liabilities. We have applied the adjustment retrospectively to the Consolidated Balance Sheet as of December 31, 2013.

(10) Software

The following table presents certain information regarding our software as of September 30, 2014 and December 31, 2013:

	September 30, 2014	December 31, 2013
Software	$ 500.8	$ 457.7
Accumulated amortization	(194.0)	(114.2)
Software, net	$ 306.8	$ 343.5

Amortization expense for the three and nine months ended September 30, 2014 was $23.8 million and $74.7 million, respectively. Amortization expense for the three and nine months ended September 30, 2013 was $6.3 million and $17.9 million, respectively. Amortization expense is excluded from cost of instant games, cost of services, cost of product sales and other operating expenses and is separately stated within depreciation and amortization on the Consolidated Statements of Operations and Comprehensive (Loss) Income.

(11) Equity Method Investments

The following provides an update for events that occurred during the nine months ended September 30, 2014 related to our equity method investments, which are disclosed in Note 11 (Equity Investments) in our 2013 Annual Report on Form 10-K.

Northstar Illinois

Under the terms of a PMA, Northstar Illinois is entitled to receive annual incentive compensation payments from the lottery to the extent it is successful in increasing the Illinois lottery's net income (as defined in the PMA) above specified target levels, subject to a cap of 5% of the applicable year's net income, and is responsible for annual payments to the lottery to the extent such targets are not achieved, subject to a similar cap. During the three months ended June 30, 2014, we understand that Northstar Illinois recorded a liability related to an estimated shortfall payment for the lottery's fiscal year ended June 30, 2014. We recorded a charge of $8.0 million, representing our 20% share of that liability, in earnings (loss) from equity investments in our Consolidated Statements of Operations and Comprehensive (Loss) Income during the three months ended June 30, 2014. During the three months ended September 30, 2014, we contributed $13.5 million to Northstar Illinois primarily to fund our pro rata share of shortfall payments that are payable to the lottery under the PMA.

Northstar Illinois and the State have disagreed regarding the State's calculation of net income for each of the lottery fiscal years during the term of the PMA. In August 2014, we understand that the Governor's office of the State of Illinois directed the Illinois Department of Lottery to end the PMA with Northstar Illinois. Although an agreement has not yet been reached between Northstar Illinois and the lottery, in light of the direction by the Governor's office to the lottery to end the PMA with Northstar Illinois and the status of discussions among the parties, in the September 2014 quarter, the Company recorded a non-cash impairment charge of $19.7 million to write down its investment in Northstar Illinois.

Sportech

In January 2014, we completed the sale of our 20% equity interest in Sportech for cash proceeds of £27.8 million, or $44.9 million, resulting in a in of approximately £9 million, or $14.5 million, which is reflected as a gain on sale of equity interest in our Consolidated Statements of Operations and Comprehensive (Loss) Income.

LNS

During the nine months ended September 30, 2014, we received a distribution of capital of €20.7 million, or $28.0 million, and a dividend of €13.3 million, or $18.2 million, net of withholding taxes, from LNS.

ITL

During the nine months ended September 30, 2014, we contributed €29.4 million, or $40.6 million, to ITL. During the nine months ended September 30, 2014, we received a distribution of capital of €11.9 million, or $17.4 million, from ITL.

RCN

During the nine months ended September 30, 2014, we received a dividend of $4.3 million from RCN.

(12) Long-Term and Other Debt

Outstanding Debt

The following reflects our outstanding debt as of September 30, 2014 and December 31, 2013:

	September 30, 2014	December 31, 2013
Revolver, varying interest rate, due 2018	$ —	$ —
Term loan, varying interest rate, due 2020 (1)	2,272.9	2,288.8
2018 Notes	250.0	250.0
2019 Notes (2)	—	346.3
2020 Notes	300.0	300.0
2021 Notes (3)	347.7	—
China Loans, varying interest rates	—	7.4
Capital lease obligations, 3.9% interest as of September 30, 2014 payable monthly through 2019	38.7	0.1
Total long-term debt outstanding and capital lease obligations	3,209.3	3,192.6
Less: debt and capital lease payments due within one year	(30.9)	(30.4)
Long-term debt, net of current installments	$ 3,178.4	$ 3,162.2

(1) Total of $2,282.8 million less amortization of a loan discount in the amount of $9.9 million as of September 30, 2014. Total of $2,300.0 million less amortization of a loan discount in the amount of $11.2 million as of December 31, 2013.
(2) Total of $350.0 million less amortization of a loan discount in the amount of $3.7 million as of December 31, 2013.
(3) Total of $350.0 million less amortization of a loan discount in the amount of $2.3 million as of September 30, 2014.

Senior Secured Credit Facilities

In connection with the WMS acquisition, the Company and certain of its subsidiaries entered into a credit agreement dated as of October 18, 2013, by and among SGI, as the borrower, the Company, as a guarantor, Bank of America, N.A., as administrative agent, and the lenders and other agents party thereto, providing for senior secured credit facilities in an aggregate principal amount of $2,600.0 million, including a $300.0 million revolving credit facility, which has dollar and multi-currency tranches, and a $2,300.0 million term loan facility. The term loan facility was used, in part, to finance the consideration paid in the WMS acquisition, to repay all indebtedness under our and WMS' prior credit agreements and to pay related acquisition and financing fees and expenses. Up to $200.0 million of the revolving credit facility is available for issuances of letters of credit. The term loan is scheduled to mature on October 18, 2020 and the revolving credit facility is scheduled to mature on October 18, 2018 (subject to accelerated maturity under certain circumstances).

SGI is required to pay commitment fees to revolving lenders on the actual daily unused portion of the revolving commitments at a rate of 0.50% per annum through maturity, subject to a step-down to 0.375% based upon certain first lien net

leverage ratios. The credit facilities contain customary events of default (subject to customary grace periods and materiality thresholds). Upon the occurrence of certain events of default, the obligations under the credit facilities may be accelerated and the commitments may be terminated.

Borrowings under the credit agreement (including the term loans under the Escrow Credit Agreement discussed below, after they are assumed by SGI) are guaranteed by the Company and each of its current and future direct and indirect wholly owned domestic subsidiaries (other than SGI), subject to certain customary exceptions as set forth in the credit agreement.

Contemplated Financing for Bally Acquisition

In connection with the pending Bally acquisition, we entered into a commitment letter with Bank of America, N.A., Merrill Lynch, Pierce, Fenner & Smith Incorporated, JPMorgan Chase Bank, N.A., Deutsche Bank AG New York Branch and certain of their respective affiliates, which was subsequently joined by Fifth Third Bank, HSBC Securities (USA) Inc., HSBC Bank USA, N.A., PNC Capital Markets LLC and PNC Bank, National Association as additional commitment parties. Pursuant to the commitment letter, the commitment parties have agreed to provide the financing necessary to fund the consideration to be paid pursuant to the terms of the merger agreement (the "Debt Financing"). The commitment letter contemplates that the Debt Financing will consist of, among other things, (1) a senior secured incremental term loan facility (in an originally contemplated principal amount of $1,735.0 million), (2) a senior secured increase in the revolving credit facility (in an originally contemplated principal amount of $350.0 million), (3) if applicable, amendments to, or the refinancing of, Scientific Games' existing credit facilities, consisting of (a) a senior secured term loan facility in a total principal amount of $2,294.0 million and (b) a senior secured revolving credit facility in a total principal amount of $650 million, and (4) senior secured notes and senior unsecured notes yielding $3,450.0 million in aggregate gross cash proceeds and/or to the extent that the issuance of such notes yields less than $3,450.0 million in aggregate gross cash proceeds or such cash proceeds are otherwise unavailable, a senior secured bridge loan facility and a senior unsecured bridge loan facility up to an aggregate principal amount of $3,450 million (less the cash proceeds received from the notes and available for use, if any). The funding of the Debt Financing is contingent on the satisfaction of certain conditions set forth in the commitment letter. The merger is not conditioned on our obtaining the proceeds of any financing, including the Debt Financing.

In connection with the pending Bally acquisition, on October 1, 2014, the Company entered into an amendment to its existing credit agreement to, among other things, (1) effective as of October 1, 2014, permit the Bally acquisition and the transactions related thereto, including the incurrence of term loans by SGMS Escrow Corp., and (2) effective as of the consummation of the Bally acquisition (and the satisfaction of the other conditions contemplated by the amendment), (A) increase the Company's existing revolving credit facility by $267.6 million, (B) permit SGI to assume the term loans under the Escrow Credit Agreement (as defined below) as incremental term loans under the existing credit agreement and (C) modify the financial covenant applicable to the revolving credit facility under the existing credit agreement such that it will be tested each quarter, irrespective of usage of that revolving credit facility.

As a result of the amendment, the applicable margin for the existing term loans under the credit agreement (1) prior to the consummation of the Bally acquisition, will remain at 3.25% per annum for eurodollar (LIBOR) loans and 2.25% per annum for base rate loans and (2) from and after the consummation of the Bally acquisition, will be 5.00% per annum for eurodollar (LIBOR) loans and 4.00% per annum for base rate loans. There will be no change to the borrowing rate applicable to loans borrowed or to letters of credit issued under the revolving credit facility after the consummation of the Bally acquisition.

In addition, on October 1, 2014, SGMS Escrow Corp. entered into an escrow credit agreement (the "Escrow Credit Agreement") by and among SGMS Escrow Corp., as borrower, the lenders and other agents from time to time party thereto, and Bank of America, N.A., as administrative agent. The Escrow Credit Agreement provides for $2.0 billion of new term loans, the net proceeds of which are expected to provide a portion of the funds to be used to finance the Bally acquisition. Upon and in connection with the consummation of the Bally acquisition, the term loans under the Escrow Credit Agreement will be assumed by SGI and become incremental term loans under the existing credit agreement.

The term loans under the Escrow Credit Agreement (including after they are assumed by SGI and become incremental term loans under the existing credit agreement) are scheduled to mature on October 1, 2021 (subject to accelerated maturity under certain circumstances) and amortize in equal quarterly installments beginning on the last day of the first of March, June, September or December to occur after completion of the Bally acquisition, in an amount equal to 1.00% per annum of the stated principal amount thereof, with the remaining balance due at final maturity. Interest on the new term loans is payable at a rate equal to the eurodollar (LIBOR) rate or the base rate, plus an applicable margin, in each case, subject to a eurodollar (LIBOR) rate floor of 1.00% or a base rate floor of 2.00%, as applicable. The applicable margin for the incremental term loans (under the Escrow Credit Agreement and, if and when assumed by SGI, the existing credit agreement) is 5.00% per annum for eurodollar (LIBOR) loans and 4.00% per annum for base rate loans.

Borrowings under the Escrow Credit Agreement are solely the obligation of SGMS Escrow Corp., are not guaranteed by the Company or any of its subsidiaries, and are secured by a pledge of amounts deposited into a secured escrow account of SGMS Escrow Corp. In the event that the Bally acquisition is not consummated, SGMS Escrow Corp. will repay amounts borrowed under the Escrow Credit Agreement, plus accrued interest thereon, with amounts deposited into a secured escrow account of SGMS Escrow Corp. and other amounts that may be contributed by the Company and its other subsidiaries to SGMS Escrow Corp. and deposited into that escrow account from time to time.

The term loans under the Escrow Credit Agreement were funded into escrow, less original issue discount, by the lenders on October 17, 2014 and began accruing interest, initially at the LIBOR rate plus the applicable margin referred to above, beginning on October 18, 2014. Interest for the prospective month was funded into escrow by the Company on October 16, 2014.

Upon closing of the Bally acquisition, we expect to incur approximately $170 million of financing fees in connection with the term loans and revolving credit facility under the Escrow Credit Agreement and with respect to the remaining financing commitments under the commitment letter for the Bally acquisition. We also anticipate incurring fees related to our additional financing activities during the balance of the quarter ending December 31, 2014.

For further information regarding the Debt Financing, please see the full text of our existing credit agreement, the commitment letter, the amendment to our credit agreement and the Escrow Credit Agreement, copies of which are filed as Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on October 18, 2013, Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on August 4, 2014, and Exhibit 10.1 and Exhibit 10.2 to our Current Report on Form 8-K filed with SEC on October 7, 2014, respectively. The foregoing summaries of the terms of the existing credit agreement, the commitment letter, the amendment to the existing credit agreement and the Escrow Credit Agreement are qualified in their entirety by reference to the respective exhibit.

Senior Subordinated Notes

2021 Notes

On June 4, 2014, SGI issued $350.0 million in aggregate principal amount of 2021 Notes at a price of 99.321% of the principal amount thereof in a private offering to qualified institutional buyers in accordance with Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"), and to persons outside the United States under Regulation S under the Securities Act. The 2021 Notes were issued pursuant to an indenture dated as of June 4, 2014 (the "2021 Notes Indenture").

The 2021 Notes bear interest at the rate of 6.625% per annum, which accrues from June 4, 2014 and is payable semiannually in arrears on May 15 and November 15 of each year, commencing on November 15, 2014. The 2021 Notes mature on May 15, 2021, unless earlier redeemed or repurchased, and are subject to the terms and conditions set forth in the 2021 Notes Indenture. In connection with the issuance of the 2021 Notes, the Company capitalized financing costs of $7.3 million.

SGI may redeem some or all of the 2021 Notes at any time prior to May 15, 2017 at a redemption price equal to 100% of the principal amount of the 2021 Notes plus accrued and unpaid interest, if any, to the date of redemption plus a "make whole" premium. SGI may redeem some or all of the 2021 Notes at any time on or after May 15, 2017 at the prices specified in the 2021 Notes Indenture. In addition, at any time on or prior to May 15, 2017, SGI may redeem up to 35% of the initially outstanding aggregate principal amount of the 2021 Notes at a redemption price of 106.625% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of redemption, with the net cash proceeds from one or more equity offerings of the Company.

Upon the occurrence of a change of control (as defined in the 2021 Notes Indenture), SGI must make an offer to purchase the 2021 Notes at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of repurchase. In addition, following an asset sale (as defined in the 2021 Notes Indenture) and subject to the limitations contained in the 2021 Notes Indenture, SGI must make an offer to purchase certain amounts of the 2021 Notes using the net cash proceeds from such asset sale to the extent such proceeds are not applied as set forth in the 2021 Notes Indenture, at a purchase price equal to 100% of the principal amount of the 2021 Notes to be repurchased, plus accrued interest to the date of repurchase.

The 2021 Notes are unsecured senior subordinated obligations of SGI and are subordinated to all of SGI's existing and future senior debt, rank equally with all of SGI's existing and future senior subordinated debt and rank senior to all of SGI's future debt that is expressly subordinated to the 2021 Notes. The 2021 Notes are guaranteed on an unsecured senior subordinated basis by the Company and all of its 100%-owned U.S. subsidiaries (other than SGI). The 2021 Notes are structurally subordinated to all of the liabilities of the Company's non-guarantor subsidiaries.

The 2021 Notes Indenture contains certain covenants that, among other things, limit the Company's ability, and the ability of certain of its subsidiaries, to incur additional indebtedness, pay dividends or make distributions or certain other restricted payments, purchase or redeem capital stock, make investments or extend credit, engage in certain transactions with affiliates, consummate certain asset sales, effect a consolidation or merger, or sell, transfer, lease or otherwise dispose of all or substantially all assets, or create certain liens and other encumbrances on assets. The 2021 Notes Indenture contains events of default customary for agreements of its type (with customary grace periods and maturity thresholds, as applicable).

In connection with the issuance of the 2021 Notes, SGI, the Company, the subsidiary guarantors party thereto, and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representative for the initial purchasers listed therein, entered into a registration rights agreement, dated June 4, 2014 (the "Registration Rights Agreement"). Under the Registration Rights Agreement, SGI and the guarantors agreed, for the benefit of the holders of the 2021 Notes, that they will file with the SEC and use their commercially reasonable efforts to cause to become effective, a registration statement relating to an offer to exchange the 2021 Notes for an issue of SEC-registered notes (the "Exchange Notes") with terms identical to the 2021 Notes (except that the Exchange Notes will not be subject to restrictions on transfer or to any increase in annual interest rate as described below).

Under certain circumstances, including if applicable interpretations of the staff of the SEC do not permit SGI to effect the exchange offer, SGI and the guarantors will use their commercially reasonable efforts to cause to become effective a shelf registration statement relating to resales of the Notes and to keep that shelf registration statement effective until the first anniversary of the date such shelf registration statement becomes effective, or such shorter period that will terminate when all 2021 Notes covered by the shelf registration statement have been sold. The obligation to complete the exchange offer and/or file a shelf registration statement will terminate on the second anniversary of the date of the Registration Rights Agreement.

If the exchange offer is not completed (or, if required, the shelf registration statement is not declared effective) on or before June 4, 2015 (subject to the right of the Company to extend such date by up to 90 additional days under customary "blackout" provisions if the Company determines in good faith that it is in possession of material, non-public information), the annual interest rate borne by the 2021 Notes will be increased by 0.25% per annum for the first 90-day period immediately following such date and by an additional 0.25% per annum with respect to each subsequent 90-day period, up to a maximum additional rate of 1.00% per annum thereafter until the exchange offer is completed, the shelf registration statement is declared effective or the obligation to complete the exchange offer and/or file the shelf registration statement terminates, at which time the interest rate will revert to the original interest rate on the date the 2021 Notes were originally issued.

2019 Notes

On June 4, 2014, SGI completed a tender offer pursuant to which it purchased $140.6 million in aggregate principal amount of the 2019 Notes for total consideration of $1,051.25 for each $1,000 principle amount of the 2019 Notes tendered, plus accrued and unpaid interest to the applicable payment date.

On June 4, 2014, SGI delivered a notice of redemption with respect to all $209.4 million of the remaining outstanding principal amount of the 2019 Notes, and satisfied and discharged the indenture governing the 2019 Notes by depositing funds with the trustee sufficient to pay the redemption price of 104.625% of the principal amount of the 2019 Notes, plus accrued and unpaid interest to the redemption date. In accordance with the notice of redemption, the 2019 Notes were redeemed on July 4, 2014 and the redemption payment was made on July 7, 2014.

The purchase and redemption of the 2019 Notes were funded, in part, with the net proceeds from the issuance of the 2021 Notes. In connection with the purchase and redemption of the 2019 Notes, we recorded a loss on early extinguishment of debt of $25.9 million comprised primarily of the tender and redemption premiums and the write-off of previously deferred financing costs.

For additional information regarding our 2021 Notes and the repurchase and redemption of our 2019 Notes, see our Current Report on Form 8-K filed with the SEC on June 6, 2014. For additional information regarding our 2018 Notes, 2019 Notes and 2020 Notes, see Note 15 (Long-Term and Other Debt) in our 2013 Annual Report on Form 10-K.

We were in compliance with the covenants under our debt agreements as of September 30, 2014.

Other Debt

In September 2014, we repaid in full a $5.0 million China Loan with cash on hand.

Capital Leases

On March 31, 2014, we entered into a new leasing arrangement with ITL for the lease of gaming machines in connection with a long-term services contract with a customer. We completed the placement of the new gaming machines under this contract during the three months ended June 30, 2014 and recorded a capital lease asset and minimum lease liability

of $42.8 million. The terms of this leasing arrangement provide for repayment over five years with an interest rate of 3.9%. No additional capital leases were entered into during the three months ended September 30, 2014.

3) Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset and liability in an orderly transaction between market participants at the measurement date. We estimate fair value of our assets and liabilities utilizing an established three-level hierarchy as described in Note 16 (Fair Value Measurements) in our 2013 Annual Report on Form 10-K.

The fair value of our financial assets and liabilities is determined by reference to market data and other valuation techniques as appropriate. We believe the fair value of our financial instruments, which are principally cash and cash equivalents, accounts and notes receivable, other current assets, accounts payable and accrued liabilities, approximates their recorded values.

Interest rate swaption contract

In January 2014, we entered into a swaption contract with an aggregate notional value of $150.0 million. The swaption gives us the right, but not the obligation, to enter into a swap under which we would pay a fixed rate of 2.151% and receive interest on the notional amount based on a floating three-month LIBOR rate. We paid a premium of $0.9 million at the time we entered into the swaption and have no additional payment obligations. The cash settlement value depends on the extent to which the prevailing three-month LIBOR swap rate exceed the fixed rate under the swaption. To the extent the prevailing swap rate on the expiration date (April 15, 2015) exceeds the swaption fixed rate a payment would be due to us, which would effectively reduce our future interest costs. To the extent the prevailing swap rate is at or below the swaption fixed rate, we would not exercise the swaption and it would expire with no further cash payment from us or the counterparty.

The swaption is highly effective in offsetting our exposure to the variability of the three-month LIBOR rate associated with our variable rate debt. The effectiveness of the swaption is measured quarterly on a retrospective basis by comparing the cumulative change in the hedging instrument's fair value to the change in the underlying hedged transaction's fair value. In accordance with ASC 815, *Derivatives and Hedging,* we have designated the intrinsic value associated with the swaption as a qualifying hedge. We have elected to exclude the time value, inclusive of premium paid, from our qualifying hedging relationship. As a result, the time value of the swaption will be amortized over the period of the contract and recognized as interest expense in our Consolidated Statements of Operations and Comprehensive (Loss) Income. We will recognize all gains and losses associated with the intrinsic value of the swaption in other comprehensive (loss) income in our Consolidated Statements of Operations and Comprehensive (Loss) Income until its expiration date. Realized gains, if any, owed by the counterparty at expiration will be recognized as a reduction to interest expense in our Consolidated Statements of Operations and Comprehensive (Loss) Income by applying the effective interest method for the applicable periods.

As valuations for comparable swaptions are not publicly available, we categorized the swaption as Level 3 in the fair value hierarchy. We believe the estimated fair value for the swaption we hold is based on the most accurate information available for these types of derivative contracts. For the three and nine months ended September 30, 2014, there was no change in fair value associated with the intrinsic value of the swaption. The fair value of the swaption as of September 30, 2014 was $0.4 million, which is recorded in other current assets in our Consolidated Balance Sheets.

Interest rate swap contracts

In August 2013, we entered into forward starting interest rate swap contracts with an aggregate notional value of $500.0 million. In October 2013, we entered into additional forward starting interest rate swap contracts with an aggregate notional value of $200.0 million. These hedges become effective in April 2015 and mature in January 2018. We entered into the forward starting interest rate swap contracts, which are designated as cash flow hedges of the future interest payment transactions in accordance with ASC 815, *Derivatives and Hedging,* in order to eliminate the variability of cash flows attributable to the LIBOR component of interest expense to be paid on our variable-rate debt. Under these hedges, we will pay interest on the notional amount of debt at a weighted average fixed rate of 2.151% and receive interest on the notional amount at the greater of 1% or the then prevailing three-month LIBOR rate beginning in April 2015.

These hedges are highly effective in offsetting our exposure to the variability of the three-month LIBOR rate associated with our variable-rate debt. The effectiveness of these hedges is measured quarterly on a retrospective basis by comparing the cumulative change in the hedging instrument's fair value to the change in the hedged transaction's fair value. To the extent these hedges have no ineffectiveness, all gains and losses from these hedges are recorded in other comprehensive (loss) income in our Consolidated Statements of Operations and Comprehensive (Loss) Income until the future underlying

interest payment transactions occur. Any realized gains or losses resulting from the hedges will be recognized (together with the hedged transaction) as interest expense in our Consolidated Statements of Operations and Comprehensive (Loss) Income beginning in June 2015. For the three and nine months ended September 30, 2014, we recorded a gain, net of tax, of $2.2 million and a loss, net of tax, of $4.2 million, respectively, in other comprehensive (loss) income in our Consolidated Statements of Operations and Comprehensive (Loss) Income, representing the change in fair value associated with these hedges. The fair value of these hedges as of September 30, 2014 was $5.7 million, which is recorded in other long-term liabilities in our Consolidated Balance Sheets.

Foreign currency forward contracts

During 2012, we entered into foreign currency forward contracts for the sale of Euros for U.S. dollars at a weighted average rate of 1.319 to hedge a portion of the net investment in one of our subsidiaries that is denominated in Euros. Some of these foreign currency forward contracts settled in 2012. In May 2013, we settled the remaining €20.0 million in aggregate notional amount of the foreign currency forward contracts, which had a weighted average rate of 1.269%.

We designated the forward contracts as qualified hedges in accordance with ASC 815, *Derivatives and Hedging*. Gains and losses from the foreign currency forward contracts were recorded in accumulated other comprehensive (loss) income in our Consolidated Balance Sheets until the investment was liquidated.

Other

In accordance with ASC 323, *Investments - Equity Method and Joint Ventures*, we record our share of a derivative instrument held by LNS. Changes in the fair value of the derivative instrument are recorded by LNS in other comprehensive income on LNS' statement of comprehensive income. During the three and nine months ended September 30, 2014 and 2013, our 20% share of the change associated with this derivative instrument was not material to our other comprehensive (loss) income in our Consolidated Statements of Operations and Comprehensive (Loss) Income and in equity investments in our Consolidated Balance Sheets.

(14) Stockholders' Equity

The following table presents the change in the number of shares of our Class A common stock outstanding during the nine months ended September 30, 2014 and during the fiscal year ended December 31, 2013:

	Nine Months Ended September 30, 2014	Twelve Months Ended December 31, 2013
Shares outstanding as of beginning of period	85.2	84.4
Shares issued as part of equity-based compensation plans and the ESPP, net of RSUs surrendered	1.6	1.1
Common stock repurchases	(2.0)	(0.3)
Shares outstanding as of end of period	84.8	85.2

On December 5, 2013, our board of directors approved an extension of our existing stock repurchase program to December 31, 2014. The program, originally announced in May 2010, was due to expire on December 31, 2013. Under the program, we are authorized to repurchase, from time to time through open market purchases or otherwise, shares of our outstanding common stock in an aggregate amount up to $200.0 million. As of December 31, 2013, we had $104.5 million available for potential repurchases under the program. During the first quarter of 2014, we repurchased approximately 2.0 million shares at an aggregate cost of $29.5 million, which was funded by cash flows from operations. There were no share repurchases during the second and third quarters of 2014. As of September 30, 2014, we had $75.0 million available for potential repurchases under the program.

During 2013, we repurchased 50,000 shares at an aggregate cost of $0.8 million, as well as 226,000 shares at a cost of approximately $2 million related to a cashless exercise of stock options.

(15) Stock-Based Compensation

We offer stock-based compensation in the form of stock options and RSUs. We also offer an ESPP.

We grant stock options to employees and directors under our equity-based compensation plans with exercise prices that are not less than the fair market value of our common stock on the date of grant. The terms of the stock option and RSU awards, including the vesting schedule of such awards, are generally determined at the discretion of the compensation committee of our board of directors, subject to the terms of the applicable equity-based compensation plan. Options granted over the last several years have generally become exercisable in four or five equal annual installments beginning on the first

anniversary of the date of grant or when certain performance targets are determined to have been met and have a maximum term of ten years. RSUs typically vest in four or five equal annual installments beginning on the first anniversary of the date of grant or when certain performance targets are determined to have been met. We record compensation cost for all stock options and RSUs based on the grant date fair value.

In connection with the WMS acquisition, we assumed the WMS Incentive Compensation Plan (2012 Restatement) (the "Legacy WMS Plan") and the outstanding awards under such plan, which were converted into Company equity awards using a customary exchange ratio. At the time of the assumption, there were 5.6 million shares available for future issuance under the WMS Plan excluding shares underlying outstanding awards. At the Company's annual meeting of stockholders on June 11, 2014, the Company's stockholders approved an amendment and restatement of the Company's 2003 Incentive Compensation Plan (the "2003 Plan"). Under the amended and restated 2003 Plan, the Legacy WMS Plan was merged into the 2003 Plan. As a result, the shares reserved and available under the two plans were combined into a single share pool, with such shares available for equity awards to any employee, non-employee director or other eligible service provider of the Company or its subsidiaries, including WMS. For additional information, see the Company's Current Report on Form 8-K filed with the SEC on June 17, 2014.

As a result of merging the plans, common stock authorized for awards increased from 13.5 million shares to 16.0 million shares under our amended and restated 2003 Plan plus available shares from a pre-existing equity-based compensation plan, which plans were approved by our stockholders. As of September 30, 2014, we had approximately 4.9 million shares available for grants of equity awards to our employees under our amended and restated 2003 Plan plus available shares from the pre-existing equity-based compensation plan.

Under the share counting rules of our 2003 Plan, awards may be outstanding relating to a greater number of shares than the aggregate remaining shares available under our 2003 Plan so long as awards will not result in delivery and vesting of shares in excess of the number then available under the plan. Shares available for future issuance do not include shares expected to be withheld in connection with outstanding awards to satisfy tax withholding obligations, which would be available for future awards under our 2003 Plan under the applicable share counting rules.

Our ESPP allows for a total of up to 1.0 million shares of Class A common stock to be purchased by eligible employees under offerings made each January 1 and July 1. Employees participate through payroll deductions up to a maximum of 15% of eligible compensation. The term of each offering period is six months and shares are purchased on the last day of the offering period at a 15% discount to the stock's market value. As of September 30, 2014, we had approximately 0.2 million shares available for issuance under the ESPP.

In May 2014, our largest shareholder became a beneficial owner of more than 40% of our common stock by acquiring additional shares in the open market. As a result, under the terms of the 2003 Plan, the vesting of certain stock options and RSUs granted under the 2003 Plan prior to June 7, 2011 accelerated. The accelerated vesting resulted in $1.9 million of incremental stock-based compensation expense for the three months ended June 30, 2014. No additional expense was recorded during the three months ended September 30, 2014 as a result of the acceleration.

Stock Options

A summary of the changes in stock options outstanding during the nine months ended September 30, 2014 is presented below:

	Number of Options	Weighted Average Remaining Contract Term (Years)	Weighted Average Exercise Price	Aggregate Intrinsic Value
Options outstanding as of December 31, 2013	2.6	4.2	$ 10.46	$ 17.8
Granted	0.4		16.03	—
Exercised	—		—	0.2
Canceled	(1.1)		9.04	—
Options outstanding as of March 31, 2014	1.9	7.7	$ 12.62	$ 5.0
Granted	0.2		8.94	—
Exercised	—		—	0.1
Canceled	(0.1)		13.88	—
Options outstanding as of June 30, 2014	2.0	7.4	$ 12.34	$ 2.3
Granted	—		—	—
Exercised	(0.1)		9.11	0.1
Canceled	(0.2)		17.36	—
Options outstanding as of September 30, 2014	1.7	7.1	$ 11.71	$ 1.8
Options exercisable as of September 30, 2014	0.9	6.1	$ 11.01	$ 1.1

The weighted average grant date fair value of options awarded during the three months ended June 30, 2014 and March 31, 2014 was $4.81 and $8.86, respectively. No options were granted during the three months ended September 30, 2014, September 30, 2013, June 30, 2013 and March 31, 2013. For the three and nine months ended September 30, 2014, we recognized stock-based compensation expense of $0.3 million and $1.8 million, respectively, related to the service period of stock options and a related tax benefit of $0.1 million and $0.7 million, respectively, prior to consideration of any valuation allowance recorded against the tax benefit. For the three and nine months ended September 30, 2013, we recognized stock-based compensation expense of approximately $0.9 million and $2.7 million, respectively, related to the service period of stock options and the related tax benefit of approximately $0.4 million and $1.1 million, respectively, prior to consideration of any valuation allowance recorded against the tax benefit.

As of September 30, 2014, we had unrecognized compensation expense of $4.2 million relating to stock option awards that is scheduled to be amortized over a weighted average period of approximately two years.

Restricted Stock Units

A summary of the changes in RSUs outstanding during the nine months ended September 30, 2014 is presented below:

	Number of RSUs	Weighted Average Grant Date Fair Value Per RSU
Unvested units as of December 31, 2013	5.2	$ 11.93
Granted	1.4	16.02
Vested	(1.7)	10.09
Canceled	(0.1)	13.84
Unvested units as of March 31, 2014	4.8	$ 13.76
Granted	0.3	10.33
Vested	(0.4)	11.53
Canceled	(0.3)	13.44
Unvested units as of June 30, 2014	4.4	$ 13.50
Granted	—	8.95
Vested	(0.2)	14.56
Canceled	(0.2)	15.80
Unvested units as of September 30, 2014	4.0	$ 13.43

For the three and nine months ended September 30, 2014, we recognized stock-based compensation expense of $4.3 million and $15.9 million, respectively, related to the service period of RSUs and a related tax benefit of $1.6 million and $5.9 million, respectively, prior to consideration of any valuation allowance recorded against the tax benefit. For the three and nine months ended September 30, 2013, we recognized stock-based compensation expense of $4.6 million and $13.9 million,

respectively, related to the service period of RSUs and the related tax benefit of $1.8 million and $5.3 million, respectively, prior to consideration of any valuation allowance recorded against the tax benefit.

As of September 30, 2014, we had unrecognized compensation expense of $42.2 million relating to RSUs that is scheduled to be amortized over a ighted average period of approximately two years.

(16) Employee Benefit Plans

We have defined benefit pension plans for our U.K.-based union employees and certain Canadian-based employees (the "U.K. Plan" and the "Canadian Plan," respectively). Retirement benefits under the U.K. Plan are based on an employee's average compensation over the two years preceding retirement. Retirement benefits under the Canadian Plan are generally based on the number of years of credited service. Our policy is to fund the minimum contribution permissible by the applicable regulatory authorities.

The following table sets forth the combined amount of net periodic benefit cost recognized for the three and nine months ended September 30, 2014 and 2013:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Components of net periodic pension benefit cost:				
Service cost	$ 0.7	$ 0.7	$ 1.9	$ 1.9
Interest cost	1.3	1.1	3.9	3.5
Expected return on plan assets	(1.6)	(1.4)	(4.9)	(4.2)
Amortization of actuarial gains	0.2	0.3	0.5	0.8
Curtailment	—	—	0.2	—
Amortization of prior service costs	(0.1)	(0.1)	(0.2)	(0.2)
Net periodic cost	$ 0.5	$ 0.6	$ 1.4	$ 1.8

We have a 401(k) plan for U.S.-based employees. We contribute 37.5 cents on the dollar for the first 6% of participant contributions for a match of up to 2.25% of eligible compensation. In connection with the WMS acquisition, we assumed existing 401(k) plans of WMS. These plans cover union and non-union full-time employees of WMS and provide for contributions of up to 4.5% of covered non-union employees' eligible compensation and a maximum fixed annual amount for covered union employees' eligible compensation as defined in the plans.

(17) Income Taxes

The effective income tax rates on the net (loss) income from continuing operations of (8.4)% and 109.5% for the three months ended September 30, 2014 and 2013, respectively, and (10.7)% and (80.5)% for the nine months ended September 30, 2014 and 2013, respectively, were determined using an estimated annual effective tax rate after considering any discrete items for such periods. Due to a valuation allowance against our U.S. deferred tax assets, the effective tax rates for the three months ended September 30, 2014 and 2013 did not include the benefit of the current-year U.S. tax loss. As a result, income tax expense for the three months ended September 30, 2014 and 2013 primarily related to income tax expense in foreign jurisdictions.

Our effective income tax rate on foreign earnings was impacted by the mix of income and the statutory tax rates in our foreign jurisdictions, which ranged from a low of 0% to a high of 35%. The foreign jurisdictions that had the most impact on our foreign income tax benefit (expense) in the period include Austria, Canada, Ireland and the U.K.

(18) Litigation

The Company is involved in various legal proceedings, including those discussed below. We record an accrual for legal contingencies when it is both probable that a liability will be incurred and the amount or range of the loss can be reasonably estimated (although, as discussed below, there may be an exposure to loss in excess of the accrued liability). We evaluate our accruals for legal contingencies at least quarterly and, as appropriate, establish new accruals or adjust existing accruals to reflect (1) the facts and circumstances known to us at the time, including information regarding negotiations, settlements, rulings and other relevant events and developments, (2) the advice and analyses of counsel and (3) the assumptions

and judgment of management. Legal costs associated with our legal proceedings are expensed as incurred. We had accrued liabilities of $23.4 million and $25.9 million for all of our legal matters that were contingencies as of September 30, 2014 and December 31, 2013, respectively.

Substantially all of our legal contingencies are subject to significant uncertainties and, therefore, determining the likelihood of a loss and/or the measurement of any loss involves a series of complex judgments about future events. Consequently, the ultimate outcomes of our legal contingencies could result in losses in excess of amounts we have accrued. We may be unable to estimate a range of possible losses for some matters pending against the Company or its subsidiaries, even when the amount of damages claimed against the Company or its subsidiaries is stated because, among other things: (1) the claimed amount may be exaggerated or unsupported; (2) the claim may be based on a novel legal theory or involve a large number of parties; (3) there may be uncertainty as to the likelihood of a class being certified or the ultimate size of the class; (4) there may be uncertainty as to the outcome of pending appeals or motions; (5) the matter may not have progressed sufficiently through discovery or there may be significant factual or legal issues to be resolved or developed; and/or (6) there may be uncertainty as to the enforceability of legal judgments and outcomes in certain jurisdictions. Other matters have progressed sufficiently that we are able to estimate a range of possible loss. For those legal contingencies disclosed below as to which a loss is reasonably possible, whether in excess of a related accrued liability or where there is no accrued liability, and for which we are able to estimate a range of possible loss, the current estimated range is up to approximately $41 million in excess of the accrued liabilities (if any) related to those legal contingencies. This aggregate range represents management's estimate of additional possible loss in excess of the accrued liabilities (if any) with respect to these matters based on currently available information, including any damages claimed by the plaintiffs, and is subject to significant judgment and a variety of assumptions and inherent uncertainties. For example, at the time of making an estimate, management may have only preliminary, incomplete, or inaccurate information about the facts underlying a claim; its assumptions about the future rulings of the court or other tribunal on significant issues, or the behavior and incentives of adverse parties, regulators, indemnitors or co-defendants, may prove to be wrong; and the outcomes it is attempting to predict are often not amenable to the use of statistical or other quantitative analytical tools. In addition, from time to time an outcome may occur that management had not accounted for in its estimate because it had considered that outcome to be remote. Furthermore, as noted above, the aggregate range does not include any matters for which the Company is not able to estimate a range of possible loss. Accordingly, the estimated aggregate range of possible loss does not represent our maximum loss exposure. Any such losses could have a material adverse impact on our results of operations, financial position and cash flows. The legal proceedings underlying the estimated range will change from time to time, and actual results may vary significantly from the current estimate.

Colombia Litigation

Our subsidiary, SGI, owned a minority interest in Wintech de Colombia S.A., or Wintech (now liquidated), which formerly operated the Colombian national lottery under a contract with Empresa Colombiana de Recursos para la Salud, S.A. (together with its successors, "Ecosalud"), an agency of the Colombian government. The contract provided for a penalty against Wintech, SGI and the other shareholders of Wintech of up to $5.0 million if certain levels of lottery sales were not achieved. In addition, SGI delivered to Ecosalud a $4.0 million surety bond as a further guarantee of performance under the contract. Wintech started the instant lottery in Colombia but, due to difficulties beyond its control, including, among other factors, social and political unrest in Colombia, frequently interrupted telephone service and power outages, and competition from another lottery being operated in a province of Colombia that we believe was in violation of Wintech's exclusive license from Ecosalud, the projected sales level was not met for the year ended June 30, 1993.

In 1993, Ecosalud issued a resolution declaring that the contract was in default. In 1994, Ecosalud issued a liquidation resolution asserting claims for compensation and damages against Wintech, SGI and other shareholders of Wintech for, among other things, realization of the full amount of the penalty, plus interest, and the amount of the bond. SGI filed separate actions opposing each resolution with the Tribunal Contencioso of Cundinamarca in Colombia (the "Tribunal"), which upheld both resolutions. SGI appealed each decision to the Council of State. In May 2012, the Council of State upheld the contract default resolution, which decision was notified to us in August 2012. In October 2013, the Council of State upheld the liquidation resolution, which decision was notified to us in December 2013.

In July 1996, Ecosalud filed a lawsuit against SGI in the U.S. District Court for the Northern District of Georgia asserting many of the same claims asserted in the Colombia proceedings, including breach of contract, and seeking damages. In March 1997, the District Court dismissed Ecosalud's claims. Ecosalud appealed the decision to the U.S. Court of Appeals for the Eleventh Circuit. The Court of Appeals affirmed the District Court's decision in 1998.

In June 1999, Ecosalud filed a collection proceeding against SGI to enforce the liquidation resolution and recover the claimed damages. In May 2013, the Tribunal denied SGI's merit defenses to the collection proceeding and issued an order of payment of approximately 90 billion Colombian pesos (approximately $44 million based on the current exchange rate) plus default interest (potentially accrued since 1994). SGI has filed an appeal to the Council of State, which appeal has stayed the payment order.

SGI believes it has various defenses, including on the merits, against Ecosalud's claims. Although we believe these claims will not result in a material adverse effect on our consolidated financial position or results of operations, it is not feasible to predict the final outcome, and there can be no assurance that these claims will not ultimately be resolved adversely to us or result in material liability.

SNAI Litigation

On April 16, 2012, certain VLTs operated by SNAI S.p.a. ("SNAI") in Italy and supplied by Barcrest erroneously printed what appeared to be winning jackpot and other tickets with a face amount in excess of €400.0 million. SNAI has stated, and system data confirms, that no jackpots were actually won on that day. The terminals have been deactivated by the Italian regulatory authority. Following the incident, we understand that the Italian regulatory authority revoked the certification of the version of the gaming system that Barcrest provided to SNAI and fined SNAI €1.5 million, but determined to not revoke SNAI's concession to operate VLTs in Italy.

In October 2012, SNAI filed a lawsuit in the Court of First Instance of Rome in Italy against Barcrest and Global Draw, our subsidiary which acquired Barcrest from IGT-UK Group Limited, a subsidiary of International Game Technology ("IGT"), claiming liability based on breach of contract and tort. The lawsuit seeks to terminate SNAI's agreement with Barcrest and damages arising from the deactivation of the terminals, including among other things, lost profits, expenses and costs, potential awards to players who have sought to enforce what appeared to be winning jackpot and other tickets, compensation sought by managers of the gaming locations where SNAI VLTs supplied by Barcrest were installed, damages to commercial reputation and any future damages arising from SNAI's potential loss of its concession or inability to obtain a new concession. In June 2013, Barcrest and Global Draw filed a counterclaim based on SNAI's alleged breach of contract.

In September 2013, Global Draw brought an action against IGT-UK Group Limited and IGT in the High Court of Justice (Commercial Court) in London, England seeking relief under the indemnification and warranty provisions contained in the agreement pursuant to which Barcrest was acquired from IGT-UK Group, including in connection with the April 2012 incident and a number of ancillary matters. In November 2013, IGT-UK Group Limited filed a defense in which it denied Global Draw's claims and counterclaimed based on Global Draw's alleged breach of contract in connection with another ancillary matter. In September 2014, Global Draw's motion for summary judgment was granted in respect of one of the ancillary matters but denied in respect of the April 2012 incident. Accordingly, the parties are scheduled to proceed to trial relating to the April 2012 incident and the other remaining issues in May 2015.

While we believe we have meritorious defenses in the Italian litigation and potential third party recoveries, the lawsuit is in its early stages and we cannot currently predict the outcome of this matter.

WMS Merger Litigation

Complaints challenging the WMS merger were filed in early 2013 in the Delaware Court of Chancery, the Circuit Court of Cook County, Illinois and the Circuit Court of the Nineteenth Judicial Circuit, Lake County, Illinois. The actions are putative class actions filed on behalf of WMS stockholders. The complaints generally allege that the WMS directors breached their fiduciary duties in connection with their consideration and approval of the merger and in connection with their public disclosures concerning the merger. The complaints allege that other defendants, including WMS, Scientific Games Corporation and certain affiliates of Scientific Games Corporation, aided and abetted those alleged breaches. The plaintiffs sought equitable relief, including to enjoin the acquisition, to rescind the acquisition if not enjoined, damages, attorneys' fees and other costs.

The Delaware actions have been consolidated under the caption In re WMS Stockholders Litigation (C.A. No. 8279-VCP). The plaintiffs in the consolidated Delaware actions submitted to the Delaware Court of Chancery a letter advising that they had conferred with the plaintiffs in the Illinois actions and agreed to stay the consolidated Delaware action.

The Lake County, Illinois actions were transferred to Cook County. All of the Illinois actions were consolidated in Cook County with Gardner v. WMS Industries Inc., et al. (No. 2013 CH 3540).

In April 2013, the plaintiffs in the Gardner action filed a motion for preliminary injunction to enjoin the WMS stockholder vote on the merger. Following that, in April 2013, lead counsel in the Gardner action, on behalf of counsel for plaintiffs in all actions in Delaware and Illinois, agreed to withdraw the motion for preliminary injunction and not to seek to enjoin the WMS stockholder vote in return for WMS' agreement to make certain supplemental disclosures related to the merger. WMS made those supplemental disclosures in a Current Report on Form 8-K filed with the SEC on April 29, 2013.

In January 2014, the plaintiffs in the Illinois action filed an amended complaint seeking damages for the alleged breach of fiduciary duties by the individual defendants and the alleged aiding and abetting of those breaches by WMS and Scientific Games Corporation. In February 2014, WMS and Scientific Games Corporation filed motions to dismiss the

amended complaint. In September 2014, the plaintiffs' claims in the Illinois action were dismissed with prejudice. The plaintiffs in the Illinois action have filed a claim for attorney fees of $0.9 million, which we have opposed.

The Company believes the claims in the consolidated Delaware action are without merit.

IGT License Claims

In early 2012, IGT initiated an audit to determine whether WMS was in compliance with the terms of a license agreement between the two parties. IGT claimed that WMS underpaid license fees by approximately $25 million plus approximately $11 million in interest. IGT subsequently filed a demand for arbitration seeking $50.0 million from WMS. We initiated an action in the U.S. District Court for the District of Nevada seeking a preliminary injunction to enjoin or limit the scope of the arbitration and to restrain IGT from seeking to enforce certain provisions of the arbitration clause in the license agreement, as well as a refund of overpaid royalty payments. Our motion for preliminary injunction was denied by the District Court in March 2014 and our action seeking recovery of overpaid royalty payments was stayed pending resolution of certain matters in the arbitration. In June 2014, WMS, Scientific Games Corporation and IGT entered into a settlement agreement that resolved this matter and a number of other disputes and proceedings among the parties. We paid $8.0 million to IGT in connection with the settlement, substantially all of which was included in our previously accrued liabilities assumed in the WMS acquisition. The District Court action was dismissed in June 2014 and the arbitration action was dismissed in July 2014.

Bally Acquisition Litigation

The following complaints challenging the pending Bally merger were filed in August 2014 in the state District Court of Clark County, Nevada: Shaev v. Bally Technologies, Inc., Richard Haddrill, et al. (C.A. No. A-14-705012-B); Lawandoski v. Bally Technologies, Inc., Robert Guido, et al. (C.A. No. A-14-705153-C); Rosenfeld v. Bally Technologies, Inc., Robert Guido, et al. (C.A. No. A-14-705162-B); Crescente v. Bally Technologies, Inc., Robert Guido, et al. (C.A. No. A-14-705144-C); Stein v. Bally Technologies, Inc., Robert L. Guido, et al. (C.A. No. A-14-705338-B); and Hahm v. Bally Technologies, Inc., Robert Guido, et al. (C.A. No. A-14-706234-C). The actions are putative class actions filed on behalf of the public stockholders of Bally and name as defendants Bally, its directors, Scientific Games Corporation and certain of its affiliates. The complaints generally allege that the Bally directors breached their fiduciary duties in connection with their consideration and approval of the merger and that we aided and abetted those alleged breaches. The plaintiffs seek equitable relief, including to enjoin the merger, to rescind the merger if not enjoined, damages, attorneys' fees and other costs.

All of the actions have been consolidated under the caption In re Bally Technologies, Inc. Shareholders Litigation (C.A. No. A-14-705012-B) (the "Nevada Action"). In October 2014, plaintiffs filed a motion for limited expedited discovery in connection with an anticipated motion to enjoin the proposed transaction. Following that, in October 2014, Bally and its directors filed a motion to dismiss the consolidated complaint and Scientific Games and its affiliates filed a motion to dismiss the count of the consolidated complaint alleging wrongdoing by Scientific Games Corporation and its affiliates. Following that, the plaintiffs withdrew their motion for expedited discovery and the parties entered into preliminary settlement discussions.

On October 17, 2014, following arm's-length negotiations, the parties to the Nevada Action entered into a Memorandum of Understanding ("MOU") under which they agreed in principle to settle all of the claims asserted in the Nevada Action on a class-wide basis, subject to certain conditions, including confirmatory discovery by the plaintiffs in the Nevada Action and preliminary and final approval of the Nevada court, which will consider the fairness, reasonableness and adequacy of the settlement. Bally, Scientific Games and the other named defendants entered into the MOU solely to avoid the costs, risks and uncertainties inherent in litigation and without admitting any liability or wrongdoing, and vigorously denied, and continue to vigorously deny, the claims alleged in the Nevada Action.

There can be no assurance that the parties will ultimately enter into a definitive settlement agreement or that the Nevada court will approve the settlement. In such event, or if the merger is not consummated for any reason, the proposed settlement will be null and void and of no force and effect. Payments made in connection with the settlement, which are subject to court approval, are not expected to be material. The settlement will not affect the consideration to be received by Bally's stockholders in the merger or the timing of the anticipated closing of the merger.

Additional lawsuits relating to the merger agreement or the Bally acquisition may be filed in the future. An adverse judgment for monetary damages could have a material adverse effect on the financial condition, results of operations or cash flows of Bally or us, as the case may be, and therefore could adversely affect the combined business if the merger is completed. A preliminary injunction could delay or jeopardize the completion of the merger, and an adverse judgment granting permanent injunctive relief could indefinitely enjoin completion of the merger.

(19) Supplemental Disclosure of Cash Flow Information

Additional cash flow information is presented below:

	Nine Months Ended September 30,			
	2014		2013	
Interest paid	$	109.0	$	72.1
Income taxes paid (received), net of refunds	$	(31.6)	$	8.9

Nine months ended September 30, 2014

On March 31, 2014, we entered into a new leasing arrangement with ITL for the lease of gaming machines in connection with a long-term services contract with a customer and recorded a non-cash capital lease asset and minimum lease liability of $42.8 million during the three months ended June 30, 2104. We recorded no additional non-cash capital lease assets during the three months ended September 30, 2014.

During the nine months ended September 30, 2014 we recorded approximately $115 million of non-cash other assets and related long-term liabilities related to license agreements with minimum guaranteed obligations entered into during the period.

During the nine months ended September 30, 2014 we made a non-cash capital contribution of $10.8 million to Northstar Illinois.

There were no other significant non-cash investing or financing activities for the nine months ended September 30, 2014.

Nine months ended September 30, 2013

During the nine months ended September 30, 2013 we recorded approximately $27 million of non-cash other assets and related long-term liabilities related to license agreements with minimum guaranteed obligations entered into during the period.

There were no other significant non-cash investing or financing activities for the nine months ended September 30, 2013.

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

We conduct substantially all of our business through our U.S. and foreign subsidiaries. SGI's obligations under the credit agreement, the 2021 Notes and the 2020 Notes are fully and unconditionally and jointly and severally guaranteed by Scientific Games Corporation (the "Parent Company") and substantially all of our 100%-owned U.S. subsidiaries other than SGI (the "Guarantor Subsidiaries"). Our 2018 Notes, which were issued by the Parent Company, are fully and unconditionally and jointly and severally guaranteed by our 100% owned U.S. subsidiaries, including SGI. The guarantees of our 2021 Notes, 2020 Notes and 2018 Notes will terminate under following customary circumstances: (1) the sale or disposition of the capital stock of the guarantor (including by consolidation or merger of the guarantor into another person); (2) the liquidation or dissolution of the guarantor; (3) the defeasance or satisfaction and discharge of the notes; (4) the release of the guarantor from any guarantees of indebtedness of the Parent Company and SGI (or, in the case of the 2018 Notes, the release of the guarantor from any guarantees of indebtedness of the Parent Company); and (5) in the case of the 2020 Notes and 2021 Notes, the proper designation of the guarantor as an unrestricted subsidiary pursuant to the indenture governing the 2020 and 2021 Notes, respectively.

Presented below is condensed consolidated financial information for (1) the Parent Company, (2) SGI, (3) the Guarantor Subsidiaries and (4) our 100%-owned foreign subsidiaries and our non-100%-owned U.S. and foreign subsidiaries (collectively, the "Non-Guarantor Subsidiaries") as of September 30, 2014 and December 31, 2013 and for the three and nine months ended September 30, 2014 and 2013. The condensed consolidating financial information has been presented to show the nature of assets held by, and the results of operations and cash flows of, the Parent Company, SGI, the Guarantor Subsidiaries and the Non-Guarantor Subsidiaries assuming the guarantee structures of the credit agreement, the 2021 Notes, the 2020 Notes and the 2018 Notes were in effect at the beginning of the periods presented.

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. Corporate interest and administrative expenses have not been allocated to the subsidiaries. Net changes in intercompany due from/due to accounts are reported in the accompanying Supplemental Condensed Consolidating Statements of Cash Flows as investing activities if the applicable entities have a net investment (asset) in intercompany accounts, and as a financing activity if the applicable entities have a net intercompany borrowing (liability) balance. This is a correction from the prior-year presentation that reflected all changes in intercompany due to/due from accounts as financing activities in the Supplemental Condensed Consolidating Statements of Cash Flows. This correction had no impact on our consolidated results of operations for the periods presented.

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL CONDENSED CONSOLIDATING BALANCE SHEET
As of September 30, 2014

	Parent Company	SGI	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated
Assets						
Cash and cash equivalents	$ 36.4	$ 0.3	$ 11.3	$ 84.5	$ —	$ 132.5
Restricted cash	—	—	12.0	0.1	—	12.1
Accounts receivable, net	—	62.3	117.1	117.9	—	297.3
Notes receivable, net	—	—	71.5	56.6	—	128.1
Inventories	—	40.7	60.1	70.1	—	170.9
Other current assets	14.6	14.4	51.6	28.5	—	109.1
Property and equipment, net	0.5	125.7	410.2	203.2	—	739.6
Investment in subsidiaries	1,849.5	952.6	—	—	(2,802.1)	—
Goodwill	—	253.6	480.5	434.6	—	1,168.7
Intangible assets, net	161.1	42.4	284.8	12.0	—	500.3
Intercompany balances	—	1,413.0	343.4	—	(1,756.4)	—
Software, net	12.7	33.2	211.2	49.7	—	306.8
Other assets	3.1	116.4	26.3	327.7	—	473.5
Total assets	$ 2,077.9	$ 3,054.6	$ 2,080.0	$ 1,384.9	$ (4,558.5)	$ 4,038.9
Liabilities and stockholders' equity						
Debt payments due within one year	$ —	$ 23.0	$ —	$ 7.9	$ —	$ 30.9
Other current liabilities	39.7	77.5	117.0	127.0	—	361.2
Long-term debt, excluding current installments	250.0	2,897.6	—	30.8	—	3,178.4
Other long-term liabilities	179.8	45.9	69.7	67.3	—	362.7
Intercompany balances	1,502.7	—	—	253.7	(1,756.4)	—
Stockholders' equity	105.7	10.6	1,893.3	898.2	(2,802.1)	105.7
Total liabilities and stockholders' equity	$ 2,077.9	$ 3,054.6	$ 2,080.0	$ 1,384.9	$ (4,558.5)	$ 4,038.9

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL CONDENSED CONSOLIDATING BALANCE SHEET
As of December 31, 2013

	Parent Company	SGI	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated
Assets						
Cash and cash equivalents	$ 56.0	$ —	$ 24.4	$ 73.3	$ —	$ 153.7
Restricted cash	—	—	10.9	—	—	10.9
Accounts receivable, net	—	66.9	135.4	143.7	—	346.0
Notes receivable, net	—	—	90.9	67.8	—	158.7
Inventories	—	28.2	59.6	50.0	—	137.8
Other current assets	13.9	10.5	95.0	30.9	—	150.3
Property and equipment, net	1.1	137.3	441.8	192.9	—	773.1
Investment in subsidiaries	1,962.5	796.5	—	—	(2,759.0)	—
Goodwill	—	251.7	465.4	466.0	—	1,183.1
Intangible assets, net	1.9	42.0	340.6	26.6	—	411.1
Intercompany balances	—	1,430.1	296.3	—	(1,726.4)	—
Software, net	9.4	31.7	251.4	51.0	—	343.5
Other assets	6.0	147.7	42.2	372.3	—	568.2
Total assets	$ 2,050.8	$ 2,942.6	$ 2,253.9	$ 1,474.5	$ (4,485.4)	$ 4,236.4
Liabilities and stockholders' equity						
Debt payments due within one year	$ —	$ 23.0	$ —	$ 7.4	$ —	$ 30.4
Other current liabilities	30.4	63.2	176.2	151.4	—	421.2
Long-term debt, excluding current installments	250.0	2,912.2	—	—	—	3,162.2
Other long-term liabilities	20.8	37.8	121.2	67.8	—	247.6
Intercompany balances	1,374.6	—	—	351.8	(1,726.4)	—
Stockholders' equity	375.0	(93.6)	1,956.5	896.1	(2,759.0)	375.0
Total liabilities and stockholders' equity	$ 2,050.8	$ 2,942.6	$ 2,253.9	$ 1,474.5	$ (4,485.4)	$ 4,236.4

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME
Three Months Ended September 30, 2014

	Parent Company	SGI	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated
Revenue	$ —	$ 106.9	$ 159.1	$ 149.6	$ —	$ 415.6
Cost of instant games, cost of services and cost of product sales (1)	—	29.7	82.2	87.3	—	199.2
Selling, general and administrative	19.5	16.8	40.4	18.9	—	95.6
Research and development	—	1.2	20.9	4.2	—	26.3
Employee termination and restructuring	(0.1)	—	1.4	0.6	—	1.9
Depreciation and amortization	1.2	11.8	67.7	19.7	—	100.4
Operating (loss) income	(20.6)	47.4	(53.5)	18.9	—	(7.8)
Interest expense	(0.2)	(16.2)	(29.1)	(0.2)	—	(45.7)
Other (expense) income, net	(7.0)	(55.4)	41.4	10.1	—	(10.9)
Net (loss) income before equity in income of subsidiaries and income taxes	(27.8)	(24.2)	(41.2)	28.8	—	(64.4)
Equity in (loss) income of subsidiaries	(38.8)	16.3	—	—	22.5	—
Income tax expense	(3.2)	(0.2)	—	(2.0)	—	(5.4)
Net (loss) income from continuing operations	$ (69.8)	$ (8.1)	$ (41.2)	$ 26.8	$ 22.5	$ (69.8)
Net (loss) income	(69.8)	(8.1)	(41.2)	26.8	22.5	(69.8)
Other comprehensive (loss) income	(55.1)	(5.4)	—	(55.7)	61.1	(55.1)
Comprehensive (loss) income	$ (124.9)	$ (13.5)	$ (41.2)	$ (28.9)	$ 83.6	$ (124.9)

(1) Exclusive of depreciation and amortization.

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME
Three Months Ended September 30, 2013

	Parent Company	SGI	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated
Revenue	$ —	$ 100.6	$ 20.3	$ 113.9	$ (0.4)	$ 234.4
Cost of instant games, cost of services and cost of product sales (1)	—	30.2	38.1	59.8	(1.6)	126.5
Selling, general and administrative	16.9	13.3	2.5	13.1	(0.2)	45.6
Research and development	—	0.9	0.2	0.3	—	1.4
Employee termination and restructuring	—	—	—	—	—	—
Depreciation and amortization	0.2	9.8	5.6	19.6	—	35.2
Operating (loss) income	(17.1)	46.4	(26.1)	21.1	1.4	25.7
Interest expense	(5.3)	(19.7)	—	(0.2)	—	(25.2)
Other income (expense), net	1.3	(44.9)	45.1	3.3	(1.4)	3.4
Net (loss) income before equity in income of subsidiaries and income taxes	(21.1)	(18.2)	19.0	24.2	—	3.9
Equity in income (loss) of subsidiaries	23.6	18.8	—	—	(42.4)	—
Income tax expense	(2.9)	(0.1)	—	(1.3)	—	(4.3)
Net (loss) income from continuing operations	$ (0.4)	$ 0.5	$ 19.0	$ 22.9	$ (42.4)	$ (0.4)
Net loss from discontinued operations	(0.1)	—	—	(0.1)	0.1	(0.1)
Net (loss) income	(0.5)	0.5	19.0	22.8	(42.3)	(0.5)
Other comprehensive (loss) income	39.2	(2.1)	—	41.0	(38.9)	39.2
Comprehensive (loss) income	$ 38.7	$ (1.6)	$ 19.0	$ 63.8	$ (81.2)	$ 38.7

(1) Exclusive of depreciation and amortization.

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME
Nine Months Ended September 30, 2014

	Parent Company	SGI	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated
Revenue	$ —	$ 317.1	$ 475.4	$ 428.1	$ —	$ 1,220.6
Cost of instant games, cost of services and cost of product sales (1)	—	93.5	243.8	237.1	—	574.4
Selling, general and administrative	51.6	50.9	122.5	57.6	—	282.6
Research and development	—	2.3	62.5	12.2	—	77.0
Employee termination and restructuring	1.9	0.2	5.5	4.8	—	12.4
Depreciation and amortization	6.7	32.1	187.5	64.2	—	290.5
Operating (loss) income	(60.2)	138.1	(146.4)	52.2	—	(16.3)
Interest expense	(2.5)	(62.7)	(77.0)	(0.7)	—	(142.9)
Other (expense) income, net	(39.6)	(150.7)	132.8	47.5	—	(10.0)
Net (loss) income before equity in income of subsidiaries and income taxes	(102.3)	(75.3)	(90.6)	99.0	—	(169.2)
Equity in (loss) income of subsidiaries	(71.7)	51.4	—	—	20.3	—
Income tax expense	(13.2)	(0.3)	—	(4.5)	—	(18.0)
Net (loss) income from continuing operations	$ (187.2)	$ (24.2)	$ (90.6)	$ 94.5	$ 20.3	$ (187.2)
Net (loss) income	(187.2)	(24.2)	(90.6)	94.5	20.3	(187.2)
Other comprehensive (loss) income	(51.4)	(2.4)	(0.3)	(45.6)	48.3	(51.4)
Comprehensive (loss) income	$ (238.6)	$ (26.6)	$ (90.9)	$ 48.9	$ 68.6	$ (238.6)

(1) Exclusive of depreciation and amortization.

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME
Nine Months Ended September 30, 2013

	Parent Company	SGI	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated
Revenue	$ —	$ 308.4	$ 42.2	$ 340.5	$ (2.1)	$ 689.0
Cost of instant games, cost of services and cost of product sales (1)	—	97.1	107.2	185.8	(5.5)	384.6
Selling, general and administrative	52.2	38.1	7.6	42.0	(0.8)	139.1
Research and development	—	3.1	0.5	1.1	—	4.7
Employee termination and restructuring	—	—	—	0.3	—	0.3
Depreciation and amortization	0.5	28.4	16.7	65.5	—	111.1
Operating (loss) income	(52.7)	141.7	(89.8)	45.8	4.2	49.2
Interest expense	(15.9)	(58.8)	—	(0.6)	—	(75.3)
Other income (expense), net	4.5	(131.7)	134.6	9.0	(4.2)	12.2
Net (loss) income before equity in income of subsidiaries and income taxes	(64.1)	(48.8)	44.8	54.2	—	(13.9)
Equity in income (loss) of subsidiaries	45.5	44.6	—	—	(90.1)	—
Income tax expense	(6.5)	(0.3)	—	(4.4)	—	(11.2)
Net (loss) income from continuing operations	$ (25.1)	$ (4.5)	$ 44.8	$ 49.8	$ (90.1)	$ (25.1)
Net loss from discontinued operations	(1.6)	—	—	(1.6)	1.6	(1.6)
Net (loss) income	(26.7)	(4.5)	44.8	48.2	(88.5)	(26.7)
Other comprehensive (loss) income	1.9	(1.9)	—	3.6	(1.7)	1.9
Comprehensive (loss) income	$ (24.8)	$ (6.4)	$ 44.8	$ 51.8	$ (90.2)	$ (24.8)

(1) Exclusive of depreciation and amortization.

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
Nine Months Ended September 30, 2014

	Parent Company	SGI	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated
Net cash (used in) provided by operating activities	$ (79.2)	$ 19.8	$ 160.0	$ 132.8	$ —	$ 233.4
Cash flows from investing activities:						—
Additions to property and equipment	(2.3)	(2.1)	(22.1)	(5.9)	—	(32.4)
Lottery and gaming services expenditures	(0.1)	(9.7)	(41.3)	(22.0)	—	(73.1)
Intangible assets and software expenditures	(6.0)	(12.1)	(49.9)	(2.8)	—	(70.8)
Additions to equity method investments	—	—	—	(43.3)	—	(43.3)
Distributions of capital on equity investments	—	(1.3)	—	46.7	—	45.4
Proceeds on sale of equity interest	—	—	—	44.9	—	44.9
Other	(9.6)	29.2	(0.6)	16.1	(35.7)	(0.6)
Intercompany balances	—	18.8	(44.9)	—	26.1	—
Net cash provided by (used in) investing activities	(18.0)	22.8	(158.8)	33.7	(9.6)	(129.9)
Cash flows from financing activities:						
Net payments on long-term debt	—	(19.5)	—	(9.9)	—	(29.4)
Payments of financing fees	—	(22.8)	—	—	—	(22.8)
Payments on license obligations	—	—	(7.0)	—	—	(7.0)
Common stock repurchases	(29.5)	—	—	—	—	(29.5)
Contingent earnout payments	—	—	(7.0)	(3.2)	—	(10.2)
Net redemptions of common stock under stock-based compensation plans	(19.1)	—	—	(35.7)	35.7	(19.1)
Other, principally intercompany balances	126.2	—	—	(100.1)	(26.1)	—
Net cash provided by (used in) financing activities	77.6	(42.3)	(14.0)	(148.9)	9.6	(118.0)
Effect of exchange rate changes on cash	—	—	(0.3)	(6.4)	—	(6.7)
Increase (decrease) in cash and cash equivalents	(19.6)	0.3	(13.1)	11.2	—	(21.2)
Cash and cash equivalents, beginning of period	56.0	—	24.4	73.3	—	153.7
Cash and cash equivalents, end of period	$ 36.4	$ 0.3	$ 11.3	$ 84.5	$ —	$ 132.5

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
Nine Months Ended September 30, 2013

	Parent Company	SGI	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated
Net cash (used in) provided by operating activities	$ (44.7)	$ (16.1)	$ 43.3	$ 113.1	$ —	$ 95.6
Cash flows from investing activities:						
Additions to property and equipment	(3.3)	(1.8)	(12.2)	(5.6)	—	(22.9)
Lottery and gaming services expenditures	(0.2)	(6.4)	(0.4)	(44.3)	—	(51.3)
Intangible assets and software expenditures	(2.1)	(12.2)	(11.7)	(12.1)	—	(38.1)
Business acquisitions, net of cash acquired	—	—	—	(0.4)	—	(0.4)
Other assets and investments	9.9	14.0	—	36.3	(64.3)	(4.1)
Other, principally intercompany balances	32.3	—	(23.4)	—	(8.9)	—
Net cash (used in) provided by investing activities	36.6	(6.4)	(47.7)	(26.1)	(73.2)	(116.8)
Cash flows from financing activities:						
Net payments on long-term debt	—	(4.7)	—	(4.8)	—	(9.5)
Net redemptions of common stock under stock-based compensation plans	(2.1)	—	—	(64.3)	64.3	(2.1)
Payment of financing fees	—	(2.0)	—	—	—	(2.0)
Other, principally intercompany balances	—	29.0	—	(37.9)	8.9	—
Net cash provided by (used in) financing activities	(2.1)	22.3	—	(107.0)	73.2	(13.6)
Effect of exchange rate changes on cash	—	0.2	—	(0.9)	—	(0.7)
Decrease in cash and cash equivalents	(10.2)	—	(4.4)	(20.9)	—	(35.5)
Cash and cash equivalents, beginning of period	27.2	0.2	2.4	79.2	—	109.0
Cash and cash equivalents, end of period	$ 17.0	$ 0.2	$ (2.0)	$ 58.3	$ —	$ 73.5

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following MD&A is intended to enhance the reader's understanding of our operations and current business environment. This MD&A should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" for the fiscal year ended December 31, 2013 and the "Business" section included in our 2013 Annual Report on Form 10-K.

This MD&A contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and should be read in conjunction with the disclosures and information contained and referenced under "Forward-Looking Statements" included in this Quarterly Report on Form 10-Q. As used in this MD&A, the terms "we," "us," "our" and the "Company" mean Scientific Games Corporation together with its consolidated subsidiaries.

Our MD&A is organized into the following sections:

- BUSINESS OVERVIEW
- CONSOLIDATED RESULTS
- BUSINESS SEGMENT RESULTS
- RECENTLY ISSUED ACCOUNTING GUIDANCE
- CRITICAL ACCOUNTING ESTIMATES
- LIQUIDITY, CAPITAL SOURCES AND WORKING CAPITAL

BUSINESS OVERVIEW

We are a leading diversified supplier of technology-based products and services to the gaming and lottery industries. The Company's portfolio includes instant and draw-based lottery games; gaming machines and game content; server-based lottery and gaming systems; sports betting technology; loyalty and rewards programs; and interactive products and services. We also gain access to technologies and pursue global expansion through strategic acquisitions, equity investments and licensing agreements.

Pending Acquisition of Bally

On August 1, 2014, we entered into a merger agreement pursuant to which we agreed to acquire Bally, a leading supplier of gaming machines, table game products, systems, and interactive gaming solutions, for $83.30 in cash per common share. The aggregate transaction value is approximately $5.1 billion, including the refinancing of approximately $1.8 billion of existing Bally net debt. We received early termination of the waiting period under the HSR Act in August 2014, which satisfied one of the conditions to closing the merger. The closing of the merger remains subject to approval of the merger by Bally stockholders, receipt of certain gaming regulatory approvals and other customary closing conditions.

The merger agreement contains certain termination rights for both Scientific Games and Bally and further provides that, in connection with termination of the merger agreement under specified circumstances, (1) we may be required to pay to Bally a termination fee of $105.0 million if all the conditions to closing have been met and the merger is not consummated because of a breach by our lenders of their obligations to finance the transaction, (2) we may be required to pay to Bally a termination fee of $105.0 million if the parties are unable to obtain the gaming regulatory approvals that are conditions to closing and (3) Bally may be required to pay us a termination fee of $80.0 million under specified circumstances, including, but not limited to, a change in the Bally board's recommendation of the merger or in connection with Bally's termination of the merger agreement to enter into a written definitive agreement for a "superior proposal" (as defined in the merger agreement).

In connection with the merger agreement, we entered into a commitment letter pursuant to which the lenders party thereto have agreed to provide the Debt Financing. The funding of the Debt Financing is contingent on the satisfaction of certain conditions set forth in the commitment letter. The merger is not conditioned on our obtaining the proceeds of any financing, including the Debt Financing. In connection with the contemplated financing, on October 1, 2014, we entered into an amendment to our existing credit agreement to, among other things, permit the Bally acquisition and the transactions related thereto, and, effective as of the completion of the Bally acquisition (and the satisfaction of the other conditions contemplated by the amendment), increase the Company's existing revolving credit facility by $267.6 million. Under the terms of the amendment, the existing term loans under the credit agreement (1) prior to the consummation of the Bally acquisition, will continue to bear interest at 3.25% per annum for eurodollar (LIBOR) loans and 2.25% per annum for base rate loans, subject to a eurodollar (LIBOR) rate floor of 1.00% or a base rate floor of 2.00%, as applicable, and (2) from and after the consummation

of the Bally acquisition, will bear interest at 5.00% per annum for eurodollar (LIBOR) loans and 4.00% per annum for base rate loans, subject to a eurodollar (LIBOR) rate floor of 1.00% or a base rate floor of 2.00%.

In addition, on October 1, 2014, SGMS Escrow Corp. entered into an escrow credit agreement providing for $2.0 billion of new term loans, the net proceeds of which are expected to provide a portion of the funds to be used to finance the Bally acquisition. Upon the consummation of the Bally acquisition, the term loans under the Escrow Credit Agreement will be assumed by SGI and become incremental term loans under our existing credit agreement. The term loans under the Escrow Credit Agreement (and, when assumed by SGI, the existing credit agreement) bear interest at 5.00% per annum for eurodollar (LIBOR) loans and 4.00% per annum for base rate loans, subject to a eurodollar (LIBOR) rate floor of 1.00% or a base rate floor of 2.00%, as applicable. The term loans under the Escrow Credit Agreement were funded into escrow, less original issue discount, by the lenders on October 17, 2014 and began accruing interest, initially at the LIBOR loan rate plus the applicable margin referred to above, beginning on October 18, 2014.

For additional information regarding the acquisition financing, please see the section entitled "Contemplated Financing for Bally Acquisition" in Note 12 (Long-term and Other Debt) in this Quarterly Report on Form 10-Q , as well as the full text of our existing credit agreement, the commitment letter, the amendment to our credit agreement and the Escrow Credit Agreement, copies of which are filed as Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on October 18, 2013, Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on August 4, 2014, and Exhibit 10.1 and Exhibit 10.2 to our Current Report on Form 8-K filed with SEC on October 7, 2014, respectively. The foregoing summaries of the terms of the existing credit agreement, the commitment letter, the amendment to the existing credit agreement and the Escrow Credit Agreement are qualified in their entirety by reference to the respective exhibit.

For additional information regarding the pending transaction, please see the full text of the merger agreement, a copy of which is filed as exhibit 2.1 to our Current Report on Form 8-K filed with the SEC on August 4, 2014.

The Bally acquisition is expected to be completed in the fourth quarter of 2014. However, no assurance can be given that the transaction will be completed.

In connection with the pending Bally acquisition, we incurred $5.6 million in acquisition-related fees and expenses during the three months ended September 30, 2014 and expect to continue to incur additional acquisition-related fees and expenses in the fourth quarter of 2014. Upon closing of the acquisition of Bally, we expect to incur approximately $170 million of financing fees in connection with the term loans and revolving credit facility under the Escrow Credit Agreement and with respect to the remaining financing commitments under the commitment letter for the acquisition of Bally. We also anticipate incurring fees related to our additional financing activities during the balance of the quarter ending December 31, 2014.

Impact of WMS Acquisition and Other Items

On October 18, 2013, the Company acquired WMS for $1,485.9 million. WMS is one of the largest global gaming suppliers with a diversified suite of products and strong content creation capabilities. For additional information regarding the WMS acquisition, please see Note 3 (Acquisitions and Dispositions) in this Quarterly Report on Form 10-Q.

Our consolidated results of operations for the three and nine months ended September 30, 2014 were significantly impacted by the inclusion of the results of operations of WMS in our consolidated and Gaming segment results of operations. Results for the three and nine months ended September 30, 2013 do not include results of operations for WMS. We remain focused on successfully integrating WMS and Scientific Games and achieving anticipated cost synergies by implementing our integration plans, although we expect that incremental costs and capital expenditures will be required relating to our integration activities.

Segments

We report our operations in three business segments: Instant Products, Lottery Systems and Gaming. The Instant Products and Lottery Systems business segments are managed by a single executive and the Gaming business segment is managed by a different executive, both of whom report to our chief executive officer (who is the "chief operating decision maker" under applicable accounting rules). Our interactive operating segment is aggregated with our gaming operating segment and is presented within the Gaming business segment. See "Business Segment Results" below and Note 2 (Reportable Business Segment Information) in this Quarterly Report on Form 10-Q for additional business segment information. In addition, effective in the fourth quarter of 2013, we revised our business and operating segments to reflect the reorganization of our business following the WMS acquisition and the financial information regularly reviewed by our chief executive officer. Based on that review, we moved our video systems operating segment from the Lottery Systems business segment to the Gaming business segment. This change, which was effective as of December 31, 2013, had no impact on the Company's

consolidated financial statements for any periods. Business segment information for the three and nine months ended September 30, 2013 has been adjusted to reflect this change.

scontinued Operations

On March 25, 2013, we completed the sale of our installed base of gaming machines in our pub business, as discussed in Note 3 (Acquisitions and Dispositions) in this Quarterly Report on Form 10-Q. The results of our discontinued pub operations for the three and nine months ended September 30, 2013 are presented in the Consolidated Statements of Operations and Comprehensive (Loss) Income in accordance with ASC 205-20, *Presentation of Financial Statements - Discontinued Operations.* For the three and nine months ended September 30, 2013, we recorded a loss from discontinued operations of $0.1 million and $1.6 million, respectively. There were no results of operations for the discontinued pub business for the three or nine months ended September 30, 2014.

Foreign Exchange

Our results are impacted by changes in foreign currency exchange rates from the translation of foreign functional currencies into U.S. dollars and the re-measurement of foreign currency transactions. The impact of foreign currency exchange rate fluctuations represents the difference between current rates and prior-period rates applied to current activity. We derived approximately 49% and 53% of our revenue from sales to customers outside of the U.S. in 2013 and 2012, respectively. We have exposure to foreign currency volatility, particularly the British Pound Sterling and the Euro, which represented $59.6 million, or 14.3%, and $35.3 million, or 8.5%, respectively, of our revenue for the three months ended September 30, 2014 and $175.6 million, or 14.4%, and $77.6 million, or 6.4%, respectively, of our revenue for the nine months ended September 30, 2014. We also have foreign currency exposure related to certain of our equity investments. Our earnings from our Euro-denominated equity investment in LNS were $4.0 million and $14.6 million for the three and nine months ended September 30, 2014, respectively. See "Quantitative and Qualitative Disclosures About Market Risk" in Item 7A of our 2013 Annual Report on Form 10-K for further information regarding our foreign exchange exposures.

Three Months Ended September 30, 2014 Compared to Three Months Ended September 30, 2013
CONSOLIDATED RESULTS

(in millions)	Three Months Ended September 30,		Variance for the Three Months Ended September 30,	
	2014	2013	2014 vs. 2013	
Revenue:				
Instant games	$ 130.8	$ 129.7	$ 1.1	0.8 %
Services	182.8	80.7	102.1	126.5 %
Product sales	102.0	24.0	78.0	325.0 %
Total revenue	415.6	234.4	181.2	77.3 %
Operating expenses:				
Cost of instant games (1)	69.7	70.6	(0.9)	(1.3)%
Cost of services (1)	69.6	42.6	27.0	63.4 %
Cost of product sales (1)	59.9	13.3	46.6	350.4 %
Selling, general and administrative	95.6	45.6	50.0	109.6 %
Research and development	26.3	1.4	24.9	n/m
Employee termination and restructuring	1.9	—	1.9	n/m
Depreciation and amortization	100.4	35.2	65.2	185.2 %
Operating (loss) income	(7.8)	25.7	(33.5)	n/m
Other income (expense):				
Interest expense	(45.7)	(25.2)	(20.5)	81.3 %
Earnings (loss) from equity investments	(14.0)	3.4	(17.4)	n/m
Other income, net	3.1	—	3.1	n/m
Net (loss) income from continuing operations before income taxes	(64.4)	3.9	(68.3)	n/m
Income tax expense	(5.4)	(4.3)	(1.1)	25.6 %
Net loss from continuing operations	$ (69.8)	$ (0.4)	$ (69.4)	n/m

"n/m" - not meaningful
(1) Exclusive of depreciation and amortization.

Three Months Ended September 30, 2014 Compared to Three Months Ended September 30, 2013

Revenue

Consolidated revenue increased in each of our categories of revenue: instant games, services and product sales. The inclusion of revenue from WMS increased consolidated revenue by $162.5 million. Consolidated revenue also reflected favorable foreign currency translation of $3.5 million.

Instant games revenue increased $1.1 million reflecting higher revenue from our participation contracts in U.S. and certain international jurisdictions and higher revenue from our U.S. price-per-unit contracts. These increases were partially offset by lower revenue from our licensing and player loyalty programs and our international price-per-unit contracts. Services revenue, which includes our participation-based and other services revenue from our U.S.-based lottery systems and Gaming segment, increased $102.1 million, primarily reflecting the inclusion of WMS services revenue of $98.5 million. The $78.0 million increase in product sales revenue included $64.1 million of WMS product sales revenue, with the remaining increase attributable to higher hardware and software sales to our international and U.S. lottery customers.

Cost of Revenue

Consolidated cost of revenue increased primarily as a result of higher revenue. Cost of instant games revenue decreased 1% compared to the increase in instant games revenue of 1% due to a more profitable mix of revenue. Cost of services increased 63% compared to an increase in services revenue of 127%, reflecting a more profitable revenue mix

primarily attributable to WMS services revenue. Cost of product sales increased 350% compared to an increase in sales revenue of 325%, primarily reflecting the inclusion of WMS product sales.

SG&A

SG&A increased $50.0 million, which reflected $41.8 million of SG&A attributable to WMS and $3.1 million of higher acquisition-related fees and expenses related to the pending Bally acquisition.

R&D

R&D increased $24.9 million primarily related to the inclusion of WMS in our financial results.

Employee Termination and Restructuring

Employee termination and restructuring costs increased $1.9 million, $1.5 million of which was attributable to WMS integration activities. For additional information regarding these charges, see Note 4 (Restructuring Plans) in this Quarterly Report on Form 10-Q.

D&A

D&A increased $65.2 million, of which $58.9 million was attributable to WMS. Excluding the increase attributable to WMS, D&A reflected an increase in amortization of capitalized internally developed software assets in the current-year period, partially offset by accelerated D&A recorded in the prior year for the write-down of used gaming machines and a change in the estimated useful lives of certain gaming machines.

Other Income and Expense

Interest expense increased $20.5 million due to the additional indebtedness incurred to finance the WMS acquisition. This increase was slightly offset by a reduction in interest expense as a result of the refinancing of the 2019 Notes with the 2021 Notes in June 2014. For additional information regarding our indebtedness, see Note 12 (Long-term and Other Debt) in this Quarterly Report on Form 10-Q.

Earnings from equity investments decreased $17.4 million primarily was due to the $19.7 million non-cash impairment charge we recorded to write down our Northstar Illinois equity investment as we understand that the Governor's office of the State of Illinois directed the Illinois Department of Lottery to end the PMA with Northstar Illinois. For additional information regarding our equity investments, see Note 11 (Equity Method Investments) in this Quarterly Report on Form 10-Q.

Income Tax Expense

The effective income tax rates on the net (loss) income from continuing operations of (8.4)% and 109.5% for the three months ended September 30, 2014 and 2013, respectively, were determined using an estimated annual effective tax rate after considering any discrete items for such periods. Due to a valuation allowance against our U.S. deferred tax assets, the effective tax rates for the three months ended September 30, 2014 and 2013 did not include the benefit of the current-year U.S. tax loss. As a result, income tax expense for the three months ended September 30, 2014 and 2013 primarily related to income tax expense in foreign jurisdictions.

Our effective income tax rate on foreign earnings was impacted by the mix of income and the statutory tax rates in our foreign jurisdictions, which ranged from a low of 0% to a high of 35%. The foreign jurisdictions that had the most impact on our foreign income tax benefit (expense) in the period include Austria, Canada, Ireland, and the U.K.

BUSINESS SEGMENTS RESULTS

INSTANT PRODUCTS

Our Instant Products segment is primarily comprised of our global instant lottery games business. We generate revenue from the manufacture and sale of instant lottery games, as well as the provision of value-added services such as game design, sales and marketing support, specialty games and promotions, inventory management and warehousing and fulfillment services. In addition, we provide licensed games, promotional entertainment and internet-based marketing services to the lottery industry. These revenues are presented as instant games revenue in our Consolidated Statement of Operations and Comprehensive Statement of (Loss) Income. Revenue generated from the sale of phone cards that we manufacture is presented as product sales revenue in our Consolidated Statement of Operations and Comprehensive Statement of (Loss) Income. Our equity investments in LNS (Italy), Northstar Illinois, Northstar New Jersey, CSG (China) and Hellenic Lotteries (Greece) are included in the Instant Products segment.

Current Year Update

In January 2014, we completed the installation of a new, state-of-the-art instant lottery game printing press at our Alpharetta, Georgia facility, which provides increased capacity for the production of our instant games.

In November 2013, we were awarded a new price-per-unit contract with Loto-Québec, which we expect to take effect in the fourth quarter of 2014 and that will represent a significantly smaller portion of such customer's instant lottery game business than our prior contract with Loto-Quebec, which expired in January 2014. We understand that a contract has been awarded to one of our competitors for certain categories of instant games that we provided under the recently expired contract. We have continued to provide instant lottery games to Loto-Québec since the expiration of our prior contract.

In April 2014, we entered into a three-year price-per-unit instant games contract to continue serving as the primary supplier to La Française des Jeux ("FDJ"), the operator of the French National Lottery and the second largest instant game lottery in the world, which includes options for FDJ to extend the contract for three additional one-year periods.

In May 2014, Hellenic Lotteries commenced sales of lottery games in Greece under its 12-year concession, which provides exclusive rights to the production, operation and management of instant games and certain traditional lotteries in Greece. We own a 16.5% equity interest in Hellenic Lotteries and are its exclusive supplier of instant games under a participation contract.

In October 2014, the MONOPOLY MILLIONAIRES' CLUB™ ("MMC") was launched by lotteries in 23 states through the Multi-State Lottery Association ("MUSL"). MMC was created by the Company and is the first $5 multi-state draw game in the United States. The Company is also producing a weekly one-hour MONOPOLY™-themed television game show associated with the MMC draw game, which we expect will air in February 2015. The initial term of our MMC agreement with MUSL runs through September 6, 2016 and automatically renews for additional one-year periods thereafter unless terminated according to its terms. Our revenue from MMC will be based on a percentage of retail sales.

In December 2013, we initiated a plan to exit our instant lottery game operations in Mexico. In February 2014, we exited the operations and simultaneously entered into a three-year agreement to supply instant lottery games to a distributor in Mexico. In June 2014, we initiated a plan to exit our paper roll conversion operations in the U.S., which are immaterial to our operations.

Under the terms of a PMA, Northstar Illinois is entitled to receive annual incentive compensation payments from the lottery to the extent it is successful in increasing the Illinois lottery's net income (as defined in the PMA) above specified target levels, subject to a cap of 5% of the applicable year's net income, and is responsible for annual payments to the lottery to the extent such targets are not achieved, subject to a similar cap. During the three months ended June 30, 2014, we understand that Northstar Illinois recorded a liability related to an estimated shortfall payment for the lottery's fiscal year ended June 30, 2014. We recorded a charge of $8.0 million, representing our 20% share of that liability, in earnings (loss) from equity investments in our Consolidated Statements of Operations and Comprehensive (Loss) Income during the three months ended June 30, 2014. During the three months ended September 30, 2014, we contributed $13.5 million to Northstar Illinois primarily to fund our pro rata share of shortfall payments that are payable to the lottery under the PMA.

Northstar Illinois and the State have disagreed regarding the State's calculation of net income for each of the lottery fiscal years during the term of the PMA. In August 2014, we understand that the Governor's office of the State of Illinois directed the Illinois Department of Lottery to end the PMA with Northstar Illinois. Although an agreement has not yet been reached between Northstar Illinois and the lottery, in light of the direction by the Governor's office to the lottery to end the PMA with Northstar Illinois and the status of discussions among the parties, in the September 2014 quarter, the Company recorded a non-cash impairment charge of $19.7 million to write down its investment in Northstar Illinois.

Retail sales of instant lottery games can be a key performance indicator of our instant games revenue, although there may not always be a direct correlation between retail sales and our instant games revenue due to the type of contract (e.g., participation contracts versus price-per-unit contracts), the impact of changes in our customer contracts, the performance of our games and player loyalty business or other factors.

Based on third-party data, our U.S. customers' total instant lottery games retail sales increased 7.0% and 5.3% for the three and nine months ended September 30, 2014 compared to the prior-year periods, driven by several factors, including strong performance in those states where we provide instant game product management services. Retail sales of instant games in Italy decreased 3.0% and 2.7% for the three and nine months ended September 30, 2014 compared to the prior-year periods. Italy retail sales are generally impacted by the level of marketing spending and timing of the launch of new games.

Results of Operations and Key Performance Indicators for Instant Products

(in millions)	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013	Variance for the Three Months Ended September 30, 2014 vs. 2013	
Revenue				
Instant games	$ 130.8	$ 129.7	$ 1.1	0.8 %
Product sales	3.2	3.1	0.1	3.2 %
Total revenue	134.0	132.8	1.2	0.9 %
Operating expenses				
Cost of instant games (1)	69.7	70.6	(0.9)	(1.3)%
Cost of product sales (1)	2.4	2.2	0.2	9.1 %
Selling, general and administrative	12.2	11.5	0.7	6.1 %
Research and development	0.5	0.1	0.4	n/m
Employee termination and restructuring	0.4	—	0.4	n/m
Depreciation and amortization	8.9	9.2	(0.3)	(3.3)%
Operating income	$ 39.9	$ 39.2	$ 0.7	1.8 %
Earnings (loss) from equity investments	$ (15.4)	$ 5.2	$ (20.6)	(396.2)%
Key Performance Indicators:				
Instant games by revenue type				
Participation contracts	$ 70.2	$ 62.0	$ 8.2	13.2 %
Price-per-unit contracts	48.4	46.3	2.1	4.5 %
Licensing and player loyalty	12.2	21.4	(9.2)	(43.0)%
Total instant games revenue	$ 130.8	$ 129.7	$ 1.1	0.8 %
Instant games revenue by geography				
U.S. (2)	$ 82.6	$ 82.8	$ (0.2)	(0.2)%
International (2)	48.2	46.9	1.3	2.8 %
Total instant games revenue	$ 130.8	$ 129.7	$ 1.1	0.8 %
U.S. lottery customers' retail sales of instant games	$ 9,298	$ 8,689	$ 609	7.0 %
Italy retail sales of instant games (in Euros)	€ 2,185	€ 2,253	€ (68)	(3.0)%

"n/m" - not meaningful
(1) Exclusive of depreciation and amortization.
(2) Amounts reflect a reclassification of $2.8 million from International to U.S. in the prior-year.

Three Months Ended September 30, 2014 Compared to Three Months Ended September 30, 2013

Revenue

The increase in instant games revenue of $1.1 million was primarily due to $9.2 million of higher revenue from our participation contracts in the U.S. and certain international jurisdictions, including our contracts with Northstar New Jersey and Hellenic Lotteries, partially offset by a decrease of $1.0 million due to our exit from the Provoloto business. The increase was also due to $4.0 million of higher revenue from our U.S. price-per-unit contracts, partially offset by a decrease of $1.9 million from our international price-per-unit contracts including our contract with LNS. The increase in instant games revenue was also offset by a $9.2 million decrease in revenue from our licensing and player loyalty programs primarily due to a higher number of contracts in the prior-year period. The increase in revenue also included a favorable impact from foreign currency translation of $0.7 million.

Operating Income

Operating income increased $0.7 million primarily due to higher revenue and lower D&A, partially offset by an increase in SG&A reflecting higher mpensation and legal expenses, as well as higher R&D and restructuring costs.

Earnings (loss) from equity investments

The decrease in earnings from equity investments of $20.6 million was primarily due to the $19.7 million non-cash impairment charge we recorded to write down our Northstar Illinois equity investment as we understand that the Governor's office of the State of Illinois directed the Illinois Department of Lottery to end the PMA with Northstar Illinois. For additional information regarding our equity investments, see Note 11 (Equity Method Investments) in this Quarterly Report on Form 10-Q.

LOTTERY SYSTEMS

Our Lottery Systems business segment provides customized computer software, software support, equipment and data communication services, sports wagering systems and keno to lotteries. In the U.S., we typically provide the necessary equipment, software and maintenance services on a participation basis under long-term contracts that typically have an initial term of at least five years. Internationally, we typically sell point-of-sale terminals and/or computer software to lottery authorities and may provide ongoing fee-based systems maintenance and software support services. Our equity investment in GLB is included in the Lottery Systems segment.

Current Year Update

In March 2014, we executed an eight-year contract with the North Dakota Lottery, an existing customer, to implement and operate a lottery system and to provide a range of related services and marketing support. The contract commenced in July 2014 and may be extended by the lottery for an additional two-year period.

In May 2014, we signed an amendment to our contract with Loteria Nacional de Beneficencia of Panama (the National Lottery of Panama) to provide Panama's first draw-based lottery game, which is expected to launch in the second quarter of 2015.

In September 2014, Puerto Rico joined Powerball. All retailers who sell lottery tickets in Puerto Rico are now eligible to sell Powerball tickets as well.

We are the exclusive instant lottery game validation network provider to the CSL under an agreement that expires in January 2016. Under the terms of this agreement, the participation rate we receive decreased by 0.1% in January 2014. We have seen a decline in our instant lottery game validation revenue and our joint venture's instant lottery game printing revenue as CSL's retail sales of instant lottery games have declined, which we believe is due in part to competition from other lottery products. We are currently seeking opportunities to continue providing our value-added services relating to the CSL, as well as additional business development opportunities to maintain our revenue and profit relating to our China lottery business following the expiration of the our current CSL agreement. To the extent we are not able to do so, our operating results relating to our China lottery business will be adversely affected.

In June 2013, the Colorado Lottery awarded a new lottery systems contract to one of our competitors. We have continued to provide lottery systems services to the Colorado Lottery under our existing contract through October 2014.

We believe that our U.S. lottery customers' retail sales is a key performance indicator of our Lottery Systems services revenue, although there may not always be a direct correlation between retail sales and our Lottery Systems services revenue due to the terms of our contracts, the impact of changes in our customer contracts or other factors. We believe the level of jackpots of the Powerball and Mega Millions multi-state draw lottery games, and the number of drawings conducted before a jackpot is won, may have an impact on U.S. retail sales and, therefore, on our services revenue in any given period. Our Lottery Systems services revenue is also impacted by retail sales of instant lottery games where we provide instant lottery game validation services on a standalone basis or as part of a Lottery Systems contract. Our Lottery Systems product sales revenue primarily relates to sales of equipment to international customers that are not subject to long-term contracts.

Results of Operations and Key Performance Indicators for Lottery Systems

(in millions)	Three Months Ended September 30, 2014	2013	Variance for the Three Months Ended September 30, 2014 vs. 2013	
Revenue:				
Services	$ 48.2	$ 48.6	$ (0.4)	(0.8)%
Product sales	30.5	13.6	16.9	124.3 %
Total revenue	78.7	62.2	16.5	26.5 %
Operating expenses:				
Cost of services (1)	30.4	27.1	3.3	12.2 %
Cost of product sales (1)	24.6	7.3	17.3	237.0 %
Selling, general and administrative	5.6	5.3	0.3	5.7 %
Research and development	0.9	0.9	—	n/m
Depreciation and amortization	16.0	13.4	2.6	19.4 %
Operating income	$ 1.2	$ 8.2	$ (7.0)	(85.4)%
Earnings from equity investments	$ 0.1	$ 0.1	$ —	0.0 %
Key Performance Indicators:				
Services revenue by geography:				
U.S. (2)	$ 27.6	$ 27.7	$ (0.1)	(0.4)%
International	20.6	20.9	(0.3)	(1.4)%
Total services revenue	$ 48.2	$ 48.6	$ (0.4)	(0.8)%
Product sales by geography:				
U.S.	$ 1.5	$ 1.0	$ 0.5	50.0 %
International	29.0	12.6	16.4	130.2 %
Total product sales revenue	$ 30.5	$ 13.6	$ 16.9	124.3 %
U.S. lottery customers' retail sales (3)	$ 2,065	$ 2,100	$ (35)	(1.7)%

"n/m" - not meaningful

(1) Exclusive of depreciation and amortization.

(2) U.S. services revenue excludes revenue from Puerto Rico.

(3) U.S. lottery customers' retail sales primarily include retail sales of draw games, keno and instant games validated by the relevant system. The retail sales metric for the Lottery Systems segment previously disclosed for earlier periods included draw game retail sales only. We believe the revised metric more clearly correlates to our U.S. Lottery Systems services revenue, since we are generally compensated based on total retail sales generated by the relevant lottery system and not just draw game retail sales. The prior-year period retail sales information presented above has been revised to conform to the revised metric.

Three Months Ended September 30, 2014 Compared to Three Months Ended September 30, 2013

Revenue

Lottery Systems services revenue was essentially flat when compared to the prior-year period with a decline in revenue associated with the Powerball draw game reflecting the award of two large Powerball jackpots in the prior-year period, partially offset by higher revenue from instant ticket validations. The $16.9 million increase in Lottery Systems product sales revenue, which can fluctuate due to its non-recurring nature, primarily reflected higher international sales of hardware and software of $16.4 million and higher U.S. sales of $0.5 million.

Operating Income

Operating income declined $7.0 million primarily due to a less profitable mix of revenue and an increase in D&A related to higher capitalized software assets.

GAMING

Our Gaming business segment is comprised of our gaming operating segment and our interactive operating segment. Our gaming operating segment designs, develops, manufactures, distributes and markets a comprehensive portfolio of gaming products. We lease gaming machines, systems and content and sell new and used gaming machines, VLTs, conversion kits and parts to commercial casinos, Native American casinos, wide-area gaming operators, such as LBO, arcade and bingo operators in the U.K. and continental Europe, and gaming operators affiliated with governments, such as lotteries and gaming regulators. Our interactive operating segment is comprised of our social gaming business in which we sell virtual coins for use on our social gaming sites and our real-money gaming business where we earn a percentage of net gaming revenue generated by play of our games on legalized real-money gaming websites operated by third parties. Our equity investments in RCN and ITL are part of our Gaming business segment. Our equity investment in Sportech was included in our Gaming segment until its sale in January 2014.

We generate Gaming revenue from product sales and services. Our product sales consist of video and mechanical reel gaming machines, VLTs, conversion kits (including game, hardware and operating system conversions), parts and game content to casinos and wide-area and other gaming operators. Our services revenue includes revenue earned from leased gaming machines, other services and our interactive business.

Current Year Update

Our Gaming revenue increased in the third quarter of 2014 compared to the prior-year period, primarily due to the inclusion of WMS' revenue. However, we believe that challenging market conditions in the gaming industry adversely impacted our Gaming results for the third quarter of 2014 relative to WMS' results for the prior-year period and could continue to negatively impact our results of operations. These challenges included: (1) fewer new casino openings and expansions than in the prior year resulting in lower demand for new gaming machines; (2) increased competition, resulting in pricing pressure and negatively impacting our share of shipments of new gaming machines; (3) a decline in gaming operators' gross gaming revenues in the nine months ended September 30, 2014, which we believe resulted in a decrease in capital spending by gaming operators on new gaming machines; (4) government actions in Argentina, which limited our ability to import our products for sale in Argentina; and (5) industry challenges in Mexico, including fewer gaming operators, resulting in a decline in shipments of gaming machines to customers in Mexico.

In March 2014, the U.K. government announced a proposed change to the machine games duty, or MGD, for certain gaming machines supplied to LBOs. The change, which is anticipated to go into effect in March 2015, raises the MGD rate from 20% to 25% of the net win generated by such gaming machines. We expect that this tax change will negatively impact our LBO customers' businesses and our U.K. gaming business. In April 2014, the U.K. government announced its intention to impose restrictions on betting shops and high stakes play, including requiring retail premises to submit planning applications and seek permission before converting their locations to betting shops, requiring customers wagering stakes of fifty Pounds or more to use account-based play or to load cash "over the counter" prior to play, and allowing players to set limits on the time or money they want to spend before commencing play. These changes, which are expected to be implemented in the second half of 2015, could negatively impact our U.K. gaming business. The UKGC is currently considering proposed changes to various social responsibility conditions (which are mandatory conditions of each gaming license) under the UKGC's Licensing Codes and Conditions of Practice ("LCCPs"). The proposed changes relate to land based and online gaming activities, including additional requirements regarding interactions between gaming providers and customers, additional customer self-exclusion provisions and controls on play and enhanced rules on advertising. If the proposed changes are incorporated as LCCPs, they could adversely impact our U.K. customers' business.

In May 2014, the U.K. government passed the Gambling (Licensing and Advertising) Act 2014 (the "Act"). The Act, which is scheduled to take effect in November 2014, expands the licensing regime in the U.K. to require any gaming operator that transacts with or advertises to British consumers to obtain an operating license from the UKGC. In addition, the UKGC has separately announced a regulatory change, which will take effect in March 2015, requiring any party that manufactures, adapts, installs or supplies gambling software to such operators to obtain a remote gambling software license from the UKGC. As a result of these changes, the Company and certain of its customers will be required to obtain additional licenses and, while the U.K. government has indicated that current gaming operators will be able to obtain transitional approval to continue to operate while their license applications are pending, there can be no assurance that we or our customers will obtain the necessary licenses. Separately, legislation has been introduced in the U.K. that will impose a new remote gaming duty, or RGD, on gaming operators of 15% of the net win generated by transactions with U.K. customers. The new RGD is expected to take effect in December 2014. We anticipate that this tax change will impact our U.K. customers' businesses and, therefore, could negatively impact our business.

In April 2014, we entered into a three-year contract extension with the Delaware lottery, which contemplates the placement of a minimum of 400 of our VLTs at charitable gaming organizations in Delaware.

In June 2014, we signed a ten-year contract with the Independent Gaming Corporation Limited of South Australia to supply our *SGVideo™* central monitoring and control system, which will monitor approximately 12,500 gaming machines in more than 550 locations throughout South Australia. Operations under the contract are expected to commence in the fourth quarter of 2014.

Our interactive product portfolio expanded with the addition of a second social casino gaming site, Gold Fish® Social Slots, which became available on Facebook in the first quarter of 2014 and on mobile devices in the second quarter of 2014. We expanded our interactive real-money gaming business by entering into several new game content agreements with online operators and went live on several sites, including with bwin.party in Europe and certain online gaming sites in New Jersey.

In January 2014, we completed the sale of our 20% equity interest in Sportech for cash proceeds of £27.8 million, or $44.9 million, resulting in a gain of approximately £9 million, or $14.5 million.

Results of Operations and Key Performance Indicators for Gaming

All results for 2013 presented herein include no results of operations of WMS, which was acquired in October 2013.

(in millions)	Three Months Ended September 30,		Variance for the Three Months Ended September 30,	
	2014	2013	2014 vs. 2013	
Revenue				
Services	$ 134.6	$ 32.1	$ 102.5	n/m
Product sales	68.3	7.3	61.0	n/m
Total revenue	202.9	39.4	163.5	n/m
Operating expenses				
Cost of services (1)	39.2	15.5	23.7	n/m
Cost of product sales (1)	32.9	3.8	29.1	n/m
Selling, general and administrative	42.4	6.3	36.1	n/m
Research and development	24.9	0.4	24.5	n/m
Employee termination and restructuring	1.5	—	1.5	n/m
Depreciation and amortization	69.8	12.4	57.4	n/m
Operating (loss) income	$ (7.8)	$ 1.0	$ (8.8)	n/m
Earnings (loss) from equity investments	$ 1.3	$ (1.9)	$ 3.2	n/m

"n/m" - not meaningful
(1) Exclusive of depreciation and amortization.

(in millions, except for unit and per unit (or user) information)	Three Months Ended September 30,		Variance for the Three Months Ended September 30,	
	2014	2013	2014 vs 2013	
Key Performance Indicators:				
Services revenue:				
WAP and premium participation products	$ 57.5	$ —	$ 57.5	n/m
Other leased and participation products	30.6	26.6	4.0	15.0 %
Interactive gaming products and services	38.5	—	38.5	n/m
Other services	8.0	5.5	2.5	45.5 %
Total services revenue	$ 134.6	$ 32.1	$ 102.5	n/m
WAP and premium participation units (1):				
Installed base at period end	9,054	—	9,054	n/m
Average installed base	8,678	—	8,678	n/m
Average daily revenue per unit	$ 71.95	$ —	$ 71.95	n/m
Other leased and participation units (2):				
Installed base at period end	26,711	26,829	(118)	(0.4)%
Average installed base	26,667	26,641	26	0.1 %
Average daily revenue per unit	$ 12.49	$ 10.87	$ 1.62	14.9 %
Interactive gaming products and services - social casino:				
Average Monthly Active Users (MAU) (3)	5.7	—	5.7	n/m
Average Daily Active Users (DAU) (4)	1.6	—	1.6	n/m
Average revenue per daily active user (ARPDAU) (5)	$ 0.23	$ —	$ 0.23	n/m
Product sales revenue:				
New gaming machine sales	$ 48.2	$ 1.6	$ 46.6	n/m
Other product sales	20.1	5.7	14.4	n/m
Total product sales revenue	$ 68.3	$ 7.3	$ 61.0	n/m
Product sales:				
U.S. and Canadian new unit shipments	1,933	—	1,933	n/m
International new unit shipments	1,362	276	1,086	n/m
Total new unit shipments	3,295	276	3,019	n/m
Average sales price per new unit	$ 14,638	$ 5,818	$ 8,820	n/m

"n/m" - not meaningful
(1) WAP and premium participation products are comprised of WMS participation gaming machines (WAP, LAP and standalone units) generally available only as leased units
(2) Other leased and participation units are comprised principally of Scientific Games legacy server-based gaming machines, primarily in the U.K., and other leased WMS units
(3) MAU = Monthly Active Users, a count of unique visitors to our sites during a month
(4) DAU = Daily Active Users, a count of unique visitors to our sites during a day
(5) ARPDAU = Average revenue per DAU is calculated by dividing revenue for a period by the DAU for the period by the number of days for the period

Three Months Ended September 30, 2014 Compared to Three Months Ended September 30, 2013

Revenue

The $102.5 million increase in Gaming services revenue includes $98.5 million from WMS. Services revenue from our U.K. gaming customers was essentially flat compared to the prior-year period due to the loss of our Betfred contract in December 2013 and lower services revenue from our international gaming customers, offset by favorable foreign currency translation of $2.6 million. Our installed base of WAP and premium participation units declined to 9,054 units as of September 30, 2014 from 9,437 units reported by WMS at September 30, 2013. The average daily revenue per WAP and premium participation unit increased 8% over the amount reported by WMS in the prior-year period despite challenging gaming industry conditions, reflecting the positive performance of our new games. Our average installed base of other leased and participation units rose to 26,667 units, reflecting the addition of 2,114 other leased units within the WMS footprint, partially offset by a decline in our U.K. gaming installed base that largely resulted from the loss of our Betfred contract. Average daily revenue for our other leased and participation units increased 15% compared to the prior-year period, due to an increase in average daily revenue of the existing units, as well as the addition of the WMS gaming machines. Gaming services revenue also increased due to the inclusion of revenue from our interactive gaming business, which increased relative to the amount WMS reported in the prior-year period primarily due to an increase of 0.7 million average DAU to 1.6 million average DAU for our social casinos for the three-month period ended September 30, 2014.

The $61.0 million increase in product sales revenue included $64.1 million from WMS. New gaming machine shipments by WMS declined approximately 26% relative to the amount reported by WMS in the prior-year period, reflecting the challenging gaming industry conditions discussed above and fewer units shipped for new casino openings. Excluding the impact of WMS revenue, product sales of our VLT machines were down slightly for the three months ended September 30, 2014.

Operating (Loss) Income

The $7.8 million operating loss reflected a $8.5 million operating loss attributable to WMS, which was partially offset by lower D&A of $1.0 million in our U.K. gaming business reflecting accelerated D&A recorded in the prior-year period related to the write-down of used gaming machines and a change in the estimated useful lives of certain gaming machines.

Nine Months Ended September 30, 2014 Compared to Nine Months Ended September 30, 2013
CONSOLIDATED RESULTS

(in millions)	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013	Variance for the Nine Months Ended September 30, 2014 vs. 2013	
Revenue:				
Instant games	$ 392.4	$ 379.0	$ 13.4	3.5 %
Services	538.9	247.7	291.2	117.6 %
Product sales	289.3	62.3	227.0	364.4 %
Total revenue	1,220.6	689.0	531.6	77.2 %
Operating expenses:				
Cost of instant games (1)	212.5	210.3	2.2	1.0 %
Cost of services (1)	200.7	135.0	65.7	48.7 %
Cost of product sales (1)	161.2	39.3	121.9	310.2 %
Selling, general and administrative	282.6	139.1	143.5	103.2 %
Research and development	77.0	4.7	72.3	n/m
Employee termination and restructuring	12.4	0.3	12.1	n/m
Depreciation and amortization	290.5	111.1	179.4	161.5 %
Operating (loss) income	(16.3)	49.2	(65.5)	(133.1)%
Other (expense) income:				
Interest expense	(142.9)	(75.3)	(67.6)	89.8 %
Earnings (loss) from equity investments	(7.8)	13.0	(20.8)	(160.0)%
Loss on early extinguishment of debt	(25.9)	—	(25.9)	n/m
Gain on sale of equity interest	14.5	—	14.5	n/m
Other (expense) income, net	9.2	(0.8)	10.0	n/m
Net loss from continuing operations before income taxes	(169.2)	(13.9)	(155.3)	n/m
Income tax expense	(18.0)	(11.2)	(6.8)	60.7 %
Net loss from continuing operations	$ (187.2)	$ (25.1)	$ (162.1)	645.8 %

"n/m" - not meaningful
(1) Exclusive of depreciation and amortization.

Nine Months Ended September 30, 2014 Compared to Nine Months Ended September 30, 2013

Revenue

Consolidated revenue increased in each of our categories of revenue: instant games, services and product sales. The inclusion of revenue from WMS increased consolidated revenue by $488.7 million. Consolidated revenue also reflected favorable foreign currency translation of $8.8 million.

Instant games revenue increased $13.4 million reflecting higher revenue from our participation contracts in U.S. and certain international jurisdictions and higher revenue from our U.S. price-per-unit contracts. These increases were partially offset by lower revenue from our international price-per-unit contracts, lower revenue from our licensing and player loyalty programs and a decrease in revenue due to our exit from the Provoloto business. Services revenue, which includes our participation-based and other services revenue from our Lottery Systems and Gaming segments, increased $291.2 million, primarily reflecting the inclusion of WMS services revenue of $284.9 million. The $227.0 million increase in product sales revenue included $203.9 million of WMS product sales revenue, with the remaining increase due to higher hardware and software sales to our international and U.S. lottery customers.

Cost of Revenue

Consolidated cost of revenue increased primarily as a result of higher revenue. Cost of instant games revenue increased 1% compared to the increase in instant games revenue of 4%. Cost of services increased 49% compared to an increase in services revenue of 118%, reflecting a more profitable revenue mix primarily attributable to WMS services revenue. Cost of product sales increased 310% compared to an increase in sales revenue of 364%, primarily reflecting the inclusion of WMS product sales.

SG&A

SG&A increased $143.5 million, which reflected $134.5 million of SG&A attributable to WMS, higher compensation expense of $3.9 million, and higher legal expenses of $3.1 million.

R&D

R&D increased $72.3 million primarily related to the inclusion of WMS in our financial results.

Employee Termination and Restructuring

Employee termination and restructuring costs included $8.9 million related to WMS integration activities, $1.6 million related to the exit from our instant lottery game operations in Mexico and related to the exit from our paper roll conversion operations in the U.S. as well as $1.9 million of costs related to corporate. For additional information regarding these charges, see Note 4 (Restructuring Plans) in this Quarterly Report on Form 10-Q.

D&A

D&A increased $179.4 million, of which $163.0 million was attributable to WMS. Excluding the increase attributable to WMS, D&A reflected an increase in amortization of capitalize internally developed software assets in the current-year period, partially offset by accelerated D&A recorded in the prior year for the write-down of used gaming machines and a change in the estimated useful lives of certain gaming machines.

Other Income and Expense

Interest expense increased $67.6 million due to the additional indebtedness incurred to finance the WMS acquisition. This increase was slightly offset by a reduction in interest expense as a result of the refinancing of the 2019 Notes with the 2021 Notes in June 2014. For additional information regarding our indebtedness, see Note 12 (Long-Term and Other Debt) in this Quarterly Report on Form 10-Q.

Earnings from equity investments decreased primarily due to the $19.7 million non-cash impairment charge to write down our Northstar Illinois equity investment and the $8.0 million charge we recorded related our share of an estimated net shortfall payment accrued by Northstar Illinois. For additional information regarding our equity investments, see Note 11 (Equity Method Investments) in this Quarterly Report on Form 10-Q.

We recorded a loss on early extinguishment of debt of $25.9 million related to the tender and redemption premiums and the write-off of deferred financing costs in connection with the purchase and redemption of our 2019 Notes in June 2014.

In January 2014, we completed the sale of our 20% equity interest in Sportech for cash proceeds of £27.8 million, or $44.9 million, resulting in a gain of approximately £9 million, or $14.5 million.

Income Tax Expense

The effective income tax rates on the loss from continuing operations of (10.7)% and (80.5)% for the nine months ended September 30, 2014 and 2013, respectively, were determined using an estimated annual effective tax rate after considering any discrete items for such periods. Due to a valuation allowance against our U.S. deferred tax assets, the effective tax rates for the nine months ended September 30, 2014 and 2013 did not include the benefit of the current-year U.S. tax loss. As a result, income tax expense for the nine months ended September 30, 2014 and 2013 primarily related to income tax expense in foreign jurisdictions.

Our effective income tax rate on foreign earnings was impacted by the mix of income and the statutory tax rates in our foreign jurisdictions, which ranged from a low of 0% to a high of 35%. The foreign jurisdictions that had the most impact on our foreign income tax benefit (expense) in the period include Austria, Canada, Ireland, and the U.K.

USINESS SEGMENTS RESULTS

INSTANT PRODUCTS

Results of Operations and Key Performance Indicators for Instant Products

(in millions)	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013	Variance for the Nine Months Ended September 30, 2014 vs. 2013	
Revenue:				
Instant games	$ 392.4	$ 379.0	$ 13.4	3.5 %
Product sales	9.4	10.1	(0.7)	(6.9)%
Total revenue	401.8	389.1	12.7	3.3 %
Operating expenses:				
Cost of instant games (1)	212.5	210.3	2.2	1.0 %
Cost of product sales (1)	6.5	7.2	(0.7)	(9.7)%
Selling, general and administrative	38.9	35.5	3.4	9.6 %
Research and development	1.0	0.4	0.6	150.0 %
Employee termination and restructuring	1.6	0.3	1.3	n/m
Depreciation and amortization	26.2	27.0	(0.8)	(3.0)%
Operating income	$ 115.1	$ 108.4	$ 6.7	6.2 %
Earnings (loss) from equity investments	$ (12.4)	$ 15.8	$ (28.2)	(178.5)%
Key Performance Indicators:				
Instant games by revenue type:				
Participation contracts	$ 206.9	$ 187.5	$ 19.4	10.3 %
Price-per-unit contracts	144.7	147.0	(2.3)	(1.6)%
Licensing and player loyalty	40.8	44.5	(3.7)	(8.3)%
Total instant games revenue	$ 392.4	$ 379.0	$ 13.4	3.5 %
Instant games revenue by geography:				
U.S.	$ 252.6	$ 237.7	$ 14.9	6.3 %
International	139.8	141.3	(1.5)	(1.1)%
Total instant games revenue	$ 392.4	$ 379.0	$ 13.4	3.5 %
U.S. lottery customers' retail sales of instant games	$ 29,030	$ 27,575	$ 1,455	5.3 %
Italy retail sales of instant games (in Euros)	€ 6,976	€ 7,173	€ (197)	(2.7)%

"n/m" - not meaningful
(1) Exclusive of depreciation and amortization.

Nine Months Ended September 30, 2014 Compared to Nine Months Ended September 30, 2013

Revenue

Instant games revenue increased $13.4 primarily due to $22.8 million of higher revenue from our participation contracts in the U.S. and certain international jurisdictions, including our contracts with Northstar New Jersey and Hellenic Lotteries, partially offset by a decrease in revenue of $3.4 million due to our exit from the Provoloto business and $4.3 of higher revenue from our U.S. price-per-unit contracts. The increase in instant games revenue was partially offset by a $6.6 million decline in revenue from our international price-per-unit contracts, including our contract with LNS and a decrease of $3.7 million from our licensing and player loyalty programs primarily reflecting more contracts in the prior-year.

Operating Income

Operating income increased $6.7 million primarily due to a higher and more profitable mix of revenue and a decrease in D&A, partially offset by an increase in SG&A reflecting higher compensation and legal expenses, as well as higher employee termination and restructuring costs.

LOTTERY SYSTEMS

Results of Operations and Key Performance Indicators for Lottery Systems

(in millions)	Nine Months Ended September 30,		Variance for the Nine Months Ended September 30,	
	2014	2013	2014 vs. 2013	
Revenue:				
Services	$ 149.3	$ 146.1	$ 3.2	2.2 %
Product sales	63.3	35.2	28.1	79.8 %
Total revenue	212.6	181.3	31.3	17.3 %
Operating expenses:				
Cost of services (1)	90.4	82.0	8.4	10.2 %
Cost of product sales (1)	50.8	22.4	28.4	126.8 %
Selling, general and administrative	17.1	16.0	1.1	6.9 %
Research and development	1.7	3.1	(1.4)	(45.2)%
Depreciation and amortization	44.6	38.8	5.8	14.9 %
Operating income	$ 8.0	$ 19.0	$ (11.0)	(57.9)%
Earnings from equity investments	$ 1.3	$ 0.7	$ 0.6	85.7 %
Key Performance Indicators:				
Services revenue by geography:				
U.S. (2)	$ 82.8	$ 83.1	$ (0.3)	(0.4)%
International	66.5	63.0	3.5	5.6 %
Total services revenue	$ 149.3	$ 146.1	$ 3.2	2.2 %
Product sales by geography:				
U.S.	$ 6.3	$ 4.1	$ 2.2	53.7 %
International	57.0	31.1	25.9	83.3 %
Total product sales revenue	$ 63.3	$ 35.2	$ 28.1	79.8 %
U.S. lottery customers' retail sales (3)	$ 6,310	$ 6,384	$ (74)	(1.2)%

(1) Exclusive of depreciation and amortization.
(2) U.S. services revenue excludes revenue from Puerto Rico.
(3) U.S. lottery customers' retail sales primarily include retail sales of draw games, keno and instant games validated by the relevant system. The retail sales metric for the Lottery Systems segment presented in prior periods included draw game retail sales only. We believe the revised metric more clearly

correlates to our U.S. Lottery Systems services revenue, since we are generally compensated based on total retail sales generated by the relevant lottery system and not just draw game retail sales. The prior-year period retail sales information presented above conforms to the revised metric.

Nine Months Ended September 30, 2014 Compared to Nine Months Ended September 30, 2013

Revenue

Lottery Systems services revenue increased $3.2 million primarily due to an increase in sports betting services revenue from our international operations, new iGaming contracts launched in the fourth quarter of 2013 and higher revenue from instant ticket validations. These increases were partially offset by a decline in revenue under our agreement with the CSL primarily reflecting the decrease in our participation rate and a decline in revenue associated with the Powerball draw game reflecting three large Powerball jackpots in the prior-year period. The increase in service revenue also included a favorable impact from foreign currency translation of $1.0 million.

The $28.1 million increase in Lottery Systems product sales revenue, which can fluctuate due to its non-recurring nature, primarily reflected higher international sales of hardware and software of $25.9 million and higher U.S. sales of $2.2 million. The increase in product sales revenue also included a favorable impact from foreign currency translation of $0.6 million.

Operating Income

Operating income declined $11.0 million primarily due to a less profitable mix of revenue, an increase in D&A related to higher capitalized software assets and higher SG&A, partially offset by a reduction in R&D.

GAMING

Results of Operations and Key Performance Indicators for Gaming

All results for 2013 presented herein do not include results of operations for WMS, which was acquired in October 2013.

(in millions)	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013	Variance for the Nine Months Ended September 30, 2014 vs. 2013	
Revenue:				
Services	$ 389.6	$ 101.6	$ 288.0	n/m
Product sales	216.6	17.0	199.6	n/m
Total revenue	606.2	118.6	487.6	n/m
Operating expenses:				
Cost of services (1)	110.3	53.0	57.3	n/m
Cost of product sales (1)	103.9	9.7	94.2	n/m
Selling, general and administrative	132.9	19.3	113.6	n/m
Research and development	74.3	1.2	73.1	n/m
Employee termination and restructuring	8.9	—	8.9	n/m
Depreciation and amortization	200.2	44.8	155.4	n/m
Operating loss	$ (24.3)	$ (9.4)	$ (14.9)	n/m
Earnings (loss) from equity investments	$ 3.3	$ (3.5)	$ 6.8	n/m

"n/m" - not meaningful
(1) Exclusive of depreciation and amortization.

(in millions, except for unit and per unit (or user) information)	Nine Months Ended September 30,		Variance for the Nine Months Ended September 30,	
	2014	2013	2014 vs 2013	
Key Performance Indicators:				
Services revenue:				
WAP and premium participation products	$ 172.9	$ —	$ 172.9	n/m
Other leased and participation products	91.1	83.0	8.1	9.8 %
Interactive gaming products and services	101.6	—	101.6	n/m
Other services	24.0	18.6	5.4	29.0 %
Total services revenue	$ 389.6	$ 101.6	$ 288.0	n/m
WAP and premium participation units (1):				
Installed base at period end	9,054	—	9,054	n/m
Average installed base	8,931	—	8,931	n/m
Average daily revenue per unit	$ 70.91	$ —	$ 70.91	n/m
Other leased and participation units (2):				
Installed base at period end	26,711	26,829	(118)	(0.4)%
Average installed base	27,628	26,234	1,394	5.3 %
Average daily revenue per unit	$ 12.08	$ 11.59	$ 0.49	4.2 %
Interactive gaming products and services - social casino:				
Average Monthly Active Users (MAU) (3)	5.3	—	5.3	n/m
Average Daily Active Users (DAU) (4)	1.4	—	1.4	n/m
Average revenue per daily active user (ARPDAU) (5)	$ 0.22	$ —	$ 0.22	n/m
Product sales revenue:				
New gaming machine sales	$ 157.9	$ 7.6	$ 150.3	n/m
Other product sales	58.7	9.4	49.3	n/m
Total product sales revenue	$ 216.6	$ 17.0	$ 199.6	n/m
Product sales:				
U.S. and Canadian new unit shipments	6,522	74	6,448	n/m
International new unit shipments	4,390	1,121	3,269	n/m
Total new unit shipments	10,912	1,195	9,717	n/m
Average sales price per new unit	$ 14,470	$ 6,360	$ 8,110	n/m

"n/m" - not meaningful
(1) WAP and premium participation products are comprised of WMS participation gaming machines (WAP, LAP and standalone units) generally available only as leased units
(2) Other leased and participation units are comprised principally of Scientific Games legacy server-based gaming machines, primarily in the U.K., and other leased WMS units
(3) MAU = Monthly Active Users, a count of unique visitors to our sites during a month
(4) DAU = Daily Active Users, a count of unique visitors to our sites during a day
(5) ARPDAU = Average revenue per DAU is calculated by dividing revenue for a period by the DAU for the period by the number of days for the period

Nine Months Ended September 30, 2014 Compared to Nine Months Ended September 30, 2013

Revenue

The $288.0 million increase in Gaming services revenue included $284.9 million from WMS and a favorable impact from foreign currency translation of $4.5 million, partially offset by $5.4 million of lower services revenue primarily due to the loss of our Betfred contract in December 2013 and lower services revenue from our international gaming customers. Our installed base of WAP and premium participation units declined to 9,054 units as of September 30, 2014 from 9,437 units reported by WMS at September 30, 2013. The average daily revenue per WAP and premium participation unit increased 5% over the amount reported by WMS in the prior-year period despite challenging gaming industry conditions, reflecting the positive performance of our new games. Our average installed base of other leased and participation units rose to 27,628 units, reflecting the addition of 2,395 other leased units within the WMS footprint, partially offset by a decline in the U.K. gaming installed base that largely resulted from the loss of our Betfred contract. Average daily revenue for our other leased and participation units increased 4% compared to the prior-year period, primarily due to the addition of the WMS units. Gaming services revenue also included revenue from our interactive gaming business, which increased as a result of the WMS acquisition and also increased as compared to the amount WMS reported in the prior year period primarily due to the increase of 0.7 million average DAU to 1.4 million average DAU for our social casinos for the three-month period ended September 30, 2014.

The $199.6 million increase in product sales revenue included $203.9 million from WMS. Compared to what WMS reported in the prior-year period, new gaming machine shipments by WMS declined approximately 33%, reflecting the challenging gaming industry conditions discussed above. Excluding the impact of WMS revenue, product sales revenue was lower by $4.3 million for the nine months ended September 30, 2014 primarily from our U.K Gaming business.

Operating Loss

The $14.9 million increase in operating loss primarily reflected an operating loss of WMS of $27.2 million, which was partially offset by a more profitable mix of business and improvement in our cost structure in our U.K. business, including lower SG&A of $4.2 million and lower D&A of $7.0 million primarily due to accelerated D&A recorded in the prior-year period related to the write-down of used gaming machines and a change in the estimated useful lives of certain gaming machines.

Recently Issued Accounting Guidance

For a description of recently issued accounting pronouncements, see Note 1 (Description of the Business and Summary of Significant Accounting Policies) in this Quarterly Report on Form 10-Q.

CRITICAL ACCOUNTING ESTIMATES

For a description of our policies regarding our critical accounting estimates, see "Critical Accounting Estimates" in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our 2013 Annual Report on Form 10-K.

We consider the following accounting estimates to be the most critical to fully understand and evaluate our reported financial results. The list below is not intended to be a comprehensive list of all of our accounting policies. Our significant accounting policies are described in Note 1 (Description of the Business and Summary of Significant Accounting Policies) in our 2013 Annual Report on Form 10-K.

- Income taxes and deferred income taxes
- Valuation of investments, long-lived and intangible assets and goodwill
- Business combinations
- Revenue recognition
- Notes receivable
- Performance-based compensation
- Inventory
- Restructuring

There have been no significant changes in our critical accounting estimate policies or the application of those policies to our consolidated financial statements from those presented in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our 2013 Annual Report on Form 10-K.

LIQUIDITY, CAPITAL RESOURCES AND WORKING CAPITAL

Sources of Liquidity

As of September 30, 2014, our principal sources of liquidity, other than cash flows provided by operating activities, were cash and equivalents and amounts available under our revolving credit facility discussed below under "Credit Agreement and Other Debt."

As of September 30, 2014, our available cash and equivalents and borrowing capacity totaled $391.7 million including cash and cash equivalents of $132.5 million and availability of $259.2 million under our revolving credit facility, compared to $411.0 million as of December 31, 2013 (including cash and cash equivalents of $153.7 million and availability of $257.3 million under our prior revolving credit facility). There were no borrowings outstanding under our revolving credit facility as of September 30, 2014; however, we had $40.8 million in outstanding letters of credit as of September 30, 2014, which reduces our capacity to borrow under our revolving credit facility. The amount of our available cash and equivalents fluctuates principally based on borrowings or repayments under our credit facilities, investments, acquisitions and changes in our working capital position. The borrowing capacity under our revolving credit facility will depend on the amount of outstanding borrowings and letters of credit issued and will also depend on us remaining in compliance with the covenants under our credit agreement, including the maintenance of applicable financial ratios. We were in compliance with the covenants under our credit agreement as of September 30, 2014.

We believe that our cash flow from operations, available cash and equivalents and available borrowing capacity under our revolving credit facility will be sufficient to meet our liquidity needs for the foreseeable future; however, there can be no assurance that this will be the case. We believe that substantially all cash held outside the U.S. is free from legal encumbrances or similar restrictions that would prevent it from being available to meet our global liquidity needs.

Total cash held by our foreign subsidiaries was $84.5 million as of September 30, 2014. To the extent that a portion of our foreign cash was required to meet liquidity needs in the U.S. (which we do not currently anticipate), we might incur a tax liability to repatriate it, the timing and amount of which would depend on a variety of factors. A significant amount of the cash held by our foreign subsidiaries as of September 30, 2014 could be transferred to the U.S. as intercompany loan repayments or tax-free basis reductions.

Our lottery contracts are periodically subject to renewal or re-bid and there can be no assurance that we will be successful in sustaining our cash flow from operations if our contracts are not renewed or replaced or are renewed on less favorable terms, or if we are unable to enter into new contracts. In addition, lottery customers in the U.S. generally require service providers to provide performance bonds in connection with the relevant contract. As of September 30, 2014, our outstanding performance bonds totaled $191.9 million. Our ability to obtain performance bonds on commercially reasonable terms is subject to our financial condition and to prevailing market conditions, which may be impacted by economic and

political events. Although we have not experienced difficulty in obtaining such bonds to date, there can be no assurance that we will continue to be able to obtain performance bonds on commercially reasonable terms or at all. If we need to refinance all or part of our indebtedness at or before maturity, there can be no assurance that we will be able to obtain new financing or to refinance any of our indebtedness on commercially reasonable terms or at all.

Cash Flow Summary

	Nine Months Ended September 30,		Variance for the Nine Months Ended September 30,
	2014	2013	2014 vs. 2013
Net cash provided by operating activities	$ 233.4	$ 95.6	$ 137.8
Net cash used in investing activities	(129.9)	(116.8)	(13.1)
Net cash used in financing activities	(118.0)	(13.6)	(104.4)
Effect of exchange rates on cash and cash equivalents	(6.7)	(0.7)	(6.0)
Decrease in cash and cash equivalents	$ (21.2)	$ (35.5)	$ 14.3

Cash flows from operating activities

Net cash provided by operating activities for the nine months ended September 30, 2014 increased $137.8 million over the prior-year period reflecting favorable changes in current assets and liabilities of $81.4 million, net of effects of acquisitions, due primarily to the acquisition of WMS and a $51.3 million increase in net earnings after adjustments for non-cash items, a $25.9 million loss on early extinguishment of debt less a $14.5 million gain on sale of an equity interest and a decrease in distributions received from our equity investments of $6.3 million.

Cash flows from investing activities

The increase in net cash used in investing activities of $13.1 million primarily reflected an increase in capital expenditures of $64.0 related to contracts in our Lottery Systems business, property, plant and equipment additions and capital expenditures in our Gaming business, a change in restricted cash of $31.9 million and a reduction of $10.4 million in proceeds from asset disposals in the prior year. These increases in net cash used in investing activities were partially offset by a decrease in capital contributions to our equity investments of $21.7 million primarily reflecting contributions made to the Greece lottery in the third quarter of 2013 and Northstar Illinois in the fourth quarter of 2013, an increase of $26.0 million in distributions from our equity investments and the proceeds from the sale of our equity interest in Sportech of $44.9 million in the first quarter of 2014.

Cash flows from financing activities

The increase in net cash used in financing activities was primarily due to common stock repurchases of $29.5 million in the first quarter of 2014, an increase in financing fees of $20.8 million related to the issuance of the 2021 Notes and the repurchase and redemption of the 2019 Notes, an increase in the redemption of common stock under our stock-based compensation plans of $17.0 million, a $19.8 million increase in net payments on long-term indebtedness, an increase in contingent earnout payments of $10.2 million and payments on license obligations of $7.0.

Credit Agreement and Other Debt

As of September 30, 2014, our total debt was comprised principally of $2,282.8 million (excluding an unamortized discount of $9.9 million) outstanding under our term loan facilities under the credit agreement discussed below, $250.0 million in aggregate principal amount of our 2018 Notes, $300.0 million in aggregate principal amount of our 2020 Notes, $350.0 million (excluding an unamortized discount of $2.3 million) in aggregate principal amount of our 2021 Notes and $38.7 million in capital leases related to our U.K. gaming operations. We use interest rate swap derivatives to diversify our debt portfolio between fixed and variable rate instruments. For additional information regarding our interest rate risk and interest rate hedging instruments, see "Quantitative and Qualitative Disclosures About Market Risk" in Item 7A in our 2013 Annual Report on Form 10-K.

Senior Secured Credit Facilities

We are party to a credit agreement dated as of October 18, 2013, by and among SGI, as the borrower, the Company, as a guarantor, Bank of America, N.A., as administrative agent, and the lenders and other agents party thereto providing for senior secured credit facilities in an aggregate principal amount of $2,600.0 million, including a $300.0 million revolving credit facility, which has dollar and multi-currency tranches, and a $2,300.0 million term loan facility. The term loan facility was used, in part, to finance the consideration paid in the WMS acquisition, to repay all indebtedness under our and WMS' prior

credit agreements and to pay related acquisition and financing fees and expenses. Up to $200.0 million of the revolving credit facility is available for issuances of letters of credit. The term loan is scheduled to mature on October 18, 2020 and the revolving credit facility is scheduled to mature on October 18, 2018 (subject to accelerated maturity under certain circumstances).

SGI is required to pay commitment fees to revolving lenders on the actual daily unused portion of the revolving commitments at a rate of 0.50% per annum through maturity, subject to a step-down to 0.375% based upon certain first lien net leverage ratios. The credit facilities contain customary events of default (subject to customary grace periods and materiality thresholds). Upon the occurrence of certain events of default, the obligations under the credit facilities may be accelerated and the commitments may be terminated.

Senior Subordinated Notes

2021 Notes

On June 4, 2014, SGI issued $350.0 million in aggregate principal amount of 2021 Notes at a price of 99.321% of the principal amount thereof in a private offering to qualified institutional buyers in accordance with Rule 144A under the Securities Act and to persons outside the United States under Regulation S under the Securities Act. The 2021 Notes were issued pursuant to the 2021 Notes Indenture.

The 2021 Notes bear interest at the rate of 6.625% per annum, which accrues from June 4, 2014 and is payable semiannually in arrears on May 15 and November 15 of each year, commencing on November 15, 2014. The 2021 Notes mature on May 15, 2021, unless earlier redeemed or repurchased, and are subject to the terms and conditions set forth in the 2021 Notes Indenture. In connection with the issuance of the 2021 Notes, the Company capitalized financing costs of $7.3 million.

The 2021 Notes are unsecured senior subordinated obligations of SGI and are subordinated to all of SGI's existing and future senior debt, rank equally with all of SGI's existing and future senior subordinated debt and rank senior to all of SGI's future debt that is expressly subordinated to the 2021 Notes. The 2021 Notes are guaranteed on an unsecured senior subordinated basis by the Company and all of its 100%-owned U.S. subsidiaries (other than SGI). The 2021 Notes are structurally subordinated to all of the liabilities of the Company's non-guarantor subsidiaries.

The 2021 Notes Indenture contains certain covenants that, among other things, limit the Company's ability, and the ability of certain of its subsidiaries, to incur additional indebtedness, pay dividends or make distributions or certain other restricted payments, purchase or redeem capital stock, make investments or extend credit, engage in certain transactions with affiliates, consummate certain asset sales, effect a consolidation or merger, or sell, transfer, lease or otherwise dispose of all or substantially all assets, or create certain liens and other encumbrances on assets. The 2021 Notes Indenture contains events of default customary for agreements of its type (with customary grace periods and maturity thresholds, as applicable).

2019 Notes

On June 4, 2014, SGI completed a tender offer pursuant to which it purchased $140.6 million in aggregate principal amount of the 2019 Notes for total consideration of $1,051.25 for each $1,000 principle amount of the 2019 Notes tendered, plus accrued and unpaid interest to the applicable payment date.

On June 4, 2014, SGI delivered a notice of redemption with respect to all $209.4 million of the remaining outstanding principal amount of the 2019 Notes, and satisfied and discharged the indenture governing the 2019 Notes by depositing funds with the trustee sufficient to pay the redemption price of 104.625% of the principal amount of the 2019 Notes, plus accrued and unpaid interest to the redemption date. In accordance with the notice of redemption, the 2019 Notes were redeemed on July 4, 2014 and the redemption payment was made on July 7, 2014.

The purchase and redemption of the 2019 Notes were funded, in part, with the net proceeds from the issuance of the 2021 Notes. In connection with the purchase and redemption of the 2019 Notes, we recorded a loss on early extinguishment of debt of $25.9 million comprised primarily of the tender and redemption premiums and the write-off of previously deferred financing costs.

For additional information regarding our 2021 Notes and the repurchase and redemption of our 2019 Notes, see our Current Report on Form 8-K filed with the SEC on June 6, 2014. For additional information regarding our 2018 Notes, 2019 Notes and 2020 Notes, see Note 15 (Long-Term and Other Debt) in our 2013 Annual Report on Form 10-K.

We were in compliance with the covenants under our debt agreements as of September 30, 2014.

Other Debt

In September 2014, we repaid in full a $5.0 million China Loan with cash on hand.

Contemplated Financing for Bally Acquisition

In connection with the pending acquisition of Bally, we entered into a commitment letter with Bank of America, N.A., Merrill Lynch, Pierce, Fenner & Smith Incorporated, JPMorgan Chase Bank, N.A., Deutsche Bank AG New York Branch and certain of their respective affiliates, which was subsequently joined by Fifth Third Bank, HSBC Securities (USA) Inc., HSBC Bank USA, N.A., PNC Capital Markets LLC and PNC Bank, National Association as additional commitment parties. Pursuant to the commitment letter, the commitment parties have agreed to provide the financing necessary to fund the consideration to be paid pursuant to the terms of the merger agreement (the "Debt Financing"). The commitment letter contemplates that the Debt Financing will consist of, among other things, (1) a senior secured incremental term loan facility (in an originally contemplated principal amount of $1,735.0 million), (2) a senior secured increase in the revolving credit facility (in an originally contemplated principal amount of $350.0 million), (3) if applicable, amendments to, or the refinancing of, Scientific Games' existing credit facilities, consisting of (a) a senior secured term loan facility in a total principal amount of $2,294.0 million and (b) a senior secured revolving credit facility in a total principal amount of $650 million, and (4) senior secured notes and senior unsecured notes yielding $3,450.0 million in aggregate gross cash proceeds and/or to the extent that the issuance of such notes yields less than $3,450.0 million in aggregate gross cash proceeds or such cash proceeds are otherwise unavailable, a senior secured bridge loan facility and a senior unsecured bridge loan facility up to an aggregate principal amount of $3,450 million (less the cash proceeds received from the notes and available for use, if any). The funding of the Debt Financing is contingent on the satisfaction of certain conditions set forth in the commitment letter. The merger is not conditioned on our obtaining the proceeds of any financing, including the Debt Financing.

In connection with the pending Bally acquisition, on October 1, 2014, the Company entered into an amendment to its existing credit agreement to, among other things, (1) effective as of October 1, 2014, permit the Bally acquisition and the transactions related thereto, including the incurrence of term loans by SGMS Escrow Corp., and (2) effective as of the consummation of the Bally acquisition (and the satisfaction of the other conditions contemplated by the amendment), (A) increase the Company's existing revolving credit facility by $267.6 million, (B) permit SGI to assume the term loans under the Escrow Credit Agreement (as defined below) as incremental term loans under the existing credit agreement and (C) modify the financial covenant applicable to the revolving credit facility under the existing credit agreement such that it will be tested each quarter, irrespective of usage of that revolving credit facility.

As a result of the amendment, the applicable margin for the existing term loans under the credit agreement (1) prior to the consummation of the Bally acquisition, will remain at 3.25% per annum for eurodollar (LIBOR) loans and 2.25% per annum for base rate loans and (2) from and after the consummation of the Bally acquisition, will be 5.00% per annum for eurodollar (LIBOR) loans and 4.00% per annum for base rate loans. There will be no change to the borrowing rate applicable to loans borrowed or to letters of credit issued under the revolving credit facility after the consummation of the Bally acquisition.

In addition, on October 1, 2014, SGMS Escrow Corp. entered into an escrow credit agreement (the "Escrow Credit Agreement") by and among SGMS Escrow Corp., as borrower, the lenders and other agents from time to time party thereto, and Bank of America, N.A., as administrative agent. The Escrow Credit Agreement provides for $2.0 billion of new term loans, the net proceeds of which are expected to provide a portion of the funds to be used to finance the Bally acquisition. Upon and in connection with the consummation of the Bally acquisition, the term loans under the Escrow Credit Agreement will be assumed by SGI and become incremental term loans under the existing credit agreement.

The term loans under the Escrow Credit Agreement (including after they are assumed by SGI and become incremental term loans under the existing credit agreement) are scheduled to mature on October 1, 2021 (subject to accelerated maturity under certain circumstances) and amortize in equal quarterly installments beginning on the last day of the first of March, June, September or December to occur after completion of the Bally acquisition, in an amount equal to 1.00% per annum of the stated principal amount thereof, with the remaining balance due at final maturity. Interest on the new term loans is payable at a rate equal to the eurodollar (LIBOR) rate or the base rate, plus an applicable margin, in each case, subject to a eurodollar (LIBOR) rate floor of 1.00% or a base rate floor of 2.00%, as applicable. The applicable margin for the incremental term loans (under the Escrow Credit Agreement and, if and when assumed by SGI, the existing credit agreement) is 5.00% per annum for eurodollar (LIBOR) loans and 4.00% per annum for base rate loans.

Borrowings under the Escrow Credit Agreement are solely the obligation of SGMS Escrow Corp., are not guaranteed by the Company or any of its subsidiaries, and are secured by a pledge of amounts deposited into a secured escrow account of SGMS Escrow Corp. In the event that the Bally acquisition is not consummated, SGMS Escrow Corp. will repay amounts borrowed under the Escrow Credit Agreement, plus accrued interest thereon, with amounts deposited into a secured escrow account of SGMS Escrow Corp. and other amounts that may be contributed by the Company and its other subsidiaries to SGMS Escrow Corp. and deposited into that escrow account from time to time.

The term loans under the Escrow Credit Agreement were funded into escrow, less original issue discount, by the lenders on October 17, 2014 and began accruing interest, initially at the LIBOR rate plus the applicable margin referred to above, beginning on October 18, 2014. Interest for the prospective month was funded into escrow by the Company on October 16, 2014.

Upon closing of the Bally acquisition, we expect to incur approximately $170 million of financing fees in connection with the term loans and revolving credit facility under the Escrow Credit Agreement and with respect to the remaining financing commitments under the commitment letter for the Bally acquisition. We also anticipate incurring fees related to our additional financing activities during the balance of the quarter ending December 31, 2014.

For further information regarding the Debt Financing, please see the full text of the commitment letter, our credit agreement, the amendment to our credit agreement and the Escrow Credit Agreement, copies of which are filed as Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on August 4, 2014, Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on October 18, 2013, and Exhibit 10.1 and Exhibit 10.2 to our Current Report on Form 8-K filed with SEC on October 7, 2014, respectively. The foregoing summaries of the terms of the existing credit agreement, the commitment letter, the amendment to the existing credit agreement and the Escrow Credit Agreement are qualified in their entirety by reference to the respective exhibit.

Capital Leases

On March 31, 2014, we entered into a new leasing arrangement with ITL for the lease of gaming machines in connection with a long-term contract with a U.K. customer. We completed the placement of the new gaming machines under this contract as of June 30, 2014 and recorded a capital lease asset and minimum lease liability of $42.8 million.

Contractual Obligations

Other than the issuance of the 2021 Notes as described above, there have been no material changes to our contractual obligations disclosed in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity, Capital Resources and Working Capital - Contractual Obligations" included in our 2013 Annual Report on Form 10-K.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

There have been no material changes to the disclosure under "Item 7A. Quantitative and Qualitative Disclosures about Market Risk" included in our 2013 Annual Report on Form 10-K.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We have evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this Quarterly Report on Form 10-Q. The evaluation was conducted under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the three months ended September 30, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION
Item 1. Legal Proceedings

The Company is involved in various legal proceedings, including those discussed below. We record an accrual for legal contingencies when it is both probable that a liability will be incurred and the amount or range of the loss can be reasonably estimated (although, as discussed below, there may be an exposure to loss in excess of the accrued liability). We evaluate our accruals for legal contingencies at least quarterly and, as appropriate, establish new accruals or adjust existing accruals to reflect (1) the facts and circumstances known to us at the time, including information regarding negotiations, settlements, rulings and other relevant events and developments, (2) the advice and analyses of counsel and (3) the assumptions and judgment of management. Legal costs associated with our legal proceedings are expensed as incurred. We had accrued liabilities of $23.4 million and $25.9 million for all of our legal matters that were contingencies as of September 30, 2014 and December 31, 2013, respectively.

Substantially all of our legal contingencies are subject to significant uncertainties and, therefore, determining the likelihood of a loss and/or the measurement of any loss involves a series of complex judgments about future events. Consequently, the ultimate outcomes of our legal contingencies could result in losses in excess of amounts we have accrued. We may be unable to estimate a range of possible losses for some matters pending against the Company or its subsidiaries, even when the amount of damages claimed against the Company or its subsidiaries is stated because, among other things: (1) the claimed amount may be exaggerated or unsupported; (2) the claim may be based on a novel legal theory or involve a large number of parties; (3) there may be uncertainty as to the likelihood of a class being certified or the ultimate size of the class; (4) there may be uncertainty as to the outcome of pending appeals or motions; (5) the matter may not have progressed sufficiently through discovery or there may be significant factual or legal issues to be resolved or developed; and/or (6) there may be uncertainty as to the enforceability of legal judgments and outcomes in certain jurisdictions. Other matters have progressed sufficiently that we are able to estimate a range of possible loss. For those legal contingencies disclosed below as to which a loss is reasonably possible, whether in excess of a related accrued liability or where there is no accrued liability, and for which we are able to estimate a range of possible loss, the current estimated range is up to approximately $41 million in excess of the accrued liabilities (if any) related to those legal contingencies. This aggregate range represents management's estimate of additional possible loss in excess of the accrued liabilities (if any) with respect to these matters based on currently available information, including any damages claimed by the plaintiffs, and is subject to significant judgment and a variety of assumptions and inherent uncertainties. For example, at the time of making an estimate, management may have only preliminary, incomplete, or inaccurate information about the facts underlying a claim; its assumptions about the future rulings of the court or other tribunal on significant issues, or the behavior and incentives of adverse parties, regulators, indemnitors or co-defendants, may prove to be wrong; and the outcomes it is attempting to predict are often not amenable to the use of statistical or other quantitative analytical tools. In addition, from time to time an outcome may occur that management had not accounted for in its estimate because it had considered that outcome to be remote. Furthermore, as noted above, the aggregate range does not include any matters for which the Company is not able to estimate a range of possible loss. Accordingly, the estimated aggregate range of possible loss does not represent our maximum loss exposure. Any such losses could have a material adverse impact on our results of operations, financial position and cash flows. The legal proceedings underlying the estimated range will change from time to time, and actual results may vary significantly from the current estimate.

Colombia Litigation

Our subsidiary, SGI, owned a minority interest in Wintech de Colombia S.A., or Wintech (now liquidated), which formerly operated the Colombian national lottery under a contract with Empresa Colombiana de Recursos para la Salud, S.A. (together with its successors, "Ecosalud"), an agency of the Colombian government. The contract provided for a penalty against Wintech, SGI and the other shareholders of Wintech of up to $5.0 million if certain levels of lottery sales were not achieved. In addition, SGI delivered to Ecosalud a $4.0 million surety bond as a further guarantee of performance under the contract. Wintech started the instant lottery in Colombia but, due to difficulties beyond its control, including, among other factors, social and political unrest in Colombia, frequently interrupted telephone service and power outages, and competition from another lottery being operated in a province of Colombia that we believe was in violation of Wintech's exclusive license from Ecosalud, the projected sales level was not met for the year ended June 30, 1993.

In 1993, Ecosalud issued a resolution declaring that the contract was in default. In 1994, Ecosalud issued a liquidation resolution asserting claims for compensation and damages against Wintech, SGI and other shareholders of Wintech for, among other things, realization of the full amount of the penalty, plus interest, and the amount of the bond. SGI filed separate actions opposing each resolution with the Tribunal Contencioso of Cundinamarca in Colombia (the "Tribunal"), which upheld both resolutions. SGI appealed each decision to the Council of State. In May 2012, the Council of State upheld the contract default resolution, which decision was notified to us in August 2012. In October 2013, the Council of State upheld the liquidation resolution, which decision was notified to us in December 2013.

In July 1996, Ecosalud filed a lawsuit against SGI in the U.S. District Court for the Northern District of Georgia asserting many of the same claims asserted in the Colombia proceedings, including breach of contract, and seeking damages. In March 1997, the District Court dismissed Ecosalud's claims. Ecosalud appealed the decision to the U.S. Court of Appeals for the Eleventh Circuit. The Court of Appeals affirmed the District Court's decision in 1998.

In June 1999, Ecosalud filed a collection proceeding against SGI to enforce the liquidation resolution and recover the claimed damages. In May 2013, the Tribunal denied SGI's merit defenses to the collection proceeding and issued an order of payment of approximately 90 billion Colombian pesos (approximately $44 million based on the current exchange rate) plus default interest (potentially accrued since 1994). SGI has filed an appeal to the Council of State, which appeal has stayed the payment order.

SGI believes it has various defenses, including on the merits, against Ecosalud's claims. Although we believe these claims will not result in a material adverse effect on our consolidated financial position or results of operations, it is not feasible to predict the final outcome, and there can be no assurance that these claims will not ultimately be resolved adversely to us or result in material liability.

SNAI Litigation

On April 16, 2012, certain VLTs operated by SNAI in Italy and supplied by Barcrest erroneously printed what appeared to be winning jackpot and other tickets with a face amount in excess of €400.0 million. SNAI has stated, and system data confirms, that no jackpots were actually won on that day. The terminals have been deactivated by the Italian regulatory authority. Following the incident, we understand that the Italian regulatory authority revoked the certification of the version of the gaming system that Barcrest provided to SNAI and fined SNAI €1.5 million, but determined to not revoke SNAI's concession to operate VLTs in Italy.

In October 2012, SNAI filed a lawsuit in the Court of First Instance of Rome in Italy against Barcrest and Global Draw, our subsidiary which acquired Barcrest from IGT-UK Group Limited, a subsidiary of IGT, claiming liability based on breach of contract and tort. The lawsuit seeks to terminate SNAI's agreement with Barcrest and damages arising from the deactivation of the terminals, including among other things, lost profits, expenses and costs, potential awards to players who have sought to enforce what appeared to be winning jackpot and other tickets, compensation sought by managers of the gaming locations where SNAI VLTs supplied by Barcrest were installed, damages to commercial reputation and any future damages arising from SNAI's potential loss of its concession or inability to obtain a new concession. In June 2013, Barcrest and Global Draw filed a counterclaim based on SNAI's alleged breach of contract.

In September 2013, Global Draw brought an action against IGT-UK Group Limited and IGT in the High Court of Justice (Commercial Court) in London, England seeking relief under the indemnification and warranty provisions contained in the agreement pursuant to which Barcrest was acquired from IGT-UK Group, including in connection with the April 2012 incident and a number of ancillary matters. In November 2013, IGT-UK Group Limited filed a defense in which it denied Global Draw's claims and counterclaimed based on Global Draw's alleged breach of contract in connection with another ancillary matter. In September 2014, Global Draw's motion for summary judgment was granted in respect of one of the ancillary matters but denied in respect of the April 2012 incident. Accordingly, the parties are scheduled to proceed to trial relating to the April 2012 incident and the other remaining issues in May 2015.

While we believe we have meritorious defenses in the Italian litigation and potential third party recoveries, the lawsuit is in its early stages and we cannot currently predict the outcome of this matter.

WMS Merger Litigation

Complaints challenging the WMS merger were filed in early 2013 in the Delaware Court of Chancery, the Circuit Court of Cook County, Illinois and the Circuit Court of the Nineteenth Judicial Circuit, Lake County, Illinois. The actions are putative class actions filed on behalf of WMS stockholders. The complaints generally allege that the WMS directors breached their fiduciary duties in connection with their consideration and approval of the merger and in connection with their public disclosures concerning the merger. The complaints allege that other defendants, including WMS, Scientific Games Corporation and certain affiliates of Scientific Games Corporation, aided and abetted those alleged breaches. The plaintiffs sought equitable relief, including to enjoin the acquisition, to rescind the acquisition if not enjoined, damages, attorneys' fees and other costs.

The Delaware actions have been consolidated under the caption In re WMS Stockholders Litigation (C.A. No. 8279-VCP). The plaintiffs in the consolidated Delaware actions submitted to the Delaware Court of Chancery a letter advising that they had conferred with the plaintiffs in the Illinois actions and agreed to stay the consolidated Delaware action.

The Lake County, Illinois actions were transferred to Cook County. All of the Illinois actions were consolidated in Cook County with Gardner v. WMS Industries Inc., et al. (No. 2013 CH 3540).

In April 2013, the plaintiffs in the Gardner action filed a motion for preliminary injunction to enjoin the WMS stockholder vote on the merger. Following that, in April 2013, lead counsel in the Gardner action, on behalf of counsel for plaintiffs in all actions in Delaware and Illinois, agreed to withdraw the motion for preliminary injunction and not to seek to enjoin the WMS stockholder vote in return for WMS' agreement to make certain supplemental disclosures related to the merger. WMS made those supplemental disclosures in a Current Report on Form 8-K filed with the SEC on April 29, 2013.

In January 2014, the plaintiffs in the Illinois action filed an amended complaint seeking damages for the alleged breach of fiduciary duties by the individual defendants and the alleged aiding and abetting of those breaches by WMS and Scientific Games Corporation. In February 2014, WMS and Scientific Games Corporation filed motions to dismiss the amended complaint. In September 2014, the plaintiffs' claims in the Illinois action were dismissed with prejudice. The plaintiffs in the Illinois action have filed a claim for attorney fees of $0.9 million, which we have opposed.

The Company believes the claims in the consolidated Delaware action are without merit.

IGT License Claims

In early 2012, IGT initiated an audit to determine whether WMS was in compliance with the terms of a license agreement between the two parties. IGT claimed that WMS underpaid license fees by approximately $25 million plus approximately $11 million in interest. IGT subsequently filed a demand for arbitration seeking $50.0 million from WMS. We initiated an action in the U.S. District Court for the District of Nevada seeking a preliminary injunction to enjoin or limit the scope of the arbitration and to restrain IGT from seeking to enforce certain provisions of the arbitration clause in the license agreement, as well as a refund of overpaid royalty payments. Our motion for preliminary injunction was denied by the District Court in March 2014 and our action seeking recovery of overpaid royalty payments was stayed pending resolution of certain matters in the arbitration. In June 2014, WMS, Scientific Games Corporation and IGT entered into a settlement agreement that resolved this matter and a number of other disputes and proceedings among the parties. We paid $8.0 million to IGT in connection with the settlement, substantially all of which was included in our previously accrued liabilities assumed in the WMS acquisition. The District Court action was dismissed in June 2014 and the arbitration action was dismissed in July 2014.

Bally Acquisition Litigation

The following complaints challenging the pending Bally merger were filed in August 2014 in the state District Court of Clark County, Nevada: Shaev v. Bally Technologies, Inc., Richard Haddrill, et al. (C.A. No. A-14-705012-B); Lawandoski v. Bally Technologies, Inc., Robert Guido, et al. (C.A. No. A-14-705153-C); Rosenfeld v. Bally Technologies, Inc., Robert Guido, et al. (C.A. No. A-14-705162-B); Crescente v. Bally Technologies, Inc., Robert Guido, et al. (C.A. No. A-14-705144-C); Stein v. Bally Technologies, Inc., Robert L. Guido, et al. (C.A. No. A-14-705338-B); and Hahm v. Bally Technologies, Inc., Robert Guido, et al. (C.A. No. A-14-706234-C). The actions are putative class actions filed on behalf of the public stockholders of Bally and name as defendants Bally, its directors, Scientific Games Corporation and certain of its affiliates. The complaints generally allege that the Bally directors breached their fiduciary duties in connection with their consideration and approval of the merger and that we aided and abetted those alleged breaches. The plaintiffs seek equitable relief, including to enjoin the merger, to rescind the merger if not enjoined, damages, attorneys' fees and other costs.

All of the actions have been consolidated under the caption In re Bally Technologies, Inc. Shareholders Litigation (C.A. No. A-14-705012-B) (the "Nevada Action"). In October 2014, plaintiffs filed a motion for limited expedited discovery in connection with an anticipated motion to enjoin the proposed transaction. Following that, in October 2014, Bally and its directors filed a motion to dismiss the consolidated complaint and Scientific Games and its affiliates filed a motion to dismiss the count of the consolidated complaint alleging wrongdoing by Scientific Games Corporation and its affiliates. Following that, the plaintiffs withdrew their motion for expedited discovery and the parties entered into preliminary settlement discussions.

On October 17, 2014, following arm's-length negotiations, the parties to the Nevada Action entered into a MOU under which they agreed in principle to settle all of the claims asserted in the Nevada Action on a class-wide basis, subject to certain conditions, including confirmatory discovery by the plaintiffs in the Nevada Action and preliminary and final approval of the Nevada court, which will consider the fairness, reasonableness and adequacy of the settlement. Bally, Scientific Games and the other named defendants entered into the MOU solely to avoid the costs, risks and uncertainties inherent in litigation and without admitting any liability or wrongdoing, and vigorously denied, and continue to vigorously deny, the claims alleged in the Nevada Action.

There can be no assurance that the parties will ultimately enter into a definitive settlement agreement or that the Nevada court will approve the settlement. In such event, or if the merger is not consummated for any reason, the proposed settlement will be null and void and of no force and effect. Payments made in connection with the settlement, which are subject to court approval, are not expected to be material. The settlement will not affect the consideration to be received by Bally's stockholders in the merger or the timing of the anticipated closing of the merger.

Additional lawsuits relating to the merger agreement or the Bally acquisition may be filed in the future. An adverse judgment for monetary damages could have a material adverse effect on the financial condition, results of operations or cash flows of Bally or us, as the case may be, and therefore could adversely affect the combined business if the merger is completed. A preliminary injunction could delay or jeopardize the completion of the merger, and an adverse judgment granting permanent injunctive relief could indefinitely enjoin completion of the merger.

Item 1A. Risk Factors

There have been no material changes in our risk factors from those disclosed under "Item 1A. Risk Factors" included in our 2013 Annual Report on Form 10-K other than as set forth below, which risk factors should be read in conjunction with the other risk factors disclosed in our 2013 Annual Report on Form 10-K.

Risks Relating to Our Pending Acquisition of Bally

Lawsuits have been filed against us challenging the proposed Bally acquisition, and an adverse ruling in any such lawsuit may prevent the Bally acquisition from occurring or from occurring within the expected timeframe.

A number of putative class action lawsuits have been filed on behalf of Bally's stockholders relating to the Bally acquisition which name us and, in some cases, certain of our affiliates, as defendants. If these actions or similar actions that may be brought are successful, the Bally acquisition could be delayed or prevented or could result in significant monetary damages. Additionally, we may incur significant expense defending or settling any such actions. For additional information regarding these pending lawsuits, see "Legal Proceedings" in Part II, Item 1 of this Quarterly Report on Form 10-Q for further information.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (2)
7/1/2014 - 7/31/2014	5,021	$ 10.42	—	$75.0 million
8/1/2014 - 8/31/2014	36,215	$ 9.70	—	$75.0 million
9/1/2014 - 9/30/2014	28,012	$ 12.06	—	$75.0 million
Total	69,248	$ 10.71	—	$75.0 million

(1) This column reflects 69,248 shares withheld from employees to satisfy tax withholding obligations associated with the vesting of RSUs during the three months ended September 30, 2014.

(2) On December 5, 2013, our board of directors approved an extension of our existing stock repurchase program to December 31, 2014. The program, originally announced in May 2010, was due to expire on December 31, 2013. Under the program, we are authorized to repurchase, from time to time through open market purchases or otherwise, shares of our outstanding common stock in an aggregate amount up to $200 million. As of September 30, 2014, we had $75.0 million available for potential repurchases under the program.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Description
2.1	Agreement and Plan of Merger, dated as of August 1, 2014, by and among the Company, SGI, Scientific Games Nevada, Inc. and Bally Technologies, Inc. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on August 4, 2014).
4.1	Supplemental Indenture, dated as of September 15, 2014, among the Company, as issuer, the subsidiary guarantors party thereto, Scientific Games Productions, LLC, Scientific Games Distribution, LLC, and Deutsche Bank Trust Company Americas, as trustee, relating to the Indenture dated September 22, 2010, by and among the Company, as issuer, the subsidiary guarantors party thereto and Deutsche Bank Trust Company Americas, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q filed on October 31, 2014).
4.2	Supplemental Indenture, dated as of September 15, 2014, among Scientific Games International, Inc., as issuer, the Company, as a guarantor, the subsidiary guarantors party thereto, Scientific Games Productions, LLC, Scientific Games Distribution, LLC, and Deutsche Bank Trust Company Americas, as trustee, relating to the Indenture dated August 20, 2012, by and among Scientific Games International, Inc., as issuer, the Company, as a guarantor, the subsidiary guarantors party thereto and Deutsche Bank Trust Company Americas, as trustee (incorporated by reference to Exhibit 4.2 to the Company's Quarterly Report on Form 10-Q filed on October 31, 2014).
4.3	Supplemental Indenture, dated as of September 15, 2014, among Scientific Games International, Inc., as issuer, the Company, as a guarantor, the subsidiary guarantors party thereto, Scientific Games Productions, LLC, Scientific Games Distribution, LLC, and Deutsche Bank Trust Company Americas, as trustee, relating to the Indenture dated June 4, 2014, by and among Scientific Games International, Inc., as issuer, the Company, as a guarantor, the subsidiary guarantors party thereto and Deutsche Bank Trust Company Americas, as trustee (incorporated by reference to Exhibit 4.3 to the Company's Quarterly Report on Form 10-Q filed on October 31, 2014).
10.1	Amendment No. 1 to Credit Agreement, dated as of October 1, 2014, by and among Scientific Games International, Inc., as the borrower, the Company, the lenders and other agents from time to time party thereto, and Bank of America, N.A., as administrative agent, collateral agent, issuing lender and swingline lender (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 7, 2014).
10.2	Escrow Credit Agreement, dated as of October 1, 2014, by and among SGMS Escrow Corp., the lenders and other agents from time to time party thereto, and Bank of America, N.A., as administrative agent (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on October 7, 2014).
10.3	Letter Agreement dated as of July 31, 2014 between the Company and David L. Kennedy (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed on October 31, 2014).*
10.4	Agreement and General Release dated as of September 30, 2014 between the Company and Andrew E. Tomback (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed on October 31, 2014).*
10.5	Form of Inducement Equity Award Agreement between the Company and M. Gavin Isaacs (incorporated by reference to Exhibit 4.4 to the Company's Registration Statement on Form S-8 (No. 333-197948) filed on August 7, 2014).*
10.6	Commitment Letter, dated as of August 1, 2014, by and among the Company, SGI and Bank of America, N.A., Merrill Lynch, Pierce, Fenner & Smith Incorporated, JPMorgan Chase Bank, N.A., J.P. Morgan Securities LLC, Deutsche Bank AG New York Branch, Deutsche Bank AG Cayman Islands Branch and Deutsche Bank Securities Inc. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on August 4, 2014).
10.7	Employment Agreement dated as of August 28, 2014 by and between the Company and Steven W. Beason. (incorporated by reference to Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q filed on October 31, 2014).*

Exhibit Number	Description
31.1	Certification of the Chief Executive Officer of the Company pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934. (†)
31.2	Certification of the Chief Financial Officer of the Company pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934. (†)
32.1	Certification of the Chief Executive Officer of the Company pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (†)
32.2	Certification of the Chief Financial Officer of the Company pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (†)
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Definition Label Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

* Management contracts and compensation plans and arrangements.
(†) Filed herewith.

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/ Scott D. Schweinfurth
Name: Scott D. Schweinfurth
Title: Executive Vice President and Chief Financial Officer

By: /s/ Jeffrey B. Johnson
Name: Jeffrey B. Johnson
Title: Vice President, Finance, and Chief Accounting Officer

Dated: November 3, 2014

Exhibit 31.1

Certification by Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, M. Gavin Isaacs, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Scientific Games Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2014

/s/ M. Gavin Isaacs

M. Gavin Isaacs

Chief Executive Officer

Exhibit 31.2

Certification by Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Scott D. Schweinfurth, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Scientific Games Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2014

/s/ Scott D. Schweinfurth

Scott D. Schweinfurth

Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Scientific Games Corporation (the "Company") on Form 10-Q for the period ended September 30, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, M. Gavin Isaacs, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ M. Gavin Isaacs

M. Gavin Isaacs
Chief Executive Officer
November 3, 2014

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Scientific Games Corporation (the "Company") on Form 10-Q for the period ended September 30, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Scott D. Schweinfurth, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002, that:

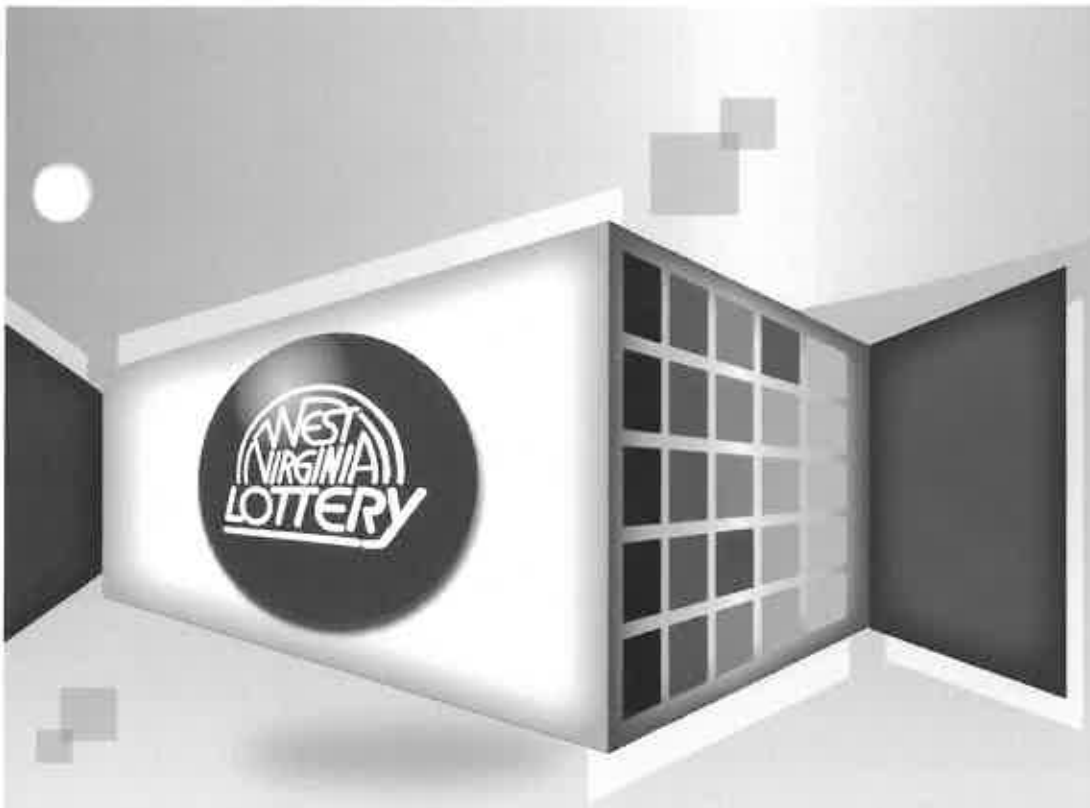
(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ Scott D. Schweinfurth

Scott D. Schweinfurth
Chief Financial Officer
November 3, 2014



2014 SG 10-Q (Q3)

SG
SCIENTIFIC GAMES

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

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

For the quarterly period ended September 30, 2014

OR

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

For the transition period from to

Commission file number: 0-13063

SCIENTIFIC GAMES CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**81-0422894**
(State or other jurisdiction of incorporation or organization)	(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 required 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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

Large accelerated filer ☐	Accelerated filer ☒
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The registrant has the following number of shares outstanding of each of the registrant's classes of common stock as of October 28, 2014:

Class A Common Stock: 84,829,084
Class B Common Stock: **None**

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
INDEX TO FINANCIAL INFORMATION
AND OTHER INFORMATION
THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2014

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Glossary of Terms

As used in this Quarterly Report on Form 10-Q, the terms "we," "us," "our" and the "Company" mean Scientific Games Corporation and its consolidated subsidiaries. The following terms or acronyms used in this Form 10-Q are defined below:

Term or Acronym	Definition
2018 Notes	8.125% senior subordinated notes due 2018 issued by Scientific Games Corporation
2019 Notes	9.250% senior subordinated notes due 2019 issued by SGI
2020 Notes	6.250% senior subordinated notes due 2020 issued by SGI
2021 Notes	6.625% senior subordinated notes due 2021 issued by SGI
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
Bally	Bally Technologies, Inc.
Barcrest	Barcrest Group Limited, an indirect wholly owned subsidiary of Scientific Games Corporation
China Loans	RMB denominated loans due 2014
CSG	Beijing CITIC Scientific Games Technology Co., Ltd., the instant games supplier to the CSL, in which we have a 49% equity interest
CSL	China Sports Lottery
D&A	depreciation and amortization expense
ESPP	Employee Stock Purchase Plan
FASB	Financial Accounting Standards Board
GLB	Beijing Guard Libang Technology Co., Ltd., a provider of lottery systems and services to the China Welfare Lottery, in which we have a 50% equity interest
Global Draw	The Global Draw Limited, an indirect wholly owned subsidiary of Scientific Games Corporation
Hellenic Lotteries	Hellenic Lotteries S.A., the operator of the Greek state lotteries, in which we have a 16.5% equity interest
ITL	International Terminal Leasing, an entity that leases gaming machines to us for provision to our customers, in which we have a 50% equity interest
LAP	local-area progressive
LBO	licensed betting office
LNS	Lotterie Nazionali S.r.l., the operator of the Gratta e Vinci instant ticket lottery in Italy, in which we have a 20% equity interest
MD&A	Management's discussion and analysis of financial condition and results of operations
Northstar Illinois	Northstar Lottery Group, LLC, the private manager of the Illinois lottery, in which we have a 20% equity interest
Northstar New Jersey	Northstar New Jersey Lottery Group, LLC, the operating entity that provides marketing and sales services to the New Jersey lottery, in which we have a 17.69% equity interest
Note	refers to a note to our Consolidated Financial Statements, unless otherwise specified
participation	with respect to our lottery business, refers to a contract or arrangement in which we are paid based on a percentage of retail sales
PMA	private management agreement
Provoloto	SG Provoloto, S. de R.L. de C.V., an indirect wholly owned subsidiary of Scientific Games Corporation until February 2014
R&D	research and development expense
RCN	Roberts Communications Network, LLC, a provider of communications services to racing and other customers, in which we have a 29.4% equity interest
RMB	Chinese Renminbi Yuan
RSU	restricted stock unit
SEC	Securities and Exchange Commission
SG&A	selling, general and administrative expense
SGMS Escrow Corp.	wholly owned unrestricted subsidiary of SGI
SGI	Scientific Games International, Inc., a direct wholly owned subsidiary of Scientific Games Corporation
Sportech	Sportech plc, an operator and supplier of sports pools and tote systems, in which we had a 20% equity interest until January 2014
U.S.	United States of America
U.S. GAAP	accounting principles generally accepted in the United States of America
VLT	video lottery terminal
WAP	wide-area progressive
WMS	WMS Industries Inc., a direct wholly owned subsidiary of Scientific Games Corporation

Forward-Looking Statements

Throughout this Quarterly Report on Form 10-Q, we make "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements describe future expectations, plans, results or strategies and can often be identified by the use of terminology such as "may," "will," "estimate," "intend," "continue," "believe," "expect," "anticipate," "should," "could," "potential," "opportunity," or similar terminology. The forward-looking statements contained in this Quarterly Report on Form 10-Q are generally located 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 statements are based upon management's current expectations, assumptions and estimates and are not guarantees of future timing, results or performance. Actual results may differ materially from those contemplated in these statements due to a variety of risks and uncertainties and other factors, including, among other things:

- competition;
- U.S. and international economic and industry conditions, including declines in or slow growth of lottery retail sales or gross gaming revenues, reductions in or constraints on capital spending by gaming or lottery operators and credit risk relating to customers;
- slow growth of new gaming jurisdictions, slow addition of casinos in existing jurisdictions and declines in the replacement cycle of gaming machines;
- ownership changes and consolidation in the casino industry;
- opposition to legalized gaming or the expansion thereof;
- inability to adapt to, and offer products that keep pace with, evolving technology;
- inability to develop successful gaming or lottery concepts and content;
- laws and government regulation, including those relating to gaming licenses and environmental laws;
- inability to identify and capitalize on trends and changes in the gaming and lottery industries, including the expansion of interactive gaming;
- dependence upon key providers in our social gaming business;
- retention and renewal of existing contracts or entry into new or revised contracts;
- level of our indebtedness, higher interest rates, unavailability or inadequacy of cash flows and liquidity to satisfy obligations or future needs, and restrictions and covenants in our debt agreements;
- protection of our intellectual property, ability to license third party intellectual property and the intellectual property rights of others;
- security and integrity of our software and systems and reliance on or failures in our information technology systems;
- natural events that disrupt our operations or those of our customers, suppliers or regulators;
- inability to benefit from, and risks associated with, strategic equity investments and relationships, including (1) the inability of our joint venture to meet the net income targets or otherwise to realize the anticipated benefits under its PMA with the Illinois lottery, (2) the inability of our joint venture to meet the net income targets or other requirements under its agreement to provide marketing and sales services to the New Jersey lottery or otherwise to realize the anticipated benefits under such agreement (including as a result of a protest) and (3) failure to realize the anticipated benefits related to the award to our consortium of an instant lottery game concession in Greece;
- failure to achieve the intended benefits of the WMS acquisition, including due to the inability to realize synergies in the anticipated amounts or within the contemplated time-frames or cost expectations, or at all;
- inability to complete future acquisitions, including the pending acquisition of Bally due to the failure to obtain the required approvals or debt financing or otherwise;
- litigation relating to the pending Bally acquisition;
- disruption of our current plans and operations in connection with the pending Bally acquisition (whether prior to its completion or following its completion, including in connection with the integration of Bally), including departure of key personnel or inability to recruit additional qualified personnel or maintain relationships with customers, suppliers or other third parties;
- costs, charges and expenses relating to the pending Bally acquisition;
- inability to successfully integrate future acquisitions, including Bally (including SHFL entertainment, Inc. and Dragonplay Ltd.) following completion of the pending Bally acquisition;
- failure to realize the intended benefits of the pending Bally acquisition, including the inability to realize the anticipated synergies in the anticipated amounts or within the contemplated time-frames or cost expectations, or at all;
- inability to control Bally until completion of the Bally acquisition;
- incurrence of restructuring costs, revenue recognition standards and impairment charges;
- fluctuations in our results due to seasonality and other factors;
- dependence on suppliers and manufacturers;
- risks relating to foreign operations, including fluctuations in foreign currency exchange rates and restrictions on the import of our products;

- dependence on our employees;
- litigation and other liabilities relating to our business, including litigation and liabilities relating to our contracts and licenses, our products and systems, our employees, intellectual property and our strategic relationships;
- influence of certain stockholders; and
- stock price volatility.

Additional information regarding risks and uncertainties and other factors that could cause actual results to differ materially from those contemplated in forward-looking statements is included from time to time in our filings with the SEC, including under the heading "Risk Factors" in our most recent Annual Report on Form 10-K. Forward-looking statements speak only as of the date they are made and, except for our ongoing obligations under the U.S. federal securities laws, we undertake no obligation to publicly update any forward-looking statements whether as a result of new information, future events or otherwise.

This Quarterly Report on Form 10-Q may contain references to industry market data and certain industry forecasts. Industry market data and industry forecasts are obtained from publicly available information and industry publications. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of that information is not guaranteed. Although we believe industry information to be accurate, it is not independently verified by us and we do not make any representation as to the accuracy of that information. In general, we believe there is less publicly available information concerning the international lottery and gaming industries than the lottery and gaming industries in the U.S.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME
(Unaudited, in millions, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Revenue:				
Instant games	$ 130.8	$ 129.7	$ 392.4	$ 379.0
Services	182.8	80.7	538.9	247.7
Product sales	102.0	24.0	289.3	62.3
Total revenue	415.6	234.4	1,220.6	689.0
Operating expenses:				
Cost of instant games (1)	69.7	70.6	212.5	210.3
Cost of services (1)	69.6	42.6	200.7	135.0
Cost of product sales (1)	59.9	13.3	161.2	39.3
Selling, general and administrative	95.6	45.6	282.6	139.1
Research and development	26.3	1.4	77.0	4.7
Employee termination and restructuring	1.9	—	12.4	0.3
Depreciation and amortization	100.4	35.2	290.5	111.1
Operating (loss) income	(7.8)	25.7	(16.3)	49.2
Other income (expense):				
Interest expense	(45.7)	(25.2)	(142.9)	(75.3)
Earnings (loss) from equity investments	(14.0)	3.4	(7.8)	13.0
Loss on early extinguishment of debt	—	—	(25.9)	—
Gain on sale of equity interest	—	—	14.5	—
Other income (expense), net	3.1	—	9.2	(0.8)
Total other expense	(56.6)	(21.8)	(152.9)	(63.1)
Net (loss) income from continuing operations before income taxes	(64.4)	3.9	(169.2)	(13.9)
Income tax expense	(5.4)	(4.3)	(18.0)	(11.2)
Net loss from continuing operations	$ (69.8)	$ (0.4)	$ (187.2)	$ (25.1)
Discontinued operations:				
Loss from discontinued operations	—	(0.1)	—	(2.7)
Gain on sale of assets	—	—	—	0.8
Income tax benefit	—	—	—	0.3
Net loss from discontinued operations	$ —	$ (0.1)	$ —	$ (1.6)
Net loss	$ (69.8)	$ (0.5)	$ (187.2)	$ (26.7)
Other comprehensive (loss) income:				
Foreign currency translation (loss) gain	(57.8)	42.3	(47.7)	3.6
Pension and post-retirement gain (loss), net of tax	0.4	(0.5)	0.3	0.2
Derivative financial instruments unrealized (loss) gain, net of tax	2.3	(2.6)	(4.0)	(1.9)
Other comprehensive (loss) income	(55.1)	39.2	(51.4)	1.9
Comprehensive (loss) income	$ (124.9)	$ 38.7	$ (238.6)	$ (24.8)

(1) Exclusive of depreciation and amortization.

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME (cont'd)
(Unaudited, in millions, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Basic net loss per share:				
Continuing operations	$ (0.82)	$ (0.01)	$ (2.22)	$ (0.29)
Discontinued operations	—	—	—	(0.02)
Total basic net loss per share	$ (0.82)	$ (0.01)	$ (2.22)	$ (0.31)
Diluted net loss per share:				
Continuing operations	$ (0.82)	$ (0.01)	$ (2.22)	$ (0.29)
Discontinued operations	—	—	—	(0.02)
Total diluted net loss per share	$ (0.82)	$ (0.01)	$ (2.22)	$ (0.31)
Weighted average number of shares used in per share calculations:				
Basic shares	84.7	85.1	84.5	84.9
Diluted shares	84.7	85.1	84.5	84.9

See accompanying notes to consolidated financial statements.

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in millions, except par value)

	September 30, 2014	December 31, 2013
ASSETS	(Unaudited)	
Current assets:		
Cash and cash equivalents	$ 132.5	$ 153.7
Restricted cash	12.1	10.9
Accounts receivable, net	297.3	346.0
Notes receivable, net	128.1	158.7
Inventories	170.9	137.8
Deferred income taxes, current portion	36.2	31.0
Prepaid expenses, deposits and other current assets	72.9	119.3
Total current assets	850.0	957.4
Property and equipment, net	739.6	773.1
Long-term notes receivable	55.5	72.6
Goodwill	1,168.7	1,183.1
Intangible assets, net	500.3	411.1
Software, net	306.8	343.5
Equity investments	298.7	367.2
Other assets	119.3	128.4
Total assets	$ 4,038.9	$ 4,236.4
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Debt payments due within one year	$ 30.9	$ 30.4
Accounts payable	94.3	140.9
Accrued liabilities	266.9	280.3
Total current liabilities	392.1	451.6
Deferred income taxes	146.6	138.0
Other long-term liabilities	216.1	109.6
Long-term debt, excluding current installments	3,178.4	3,162.2
Total liabilities	3,933.2	3,861.4
Commitments and contingencies		
Stockholders' equity:		
Class A common stock, par value $0.01 per share; 199.3 shares authorized; 102.0 and 100.4 shares issued and 84.8 and 85.2 shares outstanding, respectively	1.0	1.0
Additional paid-in capital	736.6	737.8
Accumulated loss	(423.6)	(236.4)
Treasury stock, at cost: 17.2 and 15.2 shares held, respectively	(175.2)	(145.7)
Accumulated other comprehensive (loss) income	(33.1)	18.3
Total stockholders' equity	105.7	375.0
Total liabilities and stockholders' equity	$ 4,038.9	$ 4,236.4

See accompanying notes to consolidated financial statements.

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, in millions)

	Nine Months Ended September 30,	
	2014	2013
Cash flows from operating activities:		
Net loss	$ (187.2)	$ (26.7)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	290.5	111.7
Change in deferred income taxes	5.2	1.5
Stock-based compensation	18.1	17.3
Non-cash interest expense	12.8	5.1
Loss (earnings) from equity investments, net	7.8	(13.0)
Distributed earnings from equity investments	22.5	28.8
Loss on early extinguishment of debt	25.9	—
Gain on sale of equity interest	(14.5)	—
Changes in current assets and liabilities, net of effects of acquisitions:		
Accounts and notes receivable	80.8	9.6
Inventories	(30.9)	(9.3)
Accounts payable	(36.5)	(18.2)
Accrued liabilities	1.2	(2.4)
Other current assets and liabilities	41.6	(4.8)
Other	(3.9)	(4.0)
Net cash provided by operating activities	233.4	95.6
Cash flows from investing activities:		
Additions to property and equipment	(32.4)	(22.9)
Lottery and gaming services expenditures	(73.1)	(51.3)
Intangible assets and software expenditures	(70.8)	(38.1)
Proceeds from asset disposals	0.5	10.9
Change in other assets and liabilities, net	—	(0.2)
Additions to equity method investments	(43.3)	(65.0)
Distributions of capital on equity investments	45.4	19.4
Proceeds from sale of equity interest	44.9	—
Restricted cash	(1.1)	30.8
Business acquisitions, net of cash acquired	—	(0.4)
Net cash used in investing activities	(129.9)	(116.8)
Cash flows from financing activities:		
Proceeds from the issuance of long-term debt	347.9	3.9
Payments on long-term debt	(377.3)	(13.4)
Payments of financing fees	(22.8)	(2.0)
Payments on license obligations	(7.0)	—
Common stock repurchases	(29.5)	—
Contingent earnout payments	(10.2)	—
Net redemptions of common stock under stock-based compensation plans	(19.1)	(2.1)
Net cash used in financing activities	(118.0)	(13.6)
Effect of exchange rate changes on cash and cash equivalents	(6.7)	(0.7)
Decrease in cash and cash equivalents	(21.2)	(35.5)
Cash and cash equivalents, beginning of period	153.7	109.0
Cash and cash equivalents, end of period	$ 132.5	$ 73.5

See accompanying notes to consolidated financial statements.

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited, table amounts in millions, except per share amounts)

(1) Description of the Business and Summary of Significant Accounting Policies

Description of the Business

We are a leading diversified supplier of technology-based products and services to the gaming and lottery industries. Our portfolio includes instant and draw-based lottery games; gaming machines and game content; server-based lottery and gaming systems; sports betting technology; loyalty and rewards programs; and interactive products and services. Upon our acquisition of WMS in October 2013, we significantly expanded our global gaming business.

Basis of Presentation and Principles of Consolidation

The accompanying consolidated financial statements of the Company have been prepared in accordance with SEC and U.S. GAAP requirements. All monetary values set forth in these financial statements are in U.S. dollars ("$") unless otherwise stated herein. The accompanying consolidated financial statements include the Company's accounts and subsidiaries that are wholly owned and in which we have a controlling financial interest. Investments in other entities in which we do not have a controlling financial interest but we exert significant influence are accounted for in the consolidated financial statements using the equity method of accounting. All intercompany balances and transactions have been eliminated in consolidation. We have evaluated subsequent events through the date of these financial statements. In the opinion of management, we have made all adjustments necessary to present fairly our consolidated financial position, results of operations, comprehensive (loss) income and cash flows for the periods presented. Such adjustments are of a normal, recurring nature. These consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our 2013 Annual Report on Form 10-K. Interim results of operations are not necessarily indicative of results of operations for a full year.

In our Consolidated Statements of Operations and Comprehensive (Loss) Income for the three and nine months ended September 30, 2013, we reclassified $1.4 million and $4.7 million, respectively, of R&D expense previously included within SG&A to conform to the current-year presentation.

On March 25, 2013, we completed the sale of our installed base of gaming machines in our pub business as discussed in Note 3 (Acquisitions and Dispositions) in this Quarterly Report on Form 10-Q. The results of the discontinued pub operations for the three and nine months ended September 30, 2013 are presented herein in accordance with ASC 205, *Presentation of Financial Statements - Discontinued Operations*. There were no results of operations for this business for the three or nine months ended September 30, 2014.

Significant Accounting Policies

There have been no changes to our significant accounting policies described in Note 1 (Description of the Business and Summary of Significant Accounting Policies) in our 2013 Annual Report on Form 10-K except for the addition of our lease accounting policy and an update to our minimum guarantees policy as described below.

Lease Accounting

We account for assets held under leases in accordance with ASC 840, *Leases*. For leases classified as operating leases, we record expense on a straight-line basis over the base term of the lease agreements. For assets accounted for as capital leases, we record the lower of the net present value of the future minimum lease payments or the fair value of the leased asset at the inception of the lease. Amortization expense is computed using the straight-line method over the shorter of the estimated useful lives of the asset or the period of the related lease.

Minimum Guarantees

We enter into long-term license agreements in which we are obligated to pay a minimum guaranteed amount of royalties, typically annually. We account for the minimum guaranteed obligations within other long-term liabilities at the onset of the license arrangement and record a corresponding licensed asset within intangible assets, net. The licensed assets related to the minimum guaranteed obligations are amortized over the term of the license agreement and included in depreciation and amortization. The long-term liability related to the minimum guaranteed obligations is reduced as royalty payments are made under the license agreement. The weighted average remaining term of our license agreements with minimum guaranteed obligations was six years and four years as of September 30, 2014 and December 31, 2013, respectively. Our total minimum guaranteed obligations reflected in our Consolidated Balance Sheets were $178.3 million and $216.0 million as of September

30, 2014 and December 31, 2013, respectively. Additionally, our remaining expected future payments of minimum guaranteed obligations is $10.6 million with $27.4 million of payments made through September 30, 2014), $29.2 million, $28.9 million, $28.7 million and $80.9 million in the years ending December 31, 2014, 2015, 2016, 2017 and 2018 and thereafter, respectively.

Recently Issued Accounting Guidance

In January 2014, the FASB issued ASU 2014-05, *Service Concession Arrangements (Topic 853), a consensus of the FASB Emerging Issues Task Force,* which specified that an operating entity should not account for a service concession arrangement within the scope of the update as a lease in accordance with ASC 840, *Leases*. The guidance is effective for fiscal years beginning after December 15, 2014. We do not expect ASU 2014-05 to have a material effect on our financial condition, results of operations or cash flows.

In April 2014, the FASB issued ASU 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity.* ASU 2014-08 changes the criteria for reporting discontinued operations and modifies related disclosure requirements. The new guidance is effective on a prospective basis for fiscal years beginning after December 15, 2014, and interim periods thereafter. We do not expect ASU 2014-08 to have a material effect on our financial condition, results of operations or cash flows.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers.* The amended guidance outlines a single comprehensive revenue model for entities to use in accounting for revenue from contracts with customers. The guidance supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that "an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services." ASU 2014-09 is effective for fiscal years, and interim reporting periods within those years, beginning after December 15, 2016 (early adoption is not permitted). We are currently evaluating the impact of adopting ASU 2014-09.

In June 2014, the FASB issued ASU No. 2014-12, *Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period.* ASU 2014-12 requires that a performance target that affects vesting and could be achieved after the requisite service period be treated as a performance condition. A reporting entity should apply existing guidance in ASC 718, *Compensation—Stock Compensation*, as it relates to such awards. ASU 2014-12 is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2015 with early adoption permitted using either of two methods: (i) prospective to all awards granted or modified after the effective date; or (ii) retrospective to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter, with the cumulative effect of applying ASU 2014-12 as an adjustment to the opening retained earnings balance as of the beginning of the earliest annual period presented in the financial statements. We do not expect ASU 2014-12 to have a material effect on our financial condition, results of operations or cash flows.

In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements - Going Concern: Disclosure of Uncertainties About an Entity's Ability to Continue as a Going Concern*. ASU 2014-15 requires management to perform interim and annual assessments as to whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern within one year of the date the financial statements are issued and to provide related disclosures, if required. ASU 2014-15 is effective for annual periods ending after December 15, 2016 and for annual periods and interim periods thereafter. Early adoption is permitted. We do not expect ASU 2014-15 to have a material effect on our financial condition, results of operations or cash flows.

(2) Reportable Business Segment Information

We report our operations in three business segments—Instant Products, Lottery Systems and Gaming—representing our different products and services. These are our reportable segments under ASC 280, *Segment Reporting*. The Instant Products and Lottery Systems business segments are managed by one executive and the Gaming business segment is managed by a different executive, both of whom report to our chief executive officer (who is our "chief operating decision maker" under applicable accounting standards). Our three business segments represent the aggregation of similar operating segments. Our Instant Products business segment is comprised of our instant products operating segment, which provides instant lottery games and related value-added services, as well as licensed brands that are printed on instant lottery games and other promotional lottery products. Our Lottery Systems business segment is comprised of our lottery systems operating segment, which provides products and services to lottery operators generally comprised of a central system, customized computer software, data communication services, support and/or related equipment. Our Gaming business segment includes (1) our gaming operating segment, which generally sells new and used gaming machines, conversion kits and parts, and leases or otherwise provides gaming machines, systems and content, to commercial, tribal and governmental gaming operators, and (2) our interactive

operating segment, which provides social gaming entertainment and game server services for real-money gaming. Additional discussion regarding the products and services from which each reportable business segment derives its revenue is included in Note 1 (Description of the Business and Summary of Significant Accounting Policies) in our 2013 Annual Report on Form 10-K.

Effective in the fourth quarter of 2013, we revised our business and operating segments to reflect the reorganization of our business following the WMS acquisition and the resulting changes in the financial information regularly reviewed by our chief executive officer. Based on that review, we moved our video systems operating segment from the Lottery Systems business segment to the Gaming business segment. This change, which was effective as of December 31, 2013, had no impact on the Company's consolidated financial statements for any periods. Business segment information for the three and nine months ended September 30, 2013 has been adjusted to reflect this change.

The following tables present revenue, cost of revenue, SG&A, R&D, employee termination and restructuring, D&A, operating (loss) income from continuing operations and earnings (loss) from equity investments by business segment for the three and nine months ended September 30, 2014 and 2013. Certain unallocated expenses managed at the corporate level, comprised primarily of general and administrative costs and other income (expense), net, are not allocated to our business segments. Segment results for 2013 below do not include the results of WMS, which we acquired in October 2013. The increase in unallocated corporate costs for the three and nine months ended September 30, 2014 primarily related to the inclusion of WMS results.

	Three Months Ended September 30, 2014			
	Instant Products	Lottery Systems	Gaming	Total
Revenue:				
Instant games	$ 130.8	$ —	$ —	$ 130.8
Services	—	48.2	134.6	182.8
Product sales	3.2	30.5	68.3	102.0
Total revenue	134.0	78.7	202.9	415.6
Cost of instant games (1)	69.7	—	—	69.7
Cost of services (1)	—	30.4	39.2	69.6
Cost of product sales (1)	2.4	24.6	32.9	59.9
Selling, general and administrative	12.2	5.6	42.4	60.2
Research and development	0.5	0.9	24.9	26.3
Employee termination and restructuring	0.4	—	1.5	1.9
Depreciation and amortization	8.9	16.0	69.8	94.7
Segment operating income (loss) from continuing operations	$ 39.9	$ 1.2	$ (7.8)	$ 33.3
Unallocated corporate costs				41.1
Consolidated operating loss from continuing operations				$ (7.8)
Earnings (loss) from equity investments	$ (15.4)	$ 0.1	$ 1.3	$ (14.0)

(1) Exclusive of depreciation and amortization.

	Three Months Ended September 30, 2013			
	Instant Products	Lottery Systems	Gaming	Total
Revenue:				
Instant games	$ 129.7	$ —	$ —	$ 129.7
Services	—	48.6	32.1	80.7
Product sales	3.1	13.6	7.3	24.0
Total revenue	132.8	62.2	39.4	234.4
Cost of instant games (1)	70.6	—	—	70.6
Cost of services (1)	—	27.1	15.5	42.6
Cost of product sales (1)	2.2	7.3	3.8	13.3
Selling, general and administrative	11.5	5.3	6.3	23.1
Research and development	0.1	0.9	0.4	1.4
Depreciation and amortization	9.2	13.4	12.4	35.0
Segment operating income from continuing operations	$ 39.2	$ 8.2	$ 1.0	$ 48.4
Unallocated corporate costs				22.7
Consolidated operating income from continuing operations				$ 25.7
Earnings (loss) from equity investments	$ 5.2	$ 0.1	$ (1.9)	$ 3.4

(1) Exclusive of depreciation and amortization.

	Nine Months Ended September 30, 2014			
	Instant Products	Lottery Systems	Gaming	Total
Revenue:				
Instant games	$ 392.4	$ —	$ —	$ 392.4
Services	—	149.3	389.6	538.9
Product sales	9.4	63.3	216.6	289.3
Total revenue	401.8	212.6	606.2	1,220.6
Cost of instant games (1)	212.5	—	—	212.5
Cost of services (1)	—	90.4	110.3	200.7
Cost of product sales (1)	6.5	50.8	103.9	161.2
Selling, general and administrative	38.9	17.1	132.9	188.9
Research and development	1.0	1.7	74.3	77.0
Employee termination and restructuring	1.6	—	8.9	10.5
Depreciation and amortization	26.2	44.6	200.2	271.0
Segment operating income (loss) from continuing operations	$ 115.1	$ 8.0	$ (24.3)	$ 98.8
Unallocated corporate costs				115.1
Consolidated operating loss from continuing operations				$ (16.3)
Earnings (loss) from equity investments	$ (12.4)	$ 1.3	$ 3.3	$ (7.8)

(1) Exclusive of depreciation and amortization.

	Nine Months Ended September 30, 2013			
	Instant Products	Lottery Systems	Gaming	Total
Revenue				
Instant games	$ 379.0	$ —	$ —	$ 379.0
Services	—	146.1	101.6	247.7
Product sales	10.1	35.2	17.0	62.3
Total revenue	389.1	181.3	118.6	689.0
Cost of instant games (1)	210.3	—	—	210.3
Cost of services (1)	—	82.0	53.0	135.0
Cost of product sales (1)	7.2	22.4	9.7	39.3
Selling, general and administrative	35.5	16.0	19.3	70.8
Research and development	0.4	3.1	1.2	4.7
Employee termination and restructuring	0.3	—	—	0.3
Depreciation and amortization	27.0	38.8	44.8	110.6
Segment operating income (loss) from continuing operations	$ 108.4	$ 19.0	$ (9.4)	$ 118.0
Unallocated corporate costs				68.8
Consolidated operating income from continuing operations				$ 49.2
Earnings (loss) from equity investments	$ 15.8	$ 0.7	$ (3.5)	$ 13.0

(1) Exclusive of depreciation and amortization.

The following table presents a reconciliation of business segment operating income from continuing operations to net (loss) income from continuing operations before income taxes for each period:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Reportable business segment operating income from continuing operations	$ 33.3	$ 48.4	$ 98.8	$ 118.0
Unallocated corporate costs	(41.1)	(22.7)	(115.1)	(68.8)
Consolidated operating (loss) income from continuing operations	(7.8)	25.7	(16.3)	49.2
Interest expense	(45.7)	(25.2)	(142.9)	(75.3)
Earnings (loss) from equity investments	(14.0)	3.4	(7.8)	13.0
Loss on early extinguishment of debt	—	—	(25.9)	—
Gain on sale of equity interest	—	—	14.5	—
Other income (expense), net	3.1	—	9.2	(0.8)
Net (loss) income from continuing operations before income taxes	$ (64.4)	$ 3.9	$ (169.2)	$ (13.9)

In evaluating segment financial performance, we focus on operating income as a segment's measure of profit or loss. Segment operating income is income before other income (expense), net, interest expense, earnings (loss) from equity investments, loss on early extinguishment of debt, gain on sale of equity interest, unallocated corporate costs and income taxes. The accounting policies of the business segments are the same as those described in our summary of significant accounting policies in Note 1 (Description of the Business and Summary of Significant Accounting Policies) in this Quarterly Report on Form 10-Q and Note 1 (Description of the Business and Summary of Significant Accounting Policies) in our 2013 Annual Report on Form 10-K.

(3) Acquisitions and Dispositions

Pending Acquisition of Bally

On August 1, 2014, we entered into a merger agreement pursuant to which we agreed to acquire Bally, a leading supplier of gaming machines, table game products, systems, and interactive gaming solutions, for $83.30 in cash per common share. The aggregate transaction value is approximately $5.1 billion, including the refinancing of approximately $1.8 billion of existing Bally net debt.

We received early termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), August 2014, which satisfied one of the conditions to closing the merger. The closing of the merger remains subject to approval of the merger by Bally ockholders, receipt of certain gaming regulatory approvals and other customary closing conditions.

The merger agreement contains certain termination rights for both Scientific Games and Bally and further provides that, in connection with termination of the merger agreement under specified circumstances, (1) we may be required to pay to Bally a termination fee of $105.0 million if all the conditions to closing have been met and the merger is not consummated because of a breach by our lenders of their obligations to finance the transaction, (2) we may be required to pay to Bally a termination fee of $105.0 million if the parties are unable to obtain the gaming regulatory approvals that are conditions to closing and (3) Bally may be required to pay us a termination fee of $80.0 million under specified circumstances, including, but not limited to, a change in the Bally board's recommendation of the merger or in connection with Bally's termination of the merger agreement to enter into a written definitive agreement for a "superior proposal" (as defined in the merger agreement).

The transaction is expected to be completed in the fourth quarter. However, no assurance can be given that the transaction will be completed.

Acquisitions

On October 18, 2013, we acquired WMS, a global gaming supplier with a diversified suite of products and strong content creation capabilities, for $1,485.9 million.

Subsequent to the filing of our 2013 Annual Report on Form 10-K, we adjusted the estimated fair values of certain WMS assets to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date. The adjustments resulted in a decrease in goodwill of approximately $3.8 million related to the recognition of non-U.S.-based current and deferred tax assets and liabilities. We have applied the adjustment retrospectively to the opening balance sheet at October 18, 2013.

We have completed the allocation of the purchase price, which resulted in the purchase price exceeding the aggregate fair value of the acquired assets and assumed liabilities at the acquisition date by $381.8 million. Such excess amount has been recognized as goodwill within our Gaming segment. We attribute this goodwill to enhanced financial and operational scale, market diversification, opportunities for synergies and other strategic benefits. None of the goodwill associated with the acquisition is deductible for income tax purposes and, as such, no deferred taxes have been recorded related to goodwill.

	At October 18, 2013
Current assets	$ 503.9
Long-term notes receivable	76.2
Property, plant and equipment, net	465.8
Goodwill	381.8
Intangible assets	325.0
Intellectual property	201.2
Other long-term assets	7.8
Total assets	1,961.7
Current liabilities	(158.9)
Deferred income taxes	(166.6)
Long-term liabilities	(150.3)
Total liabilities	(475.8)
Total equity purchase price	$ 1,485.9

As required by ASC 805, *Business Combinations*, the following unaudited pro forma financial information for the three and nine months ended September 30, 2013 gives effect to the WMS acquisition as if it had been completed on January 1, 2012. The unaudited pro forma financial information is presented for illustrative purposes only and is not necessarily indicative of what the operating results actually would have been had the WMS acquisition been completed on January 1, 2012. The unaudited pro forma financial information does not purport to project the future operating results of the Company. The unaudited pro forma financial information does not reflect (1) any anticipated synergies (or costs to achieve anticipated

synergies) or (2) the impact of non-recurring items directly related to the WMS acquisition.

	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2013
Revenue from Consolidated Statements of Operations and Comprehensive (Loss) Income	$ 234.4	$ 689.0
Add: WMS revenue not reflected in Consolidated Statements of Operations and Comprehensive (Loss) Income	166.4	547.1
Unaudited pro forma revenue	$ 400.8	$ 1,236.1

	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2013
Net loss from continuing operations from Consolidated Statements of Operations and Comprehensive (Loss) Income	$ (0.4)	$ (25.1)
Add: WMS net loss from continuing operations not reflected in Consolidated Statements of Operations and Comprehensive (Loss) Income plus pro forma adjustments (1), (2), (3) and (4) below	(25.4)	(45.0)
Unaudited pro forma net loss from continuing operations	$ (25.8)	$ (70.1)

Unaudited pro forma amounts reflect the following adjustments:

(1) An adjustment to reflect additional D&A of $8.4 million and $28.9 million for the three and nine months ended September 30, 2013, respectively, that would have been incurred assuming the fair value adjustments to intangible assets and property and equipment had been applied on January 1, 2012.

(2) An adjustment to reverse acquisition-related fees and expenses of $3.5 million and $20.5 million for the three and nine months ended September 30, 2013, respectively.

(3) An adjustment to reflect additional interest expense of $20.4 million and $61.0 million for the three and nine months ended September 30, 2013, respectively, that would have been incurred assuming our new credit facilities were in place as of January 1, 2012.

(4) An adjustment of $0.5 million and $3.0 million to reverse the U.S. tax benefit and expense of WMS for the three and nine months ended September 30, 2013, respectively, under the assumption that the U.S. taxable income of WMS would have been offset by U.S. tax attributes of the Company.

Dispositions

On March 25, 2013, we completed the sale of our installed base of gaming terminals in our pub business for £0.5 million. There were no results of operations for this business for the three and nine months ended September 30, 2014. The components of our loss from discontinued operations for the three and nine months ended September 30, 2013 are presented below:

	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2013
Revenue:		
Services	$ —	$ 1.8
Operating expenses:		
Cost of services (1)	0.1	3.0
Selling, general and administrative	—	1.0
Depreciation and amortization	—	0.5
Loss from discontinued operations	(0.1)	(2.7)
Other expense	—	—
Gain on sale of assets	—	0.8
Income tax benefits	—	0.3
Net loss from discontinued operations	$ (0.1)	$ (1.6)

(1) Exclusive of depreciation and amortization.

(4) Restructuring Plans

We recorded pre-tax employee termination and restructuring costs of $1.9 million and $0 for the three months ended September 30, 2014 and 2013, respectively, and recorded pre-tax employee termination and restructuring costs of $12.4 million and $0.3 million for the nine months ended September 30, 2014 and 2013, respectively. Employee termination and restructuring initiatives reported in the nine months ended September 30, 2013 were related to initiatives that were completed as of September 30, 2013 and therefore, are not included in the tables below.

WMS Integration-Related Restructuring Plan

Upon our acquisition of WMS in October 2013, we began integrating Scientific Games and WMS and implementing our plans to streamline our operations and cost structure. We have recorded costs that meet the criteria under ASC 420, ***Exit and Disposal Cost Obligations***, in each of our segments associated with integration activities that have been initiated in the relevant period. These costs include employee severance costs, costs relating to the exiting of facilities and costs related to exiting two immaterial businesses.

Unallocated corporate employee termination costs primarily related to terminations of certain executives, including our former chief executive officer, in the fourth quarter of 2013.

Other Restructuring Plans

In December 2013, we initiated a plan to exit our Provoloto instant lottery game operations in Mexico, which was completed during the three months ended March 31, 2014. In June 2014, we initiated a plan to exit our paper roll conversion operations in the U.S., which are immaterial to our operations. Employee termination and restructuring costs related to these initiatives are included in our Instant Products segment.

Employee Termination and Restructuring Costs by Segment

The following table presents a summary of employee termination and restructuring costs by segment related to the restructuring plans described above, including the costs incurred during the three and nine months ended September 30, 2014, the cumulative costs incurred through September 30, 2014 since the relevant restructuring activities were initiated and the total expected costs related to the relevant restructuring activities that have been initiated. As additional integration-related activities are initiated, we expect to incur additional costs related to those activities.

Business Segment		Employee Termination Costs	Property Costs	Other	Total
Instant Products	Three months ended September 30, 2014	$ —	$ 0.4	$ —	$ 0.4
	Nine months ended September 30, 2014	1.0	0.4	0.2	1.6
	Cumulative	1.0	0.4	4.9	6.3
	Expected Total	1.0	0.4	4.9	6.3
Lottery Systems	Three months ended September 30, 2014	—	—	—	—
	Nine months ended September 30, 2014	—	—	—	—
	Cumulative	0.4	—	—	0.4
	Expected Total	0.4	—	—	0.4
Gaming	Three months ended September 30, 2014	1.4	—	0.1	1.5
	Nine months ended September 30, 2014	6.8	0.4	1.7	8.9
	Cumulative	10.6	1.4	5.5	17.5
	Expected Total	10.6	1.4	5.6	17.6
Unallocated corporate	Three months ended September 30, 2014	—	—	—	—
	Nine months ended September 30, 2014	1.7	0.2	—	1.9
	Cumulative	8.6	2.3	—	10.9
	Expected Total	8.6	2.3	—	10.9
Total	Three months ended September 30, 2014	$ 1.4	$ 0.4	$ 0.1	$ 1.9
	Nine months ended September 30, 2014	$ 9.5	$ 1.0	$ 1.9	$ 12.4
	Cumulative	$ 20.6	$ 4.1	$ 10.4	$ 35.1
	Expected Total	$ 20.6	$ 4.1	$ 10.5	$ 35.2

The following table presents a summary of employee termination and restructuring costs and changes in the related accruals.

	Employee Termination Costs	Property Costs	Other	Total
Balance as of December 31, 2013	$ 9.3	$ 2.8	$ 0.1	$ 12.2
Additional accruals	9.5	1.0	1.9	12.4
Cash payments	(12.1)	(0.9)	(1.9)	(14.9)
Non-cash expense	0.5	(0.6)	1.6	1.5
Balance as of September 30, 2014	$ 7.2	$ 2.3	$ 1.7	$ 11.2

(5) Basic and Diluted Net Loss Per Share

The following represents a reconciliation of the numerator and denominator used in computing basic and diluted net loss per share available to ommon stockholders for the three and nine months ended September 30, 2014 and 2013:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net loss				
Net loss from continuing operations	$ (69.8)	$ (0.4)	$ (187.2)	$ (25.1)
Net loss from discontinued operations	—	(0.1)	—	(1.6)
Net loss	$ (69.8)	$ (0.5)	$ (187.2)	$ (26.7)
Weighted average number of shares used in per share calculations:				
Basic shares	84.7	85.1	84.5	84.9
Diluted shares	84.7	85.1	84.5	84.9
Basic net loss per share:				
Continuing operations	$ (0.82)	$ (0.01)	$ (2.22)	$ (0.29)
Discontinued operations	—	—	—	(0.02)
Total basic net loss per share	$ (0.82)	$ (0.01)	$ (2.22)	$ (0.31)
Diluted net loss per share:				
Continuing operations	$ (0.82)	$ (0.01)	$ (2.22)	$ (0.29)
Discontinued operations	—	—	—	(0.02)
Total diluted net loss per share	$ (0.82)	$ (0.01)	$ (2.22)	$ (0.31)

For all periods presented, basic and diluted net loss per share is the same, as any additional common stock equivalents would be anti-dilutive. We excluded 1.7 million and 3.4 million of stock options from the weighted average diluted common shares outstanding as of September 30, 2014 and 2013, respectively, which would have been anti-dilutive due to the net loss in those periods. In addition, we excluded 4.0 million and 5.1 million of RSUs from the calculation of weighted average diluted common shares outstanding as of September 30, 2014 and 2013, respectively, which would have been anti-dilutive ue to the net loss in those periods.

(6) Accounts and Notes Receivable and Credit Quality of Notes Receivable

Accounts and Notes Receivable

The following summarizes the components of our current and long-term accounts and notes receivable, net, as of September 30, 2014 and December 31, 2013:

	September 30, 2014	December 31, 2013
Current:		
Accounts receivable	$ 307.9	$ 360.4
Notes receivable	135.5	164.3
Allowance for doubtful accounts	(18.0)	(20.0)
Current accounts and notes receivable, net	$ 425.4	$ 504.7
Long-term:		
Notes receivable	55.5	72.6
Total accounts and notes receivable, net	$ 480.9	$ 577.3

Credit Quality of Notes Receivable

We carry our notes receivable at face amounts less an allowance for doubtful accounts and imputed interest. Interest income is recognized ratably over the life of the note receivable and any related fees or costs to establish the notes are expensed as incurred, as they are considered insignificant. Actual or imputed interest, if any, is determined based on stated rates or current market rates at the time the note originated and is recorded as interest income in other income (expense), net, ratably over the payment period. We impute interest income on notes receivable with terms greater than one year that do not contain a stated interest rate. The interest rates on our outstanding notes receivable ranged from 4.0% to 10.4% at September 30, 2014. Our policy is to generally recognize interest on our notes receivable until the note receivable is deemed non-performing, which we

define as a note on which payments are over 180 days past due. The amount of our non-performing notes was immaterial at September 30, 2014.

We monitor the credit quality of our accounts receivable by reviewing an aging of customer invoices. Invoices are considered past due if a scheduled payment is not received within agreed upon terms. Our notes receivable are reviewed for impairment at least quarterly. We also review a variety of other relevant qualitative information such as collection experience, economic conditions and customer-specific financial conditions to evaluate credit risk in recording the allowance for doubtful accounts or as an indicator of an impaired loan. Where possible, we seek payment deposits, collateral, pledge agreements, bills of exchange, foreign bank letters of credit or personal guarantees with respect to notes receivable from our customers. However, the majority of our international notes receivable are not collateralized. Currently, we have not sold our notes receivable to third parties; therefore, we do not have any off-balance sheet liabilities for factored receivables.

The government authorities in Argentina limit the exchange of pesos into U.S. dollars and the transfer of funds from Argentina. Our accounts and notes receivable, net, from customers in Argentina at September 30, 2014 was $24.9 million, which is denominated in U.S. dollars, although, under the terms of our arrangements with our customers in Argentina, they are required to pay us in pesos at the spot exchange rate between the peso and the U.S. dollar on the date of payment. In evaluating the collectability of customer receivables in Argentina at September 30, 2014, we specifically evaluated recent payments, receivable aging, any additional security or collateral we had (bills of exchange, pledge agreements, etc.) and other facts and circumstances relevant to our customers' ability to pay. Our customers in Argentina have continued to pay us in pesos based on the spot exchange rate between the peso and the U.S. dollar on the payment date. We collected $27.5 million of outstanding receivables from customers in Argentina during the nine months ended September 30, 2014.

Recent government actions and challenges affecting the gaming industry in Mexico have increased the credit quality risk with respect to certain of our current Mexico customers. Our accounts and notes receivable, net, from customers in Mexico at September 30, 2014 was $36.1 million. We collected $14.2 million of outstanding receivables from customers in Mexico during the nine months ended September 30, 2014.

The following summarizes the components of total notes receivable, net, as of September 30, 2014 and December 31, 2013:

	September 30, 2014	Balances over 90 days past due	December 31, 2013	Balances over 90 days past due
Notes receivable				
Domestic	$ 48.1	$ 2.2	$ 65.1	$ 0.4
International	142.9	8.2	171.8	8.7
Total notes receivable	191.0	10.4	236.9	9.1
Notes receivable allowance for doubtful accounts:				
Domestic	—	—	—	—
International	(7.4)	(4.7)	(5.6)	(3.3)
Total notes receivable allowance for doubtful accounts	(7.4)	(4.7)	(5.6)	(3.3)
Note receivable, net	$ 183.6	$ 5.7	$ 231.3	$ 5.8

At September 30, 2014, 3.1% of our total notes receivable, net, was past due by over 90 days compared to 2.5% at December 31, 2013.

The following tables detail our evaluation of notes receivable for impairment as of September 30, 2014 and December 31, 2013:

	September 30, 2014	Ending Balance Individually Evaluated for Impairment	Ending Balance Collectively Evaluated for Impairment
otes receivable:			
Domestic	$ 48.1	$ 6.7	$ 41.4
International	142.9	78.9	64.0
Total notes receivable	$ 191.0	$ 85.6	$ 105.4

	December 31, 2013	Ending Balance Individually Evaluated for Impairment	Ending Balance Collectively Evaluated for Impairment
Notes receivable:			
Domestic	$ 65.1	$ 4.8	$ 60.3
International	171.8	99.7	72.1
Total notes receivable	$ 236.9	$ 104.5	$ 132.4

The following table reconciles the allowance for doubtful notes receivable from December 31, 2013 to September 30, 2014:

	Total	Ending Balance Individually Evaluated for Impairment	Ending Balance Collectively Evaluated for Impairment
Beginning balance at December 31, 2013	$ 5.6	$ 5.6	$ —
Charge-offs	(0.1)	(0.1)	—
Recoveries	—	—	—
Provision	1.9	1.9	—
Ending balance at September 30, 2014	$ 7.4	$ 7.4	$ —

Modifications to original financing terms are exceptions to our cash collection process and are a function of collection activities with the customer. If a customer requests a modification of financing terms during the collection process, we evaluate the proposed modification in relation to the recovery of our gaming machines, generally seek additional security and recognize any additional interest income ratably over the remaining new financing term. Additionally, we often take the opportunity to simplify the customer's future payments by consolidating several notes (each typically representing an individual purchase transaction) into one note. In those instances, the aging of any outstanding receivable balance would be adjusted to reflect the new payment terms. Any such modifications generally do not include a concession on the amount owed and generally result only in a delay of payments relative to the original terms.

The following summarizes the notes receivable financing terms that were modified during the nine months ended September 30, 2014:

	Nine Months Ended September 30, 2014			
	# of Customers	# of Notes	Pre-Modification Investment	Post-Modification Investment
Financing term modifications:				
International (1)	9	28	$ 12.8	$ 12.8
Total financing term modifications	9	28	$ 12.8	$ 12.8

(1) The modifications are detailed below:

- One customer for which 12 notes were consolidated into one note aggregating $4.0 million, with an average 28-month payment extension;
- One customer for which three notes were consolidated into one note aggregating $3.1 million, with an average four-month payment extension;
- One customer with a note for $2.3 million for which original payment terms were extended by nine months;

- One customer for which four notes were consolidated into one note aggregating $1.4 million, with an average five-month extension, and another note for $0.2 million for which original payment terms were extended by seven months;
- One customer for which two notes were consolidated into one note aggregating $0.7 million, with an average 15-month payment extension;
- One customer with a note for $0.5 million for which original payment terms were extended by 21 months;
- One customer with a note for $0.3 million for which original payment terms were extended by 27 months;
- One customer for which two notes were consolidated into one note aggregating $0.2 million, with an average 14-month payment extension; and
- One customer with a note for $0.1 million for which original payment terms were extended by 21 months.

In certain international jurisdictions, we offer extended financing terms related to our customers. Such financing activities subject us to increased credit risk, which could be exacerbated by, among other things, unfavorable economic conditions or political or economic instability in those regions. Our notes receivable were concentrated in the following international gaming jurisdictions at September 30, 2014:

Peru	25%
Mexico	17%
Argentina	12%
Colombia	10%
Other (less than 5% individually)	11%
Total international notes receivable as a percentage of total notes receivable	75%

(7) Inventories

Inventories consisted of the following as of the dates presented below:

	September 30, 2014	December 31, 2013
Parts and work-in-process	$ 70.4	$ 62.1
Finished goods	100.5	75.7
Inventory	$ 170.9	$ 137.8

Parts and work-in-process include parts for lottery terminals, gaming machines and instant lottery ticket materials as well as labor and overhead costs associated with the manufacturing of instant lottery games. Our finished goods inventory primarily consists of instant games for our participation arrangements, gaming machines for sale and our licensed branded merchandise.

(8) Property and Equipment

The following table presents certain information regarding our lottery and gaming equipment at September 30, 2014 and December 31, 2013:

	September 30, 2014	December 31, 2013
Lottery equipment	$ 358.8	$ 350.3
Less: accumulated depreciation	(237.7)	(210.6)
Net lottery equipment	121.1	139.7
Gaming equipment	478.3	439.7
Less: accumulated depreciation	(223.9)	(145.0)
Net gaming equipment	254.4	294.7
Total lottery and gaming equipment, net	$ 375.5	$ 434.4

The following table presents certain information regarding our other property and equipment, including capital leases, at September 30, 2014 and December 31, 2013:

	September 30, 2014	December 31, 2013
Land	$ 25.1	$ 25.6
Buildings and leasehold improvements	182.2	181.6
Machinery and equipment	269.3	239.1
Furniture and fixtures	25.6	30.1
Transportation equipment	4.4	6.4
Construction in progress	12.0	33.4
Capital leases	41.8	—
Less: accumulated depreciation	(196.3)	(177.5)
Total other property and equipment, net	$ 364.1	$ 338.7
Total property and equipment, net	$ 739.6	$ 773.1

Depreciation expense for the three and nine months ended September 30, 2014 was $58.5 million and $166.8 million, respectively. Depreciation expense for the three and nine months ended September 30, 2013 was $23.7 million and $78.2 million, respectively. Depreciation expense is excluded from cost of instant games, cost of services, cost of product sales and other operating expenses and is separately stated within depreciation and amortization on the Consolidated Statements of Operations and Comprehensive (Loss) Income. Accumulated amortization of capital lease assets was $3.4 million and $0 as of September 30, 2014 and December 31, 2013, respectively.

(9) Intangible Assets and Goodwill

Intangible Assets

The following presents certain information regarding our intangible assets as of September 30, 2014 and December 31, 2013. Amortizable intangible assets are generally amortized on a straight-line basis over their estimated useful lives with no estimated residual values.

Intangible Assets	Gross Carrying Amount	Accumulated Amortization	Net Balance
Balance as of September 30, 2014			
Amortizable intangible assets:			
Patents	$ 17.1	$ 8.0	$ 9.1
Customer lists	161.3	37.2	124.1
Licenses	309.2	82.4	226.8
Intellectual property	8.5	6.6	1.9
Brand name	39.3	3.8	35.5
Non-compete agreements	0.3	0.2	0.1
Lottery contracts	1.5	1.5	—
	537.2	139.7	397.5
Non-amortizable intangible assets:			
Trade name	104.9	2.1	102.8
Total intangible assets	$ 642.1	$ 141.8	$ 500.3
Balance as of December 31, 2013			
Amortizable intangible assets:			
Patents	$ 14.5	$ 7.1	$ 7.4
Customer lists	161.9	24.0	137.9
Licenses	181.0	59.9	121.1
Intellectual property	8.6	5.7	2.9
Brand name	39.3	0.6	38.7
Non-compete agreements	0.4	0.2	0.2
Lottery contracts	1.5	1.4	0.1
	407.2	98.9	308.3
Non-amortizable intangible assets:			
Trade name	104.9	2.1	102.8
Total intangible assets	$ 512.1	$ 101.0	$ 411.1

Acquired intangible assets related to customer relationships and long-term licenses are amortized over a weighted average useful life of approximately 13.6 years and 2.9 years, respectively. The increase in the carrying amount of licenses for the nine months ended September 30, 2014 primarily reflected the recording of approximately $106 million associated with a long-term license agreement, which was amended and extended in the first quarter of 2014. The carrying value of the licensed asset increased to reflect the additional minimum guaranteed obligations under the amended license agreement. For additional information regarding licensed assets with minimum guaranteed obligations, see Note 1 (Description of the Business and Summary of Significant Accounting Policies) in this Quarterly Report on Form 10-Q.

The aggregate intangible amortization expense for the three and nine months ended September 30, 2014 was $18.1 million and $49.0 million, respectively. The aggregate intangible amortization expense for the three and nine months ended September 30, 2013 was $5.2 million and $15.0 million, respectively. These amounts are included in depreciation and amortization in our Consolidated Statements of Operations and Comprehensive (Loss) Income.

Goodwill

The table below reconciles the change in the carrying amount of goodwill by reportable segment from December 31, 2012 to September 30, 2014.

Goodwill	Instant Products	Lottery Systems	Gaming	Totals
Balance as of December 31, 2012	$ 328.0	$ 210.7	$ 262.7	$ 801.4
Acquisitions	—	—	381.8	381.8
Impairments	(5.4)	—	—	(5.4)
Foreign currency adjustments	(2.4)	2.7	5.0	5.3
Reallocation of goodwill	20.0	(39.7)	19.7	—
Balance as of December 31, 2013	340.2	173.7	669.2	1,183.1
Foreign currency adjustments	(2.8)	(6.0)	(5.6)	(14.4)
Balance as of September 30, 2014	$ 337.4	$ 167.7	$ 663.6	$ 1,168.7

Subsequent to the filing of our 2013 Annual Report on Form 10-K, we adjusted the estimated fair values of certain WMS assets acquired to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date. The adjustments resulted in a decrease in goodwill of approximately $3.8 million related to the recognition of non-U.S.-based current and deferred tax assets and liabilities. We have applied the adjustment retrospectively to the Consolidated Balance Sheet as of December 31, 2013.

(10) Software

The following table presents certain information regarding our software as of September 30, 2014 and December 31, 2013:

	September 30, 2014	December 31, 2013
Software	$ 500.8	$ 457.7
Accumulated amortization	(194.0)	(114.2)
Software, net	$ 306.8	$ 343.5

Amortization expense for the three and nine months ended September 30, 2014 was $23.8 million and $74.7 million, respectively. Amortization expense for the three and nine months ended September 30, 2013 was $6.3 million and $17.9 million, respectively. Amortization expense is excluded from cost of instant games, cost of services, cost of product sales and other operating expenses and is separately stated within depreciation and amortization on the Consolidated Statements of Operations and Comprehensive (Loss) Income.

(11) Equity Method Investments

The following provides an update for events that occurred during the nine months ended September 30, 2014 related to our equity method investments, which are disclosed in Note 11 (Equity Investments) in our 2013 Annual Report on Form 10-K.

Northstar Illinois

Under the terms of a PMA, Northstar Illinois is entitled to receive annual incentive compensation payments from the lottery to the extent it is successful in increasing the Illinois lottery's net income (as defined in the PMA) above specified target levels, subject to a cap of 5% of the applicable year's net income, and is responsible for annual payments to the lottery to the extent such targets are not achieved, subject to a similar cap. During the three months ended June 30, 2014, we understand that Northstar Illinois recorded a liability related to an estimated shortfall payment for the lottery's fiscal year ended June 30, 2014. We recorded a charge of $8.0 million, representing our 20% share of that liability, in earnings (loss) from equity investments in our Consolidated Statements of Operations and Comprehensive (Loss) Income during the three months ended June 30, 2014. During the three months ended September 30, 2014, we contributed $13.5 million to Northstar Illinois primarily to fund our pro rata share of shortfall payments that are payable to the lottery under the PMA.

Northstar Illinois and the State have disagreed regarding the State's calculation of net income for each of the lottery fiscal years during the term of the PMA. In August 2014, we understand that the Governor's office of the State of Illinois directed the Illinois Department of Lottery to end the PMA with Northstar Illinois. Although an agreement has not yet been reached between Northstar Illinois and the lottery, in light of the direction by the Governor's office to the lottery to end the PMA with Northstar Illinois and the status of discussions among the parties, in the September 2014 quarter, the Company recorded a non-cash impairment charge of $19.7 million to write down its investment in Northstar Illinois.

Sportech

In January 2014, we completed the sale of our 20% equity interest in Sportech for cash proceeds of £27.8 million, or $44.9 million, resulting in a gain of approximately £9 million, or $14.5 million, which is reflected as a gain on sale of equity interest in our Consolidated Statements of Operations and Comprehensive (Loss) Income.

LNS

During the nine months ended September 30, 2014, we received a distribution of capital of €20.7 million, or $28.0 million, and a dividend of €13.3 million, or $18.2 million, net of withholding taxes, from LNS.

ITL

During the nine months ended September 30, 2014, we contributed €29.4 million, or $40.6 million, to ITL. During the nine months ended September 30, 2014, we received a distribution of capital of €11.9 million, or $17.4 million, from ITL.

RCN

During the nine months ended September 30, 2014, we received a dividend of $4.3 million from RCN.

(12) Long-Term and Other Debt

Outstanding Debt

The following reflects our outstanding debt as of September 30, 2014 and December 31, 2013:

	September 30, 2014	December 31, 2013
Revolver, varying interest rate, due 2018	$ —	$ —
Term loan, varying interest rate, due 2020 (1)	2,272.9	2,288.8
2018 Notes	250.0	250.0
2019 Notes (2)	—	346.3
2020 Notes	300.0	300.0
2021 Notes (3)	347.7	—
China Loans, varying interest rates	—	7.4
Capital lease obligations, 3.9% interest as of September 30, 2014 payable monthly through 2019	38.7	0.1
Total long-term debt outstanding and capital lease obligations	3,209.3	3,192.6
Less: debt and capital lease payments due within one year	(30.9)	(30.4)
Long-term debt, net of current installments	$ 3,178.4	$ 3,162.2

(1) Total of $2,282.8 million less amortization of a loan discount in the amount of $9.9 million as of September 30, 2014. Total of $2,300.0 million less amortization of a loan discount in the amount of $11.2 million as of December 31, 2013.
(2) Total of $350.0 million less amortization of a loan discount in the amount of $3.7 million as of December 31, 2013.
(3) Total of $350.0 million less amortization of a loan discount in the amount of $2.3 million as of September 30, 2014.

Senior Secured Credit Facilities

In connection with the WMS acquisition, the Company and certain of its subsidiaries entered into a credit agreement dated as of October 18, 2013, by and among SGI, as the borrower, the Company, as a guarantor, Bank of America, N.A., as administrative agent, and the lenders and other agents party thereto, providing for senior secured credit facilities in an aggregate principal amount of $2,600.0 million, including a $300.0 million revolving credit facility, which has dollar and multi-currency tranches, and a $2,300.0 million term loan facility. The term loan facility was used, in part, to finance the consideration paid in the WMS acquisition, to repay all indebtedness under our and WMS' prior credit agreements and to pay related acquisition and financing fees and expenses. Up to $200.0 million of the revolving credit facility is available for issuances of letters of credit. The term loan is scheduled to mature on October 18, 2020 and the revolving credit facility is scheduled to mature on October 18, 2018 (subject to accelerated maturity under certain circumstances).

SGI is required to pay commitment fees to revolving lenders on the actual daily unused portion of the revolving commitments at a rate of 0.50% per annum through maturity, subject to a step-down to 0.375% based upon certain first lien net

leverage ratios. The credit facilities contain customary events of default (subject to customary grace periods and materiality thresholds). Upon the occurrence of certain events of default, the obligations under the credit facilities may be accelerated and the commitments may be terminated.

Borrowings under the credit agreement (including the term loans under the Escrow Credit Agreement discussed below, after they are assumed by SGI) are guaranteed by the Company and each of its current and future direct and indirect wholly owned domestic subsidiaries (other than SGI), subject to certain customary exceptions as set forth in the credit agreement.

Contemplated Financing for Bally Acquisition

In connection with the pending Bally acquisition, we entered into a commitment letter with Bank of America, N.A., Merrill Lynch, Pierce, Fenner & Smith Incorporated, JPMorgan Chase Bank, N.A., Deutsche Bank AG New York Branch and certain of their respective affiliates, which was subsequently joined by Fifth Third Bank, HSBC Securities (USA) Inc., HSBC Bank USA, N.A., PNC Capital Markets LLC and PNC Bank, National Association as additional commitment parties. Pursuant to the commitment letter, the commitment parties have agreed to provide the financing necessary to fund the consideration to be paid pursuant to the terms of the merger agreement (the "Debt Financing"). The commitment letter contemplates that the Debt Financing will consist of, among other things, (1) a senior secured incremental term loan facility (in an originally contemplated principal amount of $1,735.0 million), (2) a senior secured increase in the revolving credit facility (in an originally contemplated principal amount of $350.0 million), (3) if applicable, amendments to, or the refinancing of, Scientific Games' existing credit facilities, consisting of (a) a senior secured term loan facility in a total principal amount of $2,294.0 million and (b) a senior secured revolving credit facility in a total principal amount of $650 million, and (4) senior secured notes and senior unsecured notes yielding $3,450.0 million in aggregate gross cash proceeds and/or to the extent that the issuance of such notes yields less than $3,450.0 million in aggregate gross cash proceeds or such cash proceeds are otherwise unavailable, a senior secured bridge loan facility and a senior unsecured bridge loan facility up to an aggregate principal amount of $3,450 million (less the cash proceeds received from the notes and available for use, if any). The funding of the Debt Financing is contingent on the satisfaction of certain conditions set forth in the commitment letter. The merger is not conditioned on our obtaining the proceeds of any financing, including the Debt Financing.

In connection with the pending Bally acquisition, on October 1, 2014, the Company entered into an amendment to its existing credit agreement to, among other things, (1) effective as of October 1, 2014, permit the Bally acquisition and the transactions related thereto, including the incurrence of term loans by SGMS Escrow Corp., and (2) effective as of the consummation of the Bally acquisition (and the satisfaction of the other conditions contemplated by the amendment), (A) increase the Company's existing revolving credit facility by $267.6 million, (B) permit SGI to assume the term loans under the Escrow Credit Agreement (as defined below) as incremental term loans under the existing credit agreement and (C) modify the financial covenant applicable to the revolving credit facility under the existing credit agreement such that it will be tested each quarter, irrespective of usage of that revolving credit facility.

As a result of the amendment, the applicable margin for the existing term loans under the credit agreement (1) prior to the consummation of the Bally acquisition, will remain at 3.25% per annum for eurodollar (LIBOR) loans and 2.25% per annum for base rate loans and (2) from and after the consummation of the Bally acquisition, will be 5.00% per annum for eurodollar (LIBOR) loans and 4.00% per annum for base rate loans. There will be no change to the borrowing rate applicable to loans borrowed or to letters of credit issued under the revolving credit facility after the consummation of the Bally acquisition.

In addition, on October 1, 2014, SGMS Escrow Corp. entered into an escrow credit agreement (the "Escrow Credit Agreement") by and among SGMS Escrow Corp., as borrower, the lenders and other agents from time to time party thereto, and Bank of America, N.A., as administrative agent. The Escrow Credit Agreement provides for $2.0 billion of new term loans, the net proceeds of which are expected to provide a portion of the funds to be used to finance the Bally acquisition. Upon and in connection with the consummation of the Bally acquisition, the term loans under the Escrow Credit Agreement will be assumed by SGI and become incremental term loans under the existing credit agreement.

The term loans under the Escrow Credit Agreement (including after they are assumed by SGI and become incremental term loans under the existing credit agreement) are scheduled to mature on October 1, 2021 (subject to accelerated maturity under certain circumstances) and amortize in equal quarterly installments beginning on the last day of the first of March, June, September or December to occur after completion of the Bally acquisition, in an amount equal to 1.00% per annum of the stated principal amount thereof, with the remaining balance due at final maturity. Interest on the new term loans is payable at a rate equal to the eurodollar (LIBOR) rate or the base rate, plus an applicable margin, in each case, subject to a eurodollar (LIBOR) rate floor of 1.00% or a base rate floor of 2.00%, as applicable. The applicable margin for the incremental term loans (under the Escrow Credit Agreement and, if and when assumed by SGI, the existing credit agreement) is 5.00% per annum for eurodollar (LIBOR) loans and 4.00% per annum for base rate loans.

Borrowings under the Escrow Credit Agreement are solely the obligation of SGMS Escrow Corp., are not guaranteed by the Company or any of its subsidiaries, and are secured by a pledge of amounts deposited into a secured escrow account of SGMS Escrow Corp. In the event that the Bally acquisition is not consummated, SGMS Escrow Corp. will repay amounts borrowed under the Escrow Credit Agreement, plus accrued interest thereon, with amounts deposited into a secured escrow account of SGMS Escrow Corp. and other amounts that may be contributed by the Company and its other subsidiaries to SGMS Escrow Corp. and deposited into that escrow account from time to time.

The term loans under the Escrow Credit Agreement were funded into escrow, less original issue discount, by the lenders on October 17, 2014 and began accruing interest, initially at the LIBOR rate plus the applicable margin referred to above, beginning on October 18, 2014. Interest for the prospective month was funded into escrow by the Company on October 16, 2014.

Upon closing of the Bally acquisition, we expect to incur approximately $170 million of financing fees in connection with the term loans and revolving credit facility under the Escrow Credit Agreement and with respect to the remaining financing commitments under the commitment letter for the Bally acquisition. We also anticipate incurring fees related to our additional financing activities during the balance of the quarter ending December 31, 2014.

For further information regarding the Debt Financing, please see the full text of our existing credit agreement, the commitment letter, the amendment to our credit agreement and the Escrow Credit Agreement, copies of which are filed as Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on October 18, 2013, Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on August 4, 2014, and Exhibit 10.1 and Exhibit 10.2 to our Current Report on Form 8-K filed with SEC on October 7, 2014, respectively. The foregoing summaries of the terms of the existing credit agreement, the commitment letter, the amendment to the existing credit agreement and the Escrow Credit Agreement are qualified in their entirety by reference to the respective exhibit.

Senior Subordinated Notes

2021 Notes

On June 4, 2014, SGI issued $350.0 million in aggregate principal amount of 2021 Notes at a price of 99.321% of the principal amount thereof in a private offering to qualified institutional buyers in accordance with Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"), and to persons outside the United States under Regulation S under the Securities Act. The 2021 Notes were issued pursuant to an indenture dated as of June 4, 2014 (the "2021 Notes Indenture").

The 2021 Notes bear interest at the rate of 6.625% per annum, which accrues from June 4, 2014 and is payable semiannually in arrears on May 15 and November 15 of each year, commencing on November 15, 2014. The 2021 Notes mature on May 15, 2021, unless earlier redeemed or repurchased, and are subject to the terms and conditions set forth in the 2021 Notes Indenture. In connection with the issuance of the 2021 Notes, the Company capitalized financing costs of $7.3 million.

SGI may redeem some or all of the 2021 Notes at any time prior to May 15, 2017 at a redemption price equal to 100% of the principal amount of the 2021 Notes plus accrued and unpaid interest, if any, to the date of redemption plus a "make whole" premium. SGI may redeem some or all of the 2021 Notes at any time on or after May 15, 2017 at the prices specified in the 2021 Notes Indenture. In addition, at any time on or prior to May 15, 2017, SGI may redeem up to 35% of the initially outstanding aggregate principal amount of the 2021 Notes at a redemption price of 106.625% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of redemption, with the net cash proceeds from one or more equity offerings of the Company.

Upon the occurrence of a change of control (as defined in the 2021 Notes Indenture), SGI must make an offer to purchase the 2021 Notes at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of repurchase. In addition, following an asset sale (as defined in the 2021 Notes Indenture) and subject to the limitations contained in the 2021 Notes Indenture, SGI must make an offer to purchase certain amounts of the 2021 Notes using the net cash proceeds from such asset sale to the extent such proceeds are not applied as set forth in the 2021 Notes Indenture, at a purchase price equal to 100% of the principal amount of the 2021 Notes to be repurchased, plus accrued interest to the date of repurchase.

The 2021 Notes are unsecured senior subordinated obligations of SGI and are subordinated to all of SGI's existing and future senior debt, rank equally with all of SGI's existing and future senior subordinated debt and rank senior to all of SGI's future debt that is expressly subordinated to the 2021 Notes. The 2021 Notes are guaranteed on an unsecured senior subordinated basis by the Company and all of its 100%-owned U.S. subsidiaries (other than SGI). The 2021 Notes are structurally subordinated to all of the liabilities of the Company's non-guarantor subsidiaries.

The 2021 Notes Indenture contains certain covenants that, among other things, limit the Company's ability, and the ability of certain of its subsidiaries, to incur additional indebtedness, pay dividends or make distributions or certain other restricted payments, purchase or redeem capital stock, make investments or extend credit, engage in certain transactions with affiliates, consummate certain asset sales, effect a consolidation or merger, or sell, transfer, lease or otherwise dispose of all or substantially all assets, or create certain liens and other encumbrances on assets. The 2021 Notes Indenture contains events of default customary for agreements of its type (with customary grace periods and maturity thresholds, as applicable).

In connection with the issuance of the 2021 Notes, SGI, the Company, the subsidiary guarantors party thereto, and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representative for the initial purchasers listed therein, entered into a registration rights agreement, dated June 4, 2014 (the "Registration Rights Agreement"). Under the Registration Rights Agreement, SGI and the guarantors agreed, for the benefit of the holders of the 2021 Notes, that they will file with the SEC and use their commercially reasonable efforts to cause to become effective, a registration statement relating to an offer to exchange the 2021 Notes for an issue of SEC-registered notes (the "Exchange Notes") with terms identical to the 2021 Notes (except that the Exchange Notes will not be subject to restrictions on transfer or to any increase in annual interest rate as described below).

Under certain circumstances, including if applicable interpretations of the staff of the SEC do not permit SGI to effect the exchange offer, SGI and the guarantors will use their commercially reasonable efforts to cause to become effective a shelf registration statement relating to resales of the Notes and to keep that shelf registration statement effective until the first anniversary of the date such shelf registration statement becomes effective, or such shorter period that will terminate when all 2021 Notes covered by the shelf registration statement have been sold. The obligation to complete the exchange offer and/or file a shelf registration statement will terminate on the second anniversary of the date of the Registration Rights Agreement.

If the exchange offer is not completed (or, if required, the shelf registration statement is not declared effective) on or before June 4, 2015 (subject to the right of the Company to extend such date by up to 90 additional days under customary "blackout" provisions if the Company determines in good faith that it is in possession of material, non-public information), the annual interest rate borne by the 2021 Notes will be increased by 0.25% per annum for the first 90-day period immediately following such date and by an additional 0.25% per annum with respect to each subsequent 90-day period, up to a maximum additional rate of 1.00% per annum thereafter until the exchange offer is completed, the shelf registration statement is declared effective or the obligation to complete the exchange offer and/or file the shelf registration statement terminates, at which time the interest rate will revert to the original interest rate on the date the 2021 Notes were originally issued.

2019 Notes

On June 4, 2014, SGI completed a tender offer pursuant to which it purchased $140.6 million in aggregate principal amount of the 2019 Notes for total consideration of $1,051.25 for each $1,000 principle amount of the 2019 Notes tendered, plus accrued and unpaid interest to the applicable payment date.

On June 4, 2014, SGI delivered a notice of redemption with respect to all $209.4 million of the remaining outstanding principal amount of the 2019 Notes, and satisfied and discharged the indenture governing the 2019 Notes by depositing funds with the trustee sufficient to pay the redemption price of 104.625% of the principal amount of the 2019 Notes, plus accrued and unpaid interest to the redemption date. In accordance with the notice of redemption, the 2019 Notes were redeemed on July 4, 2014 and the redemption payment was made on July 7, 2014.

The purchase and redemption of the 2019 Notes were funded, in part, with the net proceeds from the issuance of the 2021 Notes. In connection with the purchase and redemption of the 2019 Notes, we recorded a loss on early extinguishment of debt of $25.9 million comprised primarily of the tender and redemption premiums and the write-off of previously deferred financing costs.

For additional information regarding our 2021 Notes and the repurchase and redemption of our 2019 Notes, see our Current Report on Form 8-K filed with the SEC on June 6, 2014. For additional information regarding our 2018 Notes, 2019 Notes and 2020 Notes, see Note 15 (Long-Term and Other Debt) in our 2013 Annual Report on Form 10-K.

We were in compliance with the covenants under our debt agreements as of September 30, 2014.

Other Debt

In September 2014, we repaid in full a $5.0 million China Loan with cash on hand.

Capital Leases

On March 31, 2014, we entered into a new leasing arrangement with ITL for the lease of gaming machines in connection with a long-term services contract with a customer. We completed the placement of the new gaming machines under this contract during the three months ended June 30, 2014 and recorded a capital lease asset and minimum lease liability

of $42.8 million. The terms of this leasing arrangement provide for repayment over five years with an interest rate of 3.9%. No additional capital leases were entered into during the three months ended September 30, 2014.

(13) Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset and liability in an orderly transaction between market participants at the measurement date. We estimate fair value of our assets and liabilities utilizing an established three-level hierarchy as described in Note 16 (Fair Value Measurements) in our 2013 Annual Report on Form 10-K.

The fair value of our financial assets and liabilities is determined by reference to market data and other valuation techniques as appropriate. We believe the fair value of our financial instruments, which are principally cash and cash equivalents, accounts and notes receivable, other current assets, accounts payable and accrued liabilities, approximates their recorded values.

Interest rate swaption contract

In January 2014, we entered into a swaption contract with an aggregate notional value of $150.0 million. The swaption gives us the right, but not the obligation, to enter into a swap under which we would pay a fixed rate of 2.151% and receive interest on the notional amount based on a floating three-month LIBOR rate. We paid a premium of $0.9 million at the time we entered into the swaption and have no additional payment obligations. The cash settlement value depends on the extent to which the prevailing three-month LIBOR swap rate exceed the fixed rate under the swaption. To the extent the prevailing swap rate on the expiration date (April 15, 2015) exceeds the swaption fixed rate a payment would be due to us, which would effectively reduce our future interest costs. To the extent the prevailing swap rate is at or below the swaption fixed rate, we would not exercise the swaption and it would expire with no further cash payment from us or the counterparty.

The swaption is highly effective in offsetting our exposure to the variability of the three-month LIBOR rate associated with our variable rate debt. The effectiveness of the swaption is measured quarterly on a retrospective basis by comparing the cumulative change in the hedging instrument's fair value to the change in the underlying hedged transaction's fair value. In accordance with ASC 815, *Derivatives and Hedging,* we have designated the intrinsic value associated with the swaption as a qualifying hedge. We have elected to exclude the time value, inclusive of premium paid, from our qualifying hedging relationship. As a result, the time value of the swaption will be amortized over the period of the contract and recognized as interest expense in our Consolidated Statements of Operations and Comprehensive (Loss) Income. We will recognize all gains and losses associated with the intrinsic value of the swaption in other comprehensive (loss) income in our Consolidated Statements of Operations and Comprehensive (Loss) Income until its expiration date. Realized gains, if any, owed by the counterparty at expiration will be recognized as a reduction to interest expense in our Consolidated Statements of Operations and Comprehensive (Loss) Income by applying the effective interest method for the applicable periods.

As valuations for comparable swaptions are not publicly available, we categorized the swaption as Level 3 in the fair value hierarchy. We believe the estimated fair value for the swaption we hold is based on the most accurate information available for these types of derivative contracts. For the three and nine months ended September 30, 2014, there was no change in fair value associated with the intrinsic value of the swaption. The fair value of the swaption as of September 30, 2014 was $0.4 million, which is recorded in other current assets in our Consolidated Balance Sheets.

Interest rate swap contracts

In August 2013, we entered into forward starting interest rate swap contracts with an aggregate notional value of $500.0 million. In October 2013, we entered into additional forward starting interest rate swap contracts with an aggregate notional value of $200.0 million. These hedges become effective in April 2015 and mature in January 2018. We entered into the forward starting interest rate swap contracts, which are designated as cash flow hedges of the future interest payment transactions in accordance with ASC 815, *Derivatives and Hedging,* in order to eliminate the variability of cash flows attributable to the LIBOR component of interest expense to be paid on our variable-rate debt. Under these hedges, we will pay interest on the notional amount of debt at a weighted average fixed rate of 2.151% and receive interest on the notional amount at the greater of 1% or the then prevailing three-month LIBOR rate beginning in April 2015.

These hedges are highly effective in offsetting our exposure to the variability of the three-month LIBOR rate associated with our variable-rate debt. The effectiveness of these hedges is measured quarterly on a retrospective basis by comparing the cumulative change in the hedging instrument's fair value to the change in the hedged transaction's fair value. To the extent these hedges have no ineffectiveness, all gains and losses from these hedges are recorded in other comprehensive (loss) income in our Consolidated Statements of Operations and Comprehensive (Loss) Income until the future underlying

terest payment transactions occur. Any realized gains or losses resulting from the hedges will be recognized (together with the hedged transaction) as terest expense in our Consolidated Statements of Operations and Comprehensive (Loss) Income beginning in June 2015. For the three and nine months ended September 30, 2014, we recorded a gain, net of tax, of $2.2 million and a loss, net of tax, of $4.2 million, respectively, in other comprehensive (loss) income in our Consolidated Statements of Operations and Comprehensive (Loss) Income, representing the change in fair value associated with these hedges. The fair value of these hedges as of September 30, 2014 was $5.7 million, which is recorded in other long-term liabilities in our Consolidated Balance Sheets.

Foreign currency forward contracts

During 2012, we entered into foreign currency forward contracts for the sale of Euros for U.S. dollars at a weighted average rate of 1.319 to hedge a portion of the net investment in one of our subsidiaries that is denominated in Euros. Some of these foreign currency forward contracts settled in 2012. In May 2013, we settled the remaining €20.0 million in aggregate notional amount of the foreign currency forward contracts, which had a weighted average rate of 1.269%.

We designated the forward contracts as qualified hedges in accordance with ASC 815, *Derivatives and Hedging*. Gains and losses from the foreign currency forward contracts were recorded in accumulated other comprehensive (loss) income in our Consolidated Balance Sheets until the investment was liquidated.

Other

In accordance with ASC 323, *Investments - Equity Method and Joint Ventures*, we record our share of a derivative instrument held by LNS. Changes in the fair value of the derivative instrument are recorded by LNS in other comprehensive income on LNS' statement of comprehensive income. During the three and nine months ended September 30, 2014 and 2013, our 20% share of the change associated with this derivative instrument was not material to our other comprehensive (loss) income in our Consolidated Statements of Operations and Comprehensive (Loss) Income and in equity investments in our Consolidated Balance Sheets.

(14) Stockholders' Equity

The following table presents the change in the number of shares of our Class A common stock outstanding during the nine months ended September 30, 2014 and during the fiscal year ended December 31, 2013:

	Nine Months Ended September 30, 2014	Twelve Months Ended December 31, 2013
Shares outstanding as of beginning of period	85.2	84.4
Shares issued as part of equity-based compensation plans and the ESPP, net of RSUs surrendered	1.6	1.1
Common stock repurchases	(2.0)	(0.3)
Shares outstanding as of end of period	84.8	85.2

On December 5, 2013, our board of directors approved an extension of our existing stock repurchase program to December 31, 2014. The program, originally announced in May 2010, was due to expire on December 31, 2013. Under the program, we are authorized to repurchase, from time to time through open market purchases or otherwise, shares of our outstanding common stock in an aggregate amount up to $200.0 million. As of December 31, 2013, we had $104.5 million available for potential repurchases under the program. During the first quarter of 2014, we repurchased approximately 2.0 million shares at an aggregate cost of $29.5 million, which was funded by cash flows from operations. There were no share repurchases during the second and third quarters of 2014. As of September 30, 2014, we had $75.0 million available for potential repurchases under the program.

During 2013, we repurchased 50,000 shares at an aggregate cost of $0.8 million, as well as 226,000 shares at a cost of approximately $2 million related to a cashless exercise of stock options.

(15) Stock-Based Compensation

We offer stock-based compensation in the form of stock options and RSUs. We also offer an ESPP.

We grant stock options to employees and directors under our equity-based compensation plans with exercise prices that are not less than the fair market value of our common stock on the date of grant. The terms of the stock option and RSU awards, including the vesting schedule of such awards, are generally determined at the discretion of the compensation committee of our board of directors, subject to the terms of the applicable equity-based compensation plan. Options granted over the last several years have generally become exercisable in four or five equal annual installments beginning on the first

anniversary of the date of grant or when certain performance targets are determined to have been met and have a maximum term of ten years. RSUs typically vest in four or five equal annual installments beginning on the first anniversary of the date of grant or when certain performance targets are determined to have been met. We record compensation cost for all stock options and RSUs based on the grant date fair value.

In connection with the WMS acquisition, we assumed the WMS Incentive Compensation Plan (2012 Restatement) (the "Legacy WMS Plan") and the outstanding awards under such plan, which were converted into Company equity awards using a customary exchange ratio. At the time of the assumption, there were 5.6 million shares available for future issuance under the WMS Plan excluding shares underlying outstanding awards. At the Company's annual meeting of stockholders on June 11, 2014, the Company's stockholders approved an amendment and restatement of the Company's 2003 Incentive Compensation Plan (the "2003 Plan"). Under the amended and restated 2003 Plan, the Legacy WMS Plan was merged into the 2003 Plan. As a result, the shares reserved and available under the two plans were combined into a single share pool, with such shares available for equity awards to any employee, non-employee director or other eligible service provider of the Company or its subsidiaries, including WMS. For additional information, see the Company's Current Report on Form 8-K filed with the SEC on June 17, 2014.

As a result of merging the plans, common stock authorized for awards increased from 13.5 million shares to 16.0 million shares under our amended and restated 2003 Plan plus available shares from a pre-existing equity-based compensation plan, which plans were approved by our stockholders. As of September 30, 2014, we had approximately 4.9 million shares available for grants of equity awards to our employees under our amended and restated 2003 Plan plus available shares from the pre-existing equity-based compensation plan.

Under the share counting rules of our 2003 Plan, awards may be outstanding relating to a greater number of shares than the aggregate remaining shares available under our 2003 Plan so long as awards will not result in delivery and vesting of shares in excess of the number then available under the plan. Shares available for future issuance do not include shares expected to be withheld in connection with outstanding awards to satisfy tax withholding obligations, which would be available for future awards under our 2003 Plan under the applicable share counting rules.

Our ESPP allows for a total of up to 1.0 million shares of Class A common stock to be purchased by eligible employees under offerings made each January 1 and July 1. Employees participate through payroll deductions up to a maximum of 15% of eligible compensation. The term of each offering period is six months and shares are purchased on the last day of the offering period at a 15% discount to the stock's market value. As of September 30, 2014, we had approximately 0.2 million shares available for issuance under the ESPP.

In May 2014, our largest shareholder became a beneficial owner of more than 40% of our common stock by acquiring additional shares in the open market. As a result, under the terms of the 2003 Plan, the vesting of certain stock options and RSUs granted under the 2003 Plan prior to June 7, 2011 accelerated. The accelerated vesting resulted in $1.9 million of incremental stock-based compensation expense for the three months ended June 30, 2014. No additional expense was recorded during the three months ended September 30, 2014 as a result of the acceleration.

Stock Options

A summary of the changes in stock options outstanding during the nine months ended September 30, 2014 is presented below:

	Number of Options	Weighted Average Remaining Contract Term (Years)	Weighted Average Exercise Price	Aggregate Intrinsic Value
Options outstanding as of December 31, 2013	2.6	4.2	$ 10.46	$ 17.8
Granted	0.4		16.03	—
Exercised	—		—	0.2
Canceled	(1.1)		9.04	—
Options outstanding as of March 31, 2014	1.9	7.7	$ 12.62	$ 5.0
Granted	0.2		8.94	—
Exercised	—		—	0.1
Canceled	(0.1)		13.88	—
Options outstanding as of June 30, 2014	2.0	7.4	$ 12.34	$ 2.3
Granted	—		—	—
Exercised	(0.1)		9.11	0.1
Canceled	(0.2)		17.36	—
Options outstanding as of September 30, 2014	1.7	7.1	$ 11.71	$ 1.8
Options exercisable as of September 30, 2014	0.9	6.1	$ 11.01	$ 1.1

The weighted average grant date fair value of options awarded during the three months ended June 30, 2014 and March 31, 2014 was $4.81 and $8.86, respectively. No options were granted during the three months ended September 30, 2014, September 30, 2013, June 30, 2013 and March 31, 2013. For the three and nine months ended September 30, 2014, we recognized stock-based compensation expense of $0.3 million and $1.8 million, respectively, related to the service period of stock options and a related tax benefit of $0.1 million and $0.7 million, respectively, prior to consideration of any valuation allowance recorded against the tax benefit. For the three and nine months ended September 30, 2013, we recognized stock-based compensation expense of approximately $0.9 million and $2.7 million, respectively, related to the service period of stock options and the related tax benefit of approximately $0.4 million and $1.1 million, respectively, prior to consideration of any valuation allowance recorded against the tax benefit.

As of September 30, 2014, we had unrecognized compensation expense of $4.2 million relating to stock option awards that is scheduled to be amortized over a weighted average period of approximately two years.

Restricted Stock Units

A summary of the changes in RSUs outstanding during the nine months ended September 30, 2014 is presented below:

	Number of RSUs	Weighted Average Grant Date Fair Value Per RSU
Unvested units as of December 31, 2013	5.2	$ 11.93
Granted	1.4	16.02
Vested	(1.7)	10.09
Canceled	(0.1)	13.84
Unvested units as of March 31, 2014	4.8	$ 13.76
Granted	0.3	10.33
Vested	(0.4)	11.53
Canceled	(0.3)	13.44
Unvested units as of June 30, 2014	4.4	$ 13.50
Granted	—	8.95
Vested	(0.2)	14.56
Canceled	(0.2)	15.80
Unvested units as of September 30, 2014	4.0	$ 13.43

For the three and nine months ended September 30, 2014, we recognized stock-based compensation expense of $4.3 million and $15.9 million, respectively, related to the service period of RSUs and a related tax benefit of $1.6 million and $5.9 million, respectively, prior to consideration of any valuation allowance recorded against the tax benefit. For the three and nine months ended September 30, 2013, we recognized stock-based compensation expense of $4.6 million and $13.9 million,

respectively, related to the service period of RSUs and the related tax benefit of $1.8 million and $5.3 million, respectively, prior to consideration of any valuation allowance recorded against the tax benefit.

As of September 30, 2014, we had unrecognized compensation expense of $42.2 million relating to RSUs that is scheduled to be amortized over a weighted average period of approximately two years.

(16) Employee Benefit Plans

We have defined benefit pension plans for our U.K.-based union employees and certain Canadian-based employees (the "U.K. Plan" and the "Canadian Plan," respectively). Retirement benefits under the U.K. Plan are based on an employee's average compensation over the two years preceding retirement. Retirement benefits under the Canadian Plan are generally based on the number of years of credited service. Our policy is to fund the minimum contribution permissible by the applicable regulatory authorities.

The following table sets forth the combined amount of net periodic benefit cost recognized for the three and nine months ended September 30, 2014 and 2013:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Components of net periodic pension benefit cost:				
Service cost	$ 0.7	$ 0.7	$ 1.9	$ 1.9
Interest cost	1.3	1.1	3.9	3.5
Expected return on plan assets	(1.6)	(1.4)	(4.9)	(4.2)
Amortization of actuarial gains	0.2	0.3	0.5	0.8
Curtailment	—	—	0.2	—
Amortization of prior service costs	(0.1)	(0.1)	(0.2)	(0.2)
Net periodic cost	$ 0.5	$ 0.6	$ 1.4	$ 1.8

We have a 401(k) plan for U.S.-based employees. We contribute 37.5 cents on the dollar for the first 6% of participant contributions for a match of up to 2.25% of eligible compensation. In connection with the WMS acquisition, we assumed existing 401(k) plans of WMS. These plans cover union and non-union full-time employees of WMS and provide for contributions of up to 4.5% of covered non-union employees' eligible compensation and a maximum fixed annual amount for covered union employees' eligible compensation as defined in the plans.

(17) Income Taxes

The effective income tax rates on the net (loss) income from continuing operations of (8.4)% and 109.5% for the three months ended September 30, 2014 and 2013, respectively, and (10.7)% and (80.5)% for the nine months ended September 30, 2014 and 2013, respectively, were determined using an estimated annual effective tax rate after considering any discrete items for such periods. Due to a valuation allowance against our U.S. deferred tax assets, the effective tax rates for the three months ended September 30, 2014 and 2013 did not include the benefit of the current-year U.S. tax loss. As a result, income tax expense for the three months ended September 30, 2014 and 2013 primarily related to income tax expense in foreign jurisdictions.

Our effective income tax rate on foreign earnings was impacted by the mix of income and the statutory tax rates in our foreign jurisdictions, which ranged from a low of 0% to a high of 35%. The foreign jurisdictions that had the most impact on our foreign income tax benefit (expense) in the period include Austria, Canada, Ireland and the U.K.

(18) Litigation

The Company is involved in various legal proceedings, including those discussed below. We record an accrual for legal contingencies when it is both probable that a liability will be incurred and the amount or range of the loss can be reasonably estimated (although, as discussed below, there may be an exposure to loss in excess of the accrued liability). We evaluate our accruals for legal contingencies at least quarterly and, as appropriate, establish new accruals or adjust existing accruals to reflect (1) the facts and circumstances known to us at the time, including information regarding negotiations, settlements, rulings and other relevant events and developments, (2) the advice and analyses of counsel and (3) the assumptions

and judgment of management. Legal costs associated with our legal proceedings are expensed as incurred. We had accrued liabilities of $23.4 million and $25.9 million for all of our legal matters that were contingencies as of September 30, 2014 and December 31, 2013, respectively.

Substantially all of our legal contingencies are subject to significant uncertainties and, therefore, determining the likelihood of a loss and/or the measurement of any loss involves a series of complex judgments about future events. Consequently, the ultimate outcomes of our legal contingencies could result in losses in excess of amounts we have accrued. We may be unable to estimate a range of possible losses for some matters pending against the Company or its subsidiaries, even when the amount of damages claimed against the Company or its subsidiaries is stated because, among other things: (1) the claimed amount may be exaggerated or unsupported; (2) the claim may be based on a novel legal theory or involve a large number of parties; (3) there may be uncertainty as to the likelihood of a class being certified or the ultimate size of the class; (4) there may be uncertainty as to the outcome of pending appeals or motions; (5) the matter may not have progressed sufficiently through discovery or there may be significant factual or legal issues to be resolved or developed; and/or (6) there may be uncertainty as to the enforceability of legal judgments and outcomes in certain jurisdictions. Other matters have progressed sufficiently that we are able to estimate a range of possible loss. For those legal contingencies disclosed below as to which a loss is reasonably possible, whether in excess of a related accrued liability or where there is no accrued liability, and for which we are able to estimate a range of possible loss, the current estimated range is up to approximately $41 million in excess of the accrued liabilities (if any) related to those legal contingencies. This aggregate range represents management's estimate of additional possible loss in excess of the accrued liabilities (if any) with respect to these matters based on currently available information, including any damages claimed by the plaintiffs, and is subject to significant judgment and a variety of assumptions and inherent uncertainties. For example, at the time of making an estimate, management may have only preliminary, incomplete, or inaccurate information about the facts underlying a claim; its assumptions about the future rulings of the court or other tribunal on significant issues, or the behavior and incentives of adverse parties, regulators, indemnitors or co-defendants, may prove to be wrong; and the outcomes it is attempting to predict are often not amenable to the use of statistical or other quantitative analytical tools. In addition, from time to time an outcome may occur that management had not accounted for in its estimate because it had considered that outcome to be remote. Furthermore, as noted above, the aggregate range does not include any matters for which the Company is not able to estimate a range of possible loss. Accordingly, the estimated aggregate range of possible loss does not represent our maximum loss exposure. Any such losses could have a material adverse impact on our results of operations, financial position and cash flows. The legal proceedings underlying the estimated range will change from time to time, and actual results may vary significantly from the current estimate.

Colombia Litigation

Our subsidiary, SGI, owned a minority interest in Wintech de Colombia S.A., or Wintech (now liquidated), which formerly operated the Colombian national lottery under a contract with Empresa Colombiana de Recursos para la Salud, S.A. (together with its successors, "Ecosalud"), an agency of the Colombian government. The contract provided for a penalty against Wintech, SGI and the other shareholders of Wintech of up to $5.0 million if certain levels of lottery sales were not achieved. In addition, SGI delivered to Ecosalud a $4.0 million surety bond as a further guarantee of performance under the contract. Wintech started the instant lottery in Colombia but, due to difficulties beyond its control, including, among other factors, social and political unrest in Colombia, frequently interrupted telephone service and power outages, and competition from another lottery being operated in a province of Colombia that we believe was in violation of Wintech's exclusive license from Ecosalud, the projected sales level was not met for the year ended June 30, 1993.

In 1993, Ecosalud issued a resolution declaring that the contract was in default. In 1994, Ecosalud issued a liquidation resolution asserting claims for compensation and damages against Wintech, SGI and other shareholders of Wintech for, among other things, realization of the full amount of the penalty, plus interest, and the amount of the bond. SGI filed separate actions opposing each resolution with the Tribunal Contencioso of Cundinamarca in Colombia (the "Tribunal"), which upheld both resolutions. SGI appealed each decision to the Council of State. In May 2012, the Council of State upheld the contract default resolution, which decision was notified to us in August 2012. In October 2013, the Council of State upheld the liquidation resolution, which decision was notified to us in December 2013.

In July 1996, Ecosalud filed a lawsuit against SGI in the U.S. District Court for the Northern District of Georgia asserting many of the same claims asserted in the Colombia proceedings, including breach of contract, and seeking damages. In March 1997, the District Court dismissed Ecosalud's claims. Ecosalud appealed the decision to the U.S. Court of Appeals for the Eleventh Circuit. The Court of Appeals affirmed the District Court's decision in 1998.

In June 1999, Ecosalud filed a collection proceeding against SGI to enforce the liquidation resolution and recover the claimed damages. In May 2013, the Tribunal denied SGI's merit defenses to the collection proceeding and issued an order of payment of approximately 90 billion Colombian pesos (approximately $44 million based on the current exchange rate) plus default interest (potentially accrued since 1994). SGI has filed an appeal to the Council of State, which appeal has stayed the payment order.

SGI believes it has various defenses, including on the merits, against Ecosalud's claims. Although we believe these claims will not result in a material adverse effect on our consolidated financial position or results of operations, it is not feasible to predict the final outcome, and there can be no assurance that these claims will not ultimately be resolved adversely to us or result in material liability.

SNAI Litigation

On April 16, 2012, certain VLTs operated by SNAI S.p.a. ("SNAI") in Italy and supplied by Barcrest erroneously printed what appeared to be winning jackpot and other tickets with a face amount in excess of €400.0 million. SNAI has stated, and system data confirms, that no jackpots were actually won on that day. The terminals have been deactivated by the Italian regulatory authority. Following the incident, we understand that the Italian regulatory authority revoked the certification of the version of the gaming system that Barcrest provided to SNAI and fined SNAI €1.5 million, but determined to not revoke SNAI's concession to operate VLTs in Italy.

In October 2012, SNAI filed a lawsuit in the Court of First Instance of Rome in Italy against Barcrest and Global Draw, our subsidiary which acquired Barcrest from IGT-UK Group Limited, a subsidiary of International Game Technology ("IGT"), claiming liability based on breach of contract and tort. The lawsuit seeks to terminate SNAI's agreement with Barcrest and damages arising from the deactivation of the terminals, including among other things, lost profits, expenses and costs, potential awards to players who have sought to enforce what appeared to be winning jackpot and other tickets, compensation sought by managers of the gaming locations where SNAI VLTs supplied by Barcrest were installed, damages to commercial reputation and any future damages arising from SNAI's potential loss of its concession or inability to obtain a new concession. In June 2013, Barcrest and Global Draw filed a counterclaim based on SNAI's alleged breach of contract.

In September 2013, Global Draw brought an action against IGT-UK Group Limited and IGT in the High Court of Justice (Commercial Court) in London, England seeking relief under the indemnification and warranty provisions contained in the agreement pursuant to which Barcrest was acquired from IGT-UK Group, including in connection with the April 2012 incident and a number of ancillary matters. In November 2013, IGT-UK Group Limited filed a defense in which it denied Global Draw's claims and counterclaimed based on Global Draw's alleged breach of contract in connection with another ancillary matter. In September 2014, Global Draw's motion for summary judgment was granted in respect of one of the ancillary matters but denied in respect of the April 2012 incident. Accordingly, the parties are scheduled to proceed to trial relating to the April 2012 incident and the other remaining issues in May 2015.

While we believe we have meritorious defenses in the Italian litigation and potential third party recoveries, the lawsuit is in its early stages and we cannot currently predict the outcome of this matter.

WMS Merger Litigation

Complaints challenging the WMS merger were filed in early 2013 in the Delaware Court of Chancery, the Circuit Court of Cook County, Illinois and the Circuit Court of the Nineteenth Judicial Circuit, Lake County, Illinois. The actions are putative class actions filed on behalf of WMS stockholders. The complaints generally allege that the WMS directors breached their fiduciary duties in connection with their consideration and approval of the merger and in connection with their public disclosures concerning the merger. The complaints allege that other defendants, including WMS, Scientific Games Corporation and certain affiliates of Scientific Games Corporation, aided and abetted those alleged breaches. The plaintiffs sought equitable relief, including to enjoin the acquisition, to rescind the acquisition if not enjoined, damages, attorneys' fees and other costs.

The Delaware actions have been consolidated under the caption In re WMS Stockholders Litigation (C.A. No. 8279-VCP). The plaintiffs in the consolidated Delaware actions submitted to the Delaware Court of Chancery a letter advising that they had conferred with the plaintiffs in the Illinois actions and agreed to stay the consolidated Delaware action.

The Lake County, Illinois actions were transferred to Cook County. All of the Illinois actions were consolidated in Cook County with Gardner v. WMS Industries Inc., et al. (No. 2013 CH 3540).

In April 2013, the plaintiffs in the Gardner action filed a motion for preliminary injunction to enjoin the WMS stockholder vote on the merger. Following that, in April 2013, lead counsel in the Gardner action, on behalf of counsel for plaintiffs in all actions in Delaware and Illinois, agreed to withdraw the motion for preliminary injunction and not to seek to enjoin the WMS stockholder vote in return for WMS' agreement to make certain supplemental disclosures related to the merger. WMS made those supplemental disclosures in a Current Report on Form 8-K filed with the SEC on April 29, 2013.

In January 2014, the plaintiffs in the Illinois action filed an amended complaint seeking damages for the alleged breach of fiduciary duties by the individual defendants and the alleged aiding and abetting of those breaches by WMS and Scientific Games Corporation. In February 2014, WMS and Scientific Games Corporation filed motions to dismiss the

amended complaint. In September 2014, the plaintiffs' claims in the Illinois action were dismissed with prejudice. The plaintiffs in the Illinois action have filed a claim for attorney fees of $0.9 million, which we have opposed.

The Company believes the claims in the consolidated Delaware action are without merit.

IGT License Claims

In early 2012, IGT initiated an audit to determine whether WMS was in compliance with the terms of a license agreement between the two parties. IGT claimed that WMS underpaid license fees by approximately $25 million plus approximately $11 million in interest. IGT subsequently filed a demand for arbitration seeking $50.0 million from WMS. We initiated an action in the U.S. District Court for the District of Nevada seeking a preliminary injunction to enjoin or limit the scope of the arbitration and to restrain IGT from seeking to enforce certain provisions of the arbitration clause in the license agreement, as well as a refund of overpaid royalty payments. Our motion for preliminary injunction was denied by the District Court in March 2014 and our action seeking recovery of overpaid royalty payments was stayed pending resolution of certain matters in the arbitration. In June 2014, WMS, Scientific Games Corporation and IGT entered into a settlement agreement that resolved this matter and a number of other disputes and proceedings among the parties. We paid $8.0 million to IGT in connection with the settlement, substantially all of which was included in our previously accrued liabilities assumed in the WMS acquisition. The District Court action was dismissed in June 2014 and the arbitration action was dismissed in July 2014.

Bally Acquisition Litigation

The following complaints challenging the pending Bally merger were filed in August 2014 in the state District Court of Clark County, Nevada: Shaev v. Bally Technologies, Inc., Richard Haddrill, et al. (C.A. No. A-14-705012-B); Lawandoski v. Bally Technologies, Inc., Robert Guido, et al. (C.A. No. A-14-705153-C); Rosenfeld v. Bally Technologies, Inc., Robert Guido, et al. (C.A. No. A-14-705162-B); Crescente v. Bally Technologies, Inc., Robert Guido, et al. (C.A. No. A-14-705144-C); Stein v. Bally Technologies, Inc., Robert L. Guido, et al. (C.A. No. A-14-705338-B); and Hahm v. Bally Technologies, Inc., Robert Guido, et al. (C.A. No. A-14-706234-C). The actions are putative class actions filed on behalf of the public stockholders of Bally and name as defendants Bally, its directors, Scientific Games Corporation and certain of its affiliates. The complaints generally allege that the Bally directors breached their fiduciary duties in connection with their consideration and approval of the merger and that we aided and abetted those alleged breaches. The plaintiffs seek equitable relief, including to enjoin the merger, to rescind the merger if not enjoined, damages, attorneys' fees and other costs.

All of the actions have been consolidated under the caption In re Bally Technologies, Inc. Shareholders Litigation (C.A. No. A-14-705012-B) (the "Nevada Action"). In October 2014, plaintiffs filed a motion for limited expedited discovery in connection with an anticipated motion to enjoin the proposed transaction. Following that, in October 2014, Bally and its directors filed a motion to dismiss the consolidated complaint and Scientific Games and its affiliates filed a motion to dismiss the count of the consolidated complaint alleging wrongdoing by Scientific Games Corporation and its affiliates. Following that, the plaintiffs withdrew their motion for expedited discovery and the parties entered into preliminary settlement discussions.

On October 17, 2014, following arm's-length negotiations, the parties to the Nevada Action entered into a Memorandum of Understanding ("MOU") under which they agreed in principle to settle all of the claims asserted in the Nevada Action on a class-wide basis, subject to certain conditions, including confirmatory discovery by the plaintiffs in the Nevada Action and preliminary and final approval of the Nevada court, which will consider the fairness, reasonableness and adequacy of the settlement. Bally, Scientific Games and the other named defendants entered into the MOU solely to avoid the costs, risks and uncertainties inherent in litigation and without admitting any liability or wrongdoing, and vigorously denied, and continue to vigorously deny, the claims alleged in the Nevada Action.

There can be no assurance that the parties will ultimately enter into a definitive settlement agreement or that the Nevada court will approve the settlement. In such event, or if the merger is not consummated for any reason, the proposed settlement will be null and void and of no force and effect. Payments made in connection with the settlement, which are subject to court approval, are not expected to be material. The settlement will not affect the consideration to be received by Bally's stockholders in the merger or the timing of the anticipated closing of the merger.

Additional lawsuits relating to the merger agreement or the Bally acquisition may be filed in the future. An adverse judgment for monetary damages could have a material adverse effect on the financial condition, results of operations or cash flows of Bally or us, as the case may be, and therefore could adversely affect the combined business if the merger is completed. A preliminary injunction could delay or jeopardize the completion of the merger, and an adverse judgment granting permanent injunctive relief could indefinitely enjoin completion of the merger.

(19) Supplemental Disclosure of Cash Flow Information

Additional cash flow information is presented below:

	Nine Months Ended September 30,	
	2014	2013
Interest paid	$ 109.0	$ 72.1
Income taxes paid (received), net of refunds	$ (31.6)	$ 8.9

Nine months ended September 30, 2014

On March 31, 2014, we entered into a new leasing arrangement with ITL for the lease of gaming machines in connection with a long-term services contract with a customer and recorded a non-cash capital lease asset and minimum lease liability of $42.8 million during the three months ended June 30, 2104. We recorded no additional non-cash capital lease assets during the three months ended September 30, 2014.

During the nine months ended September 30, 2014 we recorded approximately $115 million of non-cash other assets and related long-term liabilities related to license agreements with minimum guaranteed obligations entered into during the period.

During the nine months ended September 30, 2014 we made a non-cash capital contribution of $10.8 million to Northstar Illinois.

There were no other significant non-cash investing or financing activities for the nine months ended September 30, 2014.

Nine months ended September 30, 2013

During the nine months ended September 30, 2013 we recorded approximately $27 million of non-cash other assets and related long-term liabilities related to license agreements with minimum guaranteed obligations entered into during the period.

There were no other significant non-cash investing or financing activities for the nine months ended September 30, 2013.

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

We conduct substantially all of our business through our U.S. and foreign subsidiaries. SGI's obligations under the credit agreement, the 2021 Notes d the 2020 Notes are fully and unconditionally and jointly and severally guaranteed by Scientific Games Corporation (the "Parent Company") and ıbstantially all of our 100%-owned U.S. subsidiaries other than SGI (the "Guarantor Subsidiaries"). Our 2018 Notes, which were issued by the Parent Company, are fully and unconditionally and jointly and severally guaranteed by our 100% owned U.S. subsidiaries, including SGI. The guarantees of our 2021 Notes, 2020 Notes and 2018 Notes will terminate under following customary circumstances: (1) the sale or disposition of the capital stock of the guarantor (including by consolidation or merger of the guarantor into another person); (2) the liquidation or dissolution of the guarantor; (3) the defeasance or satisfaction and discharge of the notes; (4) the release of the guarantor from any guarantees of indebtedness of the Parent Company and SGI (or, in the case of the 2018 Notes, the release of the guarantor from any guarantees of indebtedness of the Parent Company); and (5) in the case of the 2020 Notes and 2021 Notes, the proper designation of the guarantor as an unrestricted subsidiary pursuant to the indenture governing the 2020 and 2021 Notes, respectively.

Presented below is condensed consolidated financial information for (1) the Parent Company, (2) SGI, (3) the Guarantor Subsidiaries and (4) our 100%-owned foreign subsidiaries and our non-100%-owned U.S. and foreign subsidiaries (collectively, the "Non-Guarantor Subsidiaries") as of September 30, 2014 and December 31, 2013 and for the three and nine months ended September 30, 2014 and 2013. The condensed consolidating financial information has been presented to show the nature of assets held by, and the results of operations and cash flows of, the Parent Company, SGI, the Guarantor Subsidiaries and the Non-Guarantor Subsidiaries assuming the guarantee structures of the credit agreement, the 2021 Notes, the 2020 Notes and the 2018 Notes were in effect at the beginning of the periods presented.

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. Corporate interest and administrative expenses have not been allocated to the subsidiaries. Net changes in intercompany due from/due to accounts are reported in the accompanying Supplemental Condensed Consolidating Statements of Cash Flows as investing activities if the applicable entities have a net investment (asset) in intercompany accounts, and as a financing activity if the applicable entities have a net intercompany borrowing (liability) balance. This is a correction from the prior-year presentation that reflected all changes in intercompany due to/due from accounts as financing activities in the Supplemental Condensed Consolidating Statements of Cash Flows. This correction had no impact on our consolidated results of operations for the periods presented.

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL CONDENSED CONSOLIDATING BALANCE SHEET
As of September 30, 2014

	Parent Company	SGI	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated
Assets						
Cash and cash equivalents	$ 36.4	$ 0.3	$ 11.3	$ 84.5	$ —	$ 132.5
Restricted cash	—	—	12.0	0.1	—	12.1
Accounts receivable, net	—	62.3	117.1	117.9	—	297.3
Notes receivable, net	—	—	71.5	56.6	—	128.1
Inventories	—	40.7	60.1	70.1	—	170.9
Other current assets	14.6	14.4	51.6	28.5	—	109.1
Property and equipment, net	0.5	125.7	410.2	203.2	—	739.6
Investment in subsidiaries	1,849.5	952.6	—	—	(2,802.1)	—
Goodwill	—	253.6	480.5	434.6	—	1,168.7
Intangible assets, net	161.1	42.4	284.8	12.0	—	500.3
Intercompany balances	—	1,413.0	343.4	—	(1,756.4)	—
Software, net	12.7	33.2	211.2	49.7	—	306.8
Other assets	3.1	116.4	26.3	327.7	—	473.5
Total assets	$ 2,077.9	$ 3,054.6	$ 2,080.0	$ 1,384.9	$ (4,558.5)	$ 4,038.9
Liabilities and stockholders' equity						
Debt payments due within one year	$ —	$ 23.0	$ —	$ 7.9	$ —	$ 30.9
Other current liabilities	39.7	77.5	117.0	127.0	—	361.2
Long-term debt, excluding current installments	250.0	2,897.6	—	30.8	—	3,178.4
Other long-term liabilities	179.8	45.9	69.7	67.3	—	362.7
Intercompany balances	1,502.7	—	—	253.7	(1,756.4)	—
Stockholders' equity	105.7	10.6	1,893.3	898.2	(2,802.1)	105.7
Total liabilities and stockholders' equity	$ 2,077.9	$ 3,054.6	$ 2,080.0	$ 1,384.9	$ (4,558.5)	$ 4,038.9

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL CONDENSED CONSOLIDATING BALANCE SHEET
As of December 31, 2013

	Parent Company	SGI	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated
Assets						
Cash and cash equivalents	$ 56.0	$ —	$ 24.4	$ 73.3	$ —	$ 153.7
Restricted cash	—	—	10.9	—	—	10.9
Accounts receivable, net	—	66.9	135.4	143.7	—	346.0
Notes receivable, net	—	—	90.9	67.8	—	158.7
Inventories	—	28.2	59.6	50.0	—	137.8
Other current assets	13.9	10.5	95.0	30.9	—	150.3
Property and equipment, net	1.1	137.3	441.8	192.9	—	773.1
Investment in subsidiaries	1,962.5	796.5	—	—	(2,759.0)	—
Goodwill	—	251.7	465.4	466.0	—	1,183.1
Intangible assets, net	1.9	42.0	340.6	26.6	—	411.1
Intercompany balances	—	1,430.1	296.3	—	(1,726.4)	—
Software, net	9.4	31.7	251.4	51.0	—	343.5
Other assets	6.0	147.7	42.2	372.3	—	568.2
Total assets	$ 2,050.8	$ 2,942.6	$ 2,253.9	$ 1,474.5	$ (4,485.4)	$ 4,236.4
Liabilities and stockholders' equity						
Debt payments due within one year	$ —	$ 23.0	$ —	$ 7.4	$ —	$ 30.4
Other current liabilities	30.4	63.2	176.2	151.4	—	421.2
Long-term debt, excluding current installments	250.0	2,912.2	—	—	—	3,162.2
Other long-term liabilities	20.8	37.8	121.2	67.8	—	247.6
Intercompany balances	1,374.6	—	—	351.8	(1,726.4)	—
Stockholders' equity	375.0	(93.6)	1,956.5	896.1	(2,759.0)	375.0
Total liabilities and stockholders' equity	$ 2,050.8	$ 2,942.6	$ 2,253.9	$ 1,474.5	$ (4,485.4)	$ 4,236.4

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME
Three Months Ended September 30, 2014

	Parent Company	SGI	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated
Revenue	$ —	$ 106.9	$ 159.1	$ 149.6	$ —	$ 415.6
Cost of instant games, cost of services and cost of product sales (1)	—	29.7	82.2	87.3	—	199.2
Selling, general and administrative	19.5	16.8	40.4	18.9	—	95.6
Research and development	—	1.2	20.9	4.2	—	26.3
Employee termination and restructuring	(0.1)	—	1.4	0.6	—	1.9
Depreciation and amortization	1.2	11.8	67.7	19.7	—	100.4
Operating (loss) income	(20.6)	47.4	(53.5)	18.9	—	(7.8)
Interest expense	(0.2)	(16.2)	(29.1)	(0.2)	—	(45.7)
Other (expense) income, net	(7.0)	(55.4)	41.4	10.1	—	(10.9)
Net (loss) income before equity in income of subsidiaries and income taxes	(27.8)	(24.2)	(41.2)	28.8	—	(64.4)
Equity in (loss) income of subsidiaries	(38.8)	16.3	—	—	22.5	—
Income tax expense	(3.2)	(0.2)	—	(2.0)	—	(5.4)
Net (loss) income from continuing operations	$ (69.8)	$ (8.1)	$ (41.2)	$ 26.8	$ 22.5	$ (69.8)
Net (loss) income	(69.8)	(8.1)	(41.2)	26.8	22.5	(69.8)
Other comprehensive (loss) income	(55.1)	(5.4)	—	(55.7)	61.1	(55.1)
Comprehensive (loss) income	$ (124.9)	$ (13.5)	$ (41.2)	$ (28.9)	$ 83.6	$ (124.9)

(1) Exclusive of depreciation and amortization.

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME
Three Months Ended September 30, 2013

	Parent Company	SGI	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated
Revenue	$ —	$ 100.6	$ 20.3	$ 113.9	$ (0.4)	$ 234.4
Cost of instant games, cost of services and cost of product sales (1)	—	30.2	38.1	59.8	(1.6)	126.5
Selling, general and administrative	16.9	13.3	2.5	13.1	(0.2)	45.6
Research and development	—	0.9	0.2	0.3	—	1.4
Employee termination and restructuring	—	—	—	—	—	—
Depreciation and amortization	0.2	9.8	5.6	19.6	—	35.2
Operating (loss) income	(17.1)	46.4	(26.1)	21.1	1.4	25.7
Interest expense	(5.3)	(19.7)	—	(0.2)	—	(25.2)
Other income (expense), net	1.3	(44.9)	45.1	3.3	(1.4)	3.4
Net (loss) income before equity in income of subsidiaries and income taxes	(21.1)	(18.2)	19.0	24.2	—	3.9
Equity in income (loss) of subsidiaries	23.6	18.8	—	—	(42.4)	—
Income tax expense	(2.9)	(0.1)	—	(1.3)	—	(4.3)
Net (loss) income from continuing operations	$ (0.4)	$ 0.5	$ 19.0	$ 22.9	$ (42.4)	$ (0.4)
Net loss from discontinued operations	(0.1)	—	—	(0.1)	0.1	(0.1)
Net (loss) income	(0.5)	0.5	19.0	22.8	(42.3)	(0.5)
Other comprehensive (loss) income	39.2	(2.1)	—	41.0	(38.9)	39.2
Comprehensive (loss) income	$ 38.7	$ (1.6)	$ 19.0	$ 63.8	$ (81.2)	$ 38.7

(1) Exclusive of depreciation and amortization.

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME
Nine Months Ended September 30, 2014

	Parent Company	SGI	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated
Revenue	$ —	$ 317.1	$ 475.4	$ 428.1	$ —	$ 1,220.6
Cost of instant games, cost of services and cost of product sales (1)	—	93.5	243.8	237.1	—	574.4
Selling, general and administrative	51.6	50.9	122.5	57.6	—	282.6
Research and development	—	2.3	62.5	12.2	—	77.0
Employee termination and restructuring	1.9	0.2	5.5	4.8	—	12.4
Depreciation and amortization	6.7	32.1	187.5	64.2	—	290.5
Operating (loss) income	(60.2)	138.1	(146.4)	52.2	—	(16.3)
Interest expense	(2.5)	(62.7)	(77.0)	(0.7)	—	(142.9)
Other (expense) income, net	(39.6)	(150.7)	132.8	47.5	—	(10.0)
Net (loss) income before equity in income of subsidiaries and income taxes	(102.3)	(75.3)	(90.6)	99.0	—	(169.2)
Equity in (loss) income of subsidiaries	(71.7)	51.4	—	—	20.3	—
Income tax expense	(13.2)	(0.3)	—	(4.5)	—	(18.0)
Net (loss) income from continuing operations	$ (187.2)	$ (24.2)	$ (90.6)	$ 94.5	$ 20.3	$ (187.2)
Net (loss) income	(187.2)	(24.2)	(90.6)	94.5	20.3	(187.2)
Other comprehensive (loss) income	(51.4)	(2.4)	(0.3)	(45.6)	48.3	(51.4)
Comprehensive (loss) income	$ (238.6)	$ (26.6)	$ (90.9)	$ 48.9	$ 68.6	$ (238.6)

(1) Exclusive of depreciation and amortization.

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME
Nine Months Ended September 30, 2013

	Parent Company	SGI	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated
Revenue	$ —	$ 308.4	$ 42.2	$ 340.5	$ (2.1)	$ 689.0
Cost of instant games, cost of services and cost of product sales (1)	—	97.1	107.2	185.8	(5.5)	384.6
Selling, general and administrative	52.2	38.1	7.6	42.0	(0.8)	139.1
Research and development	—	3.1	0.5	1.1	—	4.7
Employee termination and restructuring	—	—	—	0.3	—	0.3
Depreciation and amortization	0.5	28.4	16.7	65.5	—	111.1
Operating (loss) income	(52.7)	141.7	(89.8)	45.8	4.2	49.2
Interest expense	(15.9)	(58.8)	—	(0.6)	—	(75.3)
Other income (expense), net	4.5	(131.7)	134.6	9.0	(4.2)	12.2
Net (loss) income before equity in income of subsidiaries and income taxes	(64.1)	(48.8)	44.8	54.2	—	(13.9)
Equity in income (loss) of subsidiaries	45.5	44.6	—	—	(90.1)	—
Income tax expense	(6.5)	(0.3)	—	(4.4)	—	(11.2)
Net (loss) income from continuing operations	$ (25.1)	$ (4.5)	$ 44.8	$ 49.8	$ (90.1)	$ (25.1)
Net loss from discontinued operations	(1.6)	—	—	(1.6)	1.6	(1.6)
Net (loss) income	(26.7)	(4.5)	44.8	48.2	(88.5)	(26.7)
Other comprehensive (loss) income	1.9	(1.9)	—	3.6	(1.7)	1.9
Comprehensive (loss) income	$ (24.8)	$ (6.4)	$ 44.8	$ 51.8	$ (90.2)	$ (24.8)

(1) Exclusive of depreciation and amortization.

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
Nine Months Ended September 30, 2014

	Parent Company	SGI	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated
Net cash (used in) provided by operating activities	$ (79.2)	$ 19.8	$ 160.0	$ 132.8	$ —	$ 233.4
Cash flows from investing activities:						—
Additions to property and equipment	(2.3)	(2.1)	(22.1)	(5.9)	—	(32.4)
Lottery and gaming services expenditures	(0.1)	(9.7)	(41.3)	(22.0)	—	(73.1)
Intangible assets and software expenditures	(6.0)	(12.1)	(49.9)	(2.8)	—	(70.8)
Additions to equity method investments	—	—	—	(43.3)	—	(43.3)
Distributions of capital on equity investments	—	(1.3)	—	46.7	—	45.4
Proceeds on sale of equity interest	—	—	—	44.9	—	44.9
Other	(9.6)	29.2	(0.6)	16.1	(35.7)	(0.6)
Intercompany balances	—	18.8	(44.9)	—	26.1	—
Net cash provided by (used in) investing activities	(18.0)	22.8	(158.8)	33.7	(9.6)	(129.9)
Cash flows from financing activities:						
Net payments on long-term debt	—	(19.5)	—	(9.9)	—	(29.4)
Payments of financing fees	—	(22.8)	—	—	—	(22.8)
Payments on license obligations	—	—	(7.0)	—	—	(7.0)
Common stock repurchases	(29.5)	—	—	—	—	(29.5)
Contingent earnout payments	—	—	(7.0)	(3.2)	—	(10.2)
Net redemptions of common stock under stock-based compensation plans	(19.1)	—	—	(35.7)	35.7	(19.1)
Other, principally intercompany balances	126.2	—	—	(100.1)	(26.1)	—
Net cash provided by (used in) financing activities	77.6	(42.3)	(14.0)	(148.9)	9.6	(118.0)
Effect of exchange rate changes on cash	—	—	(0.3)	(6.4)	—	(6.7)
Increase (decrease) in cash and cash equivalents	(19.6)	0.3	(13.1)	11.2	—	(21.2)
Cash and cash equivalents, beginning of period	56.0	—	24.4	73.3	—	153.7
Cash and cash equivalents, end of period	$ 36.4	$ 0.3	$ 11.3	$ 84.5	$ —	$ 132.5

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
Nine Months Ended September 30, 2013

	Parent Company	SGI	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated
Net cash (used in) provided by operating activities	$ (44.7)	$ (16.1)	$ 43.3	$ 113.1	$ —	$ 95.6
Cash flows from investing activities:						
Additions to property and equipment	(3.3)	(1.8)	(12.2)	(5.6)	—	(22.9)
Lottery and gaming services expenditures	(0.2)	(6.4)	(0.4)	(44.3)	—	(51.3)
Intangible assets and software expenditures	(2.1)	(12.2)	(11.7)	(12.1)	—	(38.1)
Business acquisitions, net of cash acquired	—	—	—	(0.4)	—	(0.4)
Other assets and investments	9.9	14.0	—	36.3	(64.3)	(4.1)
Other, principally intercompany balances	32.3	—	(23.4)	—	(8.9)	—
Net cash (used in) provided by investing activities	36.6	(6.4)	(47.7)	(26.1)	(73.2)	(116.8)
Cash flows from financing activities:						
Net payments on long-term debt	—	(4.7)	—	(4.8)	—	(9.5)
Net redemptions of common stock under stock-based compensation plans	(2.1)	—	—	(64.3)	64.3	(2.1)
Payment of financing fees	—	(2.0)	—	—	—	(2.0)
Other, principally intercompany balances	—	29.0	—	(37.9)	8.9	—
Net cash provided by (used in) financing activities	(2.1)	22.3	—	(107.0)	73.2	(13.6)
Effect of exchange rate changes on cash	—	0.2	—	(0.9)	—	(0.7)
Decrease in cash and cash equivalents	(10.2)	—	(4.4)	(20.9)	—	(35.5)
Cash and cash equivalents, beginning of period	27.2	0.2	2.4	79.2	—	109.0
Cash and cash equivalents, end of period	$ 17.0	$ 0.2	$ (2.0)	$ 58.3	$ —	$ 73.5

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following MD&A is intended to enhance the reader's understanding of our operations and current business environment. This MD&A should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" for the fiscal year ended December 31, 2013 and the "Business" section included in our 2013 Annual Report on Form 10-K.

This MD&A contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and should be read in conjunction with the disclosures and information contained and referenced under "Forward-Looking Statements" included in this Quarterly Report on Form 10-Q. As used in this MD&A, the terms "we," "us," "our" and the "Company" mean Scientific Games Corporation together with its consolidated subsidiaries.

Our MD&A is organized into the following sections:

- BUSINESS OVERVIEW
- CONSOLIDATED RESULTS
- BUSINESS SEGMENT RESULTS
- RECENTLY ISSUED ACCOUNTING GUIDANCE
- CRITICAL ACCOUNTING ESTIMATES
- LIQUIDITY, CAPITAL SOURCES AND WORKING CAPITAL

BUSINESS OVERVIEW

We are a leading diversified supplier of technology-based products and services to the gaming and lottery industries. The Company's portfolio includes instant and draw-based lottery games; gaming machines and game content; server-based lottery and gaming systems; sports betting technology; loyalty and rewards programs; and interactive products and services. We also gain access to technologies and pursue global expansion through strategic acquisitions, equity investments and licensing agreements.

Pending Acquisition of Bally

On August 1, 2014, we entered into a merger agreement pursuant to which we agreed to acquire Bally, a leading supplier of gaming machines, table game products, systems, and interactive gaming solutions, for $83.30 in cash per common share. The aggregate transaction value is approximately $5.1 billion, including the refinancing of approximately $1.8 billion of existing Bally net debt. We received early termination of the waiting period under the HSR Act in August 2014, which satisfied one of the conditions to closing the merger. The closing of the merger remains subject to approval of the merger by Bally stockholders, receipt of certain gaming regulatory approvals and other customary closing conditions.

The merger agreement contains certain termination rights for both Scientific Games and Bally and further provides that, in connection with termination of the merger agreement under specified circumstances, (1) we may be required to pay to Bally a termination fee of $105.0 million if all the conditions to closing have been met and the merger is not consummated because of a breach by our lenders of their obligations to finance the transaction, (2) we may be required to pay to Bally a termination fee of $105.0 million if the parties are unable to obtain the gaming regulatory approvals that are conditions to closing and (3) Bally may be required to pay us a termination fee of $80.0 million under specified circumstances, including, but not limited to, a change in the Bally board's recommendation of the merger or in connection with Bally's termination of the merger agreement to enter into a written definitive agreement for a "superior proposal" (as defined in the merger agreement).

In connection with the merger agreement, we entered into a commitment letter pursuant to which the lenders party thereto have agreed to provide the Debt Financing. The funding of the Debt Financing is contingent on the satisfaction of certain conditions set forth in the commitment letter. The merger is not conditioned on our obtaining the proceeds of any financing, including the Debt Financing. In connection with the contemplated financing, on October 1, 2014, we entered into an amendment to our existing credit agreement to, among other things, permit the Bally acquisition and the transactions related thereto, and, effective as of the completion of the Bally acquisition (and the satisfaction of the other conditions contemplated by the amendment), increase the Company's existing revolving credit facility by $267.6 million. Under the terms of the amendment, the existing term loans under the credit agreement (1) prior to the consummation of the Bally acquisition, will continue to bear interest at 3.25% per annum for eurodollar (LIBOR) loans and 2.25% per annum for base rate loans, subject to a eurodollar (LIBOR) rate floor of 1.00% or a base rate floor of 2.00%, as applicable, and (2) from and after the consummation

of the Bally acquisition, will bear interest at 5.00% per annum for eurodollar (LIBOR) loans and 4.00% per annum for base rate loans, subject to a eurodollar (LIBOR) rate floor of 1.00% or a base rate floor of 2.00%.

In addition, on October 1, 2014, SGMS Escrow Corp. entered into an escrow credit agreement providing for $2.0 billion of new term loans, the net proceeds of which are expected to provide a portion of the funds to be used to finance the Bally acquisition. Upon the consummation of the Bally acquisition, the term loans under the Escrow Credit Agreement will be assumed by SGI and become incremental term loans under our existing credit agreement. The term loans under the Escrow Credit Agreement (and, when assumed by SGI, the existing credit agreement) bear interest at 5.00% per annum for eurodollar (LIBOR) loans and 4.00% per annum for base rate loans, subject to a eurodollar (LIBOR) rate floor of 1.00% or a base rate floor of 2.00%, as applicable. The term loans under the Escrow Credit Agreement were funded into escrow, less original issue discount, by the lenders on October 17, 2014 and began accruing interest, initially at the LIBOR loan rate plus the applicable margin referred to above, beginning on October 18, 2014.

For additional information regarding the acquisition financing, please see the section entitled "Contemplated Financing for Bally Acquisition" in Note 12 (Long-term and Other Debt) in this Quarterly Report on Form 10-Q, as well as the full text of our existing credit agreement, the commitment letter, the amendment to our credit agreement and the Escrow Credit Agreement, copies of which are filed as Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on October 18, 2013, Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on August 4, 2014, and Exhibit 10.1 and Exhibit 10.2 to our Current Report on Form 8-K filed with SEC on October 7, 2014, respectively. The foregoing summaries of the terms of the existing credit agreement, the commitment letter, the amendment to the existing credit agreement and the Escrow Credit Agreement are qualified in their entirety by reference to the respective exhibit.

For additional information regarding the pending transaction, please see the full text of the merger agreement, a copy of which is filed as exhibit 2.1 to our Current Report on Form 8-K filed with the SEC on August 4, 2014.

The Bally acquisition is expected to be completed in the fourth quarter of 2014. However, no assurance can be given that the transaction will be completed.

In connection with the pending Bally acquisition, we incurred $5.6 million in acquisition-related fees and expenses during the three months ended September 30, 2014 and expect to continue to incur additional acquisition-related fees and expenses in the fourth quarter of 2014. Upon closing of the acquisition of Bally, we expect to incur approximately $170 million of financing fees in connection with the term loans and revolving credit facility under the Escrow Credit Agreement and with respect to the remaining financing commitments under the commitment letter for the acquisition of Bally. We also anticipate incurring fees related to our additional financing activities during the balance of the quarter ending December 31, 2014.

Impact of WMS Acquisition and Other Items

On October 18, 2013, the Company acquired WMS for $1,485.9 million. WMS is one of the largest global gaming suppliers with a diversified suite of products and strong content creation capabilities. For additional information regarding the WMS acquisition, please see Note 3 (Acquisitions and Dispositions) in this Quarterly Report on Form 10-Q.

Our consolidated results of operations for the three and nine months ended September 30, 2014 were significantly impacted by the inclusion of the results of operations of WMS in our consolidated and Gaming segment results of operations. Results for the three and nine months ended September 30, 2013 do not include results of operations for WMS. We remain focused on successfully integrating WMS and Scientific Games and achieving anticipated cost synergies by implementing our integration plans, although we expect that incremental costs and capital expenditures will be required relating to our integration activities.

Segments

We report our operations in three business segments: Instant Products, Lottery Systems and Gaming. The Instant Products and Lottery Systems business segments are managed by a single executive and the Gaming business segment is managed by a different executive, both of whom report to our chief executive officer (who is the "chief operating decision maker" under applicable accounting rules). Our interactive operating segment is aggregated with our gaming operating segment and is presented within the Gaming business segment. See "Business Segment Results" below and Note 2 (Reportable Business Segment Information) in this Quarterly Report on Form 10-Q for additional business segment information. In addition, effective in the fourth quarter of 2013, we revised our business and operating segments to reflect the reorganization of our business following the WMS acquisition and the financial information regularly reviewed by our chief executive officer. Based on that review, we moved our video systems operating segment from the Lottery Systems business segment to the Gaming business segment. This change, which was effective as of December 31, 2013, had no impact on the Company's

consolidated financial statements for any periods. Business segment information for the three and nine months ended September 30, 2013 has been adjusted to reflect this change.

Discontinued Operations

On March 25, 2013, we completed the sale of our installed base of gaming machines in our pub business, as discussed in Note 3 (Acquisitions and Dispositions) in this Quarterly Report on Form 10-Q. The results of our discontinued pub operations for the three and nine months ended September 30, 2013 are presented in the Consolidated Statements of Operations and Comprehensive (Loss) Income in accordance with ASC 205-20, *Presentation of Financial Statements - Discontinued Operations*. For the three and nine months ended September 30, 2013, we recorded a loss from discontinued operations of $0.1 million and $1.6 million, respectively. There were no results of operations for the discontinued pub business for the three or nine months ended September 30, 2014.

Foreign Exchange

Our results are impacted by changes in foreign currency exchange rates from the translation of foreign functional currencies into U.S. dollars and the re-measurement of foreign currency transactions. The impact of foreign currency exchange rate fluctuations represents the difference between current rates and prior-period rates applied to current activity. We derived approximately 49% and 53% of our revenue from sales to customers outside of the U.S. in 2013 and 2012, respectively. We have exposure to foreign currency volatility, particularly the British Pound Sterling and the Euro, which represented $59.6 million, or 14.3%, and $35.3 million, or 8.5%, respectively, of our revenue for the three months ended September 30, 2014 and $175.6 million, or 14.4%, and $77.6 million, or 6.4%, respectively, of our revenue for the nine months ended September 30, 2014. We also have foreign currency exposure related to certain of our equity investments. Our earnings from our Euro-denominated equity investment in LNS were $4.0 million and $14.6 million for the three and nine months ended September 30, 2014, respectively. See "Quantitative and Qualitative Disclosures About Market Risk" in Item 7A of our 2013 Annual Report on Form 10-K for further information regarding our foreign exchange exposures.

Three Months Ended September 30, 2014 Compared to Three Months Ended September 30, 2013
CONSOLIDATED RESULTS

(in millions)	Three Months Ended September 30, 2014	2013	Variance for the Three Months Ended September 30, 2014 vs. 2013	
Revenue:				
Instant games	$ 130.8	$ 129.7	$ 1.1	0.8 %
Services	182.8	80.7	102.1	126.5 %
Product sales	102.0	24.0	78.0	325.0 %
Total revenue	415.6	234.4	181.2	77.3 %
Operating expenses:				
Cost of instant games (1)	69.7	70.6	(0.9)	(1.3)%
Cost of services (1)	69.6	42.6	27.0	63.4 %
Cost of product sales (1)	59.9	13.3	46.6	350.4 %
Selling, general and administrative	95.6	45.6	50.0	109.6 %
Research and development	26.3	1.4	24.9	n/m
Employee termination and restructuring	1.9	—	1.9	n/m
Depreciation and amortization	100.4	35.2	65.2	185.2 %
Operating (loss) income	(7.8)	25.7	(33.5)	n/m
Other income (expense):				
Interest expense	(45.7)	(25.2)	(20.5)	81.3 %
Earnings (loss) from equity investments	(14.0)	3.4	(17.4)	n/m
Other income, net	3.1	—	3.1	n/m
Net (loss) income from continuing operations before income taxes	(64.4)	3.9	(68.3)	n/m
Income tax expense	(5.4)	(4.3)	(1.1)	25.6 %
Net loss from continuing operations	$ (69.8)	$ (0.4)	$ (69.4)	n/m

"n/m" - not meaningful
(1) Exclusive of depreciation and amortization.

Three Months Ended September 30, 2014 Compared to Three Months Ended September 30, 2013

Revenue

Consolidated revenue increased in each of our categories of revenue: instant games, services and product sales. The inclusion of revenue from WMS increased consolidated revenue by $162.5 million. Consolidated revenue also reflected favorable foreign currency translation of $3.5 million.

Instant games revenue increased $1.1 million reflecting higher revenue from our participation contracts in U.S. and certain international jurisdictions and higher revenue from our U.S. price-per-unit contracts. These increases were partially offset by lower revenue from our licensing and player loyalty programs and our international price-per-unit contracts. Services revenue, which includes our participation-based and other services revenue from our U.S.-based lottery systems and Gaming segment, increased $102.1 million, primarily reflecting the inclusion of WMS services revenue of $98.5 million. The $78.0 million increase in product sales revenue included $64.1 million of WMS product sales revenue, with the remaining increase attributable to higher hardware and software sales to our international and U.S. lottery customers.

Cost of Revenue

Consolidated cost of revenue increased primarily as a result of higher revenue. Cost of instant games revenue decreased 1% compared to the increase in instant games revenue of 1% due to a more profitable mix of revenue. Cost of services increased 63% compared to an increase in services revenue of 127%, reflecting a more profitable revenue mix

primarily attributable to WMS services revenue. Cost of product sales increased 350% compared to an increase in sales revenue of 325%, primarily reflecting the inclusion of WMS product sales.

SG&A

SG&A increased $50.0 million, which reflected $41.8 million of SG&A attributable to WMS and $3.1 million of higher acquisition-related fees and expenses related to the pending Bally acquisition.

R&D

R&D increased $24.9 million primarily related to the inclusion of WMS in our financial results.

Employee Termination and Restructuring

Employee termination and restructuring costs increased $1.9 million, $1.5 million of which was attributable to WMS integration activities. For additional information regarding these charges, see Note 4 (Restructuring Plans) in this Quarterly Report on Form 10-Q.

D&A

D&A increased $65.2 million, of which $58.9 million was attributable to WMS. Excluding the increase attributable to WMS, D&A reflected an increase in amortization of capitalized internally developed software assets in the current-year period, partially offset by accelerated D&A recorded in the prior year for the write-down of used gaming machines and a change in the estimated useful lives of certain gaming machines.

Other Income and Expense

Interest expense increased $20.5 million due to the additional indebtedness incurred to finance the WMS acquisition. This increase was slightly offset by a reduction in interest expense as a result of the refinancing of the 2019 Notes with the 2021 Notes in June 2014. For additional information regarding our indebtedness, see Note 12 (Long-term and Other Debt) in this Quarterly Report on Form 10-Q.

Earnings from equity investments decreased $17.4 million primarily was due to the $19.7 million non-cash impairment charge we recorded to write down our Northstar Illinois equity investment as we understand that the Governor's office of the State of Illinois directed the Illinois Department of Lottery to end the PMA with Northstar Illinois. For additional information regarding our equity investments, see Note 11 (Equity Method Investments) in this Quarterly Report on Form 10-Q.

Income Tax Expense

The effective income tax rates on the net (loss) income from continuing operations of (8.4)% and 109.5% for the three months ended September 30, 2014 and 2013, respectively, were determined using an estimated annual effective tax rate after considering any discrete items for such periods. Due to a valuation allowance against our U.S. deferred tax assets, the effective tax rates for the three months ended September 30, 2014 and 2013 did not include the benefit of the current-year U.S. tax loss. As a result, income tax expense for the three months ended September 30, 2014 and 2013 primarily related to income tax expense in foreign jurisdictions.

Our effective income tax rate on foreign earnings was impacted by the mix of income and the statutory tax rates in our foreign jurisdictions, which ranged from a low of 0% to a high of 35%. The foreign jurisdictions that had the most impact on our foreign income tax benefit (expense) in the period include Austria, Canada, Ireland, and the U.K.

BUSINESS SEGMENTS RESULTS

INSTANT PRODUCTS

Our Instant Products segment is primarily comprised of our global instant lottery games business. We generate revenue from the manufacture and sale of instant lottery games, as well as the provision of value-added services such as game design, sales and marketing support, specialty games and promotions, inventory management and warehousing and fulfillment services. In addition, we provide licensed games, promotional entertainment and internet-based marketing services to the lottery industry. These revenues are presented as instant games revenue in our Consolidated Statement of Operations and Comprehensive Statement of (Loss) Income. Revenue generated from the sale of phone cards that we manufacture is presented as product sales revenue in our Consolidated Statement of Operations and Comprehensive Statement of (Loss) Income. Our equity investments in LNS (Italy), Northstar Illinois, Northstar New Jersey, CSG (China) and Hellenic Lotteries (Greece) are included in the Instant Products segment.

Current Year Update

In January 2014, we completed the installation of a new, state-of-the-art instant lottery game printing press at our Alpharetta, Georgia facility, which provides increased capacity for the production of our instant games.

In November 2013, we were awarded a new price-per-unit contract with Loto-Québec, which we expect to take effect in the fourth quarter of 2014 and that will represent a significantly smaller portion of such customer's instant lottery game business than our prior contract with Loto-Quebec, which expired in January 2014. We understand that a contract has been awarded to one of our competitors for certain categories of instant games that we provided under the recently expired contract. We have continued to provide instant lottery games to Loto-Québec since the expiration of our prior contract.

In April 2014, we entered into a three-year price-per-unit instant games contract to continue serving as the primary supplier to La Française des Jeux ("FDJ"), the operator of the French National Lottery and the second largest instant game lottery in the world, which includes options for FDJ to extend the contract for three additional one-year periods.

In May 2014, Hellenic Lotteries commenced sales of lottery games in Greece under its 12-year concession, which provides exclusive rights to the production, operation and management of instant games and certain traditional lotteries in Greece. We own a 16.5% equity interest in Hellenic Lotteries and are its exclusive supplier of instant games under a participation contract.

In October 2014, the MONOPOLY MILLIONAIRES' CLUB™ ("MMC") was launched by lotteries in 23 states through the Multi-State Lottery Association ("MUSL"). MMC was created by the Company and is the first $5 multi-state draw game in the United States. The Company is also producing a weekly one-hour MONOPOLY™-themed television game show associated with the MMC draw game, which we expect will air in February 2015. The initial term of our MMC agreement with MUSL runs through September 6, 2016 and automatically renews for additional one-year periods thereafter unless terminated according to its terms. Our revenue from MMC will be based on a percentage of retail sales.

In December 2013, we initiated a plan to exit our instant lottery game operations in Mexico. In February 2014, we exited the operations and simultaneously entered into a three-year agreement to supply instant lottery games to a distributor in Mexico. In June 2014, we initiated a plan to exit our paper roll conversion operations in the U.S., which are immaterial to our operations.

Under the terms of a PMA, Northstar Illinois is entitled to receive annual incentive compensation payments from the lottery to the extent it is successful in increasing the Illinois lottery's net income (as defined in the PMA) above specified target levels, subject to a cap of 5% of the applicable year's net income, and is responsible for annual payments to the lottery to the extent such targets are not achieved, subject to a similar cap. During the three months ended June 30, 2014, we understand that Northstar Illinois recorded a liability related to an estimated shortfall payment for the lottery's fiscal year ended June 30, 2014. We recorded a charge of $8.0 million, representing our 20% share of that liability, in earnings (loss) from equity investments in our Consolidated Statements of Operations and Comprehensive (Loss) Income during the three months ended June 30, 2014. During the three months ended September 30, 2014, we contributed $13.5 million to Northstar Illinois primarily to fund our pro rata share of shortfall payments that are payable to the lottery under the PMA.

Northstar Illinois and the State have disagreed regarding the State's calculation of net income for each of the lottery fiscal years during the term of the PMA. In August 2014, we understand that the Governor's office of the State of Illinois directed the Illinois Department of Lottery to end the PMA with Northstar Illinois. Although an agreement has not yet been reached between Northstar Illinois and the lottery, in light of the direction by the Governor's office to the lottery to end the PMA with Northstar Illinois and the status of discussions among the parties, in the September 2014 quarter, the Company recorded a non-cash impairment charge of $19.7 million to write down its investment in Northstar Illinois.

Retail sales of instant lottery games can be a key performance indicator of our instant games revenue, although there may not always be a direct correlation between retail sales and our instant games revenue due to the type of contract (e.g., participation contracts versus price-per-unit contracts), the impact of changes in our customer contracts, the performance of our games and player loyalty business or other factors.

Based on third-party data, our U.S. customers' total instant lottery games retail sales increased 7.0% and 5.3% for the three and nine months ended September 30, 2014 compared to the prior-year periods, driven by several factors, including strong performance in those states where we provide instant game product management services. Retail sales of instant games in Italy decreased 3.0% and 2.7% for the three and nine months ended September 30, 2014 compared to the prior-year periods. Italy retail sales are generally impacted by the level of marketing spending and timing of the launch of new games.

Results of Operations and Key Performance Indicators for Instant Products

(In millions)	Three Months Ended September 30, 2014	2013	Variance for the Three Months Ended September 30, 2014 vs. 2013	
Revenue:				
Instant games	$ 130.8	$ 129.7	$ 1.1	0.8 %
Product sales	3.2	3.1	0.1	3.2 %
Total revenue	134.0	132.8	1.2	0.9 %
Operating expenses:				
Cost of instant games (1)	69.7	70.6	(0.9)	(1.3)%
Cost of product sales (1)	2.4	2.2	0.2	9.1 %
Selling, general and administrative	12.2	11.5	0.7	6.1 %
Research and development	0.5	0.1	0.4	n/m
Employee termination and restructuring	0.4	—	0.4	n/m
Depreciation and amortization	8.9	9.2	(0.3)	(3.3)%
Operating income	$ 39.9	$ 39.2	$ 0.7	1.8 %
Earnings (loss) from equity investments	$ (15.4)	$ 5.2	$ (20.6)	(396.2)%
Key Performance Indicators:				
Instant games by revenue type:				
Participation contracts	$ 70.2	$ 62.0	$ 8.2	13.2 %
Price-per-unit contracts	48.4	46.3	2.1	4.5 %
Licensing and player loyalty	12.2	21.4	(9.2)	(43.0)%
Total instant games revenue	$ 130.8	$ 129.7	$ 1.1	0.8 %
Instant games revenue by geography:				
U.S. (2)	$ 82.6	$ 82.8	$ (0.2)	(0.2)%
International (2)	48.2	46.9	1.3	2.8 %
Total instant games revenue	$ 130.8	$ 129.7	$ 1.1	0.8 %
U.S. lottery customers' retail sales of instant games	$ 9,298	$ 8,689	$ 609	7.0 %
Italy retail sales of instant games (in Euros)	€ 2,185	€ 2,253	€ (68)	(3.0)%

"n/m" - not meaningful
(1) Exclusive of depreciation and amortization.
(2) Amounts reflect a reclassification of $2.8 million from International to U.S. in the prior-year.

Three Months Ended September 30, 2014 Compared to Three Months Ended September 30, 2013

Revenue

The increase in instant games revenue of $1.1 million was primarily due to $9.2 million of higher revenue from our participation contracts in the U.S. and certain international jurisdictions, including our contracts with Northstar New Jersey and Hellenic Lotteries, partially offset by a decrease of $1.0 million due to our exit from the Provoloto business. The increase was also due to $4.0 million of higher revenue from our U.S. price-per-unit contracts, partially offset by a decrease of $1.9 million from our international price-per-unit contracts including our contract with LNS. The increase in instant games revenue was also offset by a $9.2 million decrease in revenue from our licensing and player loyalty programs primarily due to a higher number of contracts in the prior-year period. The increase in revenue also included a favorable impact from foreign currency translation of $0.7 million.

Operating Income

Operating income increased $0.7 million primarily due to higher revenue and lower D&A, partially offset by an increase in SG&A reflecting higher compensation and legal expenses, as well as higher R&D and restructuring costs.

Earnings (loss) from equity investments

The decrease in earnings from equity investments of $20.6 million was primarily due to the $19.7 million non-cash impairment charge we recorded to write down our Northstar Illinois equity investment as we understand that the Governor's office of the State of Illinois directed the Illinois Department of Lottery to end the PMA with Northstar Illinois. For additional information regarding our equity investments, see Note 11 (Equity Method Investments) in this Quarterly Report on Form 10-Q.

LOTTERY SYSTEMS

Our Lottery Systems business segment provides customized computer software, software support, equipment and data communication services, sports wagering systems and keno to lotteries. In the U.S., we typically provide the necessary equipment, software and maintenance services on a participation basis under long-term contracts that typically have an initial term of at least five years. Internationally, we typically sell point-of-sale terminals and/or computer software to lottery authorities and may provide ongoing fee-based systems maintenance and software support services. Our equity investment in GLB is included in the Lottery Systems segment.

Current Year Update

In March 2014, we executed an eight-year contract with the North Dakota Lottery, an existing customer, to implement and operate a lottery system and to provide a range of related services and marketing support. The contract commenced in July 2014 and may be extended by the lottery for an additional two-year period.

In May 2014, we signed an amendment to our contract with Loteria Nacional de Beneficencia of Panama (the National Lottery of Panama) to provide Panama's first draw-based lottery game, which is expected to launch in the second quarter of 2015.

In September 2014, Puerto Rico joined Powerball. All retailers who sell lottery tickets in Puerto Rico are now eligible to sell Powerball tickets as well.

We are the exclusive instant lottery game validation network provider to the CSL under an agreement that expires in January 2016. Under the terms of this agreement, the participation rate we receive decreased by 0.1% in January 2014. We have seen a decline in our instant lottery game validation revenue and our joint venture's instant lottery game printing revenue as CSL's retail sales of instant lottery games have declined, which we believe is due in part to competition from other lottery products. We are currently seeking opportunities to continue providing our value-added services relating to the CSL, as well as additional business development opportunities to maintain our revenue and profit relating to our China lottery business following the expiration of the our current CSL agreement. To the extent we are not able to do so, our operating results relating to our China lottery business will be adversely affected.

In June 2013, the Colorado Lottery awarded a new lottery systems contract to one of our competitors. We have continued to provide lottery systems services to the Colorado Lottery under our existing contract through October 2014.

We believe that our U.S. lottery customers' retail sales is a key performance indicator of our Lottery Systems services revenue, although there may not always be a direct correlation between retail sales and our Lottery Systems services revenue due to the terms of our contracts, the impact of changes in our customer contracts or other factors. We believe the level of jackpots of the Powerball and Mega Millions multi-state draw lottery games, and the number of drawings conducted before a jackpot is won, may have an impact on U.S. retail sales and, therefore, on our services revenue in any given period. Our Lottery Systems services revenue is also impacted by retail sales of instant lottery games where we provide instant lottery game validation services on a standalone basis or as part of a Lottery Systems contract. Our Lottery Systems product sales revenue primarily relates to sales of equipment to international customers that are not subject to long-term contracts.

Results of Operations and Key Performance Indicators for Lottery Systems

(In millions)	Three Months Ended September 30, 2014	2013	Variance for the Three Months Ended September 30, 2014 vs. 2013	
Revenue:				
Services	$ 48.2	$ 48.6	$ (0.4)	(0.8)%
Product sales	30.5	13.6	16.9	124.3 %
Total revenue	78.7	62.2	16.5	26.5 %
Operating expenses:				
Cost of services (1)	30.4	27.1	3.3	12.2 %
Cost of product sales (1)	24.6	7.3	17.3	237.0 %
Selling, general and administrative	5.6	5.3	0.3	5.7 %
Research and development	0.9	0.9	—	n/m
Depreciation and amortization	16.0	13.4	2.6	19.4 %
Operating income	$ 1.2	$ 8.2	$ (7.0)	(85.4)%
Earnings from equity investments	$ 0.1	$ 0.1	$ —	0.0 %
Key Performance Indicators:				
Services revenue by geography:				
U.S. (2)	$ 27.6	$ 27.7	$ (0.1)	(0.4)%
International	20.6	20.9	(0.3)	(1.4)%
Total services revenue	$ 48.2	$ 48.6	$ (0.4)	(0.8)%
Product sales by geography:				
U.S.	$ 1.5	$ 1.0	$ 0.5	50.0 %
International	29.0	12.6	16.4	130.2 %
Total product sales revenue	$ 30.5	$ 13.6	$ 16.9	124.3 %
U.S. lottery customers' retail sales (3)	$ 2,065	$ 2,100	$ (35)	(1.7)%

"n/m" - not meaningful

(1) Exclusive of depreciation and amortization.

(2) U.S. services revenue excludes revenue from Puerto Rico.

(3) U.S. lottery customers' retail sales primarily include retail sales of draw games, keno and instant games validated by the relevant system. The retail sales metric for the Lottery Systems segment previously disclosed for earlier periods included draw game retail sales only. We believe the revised metric more clearly correlates to our U.S. Lottery Systems services revenue, since we are generally compensated based on total retail sales generated by the relevant lottery system and not just draw game retail sales. The prior-year period retail sales information presented above has been revised to conform to the revised metric.

Three Months Ended September 30, 2014 Compared to Three Months Ended September 30, 2013

Revenue

Lottery Systems services revenue was essentially flat when compared to the prior-year period with a decline in revenue associated with the Powerball draw game reflecting the award of two large Powerball jackpots in the prior-year period, partially offset by higher revenue from instant ticket validations. The $16.9 million increase in Lottery Systems product sales revenue, which can fluctuate due to its non-recurring nature, primarily reflected higher international sales of hardware and software of $16.4 million and higher U.S. sales of $0.5 million.

Operating Income

Operating income declined $7.0 million primarily due to a less profitable mix of revenue and an increase in D&A related to higher capitalized software assets.

GAMING

Our Gaming business segment is comprised of our gaming operating segment and our interactive operating segment. Our gaming operating segment designs, develops, manufactures, distributes and markets a comprehensive portfolio of gaming products. We lease gaming machines, systems and content and sell new and used gaming machines, VLTs, conversion kits and parts to commercial casinos, Native American casinos, wide-area gaming operators, such as LBO, arcade and bingo operators in the U.K. and continental Europe, and gaming operators affiliated with governments, such as lotteries and gaming regulators. Our interactive operating segment is comprised of our social gaming business in which we sell virtual coins for use on our social gaming sites and our real-money gaming business where we earn a percentage of net gaming revenue generated by play of our games on legalized real-money gaming websites operated by third parties. Our equity investments in RCN and ITL are part of our Gaming business segment. Our equity investment in Sportech was included in our Gaming segment until its sale in January 2014.

We generate Gaming revenue from product sales and services. Our product sales consist of video and mechanical reel gaming machines, VLTs, conversion kits (including game, hardware and operating system conversions), parts and game content to casinos and wide-area and other gaming operators. Our services revenue includes revenue earned from leased gaming machines, other services and our interactive business.

Current Year Update

Our Gaming revenue increased in the third quarter of 2014 compared to the prior-year period, primarily due to the inclusion of WMS' revenue. However, we believe that challenging market conditions in the gaming industry adversely impacted our Gaming results for the third quarter of 2014 relative to WMS' results for the prior-year period and could continue to negatively impact our results of operations. These challenges included: (1) fewer new casino openings and expansions than in the prior year resulting in lower demand for new gaming machines; (2) increased competition, resulting in pricing pressure and negatively impacting our share of shipments of new gaming machines; (3) a decline in gaming operators' gross gaming revenues in the nine months ended September 30, 2014, which we believe resulted in a decrease in capital spending by gaming operators on new gaming machines; (4) government actions in Argentina, which limited our ability to import our products for sale in Argentina; and (5) industry challenges in Mexico, including fewer gaming operators, resulting in a decline in shipments of gaming machines to customers in Mexico.

In March 2014, the U.K. government announced a proposed change to the machine games duty, or MGD, for certain gaming machines supplied to LBOs. The change, which is anticipated to go into effect in March 2015, raises the MGD rate from 20% to 25% of the net win generated by such gaming machines. We expect that this tax change will negatively impact our LBO customers' businesses and our U.K. gaming business. In April 2014, the U.K. government announced its intention to impose restrictions on betting shops and high stakes play, including requiring retail premises to submit planning applications and seek permission before converting their locations to betting shops, requiring customers wagering stakes of fifty Pounds or more to use account-based play or to load cash "over the counter" prior to play, and allowing players to set limits on the time or money they want to spend before commencing play. These changes, which are expected to be implemented in the second half of 2015, could negatively impact our U.K. gaming business. The UKGC is currently considering proposed changes to various social responsibility conditions (which are mandatory conditions of each gaming license) under the UKGC's Licensing Codes and Conditions of Practice ("LCCPs"). The proposed changes relate to land based and online gaming activities, including additional requirements regarding interactions between gaming providers and customers, additional customer self-exclusion provisions and controls on play and enhanced rules on advertising. If the proposed changes are incorporated as LCCPs, they could adversely impact our U.K. customers' business.

In May 2014, the U.K. government passed the Gambling (Licensing and Advertising) Act 2014 (the "Act"). The Act, which is scheduled to take effect in November 2014, expands the licensing regime in the U.K. to require any gaming operator that transacts with or advertises to British consumers to obtain an operating license from the UKGC. In addition, the UKGC has separately announced a regulatory change, which will take effect in March 2015, requiring any party that manufactures, adapts, installs or supplies gambling software to such operators to obtain a remote gambling software license from the UKGC. As a result of these changes, the Company and certain of its customers will be required to obtain additional licenses and, while the U.K. government has indicated that current gaming operators will be able to obtain transitional approval to continue to operate while their license applications are pending, there can be no assurance that we or our customers will obtain the necessary licenses. Separately, legislation has been introduced in the U.K. that will impose a new remote gaming duty, or RGD, on gaming operators of 15% of the net win generated by transactions with U.K. customers. The new RGD is expected to take effect in December 2014. We anticipate that this tax change will impact our U.K. customers' businesses and, therefore, could negatively impact our business.

In April 2014, we entered into a three-year contract extension with the Delaware lottery, which contemplates the placement of a minimum of 400 of our VLTs at charitable gaming organizations in Delaware.

In June 2014, we signed a ten-year contract with the Independent Gaming Corporation Limited of South Australia to supply our *SGVideo™* central monitoring and control system, which will monitor approximately 12,500 gaming machines in more than 550 locations throughout South Australia. Operations under the contract are expected to commence in the fourth quarter of 2014.

Our interactive product portfolio expanded with the addition of a second social casino gaming site, Gold Fish® Social Slots, which became available on Facebook in the first quarter of 2014 and on mobile devices in the second quarter of 2014. We expanded our interactive real-money gaming business by entering into several new game content agreements with online operators and went live on several sites, including with bwin.party in Europe and certain online gaming sites in New Jersey.

In January 2014, we completed the sale of our 20% equity interest in Sportech for cash proceeds of £27.8 million, or $44.9 million, resulting in a gain of approximately £9 million, or $14.5 million.

Results of Operations and Key Performance Indicators for Gaming

All results for 2013 presented herein include no results of operations of WMS, which was acquired in October 2013.

(in millions)	Three Months Ended September 30,		Variance for the Three Months Ended September 30,	
	2014	2013	2014 vs. 2013	
Revenue:				
Services	$ 134.6	$ 32.1	$ 102.5	n/m
Product sales	68.3	7.3	61.0	n/m
Total revenue	202.9	39.4	163.5	n/m
Operating expenses:				
Cost of services (1)	39.2	15.5	23.7	n/m
Cost of product sales (1)	32.9	3.8	29.1	n/m
Selling, general and administrative	42.4	6.3	36.1	n/m
Research and development	24.9	0.4	24.5	n/m
Employee termination and restructuring	1.5	—	1.5	n/m
Depreciation and amortization	69.8	12.4	57.4	n/m
Operating (loss) income	$ (7.8)	$ 1.0	$ (8.8)	n/m
Earnings (loss) from equity investments	$ 1.3	$ (1.9)	$ 3.2	n/m

"n/m" - not meaningful
(1) Exclusive of depreciation and amortization.

(in millions, except for unit and per unit (or user) information)	Three Months Ended September 30,		Variance for the Three Months Ended September 30,	
	2014	2013	2014 vs 2013	
Key Performance Indicators:				
Services revenue:				
WAP and premium participation products	$ 57.5	$ —	$ 57.5	n/m
Other leased and participation products	30.6	26.6	4.0	15.0 %
Interactive gaming products and services	38.5	—	38.5	n/m
Other services	8.0	5.5	2.5	45.5 %
Total services revenue	$ 134.6	$ 32.1	$ 102.5	n/m
WAP and premium participation units (1):				
Installed base at period end	9,054	—	9,054	n/m
Average installed base	8,678	—	8,678	n/m
Average daily revenue per unit	$ 71.95	$ —	$ 71.95	n/m
Other leased and participation units (2):				
Installed base at period end	26,711	26,829	(118)	(0.4)%
Average installed base	26,667	26,641	26	0.1 %
Average daily revenue per unit	$ 12.49	$ 10.87	$ 1.62	14.9 %
Interactive gaming products and services - social casino:				
Average Monthly Active Users (MAU) (3)	5.7	—	5.7	n/m
Average Daily Active Users (DAU) (4)	1.6	—	1.6	n/m
Average revenue per daily active user (ARPDAU) (5)	$ 0.23	$ —	$ 0.23	n/m
Product sales revenue:				
New gaming machine sales	$ 48.2	$ 1.6	$ 46.6	n/m
Other product sales	20.1	5.7	14.4	n/m
Total product sales revenue	$ 68.3	$ 7.3	$ 61.0	n/m
Product sales:				
U.S. and Canadian new unit shipments	1,933	—	1,933	n/m
International new unit shipments	1,362	276	1,086	n/m
Total new unit shipments	3,295	276	3,019	n/m
Average sales price per new unit	$ 14,638	$ 5,818	$ 8,820	n/m

"n/m" - not meaningful
(1) WAP and premium participation products are comprised of WMS participation gaming machines (WAP, LAP and standalone units) generally available only as leased units
(2) Other leased and participation units are comprised principally of Scientific Games legacy server-based gaming machines, primarily in the U.K., and other leased WMS units
(3) MAU = Monthly Active Users, a count of unique visitors to our sites during a month
(4) DAU = Daily Active Users, a count of unique visitors to our sites during a day
(5) ARPDAU = Average revenue per DAU is calculated by dividing revenue for a period by the DAU for the period by the number of days for the period

Three Months Ended September 30, 2014 Compared to Three Months Ended September 30, 2013

Revenue

The $102.5 million increase in Gaming services revenue includes $98.5 million from WMS. Services revenue from our U.K. gaming customers was sentially flat compared to the prior-year period due to the loss of our Betfred contract in December 2013 and lower services revenue from our international gaming customers, offset by favorable foreign currency translation of $2.6 million. Our installed base of WAP and premium participation units declined to 9,054 units as of September 30, 2014 from 9,437 units reported by WMS at September 30, 2013. The average daily revenue per WAP and premium participation unit increased 8% over the amount reported by WMS in the prior-year period despite challenging gaming industry conditions, reflecting the positive performance of our new games. Our average installed base of other leased and participation units rose to 26,667 units, reflecting the addition of 2,114 other leased units within the WMS footprint, partially offset by a decline in our U.K. gaming installed base that largely resulted from the loss of our Betfred contract. Average daily revenue for our other leased and participation units increased 15% compared to the prior-year period, due to an increase in average daily revenue of the existing units, as well as the addition of the WMS gaming machines. Gaming services revenue also increased due to the inclusion of revenue from our interactive gaming business, which increased relative to the amount WMS reported in the prior-year period primarily due to an increase of 0.7 million average DAU to 1.6 million average DAU for our social casinos for the three-month period ended September 30, 2014.

The $61.0 million increase in product sales revenue included $64.1 million from WMS. New gaming machine shipments by WMS declined approximately 26% relative to the amount reported by WMS in the prior-year period, reflecting the challenging gaming industry conditions discussed above and fewer units shipped for new casino openings. Excluding the impact of WMS revenue, product sales of our VLT machines were down slightly for the three months ended September 30, 2014.

Operating (Loss) Income

The $7.8 million operating loss reflected a $8.5 million operating loss attributable to WMS, which was partially offset by lower D&A of $1.0 million in our U.K. gaming business reflecting accelerated D&A recorded in the prior-year period related to the write-down of used gaming machines and a change in the estimated useful lives of certain gaming machines.

Nine Months Ended September 30, 2014 Compared to Nine Months Ended September 30, 2013
CONSOLIDATED RESULTS

(in millions)	Nine Months Ended September 30,		Variance for the Nine Months Ended September 30,	
	2014	2013	2014 vs. 2013	
Revenue:				
Instant games	$ 392.4	$ 379.0	$ 13.4	3.5 %
Services	538.9	247.7	291.2	117.6 %
Product sales	289.3	62.3	227.0	364.4 %
Total revenue	1,220.6	689.0	531.6	77.2 %
Operating expenses				
Cost of instant games (1)	212.5	210.3	2.2	1.0 %
Cost of services (1)	200.7	135.0	65.7	48.7 %
Cost of product sales (1)	161.2	39.3	121.9	310.2 %
Selling, general and administrative	282.6	139.1	143.5	103.2 %
Research and development	77.0	4.7	72.3	n/m
Employee termination and restructuring	12.4	0.3	12.1	n/m
Depreciation and amortization	290.5	111.1	179.4	161.5 %
Operating (loss) income	(16.3)	49.2	(65.5)	(133.1)%
Other (expense) income:				
Interest expense	(142.9)	(75.3)	(67.6)	89.8 %
Earnings (loss) from equity investments	(7.8)	13.0	(20.8)	(160.0)%
Loss on early extinguishment of debt	(25.9)	—	(25.9)	n/m
Gain on sale of equity interest	14.5	—	14.5	n/m
Other (expense) income, net	9.2	(0.8)	10.0	n/m
Net loss from continuing operations before income taxes	(169.2)	(13.9)	(155.3)	n/m
Income tax expense	(18.0)	(11.2)	(6.8)	60.7 %
Net loss from continuing operations	$ (187.2)	$ (25.1)	$ (162.1)	645.8 %

"n/m" - not meaningful
(1) Exclusive of depreciation and amortization.

Nine Months Ended September 30, 2014 Compared to Nine Months Ended September 30, 2013

Revenue

Consolidated revenue increased in each of our categories of revenue: instant games, services and product sales. The inclusion of revenue from WMS increased consolidated revenue by $488.7 million. Consolidated revenue also reflected favorable foreign currency translation of $8.8 million.

Instant games revenue increased $13.4 million reflecting higher revenue from our participation contracts in U.S. and certain international jurisdictions and higher revenue from our U.S. price-per-unit contracts. These increases were partially offset by lower revenue from our international price-per-unit contracts, lower revenue from our licensing and player loyalty programs and a decrease in revenue due to our exit from the Provoloto business. Services revenue, which includes our participation-based and other services revenue from our Lottery Systems and Gaming segments, increased $291.2 million, primarily reflecting the inclusion of WMS services revenue of $284.9 million. The $227.0 million increase in product sales revenue included $203.9 million of WMS product sales revenue, with the remaining increase due to higher hardware and software sales to our international and U.S. lottery customers.

Cost of Revenue

Consolidated cost of revenue increased primarily as a result of higher revenue. Cost of instant games revenue increased 1% compared to the increase in instant games revenue of 4%. Cost of services increased 49% compared to an increase in services revenue of 118%, reflecting a more profitable revenue mix primarily attributable to WMS services revenue. Cost of product sales increased 310% compared to an increase in sales revenue of 364%, primarily reflecting the inclusion of WMS product sales.

SG&A

SG&A increased $143.5 million, which reflected $134.5 million of SG&A attributable to WMS, higher compensation expense of $3.9 million, and higher legal expenses of $3.1 million.

R&D

R&D increased $72.3 million primarily related to the inclusion of WMS in our financial results.

Employee Termination and Restructuring

Employee termination and restructuring costs included $8.9 million related to WMS integration activities, $1.6 million related to the exit from our instant lottery game operations in Mexico and related to the exit from our paper roll conversion operations in the U.S. as well as $1.9 million of costs related to corporate. For additional information regarding these charges, see Note 4 (Restructuring Plans) in this Quarterly Report on Form 10-Q.

D&A

D&A increased $179.4 million, of which $163.0 million was attributable to WMS. Excluding the increase attributable to WMS, D&A reflected an increase in amortization of capitalize internally developed software assets in the current-year period, partially offset by accelerated D&A recorded in the prior year for the write-down of used gaming machines and a change in the estimated useful lives of certain gaming machines.

Other Income and Expense

Interest expense increased $67.6 million due to the additional indebtedness incurred to finance the WMS acquisition. This increase was slightly offset by a reduction in interest expense as a result of the refinancing of the 2019 Notes with the 2021 Notes in June 2014. For additional information regarding our indebtedness, see Note 12 (Long-Term and Other Debt) in this Quarterly Report on Form 10-Q.

Earnings from equity investments decreased primarily due to the $19.7 million non-cash impairment charge to write down our Northstar Illinois equity investment and the $8.0 million charge we recorded related our share of an estimated net shortfall payment accrued by Northstar Illinois. For additional information regarding our equity investments, see Note 11 (Equity Method Investments) in this Quarterly Report on Form 10-Q.

We recorded a loss on early extinguishment of debt of $25.9 million related to the tender and redemption premiums and the write-off of deferred financing costs in connection with the purchase and redemption of our 2019 Notes in June 2014.

In January 2014, we completed the sale of our 20% equity interest in Sportech for cash proceeds of £27.8 million, or $44.9 million, resulting in a gain of approximately £9 million, or $14.5 million.

Income Tax Expense

The effective income tax rates on the loss from continuing operations of (10.7)% and (80.5)% for the nine months ended September 30, 2014 and 2013, respectively, were determined using an estimated annual effective tax rate after considering any discrete items for such periods. Due to a valuation allowance against our U.S. deferred tax assets, the effective tax rates for the nine months ended September 30, 2014 and 2013 did not include the benefit of the current-year U.S. tax loss. As a result, income tax expense for the nine months ended September 30, 2014 and 2013 primarily related to income tax expense in foreign jurisdictions.

Our effective income tax rate on foreign earnings was impacted by the mix of income and the statutory tax rates in our foreign jurisdictions, which ranged from a low of 0% to a high of 35%. The foreign jurisdictions that had the most impact on our foreign income tax benefit (expense) in the period include Austria, Canada, Ireland, and the U.K.

BUSINESS SEGMENTS RESULTS

INSTANT PRODUCTS

Results of Operations and Key Performance Indicators for Instant Products

(in millions)	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013	Variance for the Nine Months Ended September 30, 2014 vs. 2013	
Revenue:				
Instant games	$ 392.4	$ 379.0	$ 13.4	3.5 %
Product sales	9.4	10.1	(0.7)	(6.9)%
Total revenue	401.8	389.1	12.7	3.3 %
Operating expenses:				
Cost of instant games (1)	212.5	210.3	2.2	1.0 %
Cost of product sales (1)	6.5	7.2	(0.7)	(9.7)%
Selling, general and administrative	38.9	35.5	3.4	9.6 %
Research and development	1.0	0.4	0.6	150.0 %
Employee termination and restructuring	1.6	0.3	1.3	n/m
Depreciation and amortization	26.2	27.0	(0.8)	(3.0)%
Operating income	$ 115.1	$ 108.4	$ 6.7	6.2 %
Earnings (loss) from equity investments	$ (12.4)	$ 15.8	$ (28.2)	(178.5)%
Key Performance Indicators:				
Instant games by revenue type:				
Participation contracts	$ 206.9	$ 187.5	$ 19.4	10.3 %
Price-per-unit contracts	144.7	147.0	(2.3)	(1.6)%
Licensing and player loyalty	40.8	44.5	(3.7)	(8.3)%
Total instant games revenue	$ 392.4	$ 379.0	$ 13.4	3.5 %
Instant games revenue by geography:				
U.S.	$ 252.6	$ 237.7	$ 14.9	6.3 %
International	139.8	141.3	(1.5)	(1.1)%
Total instant games revenue	$ 392.4	$ 379.0	$ 13.4	3.5 %
U.S. lottery customers' retail sales of instant games	$ 29,030	$ 27,575	$ 1,455	5.3 %
Italy retail sales of instant games (in Euros)	€ 6,976	€ 7,173	€ (197)	(2.7)%

"n/m" - not meaningful
(1) Exclusive of depreciation and amortization.

Nine Months Ended September 30, 2014 Compared to Nine Months Ended September 30, 2013

Revenue

Instant games revenue increased $13.4 primarily due to $22.8 million of higher revenue from our participation contracts in the U.S. and certain international jurisdictions, including our contracts with Northstar New Jersey and Hellenic Lotteries, partially offset by a decrease in revenue of $3.4 million due to our exit from the Provoloto business and $4.3 of higher revenue from our U.S. price-per-unit contracts. The increase in instant games revenue was partially offset by a $6.6 million decline in revenue from our international price-per-unit contracts, including our contract with LNS and a decrease of $3.7 million from our licensing and player loyalty programs primarily reflecting more contracts in the prior-year.

Operating Income

Operating income increased $6.7 million primarily due to a higher and more profitable mix of revenue and a decrease in D&A, partially offset by an increase in SG&A reflecting higher compensation and legal expenses, as well as higher employee termination and restructuring costs.

LOTTERY SYSTEMS

Results of Operations and Key Performance Indicators for Lottery Systems

(in millions)	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013	Variance for the Nine Months Ended September 30, 2014 vs. 2013	
Revenue:				
Services	$ 149.3	$ 146.1	$ 3.2	2.2 %
Product sales	63.3	35.2	28.1	79.8 %
Total revenue	212.6	181.3	31.3	17.3 %
Operating expenses:				
Cost of services (1)	90.4	82.0	8.4	10.2 %
Cost of product sales (1)	50.8	22.4	28.4	126.8 %
Selling, general and administrative	17.1	16.0	1.1	6.9 %
Research and development	1.7	3.1	(1.4)	(45.2)%
Depreciation and amortization	44.6	38.8	5.8	14.9 %
Operating income	$ 8.0	$ 19.0	$ (11.0)	(57.9)%
Earnings from equity investments	$ 1.3	$ 0.7	$ 0.6	85.7 %
Key Performance Indicators:				
Services revenue by geography:				
U.S. (2)	$ 82.8	$ 83.1	$ (0.3)	(0.4)%
International	66.5	63.0	3.5	5.6 %
Total services revenue	$ 149.3	$ 146.1	$ 3.2	2.2 %
Product sales by geography:				
U.S.	$ 6.3	$ 4.1	$ 2.2	53.7 %
International	57.0	31.1	25.9	83.3 %
Total product sales revenue	$ 63.3	$ 35.2	$ 28.1	79.8 %
U.S. lottery customers' retail sales (3)	$ 6,310	$ 6,384	$ (74)	(1.2)%

(1) Exclusive of depreciation and amortization.
(2) U.S. services revenue excludes revenue from Puerto Rico.
(3) U.S. lottery customers' retail sales primarily include retail sales of draw games, keno and instant games validated by the relevant system. The retail sales metric for the Lottery Systems segment presented in prior periods included draw game retail sales only. We believe the revised metric more clearly

correlates to our U.S. Lottery Systems services revenue, since we are generally compensated based on total retail sales generated by the relevant lottery system and not just draw game retail sales. The prior-year period retail sales information presented above conforms to the revised metric.

Nine Months Ended September 30, 2014 Compared to Nine Months Ended September 30, 2013

Revenue

Lottery Systems services revenue increased $3.2 million primarily due to an increase in sports betting services revenue from our international operations, new iGaming contracts launched in the fourth quarter of 2013 and higher revenue from instant ticket validations. These increases were partially offset by a decline in revenue under our agreement with the CSL primarily reflecting the decrease in our participation rate and a decline in revenue associated with the Powerball draw game reflecting three large Powerball jackpots in the prior-year period. The increase in service revenue also included a favorable impact from foreign currency translation of $1.0 million.

The $28.1 million increase in Lottery Systems product sales revenue, which can fluctuate due to its non-recurring nature, primarily reflected higher international sales of hardware and software of $25.9 million and higher U.S. sales of $2.2 million. The increase in product sales revenue also included a favorable impact from foreign currency translation of $0.6 million.

Operating Income

Operating income declined $11.0 million primarily due to a less profitable mix of revenue, an increase in D&A related to higher capitalized software assets and higher SG&A, partially offset by a reduction in R&D.

GAMING

Results of Operations and Key Performance Indicators for Gaming

All results for 2013 presented herein do not include results of operations for WMS, which was acquired in October 2013.

(in millions)	Nine Months Ended September 30,		Variance for the Nine Months Ended September 30,	
	2014	2013	2014 vs. 2013	
Revenue				
Services	$ 389.6	$ 101.6	$ 288.0	n/m
Product sales	216.6	17.0	199.6	n/m
Total revenue	606.2	118.6	487.6	n/m
Operating expenses				
Cost of services (1)	110.3	53.0	57.3	n/m
Cost of product sales (1)	103.9	9.7	94.2	n/m
Selling, general and administrative	132.9	19.3	113.6	n/m
Research and development	74.3	1.2	73.1	n/m
Employee termination and restructuring	8.9	—	8.9	n/m
Depreciation and amortization	200.2	44.8	155.4	n/m
Operating loss	$ (24.3)	$ (9.4)	$ (14.9)	n/m
Earnings (loss) from equity investments	$ 3.3	$ (3.5)	$ 6.8	n/m

"n/m" - not meaningful
(1) Exclusive of depreciation and amortization.

(in millions, except for unit and per unit (or user) information)	Nine Months Ended September 30,		Variance for the Nine Months Ended September 30,	
	2014	2013	2014 vs 2013	
Key Performance Indicators:				
Services revenue:				
WAP and premium participation products	$ 172.9	$ —	$ 172.9	n/m
Other leased and participation products	91.1	83.0	8.1	9.8 %
Interactive gaming products and services	101.6	—	101.6	n/m
Other services	24.0	18.6	5.4	29.0 %
Total services revenue	$ 389.6	$ 101.6	$ 288.0	n/m
WAP and premium participation units (1):				
Installed base at period end	9,054	—	9,054	n/m
Average installed base	8,931	—	8,931	n/m
Average daily revenue per unit	$ 70.91	$ —	$ 70.91	n/m
Other leased and participation units (2):				
Installed base at period end	26,711	26,829	(118)	(0.4)%
Average installed base	27,628	26,234	1,394	5.3 %
Average daily revenue per unit	$ 12.08	$ 11.59	$ 0.49	4.2 %
Interactive gaming products and services - social casino:				
Average Monthly Active Users (MAU) (3)	5.3	—	5.3	n/m
Average Daily Active Users (DAU) (4)	1.4	—	1.4	n/m
Average revenue per daily active user (ARPDAU) (5)	$ 0.22	$ —	$ 0.22	n/m
Product sales revenue:				
New gaming machine sales	$ 157.9	$ 7.6	$ 150.3	n/m
Other product sales	58.7	9.4	49.3	n/m
Total product sales revenue	$ 216.6	$ 17.0	$ 199.6	n/m
Product sales:				
U.S. and Canadian new unit shipments	6,522	74	6,448	n/m
International new unit shipments	4,390	1,121	3,269	n/m
Total new unit shipments	10,912	1,195	9,717	n/m
Average sales price per new unit	$ 14,470	$ 6,360	$ 8,110	n/m

"n/m" - not meaningful
(1) WAP and premium participation products are comprised of WMS participation gaming machines (WAP, LAP and standalone units) generally available only as leased units
(2) Other leased and participation units are comprised principally of Scientific Games legacy server-based gaming machines, primarily in the U.K., and other leased WMS units
(3) MAU = Monthly Active Users, a count of unique visitors to our sites during a month
(4) DAU = Daily Active Users, a count of unique visitors to our sites during a day
(5) ARPDAU = Average revenue per DAU is calculated by dividing revenue for a period by the DAU for the period by the number of days for the period

Nine Months Ended September 30, 2014 Compared to Nine Months Ended September 30, 2013

Revenue

The $288.0 million increase in Gaming services revenue included $284.9 million from WMS and a favorable impact from foreign currency translation of $4.5 million, partially offset by $5.4 million of lower services revenue primarily due to the loss of our Betfred contract in December 2013 and lower services revenue from our international gaming customers. Our installed base of WAP and premium participation units declined to 9,054 units as of September 30, 2014 from 9,437 units reported by WMS at September 30, 2013. The average daily revenue per WAP and premium participation unit increased 5% over the amount reported by WMS in the prior-year period despite challenging gaming industry conditions, reflecting the positive performance of our new games. Our average installed base of other leased and participation units rose to 27,628 units, reflecting the addition of 2,395 other leased units within the WMS footprint, partially offset by a decline in the U.K. gaming installed base that largely resulted from the loss of our Betfred contract. Average daily revenue for our other leased and participation units increased 4% compared to the prior-year period, primarily due to the addition of the WMS units. Gaming services revenue also included revenue from our interactive gaming business, which increased as a result of the WMS acquisition and also increased as compared to the amount WMS reported in the prior year period primarily due to the increase of 0.7 million average DAU to 1.4 million average DAU for our social casinos for the three-month period ended September 30, 2014.

The $199.6 million increase in product sales revenue included $203.9 million from WMS. Compared to what WMS reported in the prior-year period, new gaming machine shipments by WMS declined approximately 33%, reflecting the challenging gaming industry conditions discussed above. Excluding the impact of WMS revenue, product sales revenue was lower by $4.3 million for the nine months ended September 30, 2014 primarily from our U.K Gaming business.

Operating Loss

The $14.9 million increase in operating loss primarily reflected an operating loss of WMS of $27.2 million, which was partially offset by a more profitable mix of business and improvement in our cost structure in our U.K. business, including lower SG&A of $4.2 million and lower D&A of $7.0 million primarily due to accelerated D&A recorded in the prior-year period related to the write-down of used gaming machines and a change in the estimated useful lives of certain gaming machines.

Recently Issued Accounting Guidance

For a description of recently issued accounting pronouncements, see Note 1 (Description of the Business and Summary of Significant Accounting Policies) in this Quarterly Report on Form 10-Q.

CRITICAL ACCOUNTING ESTIMATES

For a description of our policies regarding our critical accounting estimates, see "Critical Accounting Estimates" in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our 2013 Annual Report on Form 10-K.

We consider the following accounting estimates to be the most critical to fully understand and evaluate our reported financial results. The list below is not intended to be a comprehensive list of all of our accounting policies. Our significant accounting policies are described in Note 1 (Description of the Business and Summary of Significant Accounting Policies) in our 2013 Annual Report on Form 10-K.

- Income taxes and deferred income taxes
- Valuation of investments, long-lived and intangible assets and goodwill
- Business combinations
- Revenue recognition
- Notes receivable
- Performance-based compensation
- Inventory
- Restructuring

There have been no significant changes in our critical accounting estimate policies or the application of those policies to our consolidated financial statements from those presented in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our 2013 Annual Report on Form 10-K.

LIQUIDITY, CAPITAL RESOURCES AND WORKING CAPITAL

Sources of Liquidity

As of September 30, 2014, our principal sources of liquidity, other than cash flows provided by operating activities, were cash and equivalents and amounts available under our revolving credit facility discussed below under "Credit Agreement and Other Debt."

As of September 30, 2014, our available cash and equivalents and borrowing capacity totaled $391.7 million including cash and cash equivalents of $132.5 million and availability of $259.2 million under our revolving credit facility, compared to $411.0 million as of December 31, 2013 (including cash and cash equivalents of $153.7 million and availability of $257.3 million under our prior revolving credit facility). There were no borrowings outstanding under our revolving credit facility as of September 30, 2014; however, we had $40.8 million in outstanding letters of credit as of September 30, 2014, which reduces our capacity to borrow under our revolving credit facility. The amount of our available cash and equivalents fluctuates principally based on borrowings or repayments under our credit facilities, investments, acquisitions and changes in our working capital position. The borrowing capacity under our revolving credit facility will depend on the amount of outstanding borrowings and letters of credit issued and will also depend on us remaining in compliance with the covenants under our credit agreement, including the maintenance of applicable financial ratios. We were in compliance with the covenants under our credit agreement as of September 30, 2014.

We believe that our cash flow from operations, available cash and equivalents and available borrowing capacity under our revolving credit facility will be sufficient to meet our liquidity needs for the foreseeable future; however, there can be no assurance that this will be the case. We believe that substantially all cash held outside the U.S. is free from legal encumbrances or similar restrictions that would prevent it from being available to meet our global liquidity needs.

Total cash held by our foreign subsidiaries was $84.5 million as of September 30, 2014. To the extent that a portion of our foreign cash was required to meet liquidity needs in the U.S. (which we do not currently anticipate), we might incur a tax liability to repatriate it, the timing and amount of which would depend on a variety of factors. A significant amount of the cash held by our foreign subsidiaries as of September 30, 2014 could be transferred to the U.S. as intercompany loan repayments or tax-free basis reductions.

Our lottery contracts are periodically subject to renewal or re-bid and there can be no assurance that we will be successful in sustaining our cash flow from operations if our contracts are not renewed or replaced or are renewed on less favorable terms, or if we are unable to enter into new contracts. In addition, lottery customers in the U.S. generally require service providers to provide performance bonds in connection with the relevant contract. As of September 30, 2014, our outstanding performance bonds totaled $191.9 million. Our ability to obtain performance bonds on commercially reasonable terms is subject to our financial condition and to prevailing market conditions, which may be impacted by economic and

political events. Although we have not experienced difficulty in obtaining such bonds to date, there can be no assurance that we will continue to be able to obtain performance bonds on commercially reasonable terms or at all. If we need to refinance all or part of our indebtedness at or before maturity, there can be no assurance that we will be able to obtain new financing or to refinance any of our indebtedness on commercially reasonable terms or at all.

Cash Flow Summary

	Nine Months Ended September 30,		Variance for the Nine Months Ended September 30,
	2014	2013	2014 vs. 2013
Net cash provided by operating activities	$ 233.4	$ 95.6	$ 137.8
Net cash used in investing activities	(129.9)	(116.8)	(13.1)
Net cash used in financing activities	(118.0)	(13.6)	(104.4)
Effect of exchange rates on cash and cash equivalents	(6.7)	(0.7)	(6.0)
Decrease in cash and cash equivalents	$ (21.2)	$ (35.5)	$ 14.3

Cash flows from operating activities

Net cash provided by operating activities for the nine months ended September 30, 2014 increased $137.8 million over the prior-year period reflecting favorable changes in current assets and liabilities of $81.4 million, net of effects of acquisitions, due primarily to the acquisition of WMS and a $51.3 million increase in net earnings after adjustments for non-cash items, a $25.9 million loss on early extinguishment of debt less a $14.5 million gain on sale of an equity interest and a decrease in distributions received from our equity investments of $6.3 million.

Cash flows from investing activities

The increase in net cash used in investing activities of $13.1 million primarily reflected an increase in capital expenditures of $64.0 related to contracts in our Lottery Systems business, property, plant and equipment additions and capital expenditures in our Gaming business, a change in restricted cash of $31.9 million and a reduction of $10.4 million in proceeds from asset disposals in the prior year. These increases in net cash used in investing activities were partially offset by a decrease in capital contributions to our equity investments of $21.7 million primarily reflecting contributions made to the Greece lottery in the third quarter of 2013 and Northstar Illinois in the fourth quarter of 2013, an increase of $26.0 million in distributions from our equity investments and the proceeds from the sale of our equity interest in Sportech of $44.9 million in the first quarter of 2014.

Cash flows from financing activities

The increase in net cash used in financing activities was primarily due to common stock repurchases of $29.5 million in the first quarter of 2014, an increase in financing fees of $20.8 million related to the issuance of the 2021 Notes and the repurchase and redemption of the 2019 Notes, an increase in the redemption of common stock under our stock-based compensation plans of $17.0 million, a $19.8 million increase in net payments on long-term indebtedness, an increase in contingent earnout payments of $10.2 million and payments on license obligations of $7.0.

Credit Agreement and Other Debt

As of September 30, 2014, our total debt was comprised principally of $2,282.8 million (excluding an unamortized discount of $9.9 million) outstanding under our term loan facilities under the credit agreement discussed below, $250.0 million in aggregate principal amount of our 2018 Notes, $300.0 million in aggregate principal amount of our 2020 Notes, $350.0 million (excluding an unamortized discount of $2.3 million) in aggregate principal amount of our 2021 Notes and $38.7 million in capital leases related to our U.K. gaming operations. We use interest rate swap derivatives to diversify our debt portfolio between fixed and variable rate instruments. For additional information regarding our interest rate risk and interest rate hedging instruments, see "Quantitative and Qualitative Disclosures About Market Risk" in Item 7A in our 2013 Annual Report on Form 10-K.

Senior Secured Credit Facilities

We are party to a credit agreement dated as of October 18, 2013, by and among SGI, as the borrower, the Company, as a guarantor, Bank of America, N.A., as administrative agent, and the lenders and other agents party thereto providing for senior secured credit facilities in an aggregate principal amount of $2,600.0 million, including a $300.0 million revolving credit facility, which has dollar and multi-currency tranches, and a $2,300.0 million term loan facility. The term loan facility was used, in part, to finance the consideration paid in the WMS acquisition, to repay all indebtedness under our and WMS' prior

credit agreements and to pay related acquisition and financing fees and expenses. Up to $200.0 million of the revolving credit facility is available for issuances of letters of credit. The term loan is scheduled to mature on October 18, 2020 and the revolving credit facility is scheduled to mature on October 18, 2018 (subject to accelerated maturity under certain circumstances).

SGI is required to pay commitment fees to revolving lenders on the actual daily unused portion of the revolving commitments at a rate of 0.50% per annum through maturity, subject to a step-down to 0.375% based upon certain first lien net leverage ratios. The credit facilities contain customary events of default (subject to customary grace periods and materiality thresholds). Upon the occurrence of certain events of default, the obligations under the credit facilities may be accelerated and the commitments may be terminated.

Senior Subordinated Notes

2021 Notes

On June 4, 2014, SGI issued $350.0 million in aggregate principal amount of 2021 Notes at a price of 99.321% of the principal amount thereof in a private offering to qualified institutional buyers in accordance with Rule 144A under the Securities Act and to persons outside the United States under Regulation S under the Securities Act. The 2021 Notes were issued pursuant to the 2021 Notes Indenture.

The 2021 Notes bear interest at the rate of 6.625% per annum, which accrues from June 4, 2014 and is payable semiannually in arrears on May 15 and November 15 of each year, commencing on November 15, 2014. The 2021 Notes mature on May 15, 2021, unless earlier redeemed or repurchased, and are subject to the terms and conditions set forth in the 2021 Notes Indenture. In connection with the issuance of the 2021 Notes, the Company capitalized financing costs of $7.3 million.

The 2021 Notes are unsecured senior subordinated obligations of SGI and are subordinated to all of SGI's existing and future senior debt, rank equally with all of SGI's existing and future senior subordinated debt and rank senior to all of SGI's future debt that is expressly subordinated to the 2021 Notes. The 2021 Notes are guaranteed on an unsecured senior subordinated basis by the Company and all of its 100%-owned U.S. subsidiaries (other than SGI). The 2021 Notes are structurally subordinated to all of the liabilities of the Company's non-guarantor subsidiaries.

The 2021 Notes Indenture contains certain covenants that, among other things, limit the Company's ability, and the ability of certain of its subsidiaries, to incur additional indebtedness, pay dividends or make distributions or certain other restricted payments, purchase or redeem capital stock, make investments or extend credit, engage in certain transactions with affiliates, consummate certain asset sales, effect a consolidation or merger, or sell, transfer, lease or otherwise dispose of all or substantially all assets, or create certain liens and other encumbrances on assets. The 2021 Notes Indenture contains events of default customary for agreements of its type (with customary grace periods and maturity thresholds, as applicable).

019 Notes

On June 4, 2014, SGI completed a tender offer pursuant to which it purchased $140.6 million in aggregate principal amount of the 2019 Notes for total consideration of $1,051.25 for each $1,000 principle amount of the 2019 Notes tendered, plus accrued and unpaid interest to the applicable payment date.

On June 4, 2014, SGI delivered a notice of redemption with respect to all $209.4 million of the remaining outstanding principal amount of the 2019 Notes, and satisfied and discharged the indenture governing the 2019 Notes by depositing funds with the trustee sufficient to pay the redemption price of 104.625% of the principal amount of the 2019 Notes, plus accrued and unpaid interest to the redemption date. In accordance with the notice of redemption, the 2019 Notes were redeemed on July 4, 2014 and the redemption payment was made on July 7, 2014.

The purchase and redemption of the 2019 Notes were funded, in part, with the net proceeds from the issuance of the 2021 Notes. In connection with the purchase and redemption of the 2019 Notes, we recorded a loss on early extinguishment of debt of $25.9 million comprised primarily of the tender and redemption premiums and the write-off of previously deferred financing costs.

For additional information regarding our 2021 Notes and the repurchase and redemption of our 2019 Notes, see our Current Report on Form 8-K filed with the SEC on June 6, 2014. For additional information regarding our 2018 Notes, 2019 Notes and 2020 Notes, see Note 15 (Long-Term and Other Debt) in our 2013 Annual Report on Form 10-K.

We were in compliance with the covenants under our debt agreements as of September 30, 2014.

Other Debt

In September 2014, we repaid in full a $5.0 million China Loan with cash on hand.

Contemplated Financing for Bally Acquisition

In connection with the pending acquisition of Bally, we entered into a commitment letter with Bank of America, N.A., Merrill Lynch, Pierce, Fenner & Smith Incorporated, JPMorgan Chase Bank, N.A., Deutsche Bank AG New York Branch and certain of their respective affiliates, which was subsequently joined by Fifth Third Bank, HSBC Securities (USA) Inc., HSBC Bank USA, N.A., PNC Capital Markets LLC and PNC Bank, National Association as additional commitment parties. Pursuant to the commitment letter, the commitment parties have agreed to provide the financing necessary to fund the consideration to be paid pursuant to the terms of the merger agreement (the "Debt Financing"). The commitment letter contemplates that the Debt Financing will consist of, among other things, (1) a senior secured incremental term loan facility (in an originally contemplated principal amount of $1,735.0 million), (2) a senior secured increase in the revolving credit facility (in an originally contemplated principal amount of $350.0 million), (3) if applicable, amendments to, or the refinancing of, Scientific Games' existing credit facilities, consisting of (a) a senior secured term loan facility in a total principal amount of $2,294.0 million and (b) a senior secured revolving credit facility in a total principal amount of $650 million, and (4) senior secured notes and senior unsecured notes yielding $3,450.0 million in aggregate gross cash proceeds and/or to the extent that the issuance of such notes yields less than $3,450.0 million in aggregate gross cash proceeds or such cash proceeds are otherwise unavailable, a senior secured bridge loan facility and a senior unsecured bridge loan facility up to an aggregate principal amount of $3,450 million (less the cash proceeds received from the notes and available for use, if any). The funding of the Debt Financing is contingent on the satisfaction of certain conditions set forth in the commitment letter. The merger is not conditioned on our obtaining the proceeds of any financing, including the Debt Financing.

In connection with the pending Bally acquisition, on October 1, 2014, the Company entered into an amendment to its existing credit agreement to, among other things, (1) effective as of October 1, 2014, permit the Bally acquisition and the transactions related thereto, including the incurrence of term loans by SGMS Escrow Corp., and (2) effective as of the consummation of the Bally acquisition (and the satisfaction of the other conditions contemplated by the amendment), (A) increase the Company's existing revolving credit facility by $267.6 million, (B) permit SGI to assume the term loans under the Escrow Credit Agreement (as defined below) as incremental term loans under the existing credit agreement and (C) modify the financial covenant applicable to the revolving credit facility under the existing credit agreement such that it will be tested each quarter, irrespective of usage of that revolving credit facility.

As a result of the amendment, the applicable margin for the existing term loans under the credit agreement (1) prior to the consummation of the Bally acquisition, will remain at 3.25% per annum for eurodollar (LIBOR) loans and 2.25% per annum for base rate loans and (2) from and after the consummation of the Bally acquisition, will be 5.00% per annum for eurodollar (LIBOR) loans and 4.00% per annum for base rate loans. There will be no change to the borrowing rate applicable to loans borrowed or to letters of credit issued under the revolving credit facility after the consummation of the Bally acquisition.

In addition, on October 1, 2014, SGMS Escrow Corp. entered into an escrow credit agreement (the "Escrow Credit Agreement") by and among SGMS Escrow Corp., as borrower, the lenders and other agents from time to time party thereto, and Bank of America, N.A., as administrative agent. The Escrow Credit Agreement provides for $2.0 billion of new term loans, the net proceeds of which are expected to provide a portion of the funds to be used to finance the Bally acquisition. Upon and in connection with the consummation of the Bally acquisition, the term loans under the Escrow Credit Agreement will be assumed by SGI and become incremental term loans under the existing credit agreement.

The term loans under the Escrow Credit Agreement (including after they are assumed by SGI and become incremental term loans under the existing credit agreement) are scheduled to mature on October 1, 2021 (subject to accelerated maturity under certain circumstances) and amortize in equal quarterly installments beginning on the last day of the first of March, June, September or December to occur after completion of the Bally acquisition, in an amount equal to 1.00% per annum of the stated principal amount thereof, with the remaining balance due at final maturity. Interest on the new term loans is payable at a rate equal to the eurodollar (LIBOR) rate or the base rate, plus an applicable margin, in each case, subject to a eurodollar (LIBOR) rate floor of 1.00% or a base rate floor of 2.00%, as applicable. The applicable margin for the incremental term loans (under the Escrow Credit Agreement and, if and when assumed by SGI, the existing credit agreement) is 5.00% per annum for eurodollar (LIBOR) loans and 4.00% per annum for base rate loans.

Borrowings under the Escrow Credit Agreement are solely the obligation of SGMS Escrow Corp., are not guaranteed by the Company or any of its subsidiaries, and are secured by a pledge of amounts deposited into a secured escrow account of SGMS Escrow Corp. In the event that the Bally acquisition is not consummated, SGMS Escrow Corp. will repay amounts borrowed under the Escrow Credit Agreement, plus accrued interest thereon, with amounts deposited into a secured escrow

account of SGMS Escrow Corp. and other amounts that may be contributed by the Company and its other subsidiaries to SGMS Escrow Corp. and deposited into that escrow account from time to time.

The term loans under the Escrow Credit Agreement were funded into escrow, less original issue discount, by the lenders on October 17, 2014 and gan accruing interest, initially at the LIBOR rate plus the applicable margin referred to above, beginning on October 18, 2014. Interest for the prospective onth was funded into escrow by the Company on October 16, 2014.

Upon closing of the Bally acquisition, we expect to incur approximately $170 million of financing fees in connection with the term loans and revolving credit facility under the Escrow Credit Agreement and with respect to the remaining financing commitments under the commitment letter for the Bally acquisition. We also anticipate incurring fees related to our additional financing activities during the balance of the quarter ending December 31, 2014.

For further information regarding the Debt Financing, please see the full text of the commitment letter, our credit agreement, the amendment to our credit agreement and the Escrow Credit Agreement, copies of which are filed as Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on August 4, 2014, Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on October 18, 2013, and Exhibit 10.1 and Exhibit 10.2 to our Current Report on Form 8-K filed with SEC on October 7, 2014, respectively. The foregoing summaries of the terms of the existing credit agreement, the commitment letter, the amendment to the existing credit agreement and the Escrow Credit Agreement are qualified in their entirety by reference to the respective exhibit.

Capital Leases

On March 31, 2014, we entered into a new leasing arrangement with ITL for the lease of gaming machines in connection with a long-term contract with a U.K. customer. We completed the placement of the new gaming machines under this contract as of June 30, 2014 and recorded a capital lease asset and minimum lease liability of $42.8 million.

Contractual Obligations

Other than the issuance of the 2021 Notes as described above, there have been no material changes to our contractual obligations disclosed in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity, Capital Resources and Working Capital - Contractual Obligations" included in our 2013 Annual Report on Form 10-K.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

There have been no material changes to the disclosure under "Item 7A. Quantitative and Qualitative Disclosures about Market Risk" included in our 2013 Annual Report on Form 10-K.

tem 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We have evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this Quarterly Report on Form 10-Q. The evaluation was conducted under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the three months ended September 30, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION
Item 1. Legal Proceedings

The Company is involved in various legal proceedings, including those discussed below. We record an accrual for legal contingencies when it is both probable that a liability will be incurred and the amount or range of the loss can be reasonably estimated (although, as discussed below, there may be an exposure to loss in excess of the accrued liability). We evaluate our accruals for legal contingencies at least quarterly and, as appropriate, establish new accruals or adjust existing accruals to reflect (1) the facts and circumstances known to us at the time, including information regarding negotiations, settlements, rulings and other relevant events and developments, (2) the advice and analyses of counsel and (3) the assumptions and judgment of management. Legal costs associated with our legal proceedings are expensed as incurred. We had accrued liabilities of $23.4 million and $25.9 million for all of our legal matters that were contingencies as of September 30, 2014 and December 31, 2013, respectively.

Substantially all of our legal contingencies are subject to significant uncertainties and, therefore, determining the likelihood of a loss and/or the measurement of any loss involves a series of complex judgments about future events. Consequently, the ultimate outcomes of our legal contingencies could result in losses in excess of amounts we have accrued. We may be unable to estimate a range of possible losses for some matters pending against the Company or its subsidiaries, even when the amount of damages claimed against the Company or its subsidiaries is stated because, among other things: (1) the claimed amount may be exaggerated or unsupported; (2) the claim may be based on a novel legal theory or involve a large number of parties; (3) there may be uncertainty as to the likelihood of a class being certified or the ultimate size of the class; (4) there may be uncertainty as to the outcome of pending appeals or motions; (5) the matter may not have progressed sufficiently through discovery or there may be significant factual or legal issues to be resolved or developed; and/or (6) there may be uncertainty as to the enforceability of legal judgments and outcomes in certain jurisdictions. Other matters have progressed sufficiently that we are able to estimate a range of possible loss. For those legal contingencies disclosed below as to which a loss is reasonably possible, whether in excess of a related accrued liability or where there is no accrued liability, and for which we are able to estimate a range of possible loss, the current estimated range is up to approximately $41 million in excess of the accrued liabilities (if any) related to those legal contingencies. This aggregate range represents management's estimate of additional possible loss in excess of the accrued liabilities (if any) with respect to these matters based on currently available information, including any damages claimed by the plaintiffs, and is subject to significant judgment and a variety of assumptions and inherent uncertainties. For example, at the time of making an estimate, management may have only preliminary, incomplete, or inaccurate information about the facts underlying a claim; its assumptions about the future rulings of the court or other tribunal on significant issues, or the behavior and incentives of adverse parties, regulators, indemnitors or co-defendants, may prove to be wrong; and the outcomes it is attempting to predict are often not amenable to the use of statistical or other quantitative analytical tools. In addition, from time to time an outcome may occur that management had not accounted for in its estimate because it had considered that outcome to be remote. Furthermore, as noted above, the aggregate range does not include any matters for which the Company is not able to estimate a range of possible loss. Accordingly, the estimated aggregate range of possible loss does not represent our maximum loss exposure. Any such losses could have a material adverse impact on our results of operations, financial position and cash flows. The legal proceedings underlying the estimated range will change from time to time, and actual results may vary significantly from the current estimate.

Colombia Litigation

Our subsidiary, SGI, owned a minority interest in Wintech de Colombia S.A., or Wintech (now liquidated), which formerly operated the Colombian national lottery under a contract with Empresa Colombiana de Recursos para la Salud, S.A. (together with its successors, "Ecosalud"), an agency of the Colombian government. The contract provided for a penalty against Wintech, SGI and the other shareholders of Wintech of up to $5.0 million if certain levels of lottery sales were not achieved. In addition, SGI delivered to Ecosalud a $4.0 million surety bond as a further guarantee of performance under the contract. Wintech started the instant lottery in Colombia but, due to difficulties beyond its control, including, among other factors, social and political unrest in Colombia, frequently interrupted telephone service and power outages, and competition from another lottery being operated in a province of Colombia that we believe was in violation of Wintech's exclusive license from Ecosalud, the projected sales level was not met for the year ended June 30, 1993.

In 1993, Ecosalud issued a resolution declaring that the contract was in default. In 1994, Ecosalud issued a liquidation resolution asserting claims for compensation and damages against Wintech, SGI and other shareholders of Wintech for, among other things, realization of the full amount of the penalty, plus interest, and the amount of the bond. SGI filed separate actions opposing each resolution with the Tribunal Contencioso of Cundinamarca in Colombia (the "Tribunal"), which upheld both resolutions. SGI appealed each decision to the Council of State. In May 2012, the Council of State upheld the contract default resolution, which decision was notified to us in August 2012. In October 2013, the Council of State upheld the liquidation resolution, which decision was notified to us in December 2013.

In July 1996, Ecosalud filed a lawsuit against SGI in the U.S. District Court for the Northern District of Georgia asserting many of the same claims asserted in the Colombia proceedings, including breach of contract, and seeking damages. In March 1997, the District Court dismissed Ecosalud's claims. Ecosalud appealed the decision to the U.S. Court of Appeals for the Eleventh Circuit. The Court of Appeals affirmed the District Court's decision in 1998.

In June 1999, Ecosalud filed a collection proceeding against SGI to enforce the liquidation resolution and recover the claimed damages. In May 2013, the Tribunal denied SGI's merit defenses to the collection proceeding and issued an order of payment of approximately 90 billion Colombian pesos (approximately $44 million based on the current exchange rate) plus default interest (potentially accrued since 1994). SGI has filed an appeal to the Council of State, which appeal has stayed the payment order.

SGI believes it has various defenses, including on the merits, against Ecosalud's claims. Although we believe these claims will not result in a material adverse effect on our consolidated financial position or results of operations, it is not feasible to predict the final outcome, and there can be no assurance that these claims will not ultimately be resolved adversely to us or result in material liability.

SNAI Litigation

On April 16, 2012, certain VLTs operated by SNAI in Italy and supplied by Barcrest erroneously printed what appeared to be winning jackpot and other tickets with a face amount in excess of €400.0 million. SNAI has stated, and system data confirms, that no jackpots were actually won on that day. The terminals have been deactivated by the Italian regulatory authority. Following the incident, we understand that the Italian regulatory authority revoked the certification of the version of the gaming system that Barcrest provided to SNAI and fined SNAI €1.5 million, but determined to not revoke SNAI's concession to operate VLTs in Italy.

In October 2012, SNAI filed a lawsuit in the Court of First Instance of Rome in Italy against Barcrest and Global Draw, our subsidiary which acquired Barcrest from IGT-UK Group Limited, a subsidiary of IGT, claiming liability based on breach of contract and tort. The lawsuit seeks to terminate SNAI's agreement with Barcrest and damages arising from the deactivation of the terminals, including among other things, lost profits, expenses and costs, potential awards to players who have sought to enforce what appeared to be winning jackpot and other tickets, compensation sought by managers of the gaming locations where SNAI VLTs supplied by Barcrest were installed, damages to commercial reputation and any future damages arising from SNAI's potential loss of its concession or inability to obtain a new concession. In June 2013, Barcrest and Global Draw filed a counterclaim based on SNAI's alleged breach of contract.

In September 2013, Global Draw brought an action against IGT-UK Group Limited and IGT in the High Court of Justice (Commercial Court) in London, England seeking relief under the indemnification and warranty provisions contained in the agreement pursuant to which Barcrest was acquired from IGT-UK Group, including in connection with the April 2012 incident and a number of ancillary matters. In November 2013, IGT-UK Group Limited filed a defense in which it denied Global Draw's claims and counterclaimed based on Global Draw's alleged breach of contract in connection with another ancillary matter. In September 2014, Global Draw's motion for summary judgment was granted in respect of one of the ancillary matters but denied in respect of the April 2012 incident. Accordingly, the parties are scheduled to proceed to trial relating to the April 2012 incident and the other remaining issues in May 2015.

While we believe we have meritorious defenses in the Italian litigation and potential third party recoveries, the lawsuit is in its early stages and we cannot currently predict the outcome of this matter.

WMS Merger Litigation

Complaints challenging the WMS merger were filed in early 2013 in the Delaware Court of Chancery, the Circuit Court of Cook County, Illinois and the Circuit Court of the Nineteenth Judicial Circuit, Lake County, Illinois. The actions are putative class actions filed on behalf of WMS stockholders. The complaints generally allege that the WMS directors breached their fiduciary duties in connection with their consideration and approval of the merger and in connection with their public disclosures concerning the merger. The complaints allege that other defendants, including WMS, Scientific Games Corporation and certain affiliates of Scientific Games Corporation, aided and abetted those alleged breaches. The plaintiffs sought equitable relief, including to enjoin the acquisition, to rescind the acquisition if not enjoined, damages, attorneys' fees and other costs.

The Delaware actions have been consolidated under the caption In re WMS Stockholders Litigation (C.A. No. 8279-VCP). The plaintiffs in the consolidated Delaware actions submitted to the Delaware Court of Chancery a letter advising that they had conferred with the plaintiffs in the Illinois actions and agreed to stay the consolidated Delaware action.

The Lake County, Illinois actions were transferred to Cook County. All of the Illinois actions were consolidated in Cook County with Gardner v. WMS Industries Inc., et al. (No. 2013 CH 3540).

In April 2013, the plaintiffs in the Gardner action filed a motion for preliminary injunction to enjoin the WMS stockholder vote on the merger. Following that, in April 2013, lead counsel in the Gardner action, on behalf of counsel for plaintiffs in all actions in Delaware and Illinois, agreed to withdraw the motion for preliminary injunction and not to seek to enjoin the WMS stockholder vote in return for WMS' agreement to make certain supplemental disclosures related to the merger. WMS made those supplemental disclosures in a Current Report on Form 8-K filed with the SEC on April 29, 2013.

In January 2014, the plaintiffs in the Illinois action filed an amended complaint seeking damages for the alleged breach of fiduciary duties by the individual defendants and the alleged aiding and abetting of those breaches by WMS and Scientific Games Corporation. In February 2014, WMS and Scientific Games Corporation filed motions to dismiss the amended complaint. In September 2014, the plaintiffs' claims in the Illinois action were dismissed with prejudice. The plaintiffs in the Illinois action have filed a claim for attorney fees of $0.9 million, which we have opposed.

The Company believes the claims in the consolidated Delaware action are without merit.

IGT License Claims

In early 2012, IGT initiated an audit to determine whether WMS was in compliance with the terms of a license agreement between the two parties. IGT claimed that WMS underpaid license fees by approximately $25 million plus approximately $11 million in interest. IGT subsequently filed a demand for arbitration seeking $50.0 million from WMS. We initiated an action in the U.S. District Court for the District of Nevada seeking a preliminary injunction to enjoin or limit the scope of the arbitration and to restrain IGT from seeking to enforce certain provisions of the arbitration clause in the license agreement, as well as a refund of overpaid royalty payments. Our motion for preliminary injunction was denied by the District Court in March 2014 and our action seeking recovery of overpaid royalty payments was stayed pending resolution of certain matters in the arbitration. In June 2014, WMS, Scientific Games Corporation and IGT entered into a settlement agreement that resolved this matter and a number of other disputes and proceedings among the parties. We paid $8.0 million to IGT in connection with the settlement, substantially all of which was included in our previously accrued liabilities assumed in the WMS acquisition. The District Court action was dismissed in June 2014 and the arbitration action was dismissed in July 2014.

Bally Acquisition Litigation

The following complaints challenging the pending Bally merger were filed in August 2014 in the state District Court of Clark County, Nevada: Shaev v. Bally Technologies, Inc., Richard Haddrill, et al. (C.A. No. A-14-705012-B); Lawandoski v. Bally Technologies, Inc., Robert Guido, et al. (C.A. No. A-14-705153-C); Rosenfeld v. Bally Technologies, Inc., Robert Guido, et al. (C.A. No. A-14-705162-B); Crescente v. Bally Technologies, Inc., Robert Guido, et al. (C.A. No. A-14-705144-C); Stein v. Bally Technologies, Inc., Robert L. Guido, et al. (C.A. No. A-14-705338-B); and Hahm v. Bally Technologies, Inc., Robert Guido, et al. (C.A. No. A-14-706234-C). The actions are putative class actions filed on behalf of the public stockholders of Bally and name as defendants Bally, its directors, Scientific Games Corporation and certain of its affiliates. The complaints generally allege that the Bally directors breached their fiduciary duties in connection with their consideration and approval of the merger and that we aided and abetted those alleged breaches. The plaintiffs seek equitable relief, including to enjoin the merger, to rescind the merger if not enjoined, damages, attorneys' fees and other costs.

All of the actions have been consolidated under the caption In re Bally Technologies, Inc. Shareholders Litigation (C.A. No. A-14-705012-B) (the "Nevada Action"). In October 2014, plaintiffs filed a motion for limited expedited discovery in connection with an anticipated motion to enjoin the proposed transaction. Following that, in October 2014, Bally and its directors filed a motion to dismiss the consolidated complaint and Scientific Games and its affiliates filed a motion to dismiss the count of the consolidated complaint alleging wrongdoing by Scientific Games Corporation and its affiliates. Following that, the plaintiffs withdrew their motion for expedited discovery and the parties entered into preliminary settlement discussions.

On October 17, 2014, following arm's-length negotiations, the parties to the Nevada Action entered into a MOU under which they agreed in principle to settle all of the claims asserted in the Nevada Action on a class-wide basis, subject to certain conditions, including confirmatory discovery by the plaintiffs in the Nevada Action and preliminary and final approval of the Nevada court, which will consider the fairness, reasonableness and adequacy of the settlement. Bally, Scientific Games and the other named defendants entered into the MOU solely to avoid the costs, risks and uncertainties inherent in litigation and without admitting any liability or wrongdoing, and vigorously denied, and continue to vigorously deny, the claims alleged in the Nevada Action.

There can be no assurance that the parties will ultimately enter into a definitive settlement agreement or that the Nevada court will approve the settlement. In such event, or if the merger is not consummated for any reason, the proposed settlement will be null and void and of no force and effect. Payments made in connection with the settlement, which are subject to court approval, are not expected to be material. The settlement will not affect the consideration to be received by Bally's stockholders in the merger or the timing of the anticipated closing of the merger.

Additional lawsuits relating to the merger agreement or the Bally acquisition may be filed in the future. An adverse judgment for monetary damages could have a material adverse effect on the financial condition, results of operations or cash flows of Bally or us, as the case may be, and therefore could adversely affect the combined business if the merger is completed. A preliminary injunction could delay or jeopardize the completion of the merger, and an adverse judgment granting permanent injunctive relief could indefinitely enjoin completion of the merger.

Item 1A. Risk Factors

There have been no material changes in our risk factors from those disclosed under "Item 1A. Risk Factors" included in our 2013 Annual Report on Form 10-K other than as set forth below, which risk factors should be read in conjunction with the other risk factors disclosed in our 2013 Annual Report on Form 10-K.

Risks Relating to Our Pending Acquisition of Bally

Lawsuits have been filed against us challenging the proposed Bally acquisition, and an adverse ruling in any such lawsuit may prevent the Bally acquisition from occurring or from occurring within the expected timeframe.

A number of putative class action lawsuits have been filed on behalf of Bally's stockholders relating to the Bally acquisition which name us and, in some cases, certain of our affiliates, as defendants. If these actions or similar actions that may be brought are successful, the Bally acquisition could be delayed or prevented or could result in significant monetary damages. Additionally, we may incur significant expense defending or settling any such actions. For additional information regarding these pending lawsuits, see "Legal Proceedings" in Part II, Item 1 of this Quarterly Report on Form 10-Q for further information.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (2)
7/1/2014 - 7/31/2014	5,021	$ 10.42	—	$75.0 million
8/1/2014 - 8/31/2014	36,215	$ 9.70	—	$75.0 million
9/1/2014 - 9/30/2014	28,012	$ 12.06	—	$75.0 million
Total	69,248	$ 10.71	—	$75.0 million

(1) This column reflects 69,248 shares withheld from employees to satisfy tax withholding obligations associated with the vesting of RSUs during the three months ended September 30, 2014.

(2) On December 5, 2013, our board of directors approved an extension of our existing stock repurchase program to December 31, 2014. The program, originally announced in May 2010, was due to expire on December 31, 2013. Under the program, we are authorized to repurchase, from time to time through open market purchases or otherwise, shares of our outstanding common stock in an aggregate amount up to $200 million. As of September 30, 2014, we had $75.0 million available for potential repurchases under the program.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Description
2.1	Agreement and Plan of Merger, dated as of August 1, 2014, by and among the Company, SGI, Scientific Games Nevada, Inc. and Bally Technologies, Inc. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on August 4, 2014).
4.1	Supplemental Indenture, dated as of September 15, 2014, among the Company, as issuer, the subsidiary guarantors party thereto, Scientific Games Productions, LLC, Scientific Games Distribution, LLC, and Deutsche Bank Trust Company Americas, as trustee, relating to the Indenture dated September 22, 2010, by and among the Company, as issuer, the subsidiary guarantors party thereto and Deutsche Bank Trust Company Americas, as trustee).(†)
4.2	Supplemental Indenture, dated as of September 15, 2014, among Scientific Games International, Inc., as issuer, the Company, as a guarantor, the subsidiary guarantors party thereto, Scientific Games Productions, LLC, Scientific Games Distribution, LLC, and Deutsche Bank Trust Company Americas, as trustee, relating to the Indenture dated August 20, 2012, by and among Scientific Games International, Inc., as issuer, the Company, as a guarantor, the subsidiary guarantors party thereto and Deutsche Bank Trust Company Americas, as trustee).(†)
4.3	Supplemental Indenture, dated as of September 15, 2014, among Scientific Games International, Inc., as issuer, the Company, as a guarantor, the subsidiary guarantors party thereto, Scientific Games Productions, LLC, Scientific Games Distribution, LLC, and Deutsche Bank Trust Company Americas, as trustee, relating to the Indenture dated June 4, 2014, by and among Scientific Games International, Inc., as issuer, the Company, as a guarantor, the subsidiary guarantors party thereto and Deutsche Bank Trust Company Americas, as trustee).(†)
10.1	Amendment No. 1 to Credit Agreement, dated as of October 1, 2014, by and among Scientific Games International, Inc., as the borrower, the Company, the lenders and other agents from time to time party thereto, and Bank of America, N.A., as administrative agent, collateral agent, issuing lender and swingline lender (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 7, 2014).
10.2	Escrow Credit Agreement, dated as of October 1, 2014, by and among SGMS Escrow Corp., the lenders and other agents from time to time party thereto, and Bank of America, N.A., as administrative agent (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on October 7, 2014).
10.3	Letter Agreement dated as of July 31, 2014 between the Company and David L. Kennedy.*(†)
10.4	Agreement and General Release dated as of September 30, 2014 between the Company and Andrew E. Tomback.*(†)
10.5	Form of Inducement Equity Award Agreement between the Company and M. Gavin Isaacs (incorporated by reference to Exhibit 4.4 to the Company's Registration Statement on Form S-8 (No. 333-197948) filed on August 7, 2014).*
10.6	Commitment Letter, dated as of August 1, 2014, by and among the Company, SGI and Bank of America, N.A., Merrill Lynch, Pierce, Fenner & Smith Incorporated, JPMorgan Chase Bank, N.A., J.P. Morgan Securities LLC, Deutsche Bank AG New York Branch, Deutsche Bank AG Cayman Islands Branch and Deutsche Bank Securities Inc. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on August 4, 2014).
10.7	Employment Agreement dated as of August 28, 2014 by and between the Company and Steven W. Beason.* (†)

Exhibit Number	Description
31.1	Certification of the Chief Executive Officer of the Company pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934. (†)
31.2	Certification of the Chief Financial Officer of the Company pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934. (†)
32.1	Certification of the Chief Executive Officer of the Company pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (†)
32.2	Certification of the Chief Financial Officer of the Company pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (†)
101	Financial statements from the Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2014, filed on October 31, 2014, formatted in Extensible Business Reporting Language (XBRL): (i) the Consolidated Statements of Operations and Comprehensive (Loss) Income, (ii) the Consolidated Balance Sheets, (iii) the Consolidated Statements of Cash Flows and (iv) the Notes to Consolidated Financial Statements tagged as blocks of text. (†)(**)

* Management contracts and compensation plans and arrangements.
(**) Pursuant to Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall not be deemed "filed" for purposes of Section 18 of the Exchange Act of 1934, or otherwise subject to liability of that section and shall not be incorporated by reference into any filing or other document pursuant to the Securities Act of 1933, except as shall be expressly set forth by specific reference in such filing or document.
(†) Filed herewith.

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/ Scott D. Schweinfurth
Name:	Scott D. Schweinfurth
Title:	Executive Vice President and Chief Financial Officer

By:	/s/ Jeffrey B. Johnson
Name:	Jeffrey B. Johnson
Title:	Vice President, Finance, and Chief Accounting Officer

Dated: October 31, 2014

Exhibit 4.1

SUPPLEMENTAL INDENTURE, dated as of September 15, 2014 (this "Supplemental Indenture"), by and among Scientific Games Corporation, a Delaware corporation (the "Company"), the Guarantors (as defined in the indenture referred to herein), Scientific Games Productions, LLC, a Nevada limited liability company, and Scientific Games Distribution, LLC, a Nevada limited liability company (collectively, the "Additional Guarantors"), and Deutsche Bank Trust Company Americas, a New York banking corporation, as successor trustee (the "Trustee").

WHEREAS, the Company, the original Guarantors and the Trustee executed an Indenture, dated as of September 22, 2010 (the "Indenture"), relating to the Company's 8.125% Senior Subordinated Notes due 2018;

WHEREAS, under certain circumstances, Section 11.17 of the Indenture requires the Company to cause each of the Company's Restricted Subsidiaries to execute and deliver to the Trustee a supplemental indenture and thereby become a Guarantor bound by the Guarantee of the Securities on the terms set forth in Article Eleven of the Indenture;

WHEREAS, pursuant to Section 9.01 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture; and

WHEREAS, except as otherwise defined herein in this Supplemental Indenture, capitalized terms used in this Supplemental Indenture have the meanings specified in the Indenture;

NOW, THEREFORE, in consideration of the above premises, each party agrees, for the benefit of the other parties and for the equal and ratable benefit of the Holders of the Securities, as follows:

ARTICLE ONE

AMENDMENT

Section 1.01. Amendment. Each of the Additional Guarantors hereby agrees to become a Guarantor bound by the Guarantee of the Securities on the terms set forth in Article Eleven of the Indenture.

ARTICLE TWO

MISCELLANEOUS PROVISIONS

Section 2.01. Indenture. Except as amended hereby, the Indenture and the Securities are in all respects ratified and confirmed and all their terms shall remain in full force and effect.

Section 2.02. Trustee's Disclaimer. The Trustee shall not be responsible for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Company and the Additional Guarantors.

Section 2.03. Governing Law. THIS SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, BUT WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS

OF LAWS TO THE EXTENT THAT THE APPLICATION OF THE LAW OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

Section 2.04. Counterparts. This Supplemental Indenture may be executed in any number of counterparts, each of which shall be an original, but all of them together shall represent the same agreement.

Section 2.05. Headings. The Article and Section headings in this Supplemental Indenture are for convenience only and shall not affect the construction of this Supplemental Indenture.

(REMAINDER OF PAGE INTENTIONALLY LEFT BLANK)

SIGNATURES

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, all as of the date first written above.

Company:

SCIENTIFIC GAMES CORPORATION

By: /s/ Jack B. Sarno
Name: Jack B. Sarno
Title: Vice President-Worldwide Legal Affairs and Corporate Secretary

Additional Guarantors:

SCIENTIFIC GAMES PRODUCTIONS, LLC

By: SG Gaming North America, Inc., its sole member

By: /s/ Jack B. Sarno
Name: Jack B. Sarno
Title: Vice President and Secretary

SCIENTIFIC GAMES DISTRIBUTION, LLC

By: SG Gaming North America, Inc., its sole member

By: /s/ Jack B. Sarno
Name: Jack B. Sarno
Title: Vice President and Secretary

Existing Guarantors:

WMS INDUSTRIES INC.

By: /s/ Jack B. Sarno
Name: Jack B. Sarno
Title: General Counsel and Secretary

WMS GAMING INC.

By: /s/ Jack B. Sarno
Name: Jack B. Sarno
Title: General Counsel and Secretary

WMS INTERNATIONAL HOLDINGS INC.

By: /s/ Jack B. Sarno
Name: Jack B. Sarno
Title: General Counsel and Secretary

PHANTOM EFX, LLC

By: /s/ Jack B. Sarno
Name: Jack B. Sarno
Title: Manager

LENC-SMITH INC.

By: /s/ Jack B. Sarno
Name: Jack B. Sarno
Title: General Counsel and Secretary

WILLIAMS ELECTRONICS GAMES, INC.

By: /s/ Jack B. Sarno
Name: Jack B. Sarno
Title: General Counsel and Secretary

WMS FINANCE INC.

By: /s/ Jack B. Sarno
Name: Jack B. Sarno
Title: General Counsel and Secretary

LENC SOFTWARE HOLDINGS LLC

By: /s/ Jack B. Sarno
Name: Jack B. Sarno
Title: Manager

WILLIAMS INTERACTIVE LLC

By: /s/ Jack B. Sarno
Name: Jack B. Sarno
Title: Manager

SCIENTIFIC GAMES INTERNATIONAL, INC.

By: /s/ Jack B. Sarno
Name: Jack B. Sarno
Title: Vice President, General Counsel and Secretary

SG GAMING NORTH AMERICA, INC.

By: /s/ Jack B. Sarno
Name: Jack B. Sarno
Title: Vice President and Secretary

SCIENTIFIC GAMES PRODUCTS, INC.

By: /s/ Jack B. Sarno
Name: Jack B. Sarno
Title: Vice President and Secretary

MDI ENTERTAINMENT, LLC

By: Scientific Games International, Inc., its sole member

By: /s/ Jack B. Sarno
Name: Jack B. Sarno
Title: Vice President, General Counsel and Secretary

SCIENTIFIC GAMES SA, INC.

By: /s/ Jack B. Sarno
Name: Jack B. Sarno
Title: General Counsel and Secretary

SCIPLAY INC.

By: /s/ Jack B. Sarno
Name: Jack B. Sarno
Title: Vice President and Secretary

SCIENTIFIC GAMES NEW JERSEY, LLC

By: Scientific Games International, Inc., its sole member

By: /s/ Jack B. Sarno
Name: Jack B. Sarno
Title: Vice President, General Counsel and Secretary

Trustee:

DEUTSCHE BANK TRUST COMPANY AMERICAS

By: /s/ Chris Niesz
Name: Chris Niesz
Title: Assistant Vice President

Signature Page to Supplemental Indenture-2018 Notes

Exhibit 4.2

SUPPLEMENTAL INDENTURE, dated as of September 15, 2014 (this "Supplemental Indenture"), by and among Scientific Games International, Inc., a Delaware corporation (the "Company"), the Guarantors (as defined in the indenture referred to herein), Scientific Games Productions, LLC, a Nevada limited liability company, and Scientific Games Distribution, LLC, a Nevada limited liability company (collectively, the "Additional Guarantors"), and Deutsche Bank Trust Company Americas, a New York banking corporation, as successor trustee (the "Trustee").

WHEREAS, the Company, the original Guarantors and the Trustee executed an Indenture, dated as of August 20, 2012 (the "Indenture"), relating to the Company's 6.250% Senior Subordinated Notes due 2020;

WHEREAS, under certain circumstances, Section 11.17 of the Indenture requires the Company to cause each of the Company's Restricted Subsidiaries to execute and deliver to the Trustee a supplemental indenture and thereby become a Guarantor bound by the Guarantee of the Securities on the terms set forth in Article Eleven of the Indenture;

WHEREAS, pursuant to Section 9.01 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture; and

WHEREAS, except as otherwise defined herein in this Supplemental Indenture, capitalized terms used in this Supplemental Indenture have the meanings specified in the Indenture;

NOW, THEREFORE, in consideration of the above premises, each party agrees, for the benefit of the other parties and for the equal and ratable benefit of the Holders of the Securities, as follows:

ARTICLE ONE

AMENDMENT

Section 1.01. Amendment. Each of the Additional Guarantors hereby agrees to become a Guarantor bound by the Guarantee of the Securities on the terms set forth in Article Eleven of the Indenture.

ARTICLE TWO

MISCELLANEOUS PROVISIONS

Section 2.01. Indenture. Except as amended hereby, the Indenture and the Securities are in all respects ratified and confirmed and all their terms shall remain in full force and effect.

Section 2.02. Trustee's Disclaimer. The Trustee shall not be responsible for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Company and the Additional Guarantors.

Section 2.03. Governing Law. THIS SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, BUT WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS

OF LAWS TO THE EXTENT THAT THE APPLICATION OF THE LAW OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

Section 2.04. Counterparts. This Supplemental Indenture may be executed in any number of counterparts, each of which shall be an original, but all of them together shall represent the same agreement.

Section 2.05. Headings. The Article and Section headings in this Supplemental Indenture are for convenience only and shall not affect the construction of this Supplemental Indenture.

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SIGNATURES

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, all as of the date first written above.

Company:

SCIENTIFIC GAMES INTERNATIONAL, INC.

By: /s/ Jack B. Sarno
Name: Jack B. Sarno
Title: Vice President, General Counsel and Secretary

Additional Guarantors:

SCIENTIFIC GAMES PRODUCTIONS, LLC

By: SG Gaming North America, Inc., its sole member

By: /s/ Jack B. Sarno
Name: Jack B. Sarno
Title: Vice President and Secretary

SCIENTIFIC GAMES DISTRIBUTION, LLC

By: SG Gaming North America, Inc., its sole member

By: /s/ Jack B. Sarno
Name: Jack B. Sarno
Title: Vice President and Secretary

Existing Guarantors:

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By: /s/ Jack B. Sarno
Name: Jack B. Sarno
Title: General Counsel and Secretary

WMS GAMING INC.

By: /s/ Jack B. Sarno
Name: Jack B. Sarno
Title: General Counsel and Secretary

WMS INTERNATIONAL HOLDINGS INC.

By: /s/ Jack B. Sarno
Name: Jack B. Sarno
Title: General Counsel and Secretary

PHANTOM EFX, LLC

By: /s/ Jack B. Sarno
Name: Jack B. Sarno
Title: Manager

LENC-SMITH INC.

By: /s/ Jack B. Sarno
Name: Jack B. Sarno
Title: General Counsel and Secretary

WILLIAMS ELECTRONICS GAMES, INC.

By: /s/ Jack B. Sarno
Name: Jack B. Sarno
Title: General Counsel and Secretary

WMS FINANCE INC.

By: /s/ Jack B. Sarno
Name: Jack B. Sarno
Title: General Counsel and Secretary

LENC SOFTWARE HOLDINGS LLC

By: /s/ Jack B. Sarno
Name: Jack B. Sarno
Title: Manager

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Name: Jack B. Sarno
Title: Manager

SCIENTIFIC GAMES CORPORATION

By: /s/ Jack B. Sarno
Name: Jack B. Sarno
Title: Vice President – Worldwide Legal Affairs and Corporate Secretary

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By: /s/ Jack B. Sarno
Name: Jack B. Sarno
Title: Vice President and Secretary

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By: /s/ Jack B. Sarno
Name: Jack B. Sarno
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By: Scientific Games International, Inc., its sole member

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Name: Jack B. Sarno
Title: General Counsel and Secretary

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By: /s/ Jack B. Sarno
Name: Jack B. Sarno
Title: Vice President and Secretary

SCIENTIFIC GAMES NEW JERSEY, LLC

By: Scientific Games International, Inc., its sole member

By: /s/ Jack B. Sarno
Name: Jack B. Sarno
Title: Vice President, General Counsel and Secretary

Trustee:

DEUTSCHE BANK TRUST COMPANY AMERICAS

By: /s/ Chris Niesz
Name: Chris Niesz
Title: Assistant Vice President

Exhibit 4.3

SUPPLEMENTAL INDENTURE, dated as of September 15, 2014 (this "Supplemental Indenture"), by and among Scientific Games International, Inc., a Delaware corporation (the "Company"), the Guarantors (as defined in the indenture referred to herein), Scientific Games Productions, LLC, a Nevada limited liability company, and Scientific Games Distribution, LLC, a Nevada limited liability company (collectively, the "Additional Guarantors"), and Deutsche Bank Trust Company Americas, a New York banking corporation, as successor trustee (the "Trustee").

WHEREAS, the Company, the original Guarantors and the Trustee executed an Indenture, dated as of June 4, 2014 (the "Indenture"), relating to the Company's 6.625% Senior Subordinated Notes due 2021;

WHEREAS, under certain circumstances, Section 11.17 of the Indenture requires the Company to cause each of the Company's Restricted Subsidiaries to execute and deliver to the Trustee a supplemental indenture and thereby become a Guarantor bound by the Guarantee of the Securities on the terms set forth in Article Eleven of the Indenture;

WHEREAS, pursuant to Section 9.01 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture; and

WHEREAS, except as otherwise defined herein in this Supplemental Indenture, capitalized terms used in this Supplemental Indenture have the meanings specified in the Indenture;

NOW, THEREFORE, in consideration of the above premises, each party agrees, for the benefit of the other parties and for the equal and ratable benefit of the Holders of the Securities, as follows:

ARTICLE ONE

AMENDMENT

Section 1.01. Amendment. Each of the Additional Guarantors hereby agrees to become a Guarantor bound by the Guarantee of the Securities on the terms set forth in Article Eleven of the Indenture.

ARTICLE TWO

MISCELLANEOUS PROVISIONS

Section 2.01. Indenture. Except as amended hereby, the Indenture and the Securities are in all respects ratified and confirmed and all their terms shall remain in full force and effect.

Section 2.02. Trustee's Disclaimer. The Trustee shall not be responsible for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Company and the Additional Guarantors.

Section 2.03. Governing Law. THIS SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, BUT WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS

OF LAWS TO THE EXTENT THAT THE APPLICATION OF THE LAW OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

Section 2.04. Counterparts. This Supplemental Indenture may be executed in any number of counterparts, each of which shall be an original, but all of them together shall represent the same agreement.

Section 2.05. Headings. The Article and Section headings in this Supplemental Indenture are for convenience only and shall not affect the construction of this Supplemental Indenture.

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SIGNATURES

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, all as of the date first written above.

Company:

SCIENTIFIC GAMES INTERNATIONAL, INC.

By: /s/ Jack B. Sarno
Name: Jack B. Sarno
Title: Vice President, General Counsel and Secretary

Additional Guarantors:

SCIENTIFIC GAMES PRODUCTIONS, LLC

By: SG Gaming North America, Inc., its sole member

By: /s/ Jack B. Sarno
Name: Jack B. Sarno
Title: Vice President and Secretary

SCIENTIFIC GAMES DISTRIBUTION, LLC

By: SG Gaming North America, Inc., its sole member

By: /s/ Jack B. Sarno
Name: Jack B. Sarno
Title: Vice President and Secretary

Existing Guarantors:

WMS INDUSTRIES INC.

By: /s/ Jack B. Sarno
Name: Jack B. Sarno
Title: General Counsel and Secretary

WMS GAMING INC.

By: /s/ Jack B. Sarno
Name: Jack B. Sarno
Title: General Counsel and Secretary

WMS INTERNATIONAL HOLDINGS INC.

By: /s/ Jack B. Sarno
Name: Jack B. Sarno
Title: General Counsel and Secretary

PHANTOM EFX, LLC

By: /s/ Jack B. Sarno
Name: Jack B. Sarno
Title: Manager

LENC-SMITH INC.

By: /s/ Jack B. Sarno
Name: Jack B. Sarno
Title: General Counsel and Secretary

WILLIAMS ELECTRONICS GAMES, INC.

By: /s/ Jack B. Sarno
Name: Jack B. Sarno
Title: General Counsel and Secretary

WMS FINANCE INC.

By: /s/ Jack B. Sarno
Name: Jack B. Sarno
Title: General Counsel and Secretary

LENC SOFTWARE HOLDINGS LLC

By: /s/ Jack B. Sarno
Name: Jack B. Sarno
Title: Manager

WILLIAMS INTERACTIVE LLC

By: /s/ Jack B. Sarno
Name: Jack B. Sarno
Title: Manager

SCIENTIFIC GAMES CORPORATION

By: /s/ Jack B. Sarno
Name: Jack B. Sarno
Title: Vice President – Worldwide Legal Affairs and Corporate Secretary

SG GAMING NORTH AMERICA, INC.

By: /s/ Jack B. Sarno
Name: Jack B. Sarno
Title: Vice President and Secretary

SCIENTIFIC GAMES PRODUCTS, INC.

By: /s/ Jack B. Sarno
Name: Jack B. Sarno
Title: Vice President and Secretary

MDI ENTERTAINMENT, LLC

By: Scientific Games International, Inc., its sole member

By: /s/ Jack B. Sarno
Name: Jack B. Sarno
Title: Vice President, General Counsel and Secretary

SCIENTIFIC GAMES SA, INC.

By: /s/ Jack B. Sarno
Name: Jack B. Sarno
Title: General Counsel and Secretary

SCIPLAY INC.

By: /s/ Jack B. Sarno
Name: Jack B. Sarno
Title: Vice President and Secretary

SCIENTIFIC GAMES NEW JERSEY, LLC

By: Scientific Games International, Inc., its sole member

By: /s/ Jack B. Sarno
Name: Jack B. Sarno
Title: Vice President, General Counsel and Secretary

Trustee:

DEUTSCHE BANK TRUST COMPANY AMERICAS

By: /s/ Chris Niesz
Name: Chris Niesz
Title: Assistant Vice President

Exhibit 10.3

July 31, 2014

David L. Kennedy
1190 Dogwood Drive
Greensboro, GA 30642

Dear David:

This letter is to confirm your resignation as Executive Vice Chairman of Scientific Games Corporation (the "Company") effective August 1, 2014. As discussed, you will continue to serve as Vice Chairman of the Company's Board of Directors ("Board") in a non-employee capacity.

In connection with your transition from executive service, your Employment Agreement (the "Agreement") with the Company, dated June 9, 2014, will terminate and you will not be entitled to any payments or benefits under Section 4 of the Agreement, other than Standard Termination Payments (as defined therein). Notwithstanding termination of the Agreement, Sections 5 and 12 of the Agreement shall survive in accordance with their terms.

The Company will permit your sign-on equity of 150,000 restricted stock units, granted on December 5, 2013, to continue to vest during your Board service. Attached as an Exhibit hereto is an amended and restated award agreement for such grant which conforms its terms to those applicable to members of the Board. In addition, the Company will, no later than March 15, 2015, pay you a pro-rated bonus for 2014 based on your service as an executive of the Company through July.

Please confirm your acknowledgement and agreement with the terms and conditions surrounding your transition from executive service by signing this letter and the award agreement in the Exhibit.

We look forward to continuing to work with you as a member of the Board.

/s/ Peter Mani
Peter Mani
VP and Chief Human Resources Officer

/s/ David L. Kennedy
David L. Kennedy
Date: July 31, 2014

EXHIBIT

SCIENTIFIC GAMES CORPORATION
2003 INCENTIVE COMPENSATION PLAN
AS AMENDED AND RESTATED JUNE 11, 2014

AMENDED AND RESTATED

TERMS AND CONDITIONS (NON-EMPLOYEE DIRECTOR) OF

SIGN-ON GRANT

THIS AGREEMENT, by and between SCIENTIFIC GAMES CORPORATION (the "Company") and David L. Kennedy (the "Participant"), is effective as of the date signed by the Participant below.

WHEREAS, the Company's Compensation Committee (the "Committee") administers the Scientific Games Corporation 2003 Incentive Compensation Plan, as amended from time to time (the "Plan");

WHEREAS, the Committee may from time to time approve awards for the Participant in such amounts and at such times as the Committee may determine in its sole discretion, which awards shall be subject to the terms and conditions of the Plan and this Agreement, as such terms and conditions may be amended or supplemented from time to time by the Committee;

WHEREAS, by virtue of the Participant's assumption of the role of President and Chief Executive Officer of the Company, the Committee determined that the Participant was eligible to receive an award under the Plan in the amount of 150,000 restricted stock units on December 5, 2013, which the Participant accepted through Fidelity Investments on February 23, 2014 (the "Sign-On Grant");

WHEREAS, Participant became the Executive Vice Chairman of the Company on June 10, 2014;

WHEREAS, in connection with Participant's transition from Executive Vice Chairman of the Company to Vice Chairman of the Company's Board of Directors (the "Transition"), the Participant and the Company (i) acknowledge and agree that the vesting of the Sign-On Grant will not accelerate pursuant to its terms as a result of the Transition in accordance with Section 4(e) of Participant's Employment Agreement with the Company; and (ii) desire that the award agreement with respect to the Sign-On Grant Participant entered into as an employee be amended and restated to conform to the Plan's standard non-employee director award agreement;

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter set forth, the parties agree that the Sign-On Grant shall be governed by this amended and restated Agreement, as of the date hereof, as follows.

1. Grants. This Agreement relates to the Sign-On Grant with respect to 150,000 restricted stock units ("Units").

2. Incorporation of Plan by Reference. All terms, conditions and restrictions of the Plan are incorporated herein and made part hereof as if stated herein. If there is any conflict between the terms and conditions of the Plan and this Agreement, the terms and conditions of the Plan, as interpreted by the Committee, shall govern. Except as otherwise provided herein, all capitalized terms used herein shall have the meaning given to such terms in the Plan.

3. Restriction on Transfer of Awards. Awards under the Plan may not be sold, assigned, transferred, pledged, hypothecated, margined, or otherwise encumbered or disposed of by the Participant, except for transfers upon the death of the Participant.

4. Vesting Schedule for Awards. Unless otherwise set forth in the applicable Award notice, Award under the Plan will be granted with a four-year ratable vesting schedule such that 25% of the total Award will vest on each of the first four anniversaries of the grant date.

5. Distribution of Vested Units. As soon as administratively practicable after each applicable vesting date of an Award of Units (generally within three business days and in no event more than 15 business days), the Company

will deliver to the Participant a number of shares of Common Stock equal to the number of Units that vested as of an applicable vesting date.

6. Taxes. To the extent required by applicable federal, state, local or foreign law, the Participant shall make arrangements satisfactory to the Company for the satisfaction of any withholding tax obligations that arise with respect to an Award. The Company shall not be required to issue shares until such obligations are satisfied. In the case of Units, unless otherwise determined by the Committee, the Company will withhold from any shares deliverable upon the vesting of Units a number of shares sufficient to satisfy the minimum applicable withholding taxes; provided, however, that, unless otherwise determined by the Committee, the Participant will be permitted to elect, in accordance with procedures adopted from time to time by the Company, to pay the tax withholding amount in cash, in which case no shares will be withheld and the Participant will be required to pay the amount of the taxes in full by the vesting date, in cash, by certified check, bank cashier's check or wire transfer.

7. Expiration of Awards; Effect of Termination.

Subject to the provisions of the Plan and this Agreement, except to the extent otherwise specifically provided under the terms of any grant or award of Units:

(i) in the event the provision of services by the Participant terminates for any reason (other than by reason of death or "Disability" (as defined below)), all unvested Units shall be immediately forfeited; or

(ii) in the event the provision of services by the Participant terminates by reason of death or Disability, all unvested Units shall fully vest and become non-forfeitable as of the date of death or the date of such termination, as the case may be, and, in all other respects, all such awards shall be governed by the plans and programs and the agreements and other documents pursuant to which such awards were granted.

For purposes of this Agreement, "Disability" shall mean the Participant's inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months.

8. Other Terms.

(a) *No Shareholder Rights.* Until shares of Common Stock covered by an Award are issued to the Participant in connection with the vesting of Units, the Participant shall have no voting, dividend or other rights as a stockholder of the Company for any purpose.

(b) *Consideration for Grant.* Participant shall not be required to pay any cash consideration for the grant of an Award. In the case of grants of Units, as to which cash consideration at the time of grant or vesting shall not be required, the Participant's performance of services to the Company from the grant date to the date of vesting shall be deemed to be consideration for the grant, which services have a value at least equal to the aggregate par value of the shares being newly issued in connection with the grant. The foregoing notwithstanding, an Award may be granted in exchange for the Participant's surrender of another Award or other right to compensation, if and to the extent permitted by the Committee.

(c) *Insider Trading Policy Applicable.* Participant acknowledges that sales of shares received with respect to Awards will be subject to the Company's policies regulating trading by directors.

9 Delays or Omissions. No delay or omission to exercise any right, power or remedy accruing to any party hereto, upon any breach or default of any party under this Agreement, shall impair any such right, power or remedy of such party, nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, or of or in any similar breach or default thereafter occurring, nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of any party of any breach or default under this Agreement, or any waiver on the part of any party of any provisions or conditions of this Agreement, must be in a writing signed by such party and shall be effective only to the extent specifically set forth in such writing.

10. Integration. This Agreement, and the other documents referred to herein or delivered pursuant hereto which form a part hereof, contain the entire understanding of the parties with respect to its subject matter. There are no restrictions, agreements, promises, representations, warranties, covenants or undertakings with respect to the subject matter hereof other than those expressly set forth herein. This Agreement, including, without limitation, the Plan, supersedes all prior agreements and understandings between the parties with respect to its subject matter.

11. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware, without regard to the provisions governing conflict of laws.

12. Data Privacy. For Participants in certain jurisdictions, the data privacy laws of such jurisdictions may require the Participants' consent the use and transfer of certain personal information necessary to administer the Plan and any Awards the Participants may receive. Accordingly, if pplicable, the Participant hereby acknowledges and agrees that the Participant's receipt of any Awards, including any right to receive the shares of Common Stock following vesting of an award of Units or retain the profit from the sale of shares of Common Stock subject to an Award, is conditioned upon Participant's consent to the use and transfer of such personal information pursuant to the consent previously executed by the Participant or, if the Participant has not previously executed such a consent, to the provisions of the consent form which accompanies this Agreement (as such form may be supplemented from time to time). **Participant's execution of this Agreement constitutes acceptance and ratification of this condition and the Participant's consent to the use and transfer of certain personal information in connection with the Participant's participation in the Plan pursuant to the provisions of such consent form (as such form may be supplemented from time to time).**

13. Plan Administrator. The Company has retained Fidelity Stock Plan Services, LLC as a third-party administrator to assist in the administration and management of the Plan (the "Plan Administrator" or "Fidelity"). A listing of all Awards may be viewed through the Plan Administrator's website at www.NetBenefits.com once the Participant has established an account with the Plan Administrator. The Plan Administrator shall handle the vesting and settlement of Units. The Company reserves the right to replace Fidelity as the Plan Administrator at any time in the Company's sole discretion.

14. Participant Acknowledgment. The Participant hereby acknowledges receipt of a copy of the Plan. The Participant hereby acknowledges that all decisions, determinations and interpretations of the Committee in respect of the Plan, this Agreement and the Awards shall be final and conclusive.

[remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed by its duly authorized officer, and the Participant has hereunto signed this Agreement on his or her own behalf, thereby representing that he or she has carefully read and understands this Agreement and the Plan as of the day and year first written above.

SCIENTIFIC GAMES CORPORATION

/s/ Scott Schweinfurth
Scott Schweinfurth
Executive Vice President and Chief Financial Officer

PARTICIPANT:

/s/ David L. Kennedy
David L. Kennedy
Date: July 31, 2014

Exhibit 10.4

AGREEMENT AND GENERAL RELEASE

This Agreement and General Release (this "Agreement") is made by and between Scientific Games Corporation (together with its successors and assigns, the "Company") and Andrew E. Tomback ("you"), and sets forth the terms and conditions of the termination of your employment on and as of the Separation Date (as defined below). You and the Company (each, a "Party" and together, the "Parties") agree that:

1. **Last Day of Employment**. Your last day of employment with the Company is September 30, 2014 (the "Separation Date"). You will be paid your base salary through the Separation Date in accordance with the Company's ordinary payroll practices. Effective on the Separation Date, you resign from any position with the Company and its affiliates whether as an officer, director, consultant, trustee or otherwise and you agree to execute any documents reasonably required to effectuate the foregoing.

2. **Separation Payments In Return for Signing**. In return for your signing this Agreement and complying with the promises made by you in this Agreement, the Company will pay to you an amount equal to $775,000 (the "Separation Payment"), which you acknowledge and agree that you would otherwise not be entitled to receive, such payment to be made in a single lump sum by wire transfer of immediately available funds promptly following your execution of this Agreement but in no event later than September 30, 2014. The Separation Payment is separate from and in addition to what you otherwise would be entitled to receive from the Company. Other than the Separation Payment and except as otherwise specifically provided in this Agreement, all benefits will cease on the Separation Date, except for (a) health insurance coverage at your current election levels, if any, which will continue through the end of the month in which your separation occurs, and (b) vested benefits under any Company 401(k) plan. You acknowledge and agree that all of your equity and equity based awards including without limitation stock options and restricted stock units shall be forfeited without any payment effective as of the Separation Date.

3. **Separation Payment to be Repaid if You Sign this Agreement and Revoke It**. The Company and you acknowledge and agree that you will receive the Separation Payment specified in Section 2 promptly following the date you execute this Agreement, but that if you revoke or rescind the portion of this Agreement relating to your waiver of rights under the ADEA (as defined below) within the time period specified below (as more fully described in Section 17(b) below), you will be required to promptly reimburse the Company the full amount of the Separation Payment.

4. **General Release of Claims**.

(a) In consideration for the Separation Payment specified in Section 2 above, which you acknowledge is not otherwise owed to you, you understand and agree that you are knowingly and voluntarily releasing, waiving and forever discharging, to the fullest extent permitted by law, on your own behalf and on behalf of your agents, assignees, attorneys, heirs, executors, administrators and anyone else claiming by or through you (collectively referred to as the "Tomback

Parties"), the Company, and its parents, affiliates, subsidiaries and members, predecessors, successors or assigns, and any of its or their past or present parents, affiliates, subsidiaries and members, predecessors, successors or assigns; and any of its or their past or present shareholders; and any of its or their past or present directors, executives, members, officers, insurers, attorneys, employees, consultants, agents, both individually and in their business capacities, and employee benefits plans and trustees, fiduciaries, and administrators of those plans (collectively referred to as the "Company Parties"), of and from any and all claims under local, state or federal law, whether known or unknown, asserted and unasserted, that you and/or the other Tomback Parties have or may have against Company Parties as of the day you sign this Agreement, including but not limited to all matters relating to or in any way arising out of any aspect of your employment with the Company, separation from employment with the Company, or your treatment by the Company while in the Company's employ, all claims under any applicable law, and all other claims, charges, complaints, liens, demands, causes of action, obligations, damages (including punitive or exemplary damages), liabilities or the like (including without limitation attorneys' fees and costs) (collectively "Claims"), including but not limited to all Claims for:

(i) salary and other wages, including, but not limited to, overtime if applicable, incentive compensation (and for the avoidance of doubt, no payments shall be made with respect to a bonus for 2014 or any future year) and other bonuses, severance pay or enhanced severance pay, vacation pay or any benefits under the Employee Retirement Income Security Act of 1974, as amended or any other applicable local, state or federal law;

(ii) discrimination, harassment or retaliation based upon race, color, national origin, ancestry, religion, marital status, sex, sexual orientation, citizenship status, pregnancy or any pregnancy related disability, family status, leave of absence (including but not limited to the Family Medical Leave Act or any other federal, state or local leave laws), handicap (including but not limited to The Rehabilitation Act of 1973), medical condition or disability, or any other characteristic covered by law under Title VII of the Civil Rights Act of 1964, as amended, the Civil Rights Act of 1991, the Americans with Disabilities Act, as amended, Sections 1981 through 1988 of the Civil Rights Act of 1866, and any other federal, state, or local law prohibiting discrimination in employment, the Worker Adjustment and Retraining Notification Act, or any other federal, state or local law concerning plant shutdowns, mass layoffs, reductions in force or other business restructuring;

(iii) discrimination, harassment or retaliation based upon age under the Age Discrimination in Employment Act as amended by the Older Workers Benefit Protection Act of 1990 (the "ADEA"), or under any other federal, state, or local law prohibiting age discrimination;

(iv) matters arising under the Sarbanes-Oxley Act of 2002, to the extent permitted by law, and any other federal, state or local whistleblower laws;

(v) breach of implied or express contract (whether written or oral), breach of promise, misrepresentation, fraud, estoppel, waiver or breach of any covenant of good faith and fair dealing, including without limitation breach of any express or implied covenants of any employment agreement that may be applicable to you;

(vi) defamation, negligence, infliction of emotional distress, violation of public policy, wrongful or constructive discharge, or any employment-related tort recognized under any applicable local, state, or federal law;

(vii) any violation of any Fair Employment Practices Act, Equal Rights Act; Civil Rights Act; Minimum Fair Wages Act; Equal Pay Act; or Payment of Wages Act; or any comparable federal, state or local law;

(viii) any violation of the Immigration Reform and Control Act, or any comparable federal, state or local law;

(ix) any violation of the Fair Credit Reporting Act, or any comparable federal, state or local law;

(x) any violation of the Family and Medical Leave Act;

(xi) any violation of the New York State Human Rights Law, New York Labor Law, New York City Human Rights Law, and any comparable federal, state or local law;

(xii) any violation of the Atlanta Anti-Discrimination Ordinance, the Georgia Age Discrimination in Employment Act, the Georgia Wage Payment and Work Hour Laws, and any comparable federal, state or local law and any violation of any statute, regulation, or law of any country or nation;

(xiii) any equity or equity based awards;

(xiv) costs, fees, or other expenses, including attorneys' fees; and

(xv) any other claim, charge, complaint, lien, demand, cause of action, obligation, damages, liabilities or the like of any kind whatsoever, including, without limitation, any claim that this Agreement was induced or resulted from any fraud or misrepresentation by Company.

(b) Excluded from the release set forth in this Section 4 are: (i) any Claims or rights arising under or preserved by this Agreement, (ii) Claims arising after the date you sign this Agreement, (iii) any rights to indemnification or advancement of expenses (including, without limitation, under any applicable insurance policy) with respect to any liability you have incurred, or may in the future incur in connection with your position, or services, as an employee, officer or representative of the Company or any of its affiliates or (iv) any Claims that you cannot lawfully release. Notwithstanding anything to the contrary contained herein, including in Section 5 below, also excluded from the release set forth in Section 4(a) is your right to file a charge with an administrative agency (including the Equal Employment Opportunity Commission and the National Labor Relations Board) or participate in any agency investigation. You are, however, waiving your right to recover money or other damages in connection with any such charge or investigation. You are also waiving your right to recover money in connection with a charge filed by any other individual

or by the Equal Employment Opportunity Commission, National Labor Relations Board or any other federal, state or local agency.

5. **Additional Agreement by Employee**.

(a) BY SIGNING THIS RELEASE YOU ARE KNOWINGLY AND VOLUNTARILY WAIVING ANY RIGHTS (KNOWN OR UNKNOWN) TO BRING OR PROSECUTE A LAWSUIT OR MAKE ANY LEGAL CLAIM AGAINST THE COMPANY PARTIES WITH RESPECT TO ANY OF THE CLAIMS DESCRIBED ABOVE IN SECTION 4(a). You agree that the release set forth above will bar all claims or demands of every kind, known or unknown, referred to above in Section 4(a) (except as set forth in Section 4(b)) and further agree that no non-governmental person, organization or other entity acting on your behalf has in the past or will in the future file any lawsuit, arbitration or proceeding asserting any claim that is waived or released under this Agreement. If you break this promise and file a lawsuit, arbitration or other proceeding asserting any Claim waived in this Agreement, (i) you will pay for all costs, including reasonable attorneys' fees, incurred by the Company Parties in defending against such Claim (unless such Claim is a charge with the Equal Employment Opportunity Commission or the National Labor Relations Board); (ii) you give up any right to individual damages in connection with any administrative, arbitration or court proceeding with respect to your employment with and/or termination from employment with the Company; and (iii) if you are awarded money damages, you will assign your right to, and interest in, all such money damages to the Company Parties. Notwithstanding the foregoing, this Section 5 does not limit your right to challenge the validity of this Agreement in a legal proceeding under the Older Workers Benefit Protection Act, 29 U.S.C. § 626(f), with respect to claims under the ADEA. This Section also is not intended to and shall not limit the right of a court to determine, in its discretion, that the Company is entitled to restitution, recoupment or setoff of any payments made to you by the Company should this Agreement be found to be invalid as to the release of claims under the ADEA.

(b) You agree that you shall not solicit, encourage, assist or participate (directly or indirectly) in bringing any Claims or actions against any of the Company Parties by other current or former employees, officers or third parties, except as compelled by subpoena or other court order or legal process, and only after providing the Company with prior notice of any such subpoena, order or legal process and an opportunity to timely contest such process. Notwithstanding the foregoing, nothing in this Agreement shall preclude you from making truthful statements that are required by applicable law, regulation or legal process.

(c) You represent and warrant that you have not filed any administrative, judicial or other form of complaint or initiated any claim, charge, complaint or formal legal proceeding, nor are you a party to any such claim, against any of the Company Parties, and that you will not make such a filing at any time hereafter based on any events or omissions occurring prior to the date of execution of this Agreement. You understand and agree that this Agreement will be pleaded as a full and complete defense to any action, suit or proceeding which is or may be instituted, prosecuted or maintained by you, your agents, assignees, attorneys, heirs, executors, administrators and anyone else claiming by or through you.

(d) You agree that you will reasonably cooperate with the Company, its parents, subsidiaries or affiliates, upon reasonable request, with respect to matters or issues which took place or arose during your tenure with the Company, specifically including without limitation any attorney retained by any of them, in connection with any pending or future internal investigation or judicial, administrative or regulatory matter, proceeding or investigation. The Parties acknowledge and agree that such cooperation may include, but shall not be limited to, you making yourself reasonably available for meetings, interviews, depositions, statements, testimony or the signing of affidavits, and providing to the Company any documents or information in your possession or under your control relating to any such litigation, regulatory matter or investigation, provided that any such meetings, interviews, depositions, statements or testimony do not unduly interfere with your work schedule or other post-Company duties, responsibilities or obligations. The Company shall reimburse you promptly after you submit receipts or other documents reasonably acceptable to the Company for your actual out-of-pocket expenses reasonably incurred and approved by the Company in connection with your performance under this subpart (d); provided, however, that you shall not be entitled to any expense reimbursement for time spent testifying or otherwise cooperating in any matter in which you are a defendant in the proceeding or a named subject or target of the litigation, regulatory matter or investigation. You represent and warrant that you have and will accurately, completely and truthfully disclose to the Company any and all materials and information requested, including, without limitation, in connection with any pending or future internal investigation or judicial, administrative or regulatory matter, proceeding or investigation involving conduct in which you were involved or had knowledge in connection with your employment with the Company.

(e) You agree to cooperate with Company and take all necessary steps to effectuate this Agreement, each of its terms and the intent of the Parties.

6. **Affirmations**. In signing this Agreement, you are affirming that:

(a) You have been paid and/or have received all compensation, wages, bonuses, commissions, overtime and/or benefits to which you may be entitled (except as set forth in this Agreement), and if applicable, that you have reported all hours worked as of the date you sign this Agreement. You affirm that you have been granted or not been denied any leave to which you were entitled under the Family and Medical Leave Act or related state or local leave or disability accommodation laws;

(b) You are not eligible to receive payments or benefits under any other Company and/or other Company Party's severance pay policy, plan, practice or arrangement (except as set forth in this Agreement);

(c) Your separation from the Company is not under circumstances that would entitle you to any payments or benefits pursuant to your Employment Agreement with the Company, dated November 22, 2013 (the "Employment Agreement"). The Employment Agreement shall be terminated as of the date hereof and of no further force or effect and the payments being made to you under this Agreement are solely intended as consideration to obtain your release of claims and acceptance of the other terms and conditions specified in this Agreement in connection with your separation from the Company; provided, however, that, in consideration for the Separation Payment and the compensation you received pursuant to Section 2 of the Employment Agreement, you shall

continue to be bound by your duties and obligations under Section 5 of the Employment Agreement following the Separation Date in accordance with its terms and conditions, except that (i) to the extent any provision of this Agreement addresses matters covered in Section 5 of the Employment Agreement, the provision of this Agreement shall prevail and supersede any such provision in the Employment Agreement, and (ii) notwithstanding anything to the contrary anywhere, Section 5(a) of the Employment Agreement shall cease to apply to you as of the Separation Date;

(d) You have no known workplace injuries or occupational diseases;

(e) You have not complained of and you are not aware of any fraudulent activity or any act(s) which would form the basis of a claim of fraudulent or illegal activity by the Company or any other Company Party that you have not reported to the Company in writing. You also affirm that you have not been retaliated against for reporting any allegations of wrongdoing by any Company Party, including any allegations of corporate fraud. Both Parties acknowledge that this Agreement does not limit either party's right, where applicable, to file or to participate in an investigative proceeding of any federal, state or local governmental agency. To the extent permitted by law, you agree that if such an administrative claim is made, you shall not be entitled to recover any individual monetary relief or other individual remedies;

(f) You acknowledge and agree that all of the Company's decisions regarding your pay and benefits through the date of your execution of this Agreement were not discriminatory based on age, disability, race, color, sex, religion, national origin, or any other classification protected by law;

(g) On or about the Separation Date, or within a reasonable time thereafter, the Company provided you with timely and adequate notice of your right to continue group insurance benefits under COBRA (unless such notice was not required to be given because, on the day before termination, you did not receive group health insurance benefits through the Company and thus are not a qualified beneficiary within the meaning of COBRA); and

(h) You acknowledge and agree that if you materially breach the provisions of this Agreement (including, but not limited to, Sections 7, 9 and 10), that the Company will have the right to seek an appropriate remedy against you, which may include, but not be limited to, injunctive relief, the return of the Separation Payment, other monetary damages, and the payment of the Company's attorneys' fees. Additionally, if you materially breach this Agreement, Company shall have the right, without waiving any other remedies in law or equity, to cease any further payments pursuant to Section 2. Notwithstanding such cessation of payments, all of your obligations hereunder shall be continuing and enforceable including but not limited to your release of claims, and the Company shall be entitled to pursue all remedies against you available at law or in equity for such breach.

7. **Non-Disparagement; Non-Recruitment of Employees**. You agree not to defame, disparage, demean, libel, slander or otherwise cast in a negative light the Company Parties (whether orally or in writing), or encourage any other person to do the same, in any manner whatsoever. The Company agrees, and agrees to instruct its executive officers and directors, not to defame, disparage, demean, libel, slander or otherwise cast in a negative light you (whether orally or in writing), or

encourage any other person to do the same, in any manner whatsoever. Additionally you agree that, for a period of one (1) year from the date you sign this Agreement, you will not induce or attempt to induce any employees or consultants of the Company Parties to terminate their relationship with the Company Party.

8. **Confidentiality**. You and the Company each agree that it is a material condition of this Agreement to keep the terms of this Agreement strictly and completely confidential and not to directly or indirectly make or issue any private statement, press release or public statement, or communicate or otherwise disclose to any employee of the Company (past, present or future) or to a member of the general public, the negotiations leading to, or the terms, amounts or facts of or underlying this Agreement, except as may be required by law or compulsory process; provided, however, that (i) you may disclose the terms of this Agreement to your immediate family, attorneys, and accountants or other financial advisors so long as they agree to abide by the foregoing confidentiality restriction, and (ii) the Company may disclose the terms of this Agreement to employees who need to know about this Agreement so long as they agree to abide by the foregoing confidentiality restriction. Notwithstanding the foregoing, it shall not be a breach of this Section 8 by the Company if the Company publicly files this Agreement with the Securities and Exchange Commission following a determination that it is legally required to do so.

9. **Return of Property**. You agree that no later than your last day of employment with the Company, you will return any and all property, including all copies or duplicates thereof, belonging to the Company, including but not limited to keys, security cards, equipment, computer equipment and software, documents, supplies, customer or client lists and customer or client information, "Confidential Information" (as defined below) and all copies thereof and any other Company property in your possession. Notwithstanding the foregoing, this Section 9 shall not apply to any documents of the Company or any of its affiliates that is, as of the date of this Agreement, held by the law firm of Petrillo Klein & Boxer LLP or Morrison Cohen LLP, provided that the Company has a copy (in either electronic or hard copy format) of such documents.

10. **Non-Disclosure of Confidential Information**.

(a) "Confidential Information" shall mean any and all proprietary and confidential data or information belonging to the Company or any of its affiliates which is of tangible or intangible value to Company and is not public information or is not generally known or available to Company's competitors but is known only to Company and its employees, independent contractors or agents to whom it must be confided in order to apply it to the uses intended. Assuming the foregoing criteria are met, Confidential Information includes, without limitation, information with respect to the operations, customers, customer lists, products, proposals, marketing strategy and services of Company and its affiliates and further includes, but is not limited to: (i) formulas, research and development techniques, processes, computer programs, software, electronic codes, mask works, inventions, innovations, patents, patent applications, discoveries, improvements, data, know-how, formats, test results, and research projects; (ii) information about costs, profits, markets, sales, contracts, lists of actual or potential customers and distributors, and information contained in proposals that are under development or have been made to actual or potential customers; (iii) business, marketing, strategic plans, know-how, including without limitation the unique manner in

which the Company conducts its business; (iv) forecasts, unpublished financial information, budgets, projections, and customer identities, characteristics and agreements; and (v) employee personnel files and compensation information. Notwithstanding anything contained to the contrary herein, after three (3) years from the Separation Date, all information which is not considered a "Trade Secret" under the Georgia Trade Secrets Act of 1990, O.C.G.A. §10-1-760, et seq. (the "Trade Secrets Act"), or any successor or replacement statute thereof, shall not be considered "Confidential Information" hereunder. Nothing herein shall be interpreted as a limitation or restriction on the provisions of the Trade Secrets Act or any legal rights or remedies granted thereunder.

(b) You acknowledge that as a result of your activities as an employee of the Company, you had access to the Confidential Information which you acknowledge as information that Company has legitimate interests in protecting and keeping confidential. In recognition of Company's need to protect its legitimate business interests, you hereby covenant and agree that you will treat and regard each item constituting Confidential Information as strictly confidential and wholly owned by Company and will not, without the prior written consent of Company, for any reason, in any fashion, either directly or indirectly, communicate to any third party, use, sell, lend, distribute, license, give, show, disclose, reproduce, copy or misappropriate, or permit any of your agents to do any of the above with respect to all or any part of the Confidential Information or any physical embodiments thereof, and may in no event take any action causing, or fail to take action necessary in order to prevent, any Confidential Information disclosed to you or developed by you to lose its character or cease to qualify as Confidential Information, except as required by judicial and governmental action and as permitted hereunder.

(c) You acknowledge and agree that it would be difficult to ascertain damages in the event of a breach of this Section 10, and accordingly, you agree that any violation by you of this Section 10 would cause irreparable harm to Company. You further agree that upon proof of the existence of a violation of this Section 10, Company will be entitled to injunctive relief against you and/or the principal on whose behalf you are acting in any court of competent jurisdiction having authority to grant the described relief, together with all costs and reasonable attorneys' fees incurred by Company in bringing such action. In the event Company should seek injunctive relief, you hereby waive any requirement that Company submit proof of the economic value of any interest sought to be protected under such injunction or that Company post a bond or any other security.

11. **Permissible Disclosures and Retained Documents**. Notwithstanding anything in this Agreement or elsewhere to the contrary, (a) nothing shall preclude you or the Company from making truthful statements, or from disclosing documents or information (i) when required by applicable law, regulation, order, or the like, (ii) in connection with any proceeding to enforce the terms of this Agreement, (iii) in confidence to any professional for the purpose of securing professional advice, or (iv) in connection with performing your duties for the Company or its affiliates; and (b) nothing shall preclude you from retaining, or using appropriately, your rolodex (and electronic equivalents), documents and information relating to your personal entitlements and obligations, and your personal files.

12. **Enforcement and Arbitration**. This Agreement shall be governed by and construed in accordance with its express terms, and otherwise in accordance with the laws of the State of New York applicable to agreements made and to be wholly performed within that State, without regard to its conflict of laws provisions and except as prohibited by law.

(a) Any dispute, controversy or claim not resolved by the Parties arising out of or relating to this Agreement, or the breach thereof, or any other agreement between you and the Company, your employment with the Company, or the termination of your employment with the Company (collectively, "Covered Claims"), shall (except to the extent otherwise provided in Section 10 with respect to certain requests for injunctive relief) be resolved exclusively by confidential binding arbitration and administered in accordance with the Commercial Arbitration Rules of the American Arbitration Association then in effect, and this Section 12(a). Venue for the conduct of the arbitration shall be New York, New York. The arbitrator(s) shall (i) have no jurisdiction to alter or disregard the express terms of this Agreement, and (ii) explain, in reasonable detail and in writing, any award that may be made, and (iii) render its decision on any claims and counterclaims within six months after the filing of a demand for arbitration. Judgment upon the award rendered by the arbitrator(s) may be entered in any Court having jurisdiction there. The Parties expressly agree as a term of their agreement to arbitrate that the factual findings of the arbitral tribunal shall be final absent manifest or material error and rulings on questions of law or mixed questions of fact and law shall be reviewed under the "clearly erroneous" standard of review and not under a "manifest disregard of the law" or other standard, notwithstanding federal, state, commonwealth decisional or other law concerning such standard to the contrary.

(b) The remedies expressly provided in this Agreement for breach thereof by the Company or you shall constitute the sole and exclusive remedies to the aggrieved party, and all other remedies which might be otherwise available under the law of any jurisdiction are hereby waived by both Company and you, except the Company's right to enforce the "Confidentiality" and "Return of Property; Non-Disclosure of Confidential Information" provisions of this Agreement for which the Company specifically reserves, and you specifically acknowledge, the right of the Company to enforce by all legal and equitable remedies available, including specific performance and injunction. Should any provision of this Agreement, excluding the general release in Section 4 above, be declared illegal or unenforceable and cannot be modified to be enforceable, such provision shall immediately become null and void, leaving the remainder of this Agreement in full force and effect.

EMPLOYEE INITIALS: AT COMPANY INITIALS: PM

13. **Indemnification**.

(a) The Company shall indemnify and advance reasonable expenses to you to the full extent permitted under Delaware law, the Company's Certificate of Incorporation or By-Laws, or pursuant to any other agreements or policies in effect from time to time in connection with any action, suit or proceeding to which you may be made a party by reason of your having been an officer, director or employee of the Company or of any subsidiary or affiliate of the Company or a fiduciary of any benefit plan of the foregoing. The Company will maintain D&O and professional

liability insurance in an amount reasonably determined by the Company's Board of Directors covering your acts during your tenure, but no less than that provided to other officers.

(b) Subject to Section 4(b) above, in the event that any Tomback Party asserts any Claim against any Company Party that is covered by the release in Section 4(a) above, then you shall fully and promptly indemnify such Company Party (and any other Company Party) against any damages, costs or expenses that any such Company Party incurs as a result of such asserted Claim, such indemnification to include (without limitation) prompt advancement of any legal and other professional fees and expenses incurred by any such Company Party.

14. **Non-Admission of Wrongdoing**. You and the Company agree that neither this Agreement nor the furnishing of the consideration for this Agreement shall be deemed or construed at anytime for any purpose as an admission by you or by any of the Company Parties of any liability, wrongdoing, or unlawful conduct of any kind, and you and the Company Parties do specifically deny, any violation of any local, state, federal, or other law, whether regulatory, common or statutory.

15. **Amendment**. You understand and agree that this Agreement may not be modified, altered or changed except upon express written consent of both Parties wherein specific reference is made to this Agreement.

16. **Entire Agreement; Waiver**. You understand and agree that this Agreement sets forth the entire agreement between you and the Company concerning the subject matter herein, and that it fully supersedes any prior obligation of the Company to you, as well as any agreements between you and the Company, other than any agreements relating to inventions and/or non-solicitation. You acknowledge and affirm that you have not relied on any representations, promises, or agreements of any kind made to you in connection with your decision to accept this Agreement, except for those that are set forth in this Agreement. One or more waivers of a breach of any covenant, term or provision of this Agreement by any party shall not be construed as a waiver of a subsequent breach of the same covenant, term or provision, nor shall it be considered a waiver of any other then existing or subsequent breach of a different covenant, term or provision.

17. **Right to Consider, Rescind and Revoke Acceptance**. This Agreement and General Release is intended to comply with the Older Workers Benefit Protection Act of 1990 with regard to your waiver of rights under the Age Discrimination in Employment Act ("ADEA"). In signing this Agreement and General Release, you understand and agree that:

(a) You are specifically advised to consult with an attorney of your own choosing before you sign this Agreement, as it waives and releases rights you have or may have under federal, state and local law, including but not limited to the ADEA.

(b) You have twenty-one (21) calendar days to decide whether to accept and sign this Agreement, but you may accept and sign this Agreement at any time within such 21-day period. Other than with respect to your waiver of rights under the ADEA, this Agreement shall become final and binding on you and the Company as soon as both Parties execute it. However, you may revoke or rescind your acceptance of the portion of this Agreement relating to your waiver of rights under the ADEA within seven (7) calendar days of signing this Agreement. In the event you revoke

or rescind your acceptance of such portion, you shall promptly reimburse the Company for the Separation Payment (if paid prior to any such revocation or rescission). If you do not revoke or rescind such portion, such portion will become effective or enforceable on the eighth (8th) day after you sign this Agreement (the "Effective Date"). In order to effectively revoke or rescind your acceptance of such portion, the revocation or rescission must be in writing and postmarked within the seven (7) calendar day period, and properly addressed to:

Peter Mani
VP & Chief Human Resources Officer
Scientific Games Corporation
750 Lexington Avenue
New York, NY 10022

You acknowledge that if you do not accept this Agreement in the manner described above, it will be withdrawn and of no effect. You acknowledge and agree that, if you revoke your acceptance of this Agreement prior to payment of the Separation Payment, you shall receive none of the benefits provided hereunder and this Agreement shall be null and void, having have no further force or effect, and this Agreement will not be admissible as evidence in any judicial, administrative or arbitral proceeding or trial. You further acknowledge that if such portion of this Agreement is not revoked in the time period set forth above, you shall have forever waived your right to revoke such portion of this Agreement, and it shall thereafter have full force and effect as of the Effective Date. Notwithstanding anything to the contrary in this Agreement or elsewhere, if you execute this Agreement and the Company fails to make the Separation Payment to you on or prior to October 1, 2014, this Agreement shall become null and void and of no further force or effect as of 12:01am on October 2, 2014.

(c) Any and all questions regarding the terms of this Agreement have been asked and answered to your complete satisfaction.

(d) You acknowledge that the consideration provided for hereunder is in addition to anything of value to which you already are entitled and the consideration provided for herein is good and valuable.

(e) You are entering into this Agreement voluntarily, of your own free will, and without any coercion or undue influence of any kind or type whatsoever.

(f) Any modifications of or revisions to this Agreement do not re-start the 21 day consideration period, described in this paragraph.

(g) You understand that the releases contained in this Agreement do not extend to any rights or claims that you have under the Age Discrimination in Employment Act that first arise after execution of this Agreement.

18. **409A**. Notwithstanding anything herein to the contrary, this Agreement is intended to be interpreted and applied so that the Separation Payment shall either be exempt from the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") or

shall comply with the requirements of such provision. Each payment under this Agreement or otherwise shall be treated as a separate payment for purposes of Section 409A. The Company does not guarantee and is not responsible for the tax treatment of your Separation Payment, including without limitation under Section 409A, and has advised you to consult with your tax and legal advisors regarding such treatment.

19. **Miscellaneous**. This Agreement may be signed in counterparts, all of which shall be deemed an original, but all of which, taken together, shall constitute the same instrument. A signature made on a faxed or electronically mailed "PDF" copy of the Agreement shall have the same effect as the original signature. The section headings used in this Agreement are intended solely for convenience of reference and shall not in any manner amplify, limit, modify or otherwise be used in the interpretation of any of the provisions hereof.

IN WITNESS WHEREOF, the Parties hereto knowingly and voluntarily executed this Agreement and General Release as of the date set forth below:

SCIENTIFIC GAMES CORPORATION

By: /s/Peter Mani Date: 9/30/2014
Name: Peter Mani
Title: VP & Chief Human Resources Officer

I have decided to accept this Agreement and General Release, to fulfill the promises I have made, and to receive the Separation Payment described in Section 2 above. I hereby freely and voluntarily assent to all the terms and conditions in this Agreement and General Release. I understand that certain portions of this Agreement and General Release will become a binding agreement between the Company and me as of the 8th day after I sign it, and I am signing this Agreement and General Release as my own free act with the full intent of releasing the Company Parties from all Claims, as described in Section 4(a) above, including but not limited to those under the Age Discrimination in Employment Act.

/s/Andrew E. Tomback Date: 9/30/2014
Andrew E. Tomback

Exhibit 10.7

Employment Agreement

This Employment Agreement (this "Agreement") is made as of August 28, 2014 by and between Scientific Games Corporation, a Delaware corporation (the "Company"), and Steve Wayne Beason ("Executive").

WHEREAS, the Company and Executive wish to enter into this Agreement, which shall terminate and supersede the Employment Agreement dated August 8, 2005 between the parties, as amended by letter agreements dated January 17, 2006, August 30, 2007, June 17, 2008, December 2008, and June 29, 2011 (as so amended and as amended hereby, the "Prior Employment Agreement");

NOW, THEREFORE, in consideration of the premises and mutual benefits to be derived herefrom and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the Company and Executive, the parties agree as follows.

1. Employment; Term. The Company hereby agrees to employ Executive, and Executive hereby accepts such employment with the Company, in accordance with and subject to the terms and conditions set forth in this Agreement. This term of employment of Executive under this Agreement (the "Term") shall be the period commencing on September 1, 2014 (the "Effective Date") and ending on August 31, 2016, as may be extended in accordance with this Section 1 and subject to earlier termination in accordance with Section 4. The Term shall be extended automatically without further action by either party by one (1) additional year (added to the end of the Term), and then on each succeeding annual anniversary thereafter, unless either party shall have given written notice to the other party prior to the date which is sixty (60) days prior to the date upon which such extension would otherwise have become effective electing not to further extend the Term, in which case Executive's employment shall terminate on the date upon which such extension would otherwise have become effective, unless earlier terminated in accordance with Section 4.

2. Position and Duties. During the Term, Executive will serve as Enterprise Chief Technology Officer of the Company and as an officer or director of any subsidiary or affiliate of the Company if elected to any such position by the stockholders or by the board of directors of any such subsidiary or affiliate, as the case may be. In such capacities, Executive shall perform such duties and shall have such responsibilities as are normally associated with such positions, and as otherwise may be assigned to Executive from time to time by the Company's Executive Vice President and Group Chief Executive of Gaming or upon the authority of board of directors of the Company (the "Board"). Subject to Section 4(e), Executive's functions, duties and responsibilities are subject to reasonable changes as the Company may in good faith determine from time to time. Executive hereby agrees to accept such employment and to serve the Company and its subsidiaries and affiliates to the best of Executive's ability in such capacities, devoting all of Executive's business time to such employment.

3. Compensation.

(a) *Base Salary*. During the Term, Executive will receive a base salary of five hundred ten thousand U.S. dollars (US$510,000) per annum (pro-rated for any partial year), payable in accordance with the Company's regular payroll practices and subject to such deductions or amounts to be withheld as required by applicable law and regulations or as may be agreed to by Executive. In the event that the Company, in its sole discretion, from time to time determines to increase Executive's base salary, such increased amount shall, from and after the effective date of such increase, constitute the "base salary" of Executive for purposes of this Agreement.

(b) *Incentive Compensation*. Executive shall have the opportunity annually to earn incentive compensation ("Incentive Compensation") in amounts determined by the Compensation Committee of the Board (the "Compensation Committee") in its sole discretion in accordance with the applicable incentive compensation plan of the Company as in effect from time to time (the "Incentive Compensation Plan"). Under such Incentive Compensation Plan, Executive shall have the opportunity annually to earn up to 66.7% of Executive's base salary as Incentive Compensation at "target opportunity" ("Target Bonus") and up to 133% of Executive's base salary as Incentive Compensation at "maximum opportunity" on the terms and subject to the conditions of such Incentive Compensation Plan (any such Incentive Compensation to be subject to such deductions or amounts to be withheld as required by applicable law and regulations or as may be agreed to by Executive).

(c) *Eligibility for Annual Equity Awards*. Executive shall be eligible to receive an annual grant of stock options, restricted stock units or other equity awards in the sole discretion of the Compensation Committee and in accordance with the applicable plans and programs of the Company for senior executives of the Company and subject to the Company's right to at any time amend or terminate any such plan or program, so long as any such change does not adversely affect any accrued or vested interest of Executive under any such plan or program.

(d) *Expense Reimbursement*. Subject to Section 3(f), the Company shall reimburse Executive for all reasonable and necessary travel, business entertainment and other business expenses incurred by Executive in connection with the performance of Executive's duties under this Agreement, on a timely basis upon timely submission by Executive of vouchers therefor in accordance with the Company's standard policies and procedures.

(e) *Health and Welfare Benefits*. Executive shall be entitled to participate, without discrimination or duplication, in any and all medical insurance, group health, disability, life insurance, accidental death and dismemberment insurance, 401(k) or other retirement, deferred compensation, stock ownership and such other plans and programs which are made generally available by the Company to senior executives of the Company in accordance with the terms of such plans and programs and subject to the right of the Company (or its applicable affiliate) to at any time amend or terminate any such plan or program. Executive shall be entitled to paid vacation, holidays and any other time off in accordance with the Company's policies in effect from time to time.

(f) *Taxes and Internal Revenue Code 409A*. Payment of all compensation and benefits to Executive under this Agreement shall be subject to all legally required and customary withholdings. The Company makes no representations or warranties and shall have no responsibility regarding the tax implications of the compensation and benefits to be paid to Executive under this Agreement, including under Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and applicable administrative guidance and regulations ("Section 409A"). Section 409A governs plans and arrangements that provide "nonqualified deferred compensation" (as defined under the Code) which may include, among others, nonqualified retirement plans, bonus plans, stock option plans, employment agreements and severance agreements. The Company reserves the right to pay compensation and provide benefits under this Agreement (including under Section 3 and Section 4) in amounts, at times and in a manner that minimizes taxes, interest or penalties as a result of Section 409A. In addition, in the event any benefits or amounts paid to Executive hereunder are deemed to be subject to Section 409A, Executive consents to the Company adopting such conforming amendments as the Company deems necessary, in its reasonable discretion, to comply with Section 409A (including delaying payment until six (6) months following termination of employment). To

the extent any payments of money or other benefits due to Executive hereunder could cause the application of an accelerated or additional tax under Section 409A, such payments or other benefits may be deferred if deferral will make such payment or other benefits compliant under Section 409A, or otherwise such payments or other benefits shall be restructured, to the extent permissible under Section 409A, in a manner determined by the Company that does not cause such an accelerated or additional tax. To the extent any reimbursements or in-kind benefits due to Executive under this Agreement constitute deferred compensation under Section 409A, any such reimbursements or in-kind benefits shall be paid to Executive in a manner consistent with Treas. Reg. Section 1.409A-3(i)(1)(iv). Each payment made under this Agreement shall be designated as a "separate payment" within the meaning of Section 409A.

4. Termination of Employment. Executive's employment may be terminated at any time prior to the end of the Term under the terms described in this Section 4, and the Term shall automatically terminate upon any termination of Executive's employment. For purposes of clarification, except as provided in Section 5.6, all stock options, restricted stock units and other equity-based awards will be governed by the terms of the plans, grant agreements and programs under which such options, restricted stock units or other awards were granted on any termination of the Term and Executive's employment with the Company.

(a) *Termination by Executive for Other than Good Reason*. Executive may terminate Executive's employment hereunder for any reason or no reason upon 60 days' prior written notice to the Company referring to this Section 4(a); provided, however, that a termination by Executive for "Good Reason" (as defined below) shall not constitute a termination by Executive for other than Good Reason pursuant to this Section 4(a). In the event Executive terminates Executive's employment for other than Good Reason, Executive shall be entitled only to the following compensation and benefits (the payments set forth in Sections 4(a)(i) – 4(a)(iii), collectively, the "Standard Termination Payments"):

(i) any accrued but unpaid base salary for services rendered by Executive to the date of such termination, payable in accordance with the Company's regular payroll practices and subject to such deductions or amounts to be withheld as required by applicable law and regulations or as may be agreed to by Executive;

(ii) any vested non-forfeitable amounts owing or accrued at the date of such termination under benefit plans, programs and arrangements set forth or referred to in Section 3(e) in which Executive participated during the Term (which will be paid under the terms and conditions of such plans, programs, and arrangements (and agreements and documents thereunder)); and

(iii) reasonable business expenses and disbursements incurred by Executive prior to such termination will be reimbursed in accordance with Section 3(d).

(b) *Termination By Reason of Death*. If Executive dies during the Term, the last beneficiary designated by Executive by written notice to the Company (or, in the absence of such designation, Executive's estate) shall be entitled only to the Standard Termination Payments, including any benefits that may be payable under any life insurance benefit of Executive for which the Company pays premiums, in accordance with the terms of any such benefit and subject to the right of the Company (or its applicable affiliate) to at any time amend or terminate any such benefit.

(c) *Termination By Reason of Total Disability*. The Company may terminate Executive's employment in the event of Executive's "Total Disability." For purposes of this Agreement, "Total Disability" shall mean Executive's (1) becoming eligible to receive benefits under any long-term disability insurance program of the Company or (2) failure to perform the duties and responsibilities

contemplated under this Agreement for a period of more than 180 days during any consecutive 12-month period due to physical or mental incapacity or impairment. In the event that Executive's employment is terminated by the Company by reason of Total Disability, the Company shall pay the following amounts, and make the following other benefits available, to Executive:

(i) the Standard Termination Payments; and

(ii) an amount equal to Executive's annual base salary, payable in approximately equal installments over a period of twelve (12) months after such termination; provided that such amount shall be reduced with each installment payment being reduced *pro rata* by the amount of any disability payments to which Executive may be entitled as a result of any disability plan sponsored or maintained by the Company or any of its affiliates providing benefits to Executive.

(d) *Termination by the Company for Cause*. The Company may terminate the employment of Executive at any time for "Cause." For purposes of this Agreement, "Cause" shall mean: (i) gross neglect by Executive of Executive's duties hereunder; (ii) Executive's indictment for or conviction of a felony, or any non-felony crime or offense involving the property of the Company or any of its subsidiaries or affiliates or evidencing moral turpitude; (iii) willful misconduct by Executive in connection with the performance of Executive's duties hereunder; (iv) intentional breach by Executive of any material provision of this Agreement; (v) material violation by Executive of a material provision of the Company's Code of Business Conduct; or (vi) any other willful or grossly negligent conduct of Executive that would make the continued employment of Executive by the Company materially prejudicial to the best interests of the Company. In the event Executive's employment is terminated for "Cause," Executive shall not be entitled to receive any compensation or benefits under this Agreement except for the Standard Termination Payments.

(e) *Termination by the Company without Cause or by Executive for Good Reason*. The Company may terminate Executive's employment at any time without Cause, for any reason or no reason, and Executive may terminate Executive's employment for "Good Reason." For purposes of this Agreement "Good Reason" shall mean that, without Executive's prior written consent, any of the following shall have occurred: (A) a material adverse change to Executive's positions, titles, offices, or duties following the Effective Date from those set forth in Section 2, except, in such case, in connection with the termination of Executive's employment for Cause or due to Total Disability, death or expiration of the Term; (B) a material decrease in base salary or material decrease in Executive's Incentive Compensation opportunity provided under this Agreement; or (C) any other material failure by the Company to perform any material obligation under, or material breach by the Company of any material provision of, this Agreement; provided, however, that a termination by Executive for Good Reason under any of clauses (A) through (C) of this Section 4(e) shall not be considered effective unless Executive shall have provided the Company with written notice of the specific reasons for such termination within thirty (30) days after he has knowledge of the event or circumstance constituting Good Reason and the Company shall have failed to cure the event or condition allegedly constituting Good Reason within thirty (30) days after such notice has been given to the Company and Executive actually terminates his employment within one (1) year following the initial occurrence of the event giving rise to Good Reason. In the event that Executive's employment is terminated by the Company without Cause or by Executive for Good Reason (and not, for the avoidance of doubt, in the event of a termination pursuant to Section 4(a), (b), (c) or (d) or due to or upon the expiration of the Term), the Company shall pay the following amounts, and make the following other benefits available, to Executive.

(i) the Standard Termination Payments; and

(ii) an amount equal to the sum of (A) Executive's base salary and (B) an amount equal to the highest annual Incentive Compensation paid to Executive (if any) in respect of the two (2) most recent fiscal years of the Company but not more than Executive's Target Bonus for the-then current fiscal year (such amount under this sub-clause (B), the "Severance Bonus Amount"), such amount under this clause (ii) payable over a period of twelve (12) months after such termination in accordance with Section 4(h); and

(iii) no later than March 15 following the end of the year in which such termination occurs, in lieu of any Incentive Compensation for the year in which such termination occurs, payment of an amount equal to (A) the Incentive Compensation (if any) which would have been payable to Executive had Executive remained in employment with the Company during the entire year in which such termination occurred, multiplied by (B) a fraction the numerator of which is the number of days Executive was employed in the year in which such termination occurs and the denominator of which is the total number of days in the year in which such termination occurs; and

(iv) if Executive elects to continue medical coverage under the Company's group health plan in accordance with COBRA, the monthly premiums for such coverage for a period of twelve (12) months; and

(f) *Termination by the Company without Cause or by Executive for Good Reason in connection with a Change in Control.* In the event Executive's employment is terminated by the Company without Cause or by Executive for Good Reason pursuant to Section 4(e) and such termination occurs upon, or within one (1) year immediately following, a "Change in Control" (as defined below), Executive shall be entitled (without duplication) to the payments and benefits described in Section 4(e), except that, solely in the case of an amount otherwise payable under Section 4(e)(ii), such amount shall be multiplied by two (2) (*i.e.*, an amount equal to two (2) multiplied by the sum of Executive's base salary and the Severance Bonus Amount, without duplication) and such amount shall be payable over a period of twenty-four (24) months after termination in accordance with Section 4(h) of this Agreement; provided, however, to the extent that such amount under Section 4(e)(ii) is exempt from Section 409A and/or if such Change in Control constitutes a change in ownership, change in effective control or a change in ownership of a substantial portion of the assets of the Company under Regulation Section 1.409A-3(i)(5), such amount otherwise payable under Section 4(e)(ii) shall be paid in a lump sum in accordance with Section 4(h) of this Agreement. Notwithstanding the foregoing, payments pursuant to this Section 4(f) shall be reduced by the amount necessary, if any, to ensure that the aggregate compensation to be received by the Executive in connection with such Change in Control does not constitute a "parachute payment," as such term is defined in 26 U.S.C. § 280G.

For purposes of this Agreement, a "Change in Control" shall be deemed to have occurred if: (i) any "person" as defined in Section 3(a)(9) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and as used in Sections 13(d) and 14(d) thereof, including a "group" as defined in Section 13(d) of the Exchange Act, but excluding the Company and any subsidiary or affiliate and any employee benefit plan sponsored or maintained by the Company or any subsidiary or affiliate (including any trustee of such plan acting as trustee) or any current stockholder of 20% or more of the outstanding common stock of the Company, directly or indirectly, becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act) of securities of the Company representing at least 40% of the combined voting power of the Company's then-outstanding securities; (ii) the stockholders of the Company approve a merger, consolidation, recapitalization, or reorganization of the Company, or a reverse stock split of any class of voting securities of the Company, or the consummation of any such transaction if stockholder approval is not obtained, other than any such transaction that would result in at least 60% of the total voting power

represented by the voting securities of the Company or the surviving entity outstanding immediately after such transaction being beneficially owned by persons who together beneficially owned at least 80% of the combined voting power of the voting securities of the Company outstanding immediately prior to such transaction; provided that, for purposes of this Section 4(f), such continuity of ownership (and preservation of relative voting power) shall be deemed to be satisfied if the failure to meet such 60% threshold is due solely to the acquisition of voting securities by an employee benefit plan of the Company or such surviving entity or of any subsidiary of the Company or such surviving entity; (iii) the stockholders of the Company approve a plan of complete liquidation of the Company, an agreement for the sale or disposition by the Company of all or substantially all of its assets (or any transaction having a similar effect); or (iv) during any period of two (2) consecutive years, individuals who at the beginning of such period constitute the Board, together with any new director (other than a director designated by a person who has entered into an agreement with the Company to effect a transaction described in clause (i), (ii) or (iii) above) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority of the Board.

(g) *Expiration of Term of Agreement.* In the event Executive's employment is terminated at the end of the Term, Executive shall not be entitled to receive any compensation or benefits under this Agreement except for the Standard Termination Payments; provided, however, that:

(i) subject to Section 5.6 and except to the extent otherwise provided at the time of grant under the terms of any equity award made to Executive, any unvested stock options, restricted stock units or other equity awards granted on or after the Effective Date and held by Executive upon the termination of Executive at the end of the Term will continue to vest in accordance with the original vesting schedule applicable to such equity awards (*i.e.*, without regard to the expiration of this Agreement), and any stock options (A) that were vested as of such termination will cease being exercisable upon the earlier of three (3) months after such termination and the scheduled expiration date of such options and (B) that become vested following such termination in accordance with the original vesting schedule will cease being exercisable upon the earlier of three (3) months after such termination and the scheduled expiration date of such stock options; provided that, in all other respects, all such awards shall be governed by the plans and programs and the agreements and other documents pursuant to which the awards were granted; provided, however, that, for the avoidance of doubt, in the event such termination occurs prior to the Compensation Committee's determination as to the satisfaction of any performance criteria to which any such awards is subject, such awards will not vest (and, in the case of any such stock options, will not become exercisable) unless and until a determination is or has been made by the Compensation Committee that such criteria have been satisfied, at which time such awards will vest (and, in the case of any such stock options, will become exercisable) to the extent contemplated by the terms of such award (it being understood and agreed, for the avoidance of doubt, that such awards will immediately be forfeited to the extent contemplated by the terms of such award in the event that such criteria are determined not to have been satisfied); provided, further, however, if necessary to comply with Section 409A, settlement of any such awards shall be made on the date that is six (6) months plus one (1) day following expiration of the Term; and

(ii) subject to Section 5.6 and except to the extent otherwise provided at the time of grant under the terms of any equity award made to Executive, any unvested stock options granted prior to the Effective Date and any unvested restricted stock units granted prior to the Effective Date will become fully vested (and, in the case of any such stock options, exercisable) (provided that any stock options held by Executive will cease being exercisable upon the earlier of three (3) months after such termination and the scheduled expiration date of such stock options), and in all other respects, all such awards shall be governed by the plans and programs and the agreements and other documents pursuant to which the awards were granted; provided, however, that in the event such termination occurs prior to the Compensation Committee's determination as to the satisfaction of any performance criteria to which any such stock options and/or restricted stock units is subject, such stock options and/or restricted stock units (as the case may be) will not vest (and, in the case of any such stock options, will not become exercisable) unless and until a determination is or has been made by the Compensation Committee that such criteria have been satisfied, at which time such stock options and/or restricted stock units will vest (and, in the case of any such stock options, will become exercisable) to the extent contemplated by the terms of such award (it being understood and agreed, for the avoidance of doubt, that such stock options or restricted stock units will immediately be forfeited to the extent contemplated by the terms of such award in the event that such criteria are determined not to have been satisfied); provided, further, however, if necessary to comply with Section 409A, settlement of any such equity-based awards shall be made on the date that is six (6) months plus one (1) day following expiration of the Term.

(h) *Timing of Certain Payments under Section 4*. For purposes of Section 409A, references herein to the Executive's "termination of employment" shall refer to Executive's separation of services with the Company within the meaning of Treas. Reg. Section 1.409A-1(h). If at the time of Executive's separation of service with the Company other than as a result of Executive's death, (i) Executive is a "specified employee" (as defined in Section 409A(a)(2)(B)(i) of the Code), (ii) one or more of the payments or benefits received or to be received by Executive pursuant to this Agreement would constitute deferred compensation subject to Section 409A, and (iv) the deferral of the commencement of any such payments or benefits otherwise payable hereunder as a result of such separation of service is necessary in order to prevent any accelerated or additional tax under Section 409A, such payments may be made as follows: (i) no payments for a six-month period following the date of Executive's separation of service with the Company; (ii) an mount equal to the aggregate sum that would have been otherwise payable during the initial six-month period paid in a lump sum on the first payroll date following six (6) months following the date of Executive's separation of service with the Company (subject to such deductions or amounts to be withheld as required by applicable law and regulations); and (iii) during the period beginning six (6) months following Executive's separation of service with the Company through the remainder of the applicable period, payment of the remaining amount due in equal installments in accordance with the Company's standard payroll practices (subject to such deductions or amounts to be withheld as required by applicable law and regulations).

(i) *Mitigation*. In the event the Company terminates Executive's employment without Cause or Executive terminates his employment for Good Reason and Executive is employed by or otherwise engaged to provide services to another person or entity at any time prior to the end of any period of payments to or on behalf of Executive contemplated by this Section 4, (i) Executive shall immediately advise the Company of such employment or engagement and his compensation therefor (including any health insurance benefits to which he is entitled in connection therewith), (ii) the Company's obligation to make continued

insurance payments to or on behalf of Executive shall be reduced by any insurance coverage obtained by Executive during the applicable period through such other employment or engagement (without regard to when such coverage is paid) and (iii) the Company's obligation to make payments pursuant to Section 4(e)(ii) (or, as the case may be, its obligation pursuant to Section 4(f) to make payments equal to two (2) times the amount contemplated Section 4(e)(ii)) shall be reduced by any base compensation payable to Executive during the applicable period through such other employment or engagement.

(j) *Set-Off.* To the fullest extent permitted by law and provided an acceleration of income or the imposition of an additional tax under Section 409A would not result, any amounts otherwise due to Executive hereunder (including any payments pursuant to this Section 4) shall be subject to set-off with respect to any amounts Executive otherwise owes the Company or any subsidiary or affiliate thereof.

(k) *No Other Benefits or Compensation.* Except as may be specifically provided under this Agreement, under any other effective written agreement between Executive and the Company, or under the terms of any plan or policy applicable to Executive, Executive shall have no right to receive any other compensation from the Company or any subsidiary or affiliate thereof, or to participate in any other plan, arrangement or benefit provided by the Company or any subsidiary or affiliate thereof, with respect to any future period after such termination or resignation. Executive acknowledges and agrees that he is entitled to no compensation or benefits from the Company or any of its subsidiaries or affiliates of any kind or nature whatsoever in respect of periods prior to the date of this Agreement. Executive acknowledges and agrees that he shall not receive any fees or other compensation (including equity compensation) for Board service.

(l) *Release of Employment Claims; Compliance with Section 5.* Executive agrees, as a condition to receipt of any termination payments and benefits provided for in this Section 4 (other than the Standard Termination Payments), that Executive will execute a general release agreement, in a form reasonably satisfactory to the Company, releasing any and all claims arising out of Executive's employment and the termination of such employment. The Company shall provide Executive with the proposed form of general release agreement referred to in the immediately preceding sentence no later than two (2) days following the date of termination. Executive shall thereupon have 21 days to consider such general release agreement and, if he executes such general release agreement, shall have seven (7) days after execution of such general release agreement to revoke such general release agreement. Absent such revocation, such general release agreement shall become binding on Executive. If Executive does not revoke such general release agreement, payments contingent on such general release agreement that constitute deferred compensation under Section 409A (if any) shall be paid on the later of 60th day after the date of termination or the date such payments are otherwise scheduled to be paid pursuant to this Agreement. The Company's obligation to make any termination payments and benefits provided for in this Section 4 (other than the Standard Termination Payments) shall immediately cease if Executive willfully and materially breaches Section 5.1, 5.2 , 5.3, 5.4, or 5.8.

5. Noncompetition; Non-solicitation; Nondisclosure; etc.

5.1 Noncompetition; Non-solicitation.

(a) Executive acknowledges the highly competitive nature of the Company's business and that access to the Company's confidential records and proprietary information renders Executive special and unique within the Company's industries. In consideration of the amounts that may hereafter be paid to Executive pursuant to this Agreement (including Sections 3 and 4), Executive agrees that during the Term (including any extensions thereof) and during the Covered Time (as defined in Section 5.1(e)), Executive, alone or with others, will not, directly or indirectly, engage (as owner, investor, partner, stockholder, employer,

employee, consultant, advisor, director or otherwise) in any Competing Business. For purposes of this Section 5, "Competing Business" shall mean any business or operations: (i) (A) involving the design, development, manufacture, production, sale, lease, license, provision, operation or management (as the case may be) of (1) instant lottery tickets or games or any related marketing, warehouse, distribution, category management or other services or programs; (2) lottery-related terminals or vending machines (whether clerk-operated, self-service or otherwise), (3) gaming machines, terminals or devices (including video or reel spinning slot machines, video poker machines, video lottery terminals and fixed odds betting terminals), (4) lottery, video gaming (including server-based gaming), sports betting or other wagering or gaming systems (including control and monitoring systems, local or wide-area progressive systems and redemption systems); (5) lottery- or gaming-related proprietary or licensed content (including themes, entertainment and brands), platforms, websites and loyalty and customer relationship management programs (including any of the foregoing relating to online play, social gaming or interactive (including internet and mobile) lottery or gaming); (6) prepaid cellular or other phone cards; or (7) ancillary products (including equipment, hardware, software, marketing materials, chairs and signage) or services (including field service, maintenance and support) related to any of the foregoing under sub-clauses (1) through (6) above; or (B) in which the Company is then or was within the previous 12 months engaged, or in which the Company, to Executive's knowledge, contemplates to engage in during the Term or the Covered Time; (ii) in which Executive was engaged or involved (whether in an executive or supervisory capacity or otherwise) on behalf of the Company or with respect to which Executive has obtained proprietary or confidential information; and (iii) which were conducted anywhere in the United States or in any other geographic area in which such business was conducted or contemplated to be conducted by the Company. Notwithstanding anything to the contrary in the foregoing, the holding of up to one percent (1%) of the outstanding equity in a publicly traded entity for passive investment purposes shall not, in and of itself, be construed as engaging in a Competing Business.

(b) In further consideration of the amounts that may hereafter be paid to Executive pursuant to this Agreement (including Sections 3 and 4), Executive agrees that, during the Term (including any extensions thereof) and during the Covered Time, Executive shall not, directly or indirectly: (i) solicit or attempt to induce any of the employees, agents, consultants or representatives of the Company to terminate his, her, or its relationship with the Company; (ii) solicit or attempt to induce any of the employees, agents, consultants or representatives of the Company to become employees, agents, consultants or representatives of any other person or entity; (iii) solicit or attempt to induce any customer, vendor or distributor of the Company to curtail or cancel any business with the Company; or (iv) hire any person who, to Executive's actual knowledge, is, or was within 180 days prior to such hiring, an employee of the Company.

(c) During the Term (including any extensions thereof) and during the Covered Time, Executive agrees that upon the earlier of Executive's (i) negotiating with any Competitor (as defined below) concerning the possible employment of Executive by the Competitor, (ii) responding to (other than for the purpose of declining) an offer of employment from a Competitor, or (iii) becoming employed by a Competitor, (A) Executive will provide copies of Section 5 of this Agreement to the Competitor, and (B) in the case of any circumstance described in (iii) above occurring during the Covered Time, and in the case of any circumstance described in (i) or (ii) above occurring during the Term or during the Covered Time, Executive will promptly provide notice to the Company of such circumstances. Executive further agrees that the Company may provide notice to a Competitor of Executive's obligations under this Agreement. For purposes of this Agreement, "Competitor" shall mean any person or entity (other than the Company, its subsidiaries or affiliates) that engages, directly or indirectly, in the United States in any Competing Business.

(d) Executive understands that the restrictions in this Section 5.1 may limit Executive's ability to earn a livelihood in a business similar to the business of the Company but nevertheless agrees and acknowledges that the consideration provided under this Agreement (including Sections 3 and 4) is sufficient

to justify such restrictions. In consideration thereof and in light of Executive's education, skills and abilities, Executive agrees that Executive will not assert in any forum that such restrictions prevent Executive from earning a living or otherwise should be held void or unenforceable.

(c) For purposes of this Section 5.1, "Covered Time" shall mean the period beginning on the date of termination of Executive's employment (the "Date of Termination") and ending twelve (12) months after the Date of Termination.

5.2 *Proprietary Information; Inventions.*

(a) Executive acknowledges that, during the course of Executive's employment with the Company, Executive necessarily will have (and during any employment by, or affiliation with, the Company prior to the Term has had) access to and make use of proprietary information and confidential records of the Company. Executive covenants that Executive shall not during the Term or at any time thereafter, directly or indirectly, use for Executive's own purpose or for the benefit of any person or entity other than the Company, nor otherwise disclose to any person or entity, any such proprietary information, unless and to the extent such disclosure has been authorized in writing by the Company or is otherwise required by law. The term "proprietary information" means: (i) the software products, programs, applications, and processes utilized by the Company; (ii) the name and/or address of any customer or vendor of the Company or any information concerning the transactions or relations of any customer or vendor of the Company with the Company; (iii) any information concerning any product, technology, or procedure employed by the Company but not generally known to its customers or vendors or competitors, or under development by or being tested by the Company but not at the time offered generally to customers or vendors; (iv) any information relating to the Company's computer software, computer systems, pricing or marketing methods, sales margins, cost of goods, cost of material, capital structure, operating results, borrowing arrangements or business plans; (v) any information identified as confidential or proprietary in any line of business engaged in by the Company; (vi) any information that, to Executive's actual knowledge, the Company ordinarily maintains as confidential or proprietary; (vii) any business plans, budgets, advertising or marketing plans; (viii) any information contained in any of the Company's written or oral policies and procedures or manuals; (ix) any information belonging to customers, vendors or any other person or entity which the Company, to Executive's actual knowledge, has agreed to hold in confidence; and (x) all written, graphic, electronic data and other material containing any of the foregoing. Executive acknowledges that information that is not novel or copyrighted or patented may nonetheless be proprietary information. The term "proprietary information" shall not include information generally known or available to the public, information that becomes available to Executive on an unrestricted, non-confidential basis from a source other than the Company or any of its directors, officers, employees, agents or other representatives (without breach of any obligation of confidentiality of which Executive has knowledge, after reasonable inquiry, at the time of the relevant disclosure by Executive), or general gaming industry information to the extent not particularly related or proprietary to the Company that was already known to Executive at the time Executive commences his employment by the Company that is not subject to nondisclosure by virtue of Executive's prior employment or otherwise. Notwithstanding the foregoing and Section 5.3, Executive may disclose or use proprietary information or confidential records solely to the extent (A) such disclosure or use may be required or appropriate in the performance of his duties as a director or employee of the Company, (B) required to do so by a court of law, by any governmental agency having supervisory authority over the business of the Company or by any administrative or legislative body (including a committee thereof) with apparent jurisdiction to order him to divulge, disclose or make accessible such information (provided that in such case Executive shall first give the Company prompt written notice of any such legal requirement, disclose no more information than is so required and cooperate fully with all efforts by the Company to obtain a protective order or similar confidentiality treatment for such information), (C) such information or

records becomes generally known to the public without his violation of this Agreement, or (D) disclosed to Executive's spouse, attorney and/or his personal tax and financial advisors to the extent reasonably necessary to advance Executive's tax, financial and other personal planning (each an "Exempt Person"); provided, however, that any disclosure or use of any proprietary information or confidential records by an Exempt Person shall be deemed to be a breach of this Section 5.2 or Section 5.3 by Executive.

(b) Executive agrees that all processes, technologies and inventions (collectively, "Inventions"), including new contributions, improvements, ideas and discoveries, whether patentable or not, conceived, developed, invented or made by Executive during the Term (and during any employment by, or affiliation with, the Company prior to the Term) shall belong to the Company, provided that such Inventions grew out of Executive's work with the Company or any of its subsidiaries or affiliates, are related in any manner to the business (commercial or experimental) of the Company or any of its subsidiaries or affiliates or are conceived or made on the Company's time or with the use of the Company's facilities or materials. Executive shall further: (i) promptly disclose such Inventions to the Company; (ii) assign to the Company, without additional compensation, all patent and other rights to such Inventions for the United States and foreign countries; (iii) sign all papers necessary to carry out the foregoing; and (iv) give testimony in support of Executive's inventorship. If any Invention is described in a patent application or is disclosed to third parties, directly or indirectly, by Executive within two (2) years after the termination of Executive's employment with the Company, it is to be presumed that the Invention was conceived or made during the Term. Executive agrees that Executive will not assert any rights to any Invention as having been made or acquired by Executive prior to the date of this Agreement, except for Inventions, if any, disclosed in Exhibit A to this Agreement.

5.3 *Confidentiality and Surrender of Records*. Executive shall not, during the Term or at any time thereafter (irrespective of the circumstances under which Executive's employment by the Company terminates), except to the extent required by law, directly or indirectly publish, make known or in any fashion disclose any confidential records to, or permit any inspection or copying of confidential records by, any person or entity other than in the course of such person's or entity's employment or retention by the Company, nor shall Executive retain, and will deliver promptly to the Company, any of the same following termination of Executive's employment hereunder for any reason or upon request by the Company. For purposes hereof, "confidential records" means those portions of correspondence, memoranda, files, manuals, books, lists, financial, operating or marketing records, magnetic tape, or electronic or other media or equipment of any kind in Executive's possession or under Executive's control or accessible to Executive which contain any proprietary information. All confidential records shall be and remain the sole property of the Company during the Term and thereafter.

5.4 *Non-disparagement.* Executive shall not, during the Term and thereafter, disparage in any material respect the Company, any affiliate of the Company, any of their respective businesses, any of their respective officers, directors or employees, or the reputation of any of the foregoing persons or entities. Notwithstanding the foregoing, nothing in this Agreement shall preclude Executive from making truthful statements that are required by applicable law, regulation or legal process.

5.5 *No Other Obligations*. Executive represents that Executive is not precluded or limited in Executive's ability to undertake or perform the duties described herein by any contract, agreement or restrictive covenant. Executive covenants that Executive shall not employ the trade secrets or proprietary information of any other person in connection with Executive's employment by the Company without such person's authorization.

5.6 *Forfeiture of Outstanding Equity Awards; "Clawback" Policies*. The provisions of Section 4 notwithstanding, if Executive willfully and materially fails to comply with Section 5.1, 5.2, 5.3, 5.4, or 5.8, all options to purchase common stock, restricted stock units and other equity-based awards granted by the Company or any of its affiliates (whether prior to, contemporaneous with, or subsequent to the date hereof) and held by Executive or a transferee of Executive shall be immediately forfeited and cancelled. Executive acknowledges and agrees that, notwithstanding anything contained in this Agreement or any other agreement, plan or program, any incentive-based compensation or benefits contemplated under this Agreement (including Incentive Compensation and equity-based awards) shall be subject to recovery by the Company under any compensation recovery or "clawback" policy, generally applicable to senior executives of the Company, that the Company may adopt from time to time, including any policy which the Company may be required to adopt under Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act and the rules and regulations of the Securities and Exchange Commission thereunder or the requirements of any national securities exchange on which the Company's common stock may be listed.

5.7 *Enforcement.* Executive acknowledges and agrees that, by virtue of Executive's position, services and access to and use of confidential records and proprietary information, any violation by Executive of any of the undertakings contained in this Section 5 would cause the Company immediate, substantial and irreparable injury for which it has no adequate remedy at law. Accordingly, Executive agrees and consents to the entry of an injunction or other equitable relief by a court of competent jurisdiction restraining any violation or threatened violation of any undertaking contained in this Section 5. Executive waives posting of any bond otherwise necessary to secure such injunction or other equitable relief. Rights and remedies provided for in this Section 5 are cumulative and shall be in addition to rights and remedies otherwise available to the parties hereunder or under any other agreement or applicable law.

5.8 *Cooperation with Regard to Litigation*. Executive agrees to cooperate reasonably with the Company, during the Term and thereafter (including following Executive's termination of employment for any reason), by being available to testify on behalf of the Company in any action, suit, or proceeding, whether civil, criminal, administrative, or investigative. In addition, except to the extent that Executive has or intends to assert in good faith an interest or position adverse to or inconsistent with the interest or position of the Company, Executive agrees to cooperate reasonably with the Company, during the Term and thereafter (including following Executive's termination of employment for any reason), to assist the Company in any such action, suit, or proceeding by providing information and meeting and consulting with the Board or its representatives or counsel, or representatives or counsel to the Company, in each case, as reasonably requested by the Company. The Company agrees to pay (or reimburse, if already paid by Executive) all reasonable expenses actually incurred in connection with Executive's cooperation and assistance including reasonable fees and disbursements of counsel, if any, chosen by Executive if Executive reasonably determines in good faith, on the advice of counsel, that the Company's counsel may not ethically represent Executive in connection with such action, suit or proceeding due to actual or potential conflicts of interests.

5.9 *Survival*. The provisions of this Section 5 shall survive the termination of the Term and any termination or expiration of this Agreement.

5.10 *Company*. For purposes of this Section 5, references to the "Company" shall include the Company and each subsidiary and/or affiliate of the Company (and each of their respective joint ventures and equity method investees).

6. Code of Conduct. Executive acknowledges that he has read the Company's Code of Business Conduct and agrees to abide by such Code of Business Conduct, as amended or supplemented from time to time, and other policies applicable to employees and executives of the Company.

7. Indemnification. The Company shall indemnify Executive to the full extent permitted under the Company's Certificate of Incorporation or By-Laws and pursuant to any other agreements or policies in effect from time to time in connection with any action, suit or proceeding to which Executive may be made a party by reason of Executive being an officer, director or employee of the Company or of any subsidiary or affiliate of the Company.

8. Assignability; Binding Effect. Neither this Agreement nor the rights or obligations hereunder of the parties shall be transferable or assignable by Executive, except in accordance with the laws of descent and distribution and as specified below. The Company may assign this Agreement and the Company's rights and obligations hereunder to any affiliate of the Company, provided that upon any such assignment the Company shall remain liable for the obligations to Executive hereunder. This Agreement shall be binding upon and inure to the benefit of Executive, Executive's heirs, executors, administrators, and beneficiaries, and shall be binding upon and inure to the benefit of the Company and its successors and assigns.

9. Complete Understanding; Amendment; Waiver. This Agreement constitutes the complete understanding between the parties with respect to the employment of Executive and supersedes all other prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof, including without limitation the Prior Employment Agreement, and no statement, representation, warranty or covenant has been made by either party with respect thereto except as expressly set forth herein. Except as contemplated by Section 3(f), this Agreement shall not be modified, amended or terminated except by a written instrument signed by each of the parties. Any waiver of any term or provision hereof, or of the application of any such term or provision to any circumstances, shall be in writing signed by the party charged with giving such waiver. Waiver by either party of any breach hereunder by the other party shall not operate as a waiver of any other breach, whether similar to or different from the breach waived. No delay by either party in the exercise of any rights or remedies shall operate as a waiver thereof, and no single or partial exercise by either party of any such right or remedy shall preclude other or further exercise thereof.

10. Severability. If any provision of this Agreement or the application of any such provision to any person or circumstances shall be determined by any court of competent jurisdiction to be invalid or unenforceable to any extent, the remainder of this Agreement, or the application of such provision to such person or circumstances other than those to which it is so determined to be invalid or unenforceable, shall not be affected thereby, and each provision hereof shall be enforced to the fullest extent permitted by law. If any provision of this Agreement, or any part thereof, is held to be invalid or unenforceable because of the scope or duration of or the area covered by such provision, the parties agree that the court making such determination shall reduce the scope, duration and/or area of such provision (and shall substitute appropriate provisions for any such invalid or unenforceable provisions) in order to make such provision enforceable to the fullest extent permitted by law and/or shall delete specific words and phrases, and such modified provision shall then be enforceable and shall be enforced. The parties recognize that if, in any judicial proceeding, a court shall refuse to enforce any of the separate covenants contained in this Agreement, then that invalid or

unenforceable covenant contained in this Agreement shall be deemed eliminated from these provisions to the extent necessary to permit the remaining separate covenants to be enforced. In the event that any court determines that the time period or the area, or both, are unreasonable and that any of the covenants is to that extent invalid or unenforceable, the parties agree that such covenants will remain in full force and effect, first, for the greatest time period, and second, in the greatest geographical area that would not render them unenforceable.

11. Survivability. The provisions of this Agreement which by their terms call for performance subsequent to termination of Executive's employment hereunder, or of this Agreement, shall so survive such termination, whether or not such provisions expressly state that they shall so survive.

12. Governing Law; Arbitration.

(a) *Governing Law*. This Agreement shall be governed by and construed in accordance with the laws of the State of Illinois applicable to agreements made and to be wholly performed within that State, without regard to its conflict of laws provisions.

(b) *Arbitration*.

(i) Executive and the Company agree that, except for claims for workers' compensation, unemployment compensation, and any other claim that is non-arbitrable under applicable law, final and binding arbitration shall be the exclusive forum for any dispute or controversy between them, including, without limitation, disputes arising under or in connection with this Agreement, Executive's employment, and/or termination of employment, with the Company; provided, however, that the Company shall be entitled to commence an action in any court of competent jurisdiction for injunctive relief in connection with any alleged actual or threatened violation of any provision of Section 5. Judgment may be entered on the arbitrators' award in any court having jurisdiction. For purposes of entering such judgment or seeking injunctive relief with regard to Section 5, the Company and Executive hereby consent to the jurisdiction of any situated in Chicago, Illinois; provided that damages for any alleged violation of Section 5, as well as any claim, counterclaim or cross-claim brought by Executive or any third-party in response to, or in connection with any court action commenced by the Company seeking said injunctive relief shall remain exclusively subject to final and binding arbitration as provided for herein. The Company and Executive hereby waive, to the fullest extent permitted by applicable law, any objection which either may now or hereafter have to such jurisdiction, venue and any defense of inconvenient forum. Thus, except for the claims carved out above, this Agreement includes all common-law and statutory claims (whether arising under federal state or local law), including any claim for breach of contract, fraud, fraud in the inducement, unpaid wages, wrongful termination, and gender, age, national origin, sexual orientation, marital status, disability, or any other protected status.

Any arbitration under this Agreement shall be filed exclusively with, and administered by, the American Arbitration Association in Chicago, Illinois before three arbitrators, in accordance with the National Rules for the Resolution of Employment Disputes of the American Arbitration Association in effect at the time of submission to arbitration. The Company and Executive hereby agree that a judgment upon an award rendered by the arbitrators may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. The Company shall pay all costs uniquely attributable to arbitration, including the administrative fees and costs of the arbitrators. Each party shall pay that party's own costs and attorney fees, if any, unless the arbitrators rule otherwise. Executive understands that he is giving up no substantive rights, and this Agreement

simply governs forum. The arbitrators shall apply the same standards a court would apply to award any damages, attorney fees or costs. Executive shall not be required to pay any fee or cost that he would not otherwise be required to pay in a court action, unless so ordered by the arbitrators.

EXECUTIVE INITIALS: SB COMPANY INITIALS: PAM

(c) *WAIVER OF JURY TRIAL*. BY SIGNING THIS AGREEMENT, EXECUTIVE AND THE COMPANY ACKNOWLEDGE THAT THE RIGHT TO A COURT TRIAL AND TRIAL BY JURY IS OF VALUE, AND KNOWINGLY AND VOLUNTARILY WAIVE THAT RIGHT FOR ANY DISPUTE SUBJECT TO THE TERMS OF THIS ARBITRATION PROVISION.

13. Titles and Captions. All paragraph titles or captions in this Agreement are for convenience only and in no way define, limit, extend or describe the scope or intent of any provision hereof.

14. Joint Drafting. In recognition of the fact that the parties had an equal opportunity to negotiate the language of, and draft, this Agreement, the parties acknowledge and agree that there is no single drafter of this Agreement and, therefore, the general rule that ambiguities are to be construed against the drafter is, and shall be, inapplicable. If any language in this Agreement is found or claimed to be ambiguous, each party shall have the same opportunity to present evidence as to the actual intent of the parties with respect to any such ambiguous language without any inference or presumption being drawn against any party.

15. Notices. All notices and other communications to be given or to otherwise be made to any party to this Agreement shall be deemed to be sufficient if contained in a written instrument delivered in person or duly sent by certified mail or by a recognized national courier service, postage or charges prepaid, (a) to Scientific Games Corporation, Attn: Legal Department, at 750 Lexington Avenue, 25th Floor, New York, NY 10022, (b) to Executive, at the last address shown in the Company's records, or (c) to such other replacement address as may be designated in writing by the addressee to the addressor.

16. Interpretation. When a reference is made in this Agreement to a Section, such reference shall be to a Section of this Agreement unless otherwise indicated. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation," unless the context otherwise indicates. When a reference in this Agreement is made to a "party" or "parties," such reference shall be to a party or parties to this Agreement unless otherwise indicated or the context requires otherwise. Unless the context requires otherwise, (a) the terms "hereof," "herein," "hereby," "hereto", "hereunder" and derivative or similar words in this Agreement refer to this entire Agreement, (b) the word "or" is disjunctive but not exclusive and (c) words in this Agreement using the singular or plural number also include the plural or singular number, respectively, and the use of any gender herein shall be deemed to include the other genders. References in this Agreement to "dollars" or "$" are to U.S. dollars. When a reference is made in this Agreement to a law, statute or legislation, such reference shall be to such law, statute or legislation as it may be amended, modified, extended or re-enacted from time to time (including any successor law, statute or legislation) and shall include any regulations promulgated thereunder from time to time. The headings used herein are for reference only and shall not affect the construction of this Agreement.

[remainder of page intentionally left blank]

IN WITNESS WHEREOF, each of the parties has duly executed this Agreement as of the date above written.

SCIENTIFIC GAMES CORPORATION

By: /s/ Peter A. Mani
Name: Peter A. Mani
Title: VP and Chief Human Resources Officer

EXECUTIVE

/s/ Steve W. Beason
Name: Steven Wayne Beason

Exhibit A

Inventions

None

Exhibit 31.1

Certification by Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, M. Gavin Isaacs, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Scientific Games Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 31, 2014

/s/ M. Gavin Isaacs

M. Gavin Isaacs
Chief Executive Officer

Exhibit 31.2

Certification by Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Scott D. Schweinfurth, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Scientific Games Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 31, 2014

/s/ Scott D. Schweinfurth

Scott D. Schweinfurth

Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Scientific Games Corporation (the "Company") on Form 10-Q for the period ended June 30, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, M. Gavin Isaacs, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ M. Gavin Isaacs

M. Gavin Isaacs
Chief Executive Officer

October 31, 2014

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Scientific Games Corporation (the "Company") on Form 10-Q for the period ended June 30, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Scott D. Schweinfurth, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002, that:

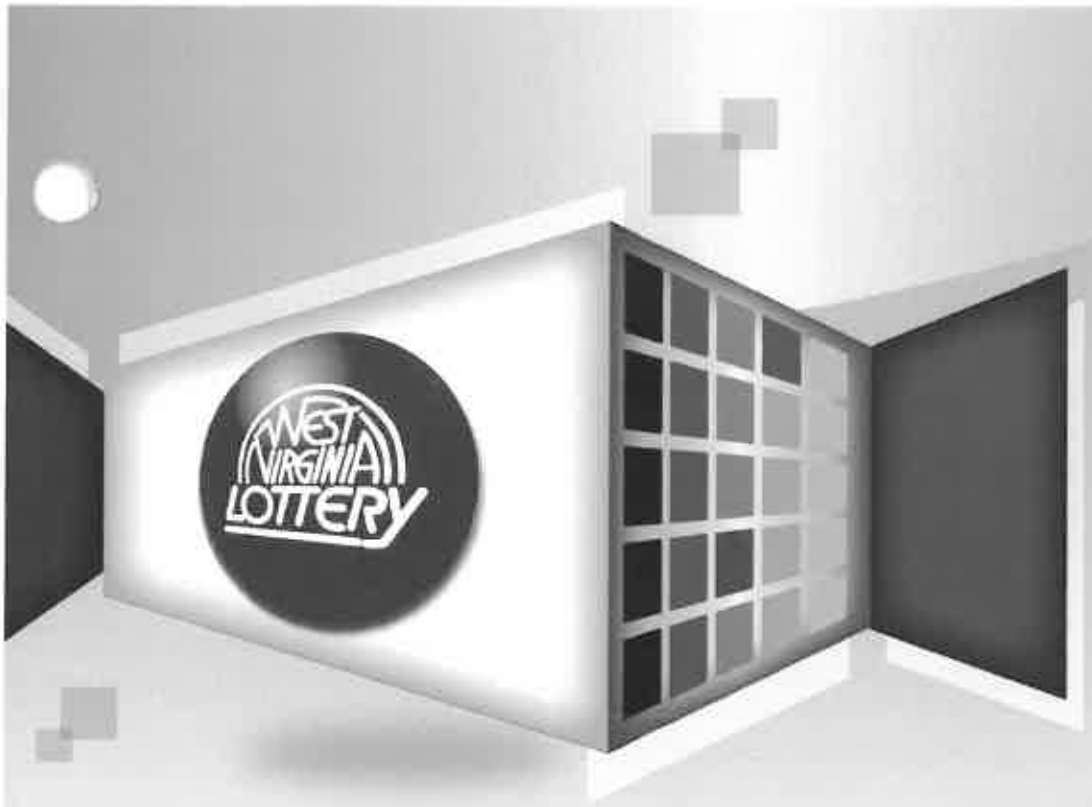
(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ Scott D. Schweinfurth
Scott D. Schweinfurth
Chief Financial Officer

October 31, 2014



2014 SG 10-Q (Q2)

SG
SCIENTIFIC GAMES

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2014

OR

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

For the transition period from to

Commission file number: 0-13063

SCIENTIFIC GAMES CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**81-0422894**
(State or other jurisdiction of incorporation or organization)	(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 required 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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

Large accelerated filer ☐	Accelerated filer ☒
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The registrant has the following number of shares outstanding of each of the registrant's classes of common stock as of August 1, 2014:

Class A Common Stock: 84,649,405
Class B Common Stock: **None**

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
INDEX TO FINANCIAL INFORMATION
AND OTHER INFORMATION
THREE AND SIX MONTHS ENDED JUNE 30, 2014

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Glossary of Terms

As used in this Quarterly Report on Form 10-Q, the terms "we," "us," "our" and the "Company" mean Scientific Games Corporation and its consolidated subsidiaries. The following terms or acronyms used in this Form 10-Q are defined below:

Term or Acronym	Definition
2018 Notes	8.125% senior subordinated notes due 2018 issued by Scientific Games Corporation
2019 Notes	9.250% senior subordinated notes due 2019 issued by SGI
2020 Notes	6.250% senior subordinated notes due 2020 issued by SGI
2021 Notes	6.625% senior subordinated notes due 2021 issued by SGI
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
Barcrest	Barcrest Group Limited, an indirect wholly owned subsidiary of Scientific Games Corporation
China Loans	RMB denominated loans due 2014
CSG	Beijing CITIC Scientific Games Technology Co., Ltd., the instant games supplier to the CSL, in which we have a 49% equity interest
CSL	China Sports Lottery
D&A	depreciation and amortization expense
ESPP	Employee Stock Purchase Plan
FASB	Financial Accounting Standards Board
Global Draw	The Global Draw Limited, an indirect wholly owned subsidiary of Scientific Games Corporation
GLB	Beijing Guard Libang Technology Co., Ltd., a provider of lottery systems and services to the China Welfare Lottery, in which we have a 50% equity interest
Hellenic Lotteries	Hellenic Lotteries S.A., the operator of the Greek state lotteries, in which we have a 16.5% equity interest
ITL	International Terminal Leasing, an entity that leases gaming machines to us for provision to our customers, in which we have a 50% equity interest
LAP	local-area progressive
LBO	licensed betting office
LNS	Lotterie Nazionali S.r.l., the operator of the Gratta e Vinci instant ticket lottery in Italy, in which we have a 20% equity interest
MD&A	Management's discussion and analysis of financial condition and results of operations
Northstar Illinois	Northstar Lottery Group, LLC, the private manager of the Illinois lottery, in which we have a 20% equity interest
Northstar New Jersey	Northstar New Jersey Lottery Group, LLC, the operating entity that provides marketing and sales services to the New Jersey lottery, in which we have a 17.69% equity interest
Note	refers to a note to our Consolidated Financial Statements, unless otherwise specified
participation	with respect to our lottery business, refers to a contract or arrangement in which we are paid based on a percentage of retail sales
PMA	private management agreement
Provoloto	SG Provoloto, S. de R.L. de C.V., an indirect wholly owned subsidiary of Scientific Games Corporation until February 2014
R&D	research and development expense
RCN	Roberts Communications Network, LLC, a provider of communications services to racing and other customers, in which we have a 29.4% equity interest
RMB	Chinese Renminbi Yuan
RSU	restricted stock unit
SEC	Securities and Exchange Commission
SG&A	selling, general and administrative expense
SGI	Scientific Games International, Inc., a direct wholly owned subsidiary of Scientific Games Corporation
Sportech	Sportech plc, an operator and supplier of sports pools and tote systems, in which we had a 20% equity interest until January 2014
U.S.	United States of America
U.S. GAAP	accounting principles generally accepted in the United States of America
VLT	video lottery terminal
WAP	wide-area progressive
WMS	WMS Industries Inc., a direct wholly owned subsidiary of Scientific Games Corporation

Forward-Looking Statements

Throughout this Quarterly Report on Form 10-Q, we make "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements describe future expectations, plans, results or strategies and can often be identified by the use of terminology such as "may," "will," "estimate," "intend," "continue," "believe," "expect," "anticipate," "should," "could," "potential," "opportunity," or similar terminology. The forward-looking statements contained in this Quarterly Report on Form 10-Q are generally located 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 statements are based upon management's current expectations, assumptions and estimates and are not guarantees of future results or performance. Actual results may differ materially from those contemplated in these statements due to a variety of risks and uncertainties and other factors, including, among other things:

- competition;
- U.S. and international economic and industry conditions, including declines in or slow growth of lottery retail sales or gross gaming revenues and reductions in or constraints on capital spending by gaming or lottery operators;
- slow growth of new gaming jurisdictions, slow addition of casinos in existing jurisdictions and declines in the replacement cycle of gaming machines;
- ownership changes and consolidation in the casino industry;
- opposition to legalized gaming or the expansion thereof;
- inability to adapt to, and offer products that keep pace with, evolving technology;
- inability to develop successful gaming concepts and content;
- laws and government regulation, including those relating to gaming licenses and environmental laws;
- inability to identify and capitalize on trends and changes in the lottery and gaming industries, including the expansion of interactive gaming;
- dependence upon key providers in our social gaming business;
- inability to retain or renew existing contracts or enter into new contracts, or less favorable modifications to existing contracts;
- level of our indebtedness, unavailability or inadequacy of cash flows to satisfy obligations or future needs, and restrictions and covenants in our debt agreements;
- protection of our intellectual property, ability to license third party intellectual property and the intellectual property rights of others;
- security and integrity of our software and systems and reliance on or failures in our information technology systems;
- natural events that disrupt our operations or those of our customers, suppliers or regulators;
- inability to benefit from, and risks associated with, strategic equity investments and relationships, including (1) the inability of our joint venture to meet the net income targets or otherwise to realize the anticipated benefits under its PMA with the Illinois Lottery, (2) the inability of our joint venture to meet the net income targets or other requirements under its agreement to provide marketing and sales services to the New Jersey Lottery or otherwise to realize the anticipated benefits under such agreement (including as a result of a protest) and (3) failure to realize the anticipated benefits related to the award to our consortium of an instant lottery game concession in Greece;
- failure to achieve the intended benefits of the WMS acquisition, including due to the inability to realize synergies in the anticipated amounts or within the contemplated time-frames or cost expectations, or at all;
- inability to complete and integrate future acquisitions, including the pending acquisition or Bally Technologies, Inc. ("Bally") due to the failure to obtain the required approvals or debt financing or otherwise;
- litigation related to the pending Bally acquisition;
- disruption of our current plans and operations as a result of the pending Bally acquisition;
- costs, charges and expenses related to the pending Bally acquisition;
- failure to realize the intended benefits of the pending Bally acquisition, including the inability to realize the anticipated synergies in the expected amount or within the anticipated time frames or cost expectations or at all;
- incurrence of restructuring costs and impairment charges and compliance with revenue recognition standards
- fluctuations in our results due to seasonality and other factors;
- dependence on suppliers and manufacturers;
- risks relating to foreign operations, including fluctuations in foreign currency exchange rates and restrictions on the import of our products;
- dependence on our employees;
- litigation and other liabilities relating to our business, including litigation and liabilities relating to our contracts and licenses, our products and systems, our employees, intellectual property and our strategic relationships;
- influence of certain stockholders; and
- stock price volatility.

Additional information regarding risks and uncertainties and other factors that could cause actual results to differ materially from those contemplated in forward-looking statements is included from time to time in our filings with the SEC, including under the heading "Risk Factors" in our most recent Annual Report on Form 10-K. Forward-looking statements speak only as of the date they are made and, except for our ongoing obligations under the U.S. federal securities laws, we undertake no obligation to publicly update any forward-looking statements whether as a result of new information, future events or otherwise.

This Quarterly Report on Form 10-Q may contain references to industry market data and certain industry forecasts. Industry market data and industry forecasts are obtained from publicly available information and industry publications. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of that information is not guaranteed. Although we believe industry information to be accurate, it is not independently verified by us and we do not make any representation as to the accuracy of that information. In general, we believe there is less publicly available information concerning the international lottery and gaming industries than the lottery and gaming industries in the U.S.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Unaudited, in millions, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Revenue				
Instant games	$ 135.4	$ 126.5	$ 261.6	$ 249.3
Services	179.3	85.2	356.1	167.0
Product sales	102.2	23.3	187.3	38.3
Total revenue	416.9	235.0	805.0	454.6
Operating expenses:				
Cost of instant games (1)	72.9	71.5	142.8	139.7
Cost of services (1)	64.6	46.2	131.1	92.4
Cost of product sales (1)	54.9	15.7	101.3	26.0
Selling, general and administrative	95.2	44.7	187.0	93.5
Research and development	24.8	1.4	50.7	3.3
Employee termination and restructuring	4.9	—	10.5	0.3
Depreciation and amortization	96.0	43.1	190.1	75.9
Operating income (loss)	3.6	12.4	(8.5)	23.5
Other income (expense):				
Interest expense	(49.3)	(25.1)	(97.2)	(50.1)
Earnings from equity investments	0.7	3.5	6.2	9.6
Loss on early extinguishment of debt	(25.9)	—	(25.9)	—
Gain on sale of equity interest	—	—	14.5	—
Other income (expense), net	3.2	0.2	6.1	(0.8)
Total other expense	(71.3)	(21.4)	(96.3)	(41.3)
Net loss from continuing operations before income taxes	(67.7)	(9.0)	(104.8)	(17.8)
Income tax expense	(4.7)	(3.4)	(12.6)	(6.9)
Net loss from continuing operations	$ (72.4)	$ (12.4)	$ (117.4)	$ (24.7)
Discontinued operations:				
Loss from discontinued operations	—	(0.7)	—	(2.6)
Other expense	—	0.1	—	—
Gain on sale of assets	—	—	—	0.8
Income tax benefit	—	—	—	0.3
Net loss from discontinued operations	$ —	$ (0.6)	$ —	$ (1.5)
Net loss	$ (72.4)	$ (13.0)	$ (117.4)	$ (26.2)
Other comprehensive income (loss):				
Foreign currency translation gain (loss)	10.0	0.6	10.1	(38.7)
Pension and post-retirement (loss) gain, net of tax	(0.2)	0.2	(0.1)	0.7
Derivative financial instruments unrealized (loss) gain, net of tax	(5.6)	—	(6.3)	0.7
Other comprehensive income (loss)	4.2	0.8	3.7	(37.3)
Comprehensive loss	$ (68.2)	$ (12.2)	$ (113.7)	$ (63.5)

(1) Exclusive of depreciation and amortization.

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS (cont'd)
(Unaudited, in millions, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Basic net loss per share:				
Continuing operations	$ (0.86)	$ (0.14)	$ (1.39)	$ (0.29)
Discontinued operations	—	(0.01)	—	(0.02)
Total basic net loss per share	$ (0.86)	$ (0.15)	$ (1.39)	$ (0.31)
Diluted net loss per share:				
Continuing operations	$ (0.86)	$ (0.14)	$ (1.39)	$ (0.29)
Discontinued operations	—	(0.01)	—	(0.02)
Total diluted net loss per share	$ (0.86)	$ (0.15)	$ (1.39)	$ (0.31)
Weighted average number of shares used in per share calculations:				
Basic shares	84.4	85.0	84.4	84.8
Diluted shares	84.4	85.0	84.4	84.8

See accompanying notes to consolidated financial statements.

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in millions, except par value)

	June 30, 2014	December 31, 2013
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 89.2	$ 153.7
Restricted cash	11.8	10.9
Accounts receivable, net	326.5	346.0
Notes receivable, net	135.0	158.7
Inventories	170.3	137.8
Deferred income taxes, current portion	35.1	35.1
Prepaid expenses, deposits and other current assets	111.3	119.3
Total current assets	879.2	961.5
Property and equipment, net	766.8	772.6
Long-term notes receivable	56.4	72.6
Goodwill	1,197.8	1,186.9
Intangible assets, net	510.3	411.1
Software, net	321.1	343.5
Equity investments	329.7	367.2
Other assets	122.2	126.5
Total assets	$ 4,183.5	$ 4,241.9
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Debt payments due within one year	$ 36.2	$ 30.4
Accounts payable	83.9	140.9
Accrued liabilities	280.1	285.8
Total current liabilities	400.2	457.1
Deferred income taxes	146.1	138.0
Other long-term liabilities	223.8	109.6
Long-term debt, excluding current installments	3,187.5	3,162.2
Total liabilities	3,957.6	3,866.9
Commitments and contingencies		
Stockholders' equity:		
Class A common stock, par value $0.01 per share; 199.3 shares authorized; 101.8 and 100.4 shares issued and 84.6 and 85.2 shares outstanding, respectively	1.0	1.0
Additional paid-in capital	731.9	737.8
Accumulated loss	(353.8)	(236.4)
Treasury stock, at cost: 17.2 and 15.2 shares held, respectively	(175.2)	(145.7)
Accumulated other comprehensive income	22.0	18.3
Total stockholders' equity	225.9	375.0
Total liabilities and stockholders' equity	$ 4,183.5	$ 4,241.9

See accompanying notes to consolidated financial statements.

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, in millions)

	Six Months Ended June 30,	
	2014	2013
Cash flows from operating activities:		
Net loss	$ (117.4)	$ (26.2)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	190.1	76.4
Change in deferred income taxes	1.9	1.5
Stock-based compensation	13.4	11.5
Non-cash interest expense	8.6	3.4
Earnings from equity investments, net	(6.2)	(9.6)
Distributed earnings from equity investments	21.2	28.3
Loss on early extinguishment of debt	25.9	—
Gain on sale of equity interest	(14.5)	—
Changes in current assets and liabilities, net of effects of acquisitions:		
Accounts and notes receivable	60.9	17.1
Inventories	(30.2)	1.1
Accounts payable	(48.6)	(16.2)
Accrued liabilities	(4.1)	(15.1)
Other current assets and liabilities	9.2	1.1
Other	(3.1)	(3.3)
Net cash provided by operating activities	107.1	70.0
Cash flows from investing activities:		
Additions to property and equipment	(21.1)	(15.0)
Lottery and gaming services expenditures	(44.8)	(43.1)
Intangible assets and software expenditures	(48.8)	(22.4)
Proceeds from asset disposals	—	0.9
Change in other assets and liabilities, net	(0.2)	(0.2)
Additions to equity method investments	(40.6)	(21.4)
Distributions of capital on equity investments	32.9	16.3
Proceeds from sale of equity interest	44.9	—
Restricted cash	(0.9)	1.3
Business acquisitions, net of cash acquired	—	(0.4)
Net cash used in investing activities	(78.6)	(84.0)
Cash flows from financing activities:		
Proceeds from the issuance of long-term debt	347.9	2.6
Payments on long-term debt	(364.7)	(11.7)
Payments of financing fees	(22.8)	(2.0)
Common stock repurchases	(29.5)	—
Contingent earnout payments	(3.2)	—
Net redemptions of common stock under stock-based compensation plans	(19.2)	(2.8)
Net cash used in financing activities	(91.5)	(13.9)
Effect of exchange rate changes on cash and cash equivalents	(1.5)	(3.0)
Decrease in cash and cash equivalents	(64.5)	(30.9)
Cash and cash equivalents, beginning of period	153.7	109.0
Cash and cash equivalents, end of period	$ 89.2	$ 78.1

See accompanying notes to consolidated financial statements.

(1) Description of the Business and Summary of Significant Accounting Policies

Description of the Business

We are a leading diversified supplier of technology-based products and services to the gaming and lottery industries. Our portfolio includes instant and draw-based lottery games; gaming machines and game content; server-based lottery and gaming systems; sports betting technology; loyalty and rewards programs; and interactive products and services. As a result of our acquisition of WMS in October 2013, we have significantly expanded our global gaming business.

Basis of Presentation and Principles of Consolidation

The accompanying consolidated financial statements of the Company have been prepared in accordance with SEC and U.S. GAAP requirements. All monetary values set forth in these financial statements are in U.S. dollars ("$") unless otherwise stated herein. The accompanying consolidated financial statements include the Company's accounts and subsidiaries that are wholly owned and in which we have a controlling financial interest. Investments in other entities in which we do not have a controlling financial interest but we exert significant influence are accounted for in the consolidated financial statements using the equity method of accounting. All intercompany balances and transactions have been eliminated in consolidation. We have evaluated subsequent events through the date of these financial statements. In the opinion of management, we have made all adjustments necessary to present fairly our consolidated financial position, results of operations, comprehensive loss and cash flows for the periods presented. Such adjustments are of a normal, recurring nature. These consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our 2013 Annual Report on Form 10-K. Interim results of operations are not necessarily indicative of results of operations for a full year.

In our Consolidated Statements of Operations and Comprehensive Loss for the three and six months ended June 30, 2013, we reclassified $1.4 million and $3.3 million, respectively, of R&D expense previously included within SG&A to conform to the current-year presentation.

On March 25, 2013, we completed the sale of our installed base of gaming machines in our pub business as discussed in Note 3 (Acquisitions and Dispositions) to this Quarterly Report on Form 10-Q. The results of the discontinued pub operations for the three and six months ended June 30, 2013 are presented herein in accordance with ASC 205, *Presentation of Financial Statements - Discontinued Operations.* There were no results of operations for this business for the three or six months ended June 30, 2014.

Significant Accounting Policies

There have been no changes to our significant accounting policies described in Note 1 in our 2013 Annual Report on Form 10-K except for the addition of our lease accounting policy as described below.

Lease Accounting

We account for assets held under lease in accordance with ASC 840, *Leases*. For leases classified as operating leases, we record expense on a straight-line basis over the base term of the lease agreements. For assets accounted for as capital leases, we record the lower of the net present value of the future minimum lease payments or the fair value of the leased asset at the inception of the lease. Amortization expense is computed using the straight-line method over the shorter of the estimated useful lives of the asset or the period of the related lease.

Recently Issued Accounting Guidance

In January 2014, the FASB issued ASU 2014-05, *Service Concession Arrangements (Topic 853), a consensus of the FASB Emerging Issues Task Force,* which specified that an operating entity should not account for a service concession arrangement within the scope of the update as a lease in accordance with ASC 840, *Leases*. The guidance is effective for fiscal years beginning after December 15, 2014. We do not expect ASU 2014-05 to have a material effect on our financial condition, results of operations or cash flows.

In April 2014, the FASB issued ASU 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*. ASU 2014-08 changes the criteria for reporting discontinued operations and modifies related disclosure requirements. The new guidance is effective on a prospective basis for fiscal years beginning after December 15, 2014, and interim periods thereafter. We do not expect ASU 2014-08 to have a material effect on our financial condition, results of operations or cash flows.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. The amended guidance outlines a single comprehensive revenue model for entities to use in accounting for revenue arising from contracts with customers. The guidance supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that "an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services." ASU 2014-09 is effective for fiscal years, and interim reporting periods within those years, beginning after December 15, 2016 (early adoption is not permitted). The Company is currently evaluating the impact of adopting ASU 2014-09.

In June 2014, the FASB issued ASU No. 2014-12, *Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period*. ASU 2014-12 requires that a performance target that affects vesting and could be achieved after the requisite service period be treated as a performance condition. A reporting entity should apply existing guidance in ASC 718, *Compensation—Stock Compensation*, as it relates to such awards. ASU 2014-12 is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2015 with early adoption permitted using either of two methods: (i) prospective to all awards granted or modified after the effective date; or (ii) retrospective to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter, with the cumulative effect of applying ASU 2014-12 as an adjustment to the opening retained earnings balance as of the beginning of the earliest annual period presented in the financial statements. We do not expect ASU 2014-12 to have a material effect on our financial condition, results of operations or cash flows.

(2) Reportable Business Segment Information

We report our operations in three business segments—Instant Products, Lottery Systems and Gaming—representing our different products and services. These are our reportable segments under ASC 280, *Segment Reporting*. The Instant Products and Lottery Systems business segments are managed by one executive and the Gaming business segment is managed by a different executive, both of whom report to our chief executive officer (who is our "chief operating decision maker" under applicable accounting standards). Our three business segments represent the aggregation of similar operating segments. Our Instant Products business segment is comprised of our instant products operating segment, which provides instant lottery games and related value-added services, as well as licensed brands that are printed on instant lottery games and other promotional lottery products. Our Lottery Systems business segment is comprised of our lottery systems operating segment, which provides products and services to lottery operators generally comprised of a central system, customized computer software, data communication services, support and/or related equipment. Our Gaming business segment includes (1) our gaming operating segment, which generally sells new and used gaming machines, conversion kits and parts, and leases or otherwise provides gaming machines, systems and content, to commercial, tribal and governmental gaming operators, and (2) our interactive operating segment, which provides social gaming entertainment and game server services for real money gaming. Additional discussion regarding the products and services from which each reportable business segment derives its revenue is included in Note 1 in our 2013 Annual Report on Form 10-K.

Effective in the fourth quarter of 2013, we revised our business and operating segments to reflect the reorganization of our business following the WMS acquisition and the resulting changes in the financial information regularly reviewed by our chief executive officer. Based on that review, we moved our video systems operating segment from the Lottery Systems business segment to the Gaming business segment. This change, which was effective as of December 31, 2013, had no impact on the Company's consolidated financial statements for any periods. Business segment information for the three and six months ended June 30, 2013 has been adjusted to reflect this change.

The following tables present revenue, cost of revenue, SG&A, R&D, employee termination and restructuring, D&A, operating income (loss) from continuing operations and earnings (loss) from equity investments by business segment for the three and six months ended June 30, 2014 and 2013. Certain unallocated expenses managed at the corporate level, comprised primarily of general and administrative costs and other income (expense), net, are not allocated to our business segments. Segment results below for 2013 do not include the operations of WMS, which we acquired in October 2013. The increase in unallocated corporate costs is primarily related to the addition of WMS in the 2014 results.

	Three Months Ended June 30, 2014			
	Instant Products	Lottery Systems	Gaming	Total
Revenue				
Instant games	$ 135.4	$ —	$ —	$ 135.4
Services	—	51.0	128.3	179.3
Product sales	3.1	18.3	80.8	102.2
Total revenue	138.5	69.3	209.1	416.9
Cost of instant games (1)	72.9	—	—	72.9
Cost of services (1)	—	29.6	35.0	64.6
Cost of product sales (1)	2.1	14.5	38.3	54.9
Selling, general and administrative	13.7	5.9	44.6	64.2
Research and development	0.3	0.4	24.1	24.8
Employee termination and restructuring	0.8	—	2.2	3.0
Depreciation and amortization	9.1	14.3	66.7	90.1
Segment operating income (loss) from continuing operations	$ 39.6	$ 4.6	$ (1.8)	$ 42.4
Unallocated corporate costs				38.8
Consolidated operating income from continuing operations				$ 3.6
Earnings (loss) from equity investments	$ (2.4)	$ 0.8	$ 2.3	$ 0.7

(1) Exclusive of depreciation and amortization.

	Three Months Ended June 30, 2013			
	Instant Products	Lottery Systems	Gaming	Total
Revenue				
Instant games	$ 126.5	$ —	$ —	$ 126.5
Services	—	49.7	35.5	85.2
Product sales	3.5	14.7	5.1	23.3
Total revenue	130.0	64.4	40.6	235.0
Cost of instant games (1)	71.5	—	—	71.5
Cost of services (1)	—	27.1	19.1	46.2
Cost of product sales (1)	2.5	9.9	3.3	15.7
Selling, general and administrative	11.7	5.4	4.9	22.0
Research and development	0.2	0.8	0.4	1.4
Depreciation and amortization	8.8	12.8	21.3	42.9
Segment operating income (loss) from continuing operations	$ 35.3	$ 8.4	$ (8.4)	$ 35.3
Unallocated corporate costs				22.9
Consolidated operating income from continuing operations				$ 12.4
Earnings (loss) from equity investments	$ 4.3	$ 0.5	$ (1.3)	$ 3.5

(1) Exclusive of depreciation and amortization.

	Six Months Ended June 30, 2014			
	Instant Products	Lottery Systems	Gaming	Total
Revenue:				
Instant games	$ 261.6	$ —	$ —	$ 261.6
Services	—	101.1	255.0	356.1
Product sales	6.2	32.8	148.3	187.3
Total revenue	267.8	133.9	403.3	805.0
Cost of instant games (1)	142.8	—	—	142.8
Cost of services (1)	—	60.0	71.1	131.1
Cost of product sales (1)	4.1	26.2	71.0	101.3
Selling, general and administrative	26.7	11.5	90.5	128.7
Research and development	0.5	0.8	49.4	50.7
Employee termination and restructuring	1.2	—	7.4	8.6
Depreciation and amortization	17.3	28.6	130.4	176.3
Segment operating income (loss) from continuing operations	$ 75.2	$ 6.8	$ (16.5)	$ 65.5
Unallocated corporate costs				74.0
Consolidated operating loss from continuing operations				$ (8.5)
Earnings from equity investments	$ 3.0	$ 1.2	$ 2.0	$ 6.2

(1) Exclusive of depreciation and amortization.

	Six Months Ended June 30, 2013			
	Instant Products	Lottery Systems	Gaming	Total
Revenue:				
Instant games	$ 249.3	$ —	$ —	$ 249.3
Services	—	97.5	69.5	167.0
Product sales	7.0	21.6	9.7	38.3
Total revenue	256.3	119.1	79.2	454.6
Cost of instant games (1)	139.7	—	—	139.7
Cost of services (1)	—	54.9	37.5	92.4
Cost of product sales (1)	5.0	15.1	5.9	26.0
Selling, general and administrative	24.0	10.7	13.0	47.7
Research and development	0.3	2.2	0.8	3.3
Employee termination and restructuring	0.3	—	—	0.3
Depreciation and amortization	17.8	25.4	32.4	75.6
Segment operating income (loss) from continuing operations	$ 69.2	$ 10.8	$ (10.4)	$ 69.6
Unallocated corporate costs				46.1
Consolidated operating income from continuing operations				$ 23.5
Earnings (loss) from equity investments	$ 10.6	$ 0.6	$ (1.6)	$ 9.6

(1) Exclusive of depreciation and amortization.

The following table presents a reconciliation of business segment operating income from continuing operations to net loss from continuing operations before income taxes for each period:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Reportable business segment operating income from continuing operations	$ 42.4	$ 35.3	$ 65.5	$ 69.6
Unallocated corporate costs	(38.8)	(22.9)	(74.0)	(46.1)
Consolidated operating income (loss) from continuing operations	3.6	12.4	(8.5)	23.5
Interest expense	(49.3)	(25.1)	(97.2)	(50.1)
Earnings from equity investments	0.7	3.5	6.2	9.6
Loss on early extinguishment of debt	(25.9)	—	(25.9)	—
Gain on sale of equity interest	—	—	14.5	—
Other income (expenses), net	3.2	0.2	6.1	(0.8)
Net loss from continuing operations before income taxes	$ (67.7)	$ (9.0)	$ (104.8)	$ (17.8)

In evaluating segment financial performance, we focus on operating income as a segment's measure of profit or loss. Segment operating income is income before other income (expense), net, interest expense, earnings from equity investments, loss on early extinguishment of debt, gain on sale of equity interest, unallocated corporate costs and income taxes. The accounting policies of the business segments are the same as those described in our summary of significant accounting policies in Note 1 in our 2013 Annual Report on Form 10-K.

(3) Acquisitions and Dispositions

Acquisitions

On October 18, 2013 we acquired WMS, a global gaming supplier with a diversified suite of products and strong content creation capabilities, for $1,485.9 million.

We have recorded the assets and liabilities of WMS based on our preliminary estimates of their fair values as of the acquisition date. The determination of the fair values of the acquired assets and assumed liabilities (and the related determination of estimated lives of assets) requires significant judgment. The estimates and assumptions include the projected timing and amount of future cash flows and discount rates reflecting risk inherent in future cash flows. The estimated fair values of the assets and liabilities of WMS and resulting goodwill are subject to adjustment as the Company finalizes its fair value analysis, which we expect to complete by the end of the third quarter of 2014. We do not expect our fair value determinations to change; however, as we finalize our analysis there may be differences compared to the amounts reflected in our consolidated financial statements at June 30, 2014.

Based on our preliminary estimates, the equity purchase price exceeded the aggregate estimated fair value of the acquired assets and assumed liabilities at the acquisition date by $385.6 million, which amount has been recognized as goodwill within our Gaming segment. We attribute this goodwill to enhanced financial and operational scale, market diversification, opportunities for synergies and other strategic benefits. None of the goodwill associated with the acquisition is deductible for income tax purposes and, as such, no deferred taxes have been recorded related to goodwill.

The preliminary allocation of the purchase price to the estimated fair values of assets acquired and liabilities assumed presented below did not change during the six months ended June 30, 2014 from the amounts disclosed in Note 3 in our 2013 Annual Report on Form 10-K:

	At October 18, 2013
Current assets	$ 508.0
Long-term notes receivable	76.2
Property, plant and equipment, net	465.3
Goodwill	385.6
Intangible assets	325.0
Intellectual property	201.2
Other long-term assets	5.9
Total assets	1,967.2
Current liabilities	(164.4)
Deferred income taxes	(166.6)
Long-term liabilities	(150.3)
Total liabilities	(481.3)
Total equity purchase price	$ 1,485.9

As required by ASC 805, *Business Combinations*, the following unaudited pro forma financial information for the three and six months ended June 30, 2013 gives effect to the WMS acquisition as if it had been completed on January 1, 2012. The unaudited pro forma financial information is presented for illustrative purposes only and is not necessarily indicative of what the operating results actually would have been had the WMS acquisition been completed on January 1, 2012. In addition, the unaudited pro forma financial information does not purport to project the future operating results of the Company. This information is preliminary in nature and subject to change based on any final purchase price allocation adjustments. The unaudited pro forma financial information does not reflect (1) any anticipated synergies (or costs to achieve anticipated synergies) or (2) the impact of non-recurring items directly related to the WMS acquisition.

	Three Months Ended June 30, 2013	Six Months Ended June 30, 2013
Revenue from Consolidated Statements of Operations and Comprehensive Loss	$ 235.0	$ 454.6
Add: WMS revenue not reflected in Consolidated Statements of Operations and Comprehensive Loss	202.8	380.7
Unaudited pro forma revenue	$ 437.8	$ 835.3

	Three Months Ended June 30, 2013	Six Months Ended June 30, 2013
Net loss from continuing operations from Consolidated Statements of Operations and Comprehensive Loss	$ (12.4)	$ (24.7)
Add: WMS net loss from continuing operations not reflected in Consolidated Statements of Operations and Comprehensive Loss plus pro forma adjustments (1), (2), (3) and (4) below	(7.2)	(19.6)
Unaudited pro forma net loss from continuing operations	$ (19.6)	$ (44.3)

Unaudited pro forma amounts reflect the following adjustments:

(1) An adjustment to reflect additional D&A of $9.9 million and $20.5 million for the three and six months ended June 30, 2013, respectively, that would have been incurred assuming the fair value adjustments to intangible assets and property and equipment had been applied on January 1, 2012.

(2) An adjustment to reverse acquisition-related fees and expenses of $5.9 million and $17.0 million for the three and six months ended June 30, 2013, respectively.

(3) An adjustment to reflect additional interest expense of $20.3 million and $40.6 million for the three and six months ended June 30, 2013, respectively, that would have been incurred assuming our new credit facilities were in place as of January 1, 2012.

(4) An adjustment of $3.6 million and $3.5 million for the three and six months ended June 30, 2013, respectively, to reverse the U.S. tax expense of WMS under the assumption that the U.S. taxable income of WMS would have been offset by U.S. tax attributes of the Company.

Dispositions

On March 25, 2013, we completed the sale of our installed base of gaming terminals in our pub business for £0.5 million. There were no results of operations for this business for the three and six months ended June 30, 2014. The components of our loss from discontinued operations for the three and six months ended June 30, 2013 are presented below:

	Three Months Ended June 30, 2013	Six Months Ended June 30, 2013
Revenue:		
Services	$ —	$ 1.8
Operating expenses:		
Cost of services (1)	0.3	2.9
Selling, general and administrative	0.4	1.0
Depreciation and amortization	—	0.5
Loss from discontinued operations	(0.7)	(2.6)
Other expense	0.1	—
Gain on sale of assets	—	0.8
Income tax benefits	—	0.3
Net loss from discontinued operations	$ (0.6)	$ (1.5)

(1) Exclusive of depreciation and amortization.

(4) Restructuring Plans

We recorded pre-tax employee termination and restructuring costs of $4.9 million and $0 for the three months ended June 30, 2014 and 2013, respectively, and recorded pre-tax employee termination and restructuring costs of $10.5 million and $0.3 million for the six months ended June 30, 2014 and 2013, respectively. Employee termination and restructuring initiatives reported in the six months ended June 30, 2013 were related to initiatives that were completed by March 31, 2013 and therefore, are not included in the tables below.

WMS Integration Related Restructuring Plan

Upon our acquisition of WMS in October 2013, we began integrating Scientific Games and WMS and implementing our plans to streamline our operations and cost structure. We have recorded costs that meet the criteria under ASC 420, *Exit and Disposal Cost Obligations*, in each of our segments associated with integration activities that have been initiated in the relevant period. These costs include employee severance costs, costs relating to the exiting of facilities and costs related to exiting two immaterial businesses.

Unallocated corporate employee termination costs primarily relate to terminations of certain executives, including an accrual for cash severance due to our former chief executive officer that was recorded in the fourth quarter of 2013.

Other Restructuring Plans

In December 2013, we initiated a plan to exit our Provoloto instant lottery game operations in Mexico, which was completed during the three months ended March 31, 2014. In June 2014, we initiated a plan to exit our paper roll conversion operations in the U.S., which are non-core to our operations. Employee termination and restructuring costs related to these initiatives are included in our Instant Products segment.

The following table presents a summary of employee termination and restructuring costs by segment related to the restructuring plans described above, including the costs incurred during the three and six months ended June 30, 2014, the cumulative costs incurred through June 30, 2014 since the relevant restructuring activities were initiated and the total expected costs related to the relevant restructuring activities that have been initiated. As additional integration-related activities are initiated, we expect to incur additional costs related to those activities.

Business Segment		Employee Termination Costs	Property Costs	Other	Total
Instant Products	Three months ended June 30, 2014	$ 0.6	$ —	$ 0.2	$ 0.8
	Six months ended June 30, 2014	1.0	—	0.2	1.2
	Cumulative	1.0	—	4.9	5.9
	Expected Total	1.0	0.5	4.9	6.4
Lottery Systems	Three months ended June 30, 2014	—	—	—	—
	Six months ended June 30, 2014	—	—	—	—
	Cumulative	0.4	—	—	0.4
	Expected Total	0.4	—	—	0.4
Gaming	Three months ended June 30, 2014	1.9	0.4	(0.1)	2.2
	Six months ended June 30, 2014	5.4	0.4	1.6	7.4
	Cumulative	9.2	1.4	5.4	16.0
	Expected Total	9.4	1.4	5.8	16.6
Unallocated corporate	Three months ended June 30, 2014	1.7	0.2	—	1.9
	Six months ended June 30, 2014	1.7	0.2	—	1.9
	Cumulative	8.6	2.3	—	10.9
	Expected Total	8.6	2.3	—	10.9
Total	Three months ended June 30, 2014	$ 4.2	$ 0.6	$ 0.1	$ 4.9
	Six months ended June 30, 2014	$ 8.1	$ 0.6	$ 1.8	$ 10.5
	Cumulative	$ 19.2	$ 3.7	$ 10.3	$ 33.2
	Expected Total	$ 19.4	$ 4.2	$ 10.7	$ 34.3

The following table presents a summary of employee termination and restructuring costs and changes in the related accruals.

	Employee Termination Costs	Property Costs	Other	Total
Balance as of December 31, 2013	$ 9.3	$ 2.8	$ 0.1	$ 12.2
Additional accruals	8.1	0.6	1.8	10.5
Cash payments	(9.1)	(0.5)	(1.6)	(11.2)
Non-cash expense	(0.1)	(0.8)	—	(0.9)
Balance as of June 30, 2014	$ 8.2	$ 2.1	$ 0.3	$ 10.6

(5) Basic and Diluted Net Loss Per Share

The following represents a reconciliation of the numerator and denominator used in computing basic and diluted net loss per share available to common stockholders for the three and six months ended June 30, 2014 and 2013:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Net loss				
Net loss from continuing operations	$ (72.4)	$ (12.4)	$ (117.4)	$ (24.7)
Net loss from discontinued operations	—	(0.6)	—	(1.5)
Net loss	$ (72.4)	$ (13.0)	$ (117.4)	$ (26.2)
Weighted average number of shares used in per share calculations:				
Basic shares	84.4	85.0	84.4	84.8
Diluted shares	84.4	85.0	84.4	84.8
Basic net loss per share:				
Continuing operations	$ (0.86)	$ (0.14)	$ (1.39)	$ (0.29)
Discontinued operations	—	(0.01)	—	(0.02)
Total basic net loss per share	$ (0.86)	$ (0.15)	$ (1.39)	$ (0.31)
Diluted net loss per share:				
Continuing operations	$ (0.86)	$ (0.14)	$ (1.39)	$ (0.29)
Discontinued operations	—	(0.01)	—	(0.02)
Total diluted net loss per share	$ (0.86)	$ (0.15)	$ (1.39)	$ (0.31)

For all periods presented, basic and diluted net loss per share is the same, as any additional common stock equivalents would be anti-dilutive. We excluded 2.0 million and 3.4 million of stock options from the weighted average diluted common shares outstanding as of June 30, 2014 and 2013, respectively, which would have been anti-dilutive due to the net loss in those periods. In addition, we excluded 4.4 million and 5.1 million of RSUs from the calculation of weighted average diluted common shares outstanding as of June 30, 2014 and 2013, respectively, which would have been anti-dilutive due to the net loss in those periods.

(6) Accounts and Notes Receivable and Credit Quality of Notes Receivable

Accounts and Notes Receivable

The following summarizes the components of current and long-term accounts and notes receivable, net, as of June 30, 2014 and December 31, 2013:

	June 30, 2014	December 31, 2013
Current		
Accounts receivable	$ 338.5	$ 360.4
Notes receivable	143.1	164.3
Allowance for doubtful accounts	(20.1)	(20.0)
Current accounts and notes receivable, net	$ 461.5	$ 504.7
Long-term:		
Notes receivable	56.4	72.6
Total accounts and notes receivable, net	$ 517.9	$ 577.3

Credit Quality of Notes Receivable

We carry our notes receivable at face amounts less an allowance for doubtful accounts and imputed interest. Interest income is recognized ratably over the life of the note receivable and any related fees or costs to establish the notes are expensed as incurred, as they are considered insignificant. Actual or imputed interest, if any, is determined based on stated rates or current market rates, at the time the note originated and is recorded as interest income in other income (expense), net, ratably over the payment period. We impute interest income on notes receivable with terms greater than one year that do not contain a stated interest rate. The interest rates on our outstanding notes receivable ranged from 4.0% to 8.0% at June 30, 2014. Our policy is to generally recognize interest on our notes receivable until the note receivable is deemed non-performing, which we define as a note on which payments are over 180 days past due. The amount of our non-performing notes was immaterial at June 30, 2014.

The Company monitors the credit quality of its accounts receivable by reviewing an aging of customer invoices. Invoices are considered past due if a scheduled payment is not received within agreed upon terms. The Company's notes receivable are reviewed quarterly, at a minimum, for impairment. The Company also reviews a variety of other relevant qualitative information such as collection experience, economic conditions and specific customer financial conditions to evaluate credit risk in recording the allowance for doubtful accounts or as an indicator of an impaired loan. Where possible we seek payment deposits, collateral, pledge agreements, bills of exchange, foreign bank letters of credit or personal guarantees with respect to notes receivable from our customers. However, the majority of our international notes receivable are not collateralized. Currently, we have not sold our notes receivable to third parties; therefore, we do not have any off-balance sheet liabilities for factored receivables.

The government authorities in Argentina limit the exchange of pesos into U.S. dollars and the transfer of funds from Argentina. Our accounts and notes receivable, net, from customers in Argentina at June 30, 2014 was $31.8 million, which is denominated in U.S. dollars, although, under the terms of our arrangements with our customers in Argentina, they are required to pay us in pesos at the spot exchange rate between the peso and the U.S. dollar on the date of payment. In evaluating the collectability of customer receivables in Argentina at June 30, 2014, we specifically evaluated recent payments, receivable aging, any additional security or collateral we had (bills of exchange, pledge agreements, etc.) and other facts and circumstances to determine our customers' ability to pay. Our customers in Argentina have continued to pay us in pesos based on the spot exchange rate between the peso and the U.S. dollar on the payment date. We collected $21.3 million of outstanding receivables from customers in Argentina during the six months ended June 30, 2014.

Recent government actions and challenges affecting the gaming industry in Mexico have increased the credit quality risk with respect to certain of our current Mexico customers.

The following summarizes the components of total notes receivable, net, as of June 30, 2014 and December 31, 2013:

	June 30, 2014	Balances over 90 days past due	December 31, 2013	Balances over 90 days past due
Notes receivable:				
Domestic	$ 57.6	$ 1.9	$ 65.1	$ 0.4
International	141.9	6.3	171.8	8.7
Total notes receivable	199.5	8.2	236.9	9.1
Notes receivable allowance for doubtful accounts:				
Domestic	—	—	—	—
International	(8.1)	(4.7)	(5.6)	(3.3)
Total notes receivable allowance for doubtful accounts	(8.1)	(4.7)	(5.6)	(3.3)
Note receivable, net	$ 191.4	$ 3.5	$ 231.3	$ 5.8

At June 30, 2014, 1.8% of our total notes receivable, net, was past due by over 90 days compared to 2.5% at December 31, 2013.

The following tables detail our evaluation of notes receivable for impairment as of June 30, 2014 and December 31, 2013:

	June 30, 2014	Ending Balance Individually Evaluated for Impairment	Ending Balance Collectively Evaluated for Impairment
Notes receivable:			
Domestic	$ 57.6	$ 8.7	$ 48.9
International	141.9	92.2	49.7
Total notes receivable	$ 199.5	$ 100.9	$ 98.6

	December 31, 2013	Ending Balance Individually Evaluated for Impairment	Ending Balance Collectively Evaluated for Impairment
Notes receivable			
Domestic	$ 65.1	$ 4.8	$ 60.3
International	171.8	99.7	72.1
Total notes receivable	$ 236.9	$ 104.5	$ 132.4

The following table reconciles the allowance for doubtful notes receivable from December 31, 2013 to June 30, 2014:

	Total	Ending Balance Individually Evaluated for Impairment	Ending Balance Collectively Evaluated for Impairment
Beginning balance at December 31, 2013	$ 5.6	$ 5.6	$ —
Charge-offs	(0.1)	(0.1)	—
Recoveries	—	—	—
Provision	2.6	2.6	—
Ending balance at June 30, 2014	$ 8.1	$ 8.1	$ —

Modifications to original financing terms are exceptions to our cash collection process and are a function of collection activities with the customer. If a customer requests a modification of financing terms during the collection process, we evaluate the proposed modification in relation to the recovery of our gaming machines, generally seek additional security and recognize any additional interest income ratably over the remaining new financing term. Additionally, we often take the opportunity to simplify the future payments by consolidating several notes (each typically representing an individual purchase transaction) into one note. In those instances, the aging of any outstanding receivable balance would be adjusted to reflect the new payment terms. Any such modifications generally do not include a concession on the amount owed and generally result only in a delay of payments relative to the original terms.

The following summarizes the notes receivable financing terms that were modified during the six months ended June 30, 2014:

	Six Months Ended June 30, 2014			
	# of Customers	# of Notes	Pre-Modification Investment	Post-Modification Investment
Financing term modifications				
International (1)	7	24	$ 11.9	$ 11.9
Total financing term modifications	7	24	$ 11.9	$ 11.9

(1) The modifications are detailed below:

- One customer for which 12 notes were consolidated into one note aggregating $4.0 million, with an average 28-month payment extension;
- One customer for which three notes were consolidated into one note aggregating $3.1 million, with an average four-month payment extension;
- One customer with a note for $2.3 million for which original payment terms were extended by nine months;
- One customer for which four notes were consolidated into one note aggregating $1.4 million, with an average five-month extension, and another note for $0.2 million for which original payment terms were extended by seven months;
- One customer with a note for $0.5 million for which original payment terms were extended by 21 months;
- One customer with a note for $0.3 million for which original payment terms were extended by 27 months; and
- One customer with a note for $0.1 million for which original payment terms were extended by 21 months.

In certain international jurisdictions, we offer extended financing terms related to our customers. Such financing activities subject us to increased credit risk, which could be exacerbated by, among other things, unfavorable economic

conditions or political or economic instability in those regions. Our notes receivable were concentrated in the following international gaming jurisdictions at June 30, 2014:

Peru	23%
Mexico	17%
Argentina	13%
Colombia	8%
Other (less than 5% individually)	10%
Total international notes receivable as a percentage of total notes receivable	71%

(7) Inventories

Inventories consisted of the following as of the dates presented below:

	June 30, 2014	December 31, 2013
Parts and work-in-process	$ 74.7	$ 62.1
Finished goods	95.6	75.7
Inventory	$ 170.3	$ 137.8

Parts and work-in-process include parts for lottery terminals, gaming machines and instant lottery ticket materials as well as labor and overhead costs associated with the manufacturing of instant lottery games. Our finished goods inventory primarily consists of instant games for our participation arrangements, gaming machines for sale and our licensed branded merchandise.

(8) Property and Equipment

The following table presents certain information regarding our lottery and gaming equipment at June 30, 2014 and December 31, 2013:

	June 30, 2014	December 31, 2013
Lottery equipment	$ 355.2	$ 350.3
Less: accumulated depreciation	(227.8)	(210.6)
Net lottery equipment	127.4	139.7
Gaming equipment	473.9	439.2
Less: accumulated depreciation	(203.0)	(145.0)
Net gaming equipment	270.9	294.2
Total lottery and gaming equipment, net	$ 398.3	$ 433.9

The following table presents certain information regarding our other property and equipment, including capital leases, at June 30, 2014 and December 31, 2013:

	June 30, 2014	December 31, 2013
Land	$ 25.7	$ 25.6
Buildings and leasehold improvements	185.1	181.6
Machinery and equipment	263.2	239.1
Furniture and fixtures	25.8	30.1
Transportation equipment	6.3	6.4
Construction in progress	11.6	33.4
Capital leases	44.1	—
Less: accumulated depreciation	(193.3)	(177.5)
Total other property and equipment, net	$ 368.5	$ 338.7
Total property and equipment, net	$ 766.8	$ 772.6

Depreciation expense for the three and six months ended June 30, 2014 was $55.8 million and $108.3 million, respectively. Depreciation expense for the three and six months ended June 30, 2013 was $32.3 million and $54.5 million, respectively. Depreciation expense is excluded from cost of instant games, cost of services, cost of product sales and other operating expenses and is separately stated within depreciation and amortization on the Consolidated Statements of Operations and Comprehensive Loss. Accumulated amortization of capital lease assets was $1.4 million and $0 as of June 30, 2014 and December 31, 2013, respectively.

(9) Intangible Assets and Goodwill

Intangible Assets

The following presents certain information regarding our intangible assets as of June 30, 2014 and December 31, 2013. Amortizable intangible assets are primarily being amortized on a straight-line basis over their estimated useful lives with no estimated residual values.

Intangible Assets	Gross Carrying Amount	Accumulated Amortization	Net Balance
Balance as of June 30, 2014			
nortizable intangible assets:			
Patents	$ 16.4	$ 7.8	$ 8.6
Customer lists	162.1	33.3	128.8
Licenses	302.6	72.0	230.6
Intellectual property	8.8	6.4	2.4
Brand name	39.3	2.8	36.5
Non-compete agreements	0.4	0.2	0.2
Lottery contracts	1.5	1.4	0.1
	531.1	123.9	407.2
Non-amortizable intangible assets:			
Trade name	105.2	2.1	103.1
Total intangible assets	$ 636.3	$ 126.0	$ 510.3
Balance as of December 31, 2013			
Amortizable intangible assets:			
Patents	$ 14.5	$ 7.1	$ 7.4
Customer lists	161.9	24.0	137.9
Licenses	181.0	59.9	121.1
Intellectual property	8.6	5.7	2.9
Brand name	39.3	0.6	38.7
Non-compete agreements	0.4	0.2	0.2
Lottery contracts	1.5	1.4	0.1
	407.2	98.9	308.3
Non-amortizable intangible assets:			
Trade name	104.9	2.1	102.8
Total intangible assets	$ 512.1	$ 101.0	$ 411.1

The increase in the carrying amount of licenses for the six months ended June 30, 2014 primarily reflected the recording of approximately $106 million associated with a long-term license agreement which was amended and extended in the first quarter of 2014. The carrying value of the licensed asset increased to reflect the additional minimum guarantees of royalties under the amended license agreement. For additional information regarding licensed assets with minimum guarantees, see Note 1 in our 2013 Annual Report on Form 10-K.

The aggregate intangible amortization expense for the three and six months ended June 30, 2014 was $16.3 million and $30.9 million, respectively. The aggregate intangible amortization expense for the three and six months ended June 30, 2013 was $4.9 million and $9.8 million, respectively. These amounts are included in depreciation and amortization in our Consolidated Statements of Operations and Comprehensive Loss.

Goodwill

The table below reconciles the change in the carrying amount of goodwill by reporting segment from December 31, 2012 to June 30, 2014.

Goodwill	Instant Products	Lottery Systems	Gaming	Totals
Balance as of December 31, 2012	$ 328.0	$ 210.7	$ 262.7	$ 801.4
Acquisitions	—	—	385.6	385.6
Impairments	(5.4)	—	—	(5.4)
Foreign currency adjustments	(2.4)	2.7	5.0	5.3
Reallocation of goodwill	20.0	(39.7)	19.7	—
Balance as of December 31, 2013	340.2	173.7	673.0	1,186.9
Foreign currency adjustments	0.3	1.7	8.9	10.9
Balance as of June 30, 2014	$ 340.5	$ 175.4	$ 681.9	$ 1,197.8

(10) Software

The following table presents certain information regarding our software at June 30, 2014 and December 31, 2013:

	June 30, 2014	December 31, 2013
Software	$ 487.9	$ 457.7
Accumulated amortization	(166.8)	(114.2)
Software, net	$ 321.1	$ 343.5

Amortization expense for the three and six months ended June 30, 2014 was $23.9 million and $50.9 million, respectively. Amortization expense for the three and six months ended June 30, 2013 was $5.9 million and $11.6 million, respectively. Amortization expense is excluded from cost of instant games, cost of services, cost of product sales and other operating expenses and is separately stated within depreciation and amortization on the Consolidated Statements of Operations and Comprehensive Loss.

(11) Equity Method Investments

The following provides an update for events that occurred during the six months ended June 30, 2014 related to our equity method investments, which are disclosed in Note 11 in our 2013 Annual Report on Form 10-K.

Northstar Illinois

Under the terms of a PMA, Northstar Illinois is entitled to receive annual incentive compensation payments to the extent it is successful in increasing the Illinois lottery's net income (as defined in the PMA) above specified target levels, subject to a cap of 5% of the applicable year's net income. Northstar Illinois is responsible for payments to the State to the extent such targets are not achieved, subject to a similar cap. We understand that the lottery has asserted that Northstar Illinois is responsible for shortfall payments of approximately $22 million with respect to its fiscal year ended June 30, 2012 and approximately $39 million with respect to its fiscal year ended June 30, 2013. We further understand that Northstar Illinois disagrees with the methodology used by the lottery in calculating the lottery's net income for each such fiscal year that formed the basis of the lottery's shortfall payment claim, believes that certain other matters that could impact any potential shortfall payment have yet to be resolved and has initiated the resolution process contemplated by the PMA in an attempt to resolve these matters.

We understand that, despite the disagreement with the methodology, in light of the completion of the lottery's financial statements for the fiscal year ended June 30, 2012, and based on preliminary financial information for the lottery's fiscal year ended June 30, 2013, Northstar Illinois recorded a liability of $42.0 million in 2013 associated with its initial estimate of the potential aggregate net shortfall payments for the first three fiscal years under the PMA. Northstar Illinois amortizes the $42.0 million liability over the life of the contract, which reduces our earnings from our equity investment in Northstar Illinois. This amount was not material to our results of operations for the three and six months ended June 30, 2014.

During the three months ended June 30, 2014, we understand that Northstar Illinois recorded an additional liability of approximately $40 million related to an estimated shortfall payment for the lottery's fiscal year ended June 30, 2014. We recorded a charge of $8.0 million, representing our 20% share of that liability, in earnings from equity investments in our Consolidated Statements of Operations and Comprehensive Loss during the three months ended June 30, 2014.

Sportech

In January 2014, we completed the sale of our 20% equity interest in Sportech for cash proceeds of £27.8 million, or $44.9 million, resulting in a gain of approximately £9 million, or $14.5 million, which is reflected as gain on sale of equity interest in our Consolidated Statements of Operations and Comprehensive Loss.

LNS

During the six months ended June 30, 2014, we received a distribution of capital of €16.3 million, or $22.4 million, and a dividend of €13.3 million, or $18.2 million, net of withholding taxes, from LNS.

ITL

During the six months ended June 30, 2014, we contributed €29.4 million, or $40.3 million, to ITL. During the six months ended June 30, 2014, we received distributions of €7.6 million, or $10.5 million, from ITL.

RCN

During the six months ended June 30, 2014, we received a dividend of $3.0 million from RCN.

(12) Long-Term and Other Debt

Outstanding Debt

The following reflects our outstanding debt as of June 30, 2014 and December 31, 2013:

	June 30, 2014	December 31, 2013
Revolver, varying interest rate, due 2018	$ —	$ —
Term Loan, varying interest rate, due 2020 (1)	2,278.2	2,288.8
2018 Notes	250.0	250.0
2019 Notes (2)	—	346.3
2020 Notes	300.0	300.0
2021 Notes (3)	347.7	—
China Loans, varying interest rates	5.0	7.4
Capital lease obligations, 3.9% interest as of June 30, 2014 payable monthly through 2019	42.8	0.1
Total long-term debt outstanding and capital lease obligations	3,223.7	3,192.6
Less: debt payments due within one year	(36.2)	(30.4)
Long-term debt, net of current installments	$ 3,187.5	$ 3,162.2

(1) Total of $2,288.5 million less amortization of a loan discount in the amount of $10.3 million as of June 30, 2014. Total of $2,300.0 million less amortization of a loan discount in the amount of $11.2 million as of December 31, 2013.
(2) Total of $350.0 million less amortization of a loan discount in the amount of $3.7 million as of December 31, 2013.
(3) Total of $350.0 million less amortization of a loan discount in the amount of $2.3 million as of June 30, 2014.

Senior Secured Credit Facilities

In connection with the WMS acquisition, the Company and certain of its subsidiaries entered into a credit agreement dated as of October 18, 2013, by and among SGI, as the borrower, the Company, as a guarantor, Bank of America, N.A., as administrative agent, and the lenders and other agents party hereto, providing for senior secured credit facilities in an aggregate principal amount of $2,600.0 million, including a $300.0 million revolving credit facility, which has dollar and multi-currency tranches, and a $2,300.0 million term loan facility. The term loan facility was used, in part, to finance the consideration paid in the WMS acquisition, to repay all indebtedness under our and WMS's prior credit agreements and to pay related acquisition and financing fees and expenses. Up to $200.0 million of the revolving credit facility is available for issuances of letters of credit. The term loan is scheduled to mature on October 18, 2020 and the revolving credit facility is scheduled to mature on October 18, 2018 (subject to accelerated maturity dates depending on our liquidity at the time our 2018 Notes and 2020 Notes become due).

SGI is required to pay commitment fees to revolving lenders on the actual daily unused portion of the revolving commitments at a rate of 0.50% per annum through maturity, subject to a step-down to 0.375% based upon certain first lien net leverage ratios. The credit facilities contain customary events of default (subject to customary grace periods and materiality thresholds). Upon the occurrence of certain events of default, the obligations under the credit facilities may be accelerated and the commitments may be terminated.

Senior Subordinated Notes

2021 Notes

On June 4, 2014, SGI issued the $350.0 million in aggregate principle amount of 2021 Notes at a price of 99.321% of the principal amount thereof in a private offering to qualified institutional buyers in accordance with Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"), and to persons outside the United States under Regulation S under the Securities Act. The 2021 Notes were issued pursuant to an indenture dated as of June 4, 2014 (the "2021 Notes Indenture").

The 2021 Notes bear interest at the rate of 6.625% per annum, which accrues from June 4, 2014 and is payable semiannually in arrears on May 15 and November 15 of each year, commencing on November 15, 2014. The 2021 Notes

mature on May 15, 2021, unless earlier redeemed or repurchased, and are subject to the terms and conditions set forth in the 2021 Notes Indenture. In connection with the issuance of the 2021 Notes, the Company capitalized financing costs of $7.3 million.

SGI may redeem some or all of the 2021 Notes at any time prior to May 15, 2017 at a redemption price equal to 100% of the principal amount of the 2021 Notes plus accrued and unpaid interest, if any, to the date of redemption plus a "make whole" premium. SGI may redeem some or all of the 2021 Notes at any time on or after May 15, 2017 at the prices specified in the 2021 Notes Indenture. In addition, at any time on or prior to May 15, 2017, SGI may redeem up to 35% of the initially outstanding aggregate principal amount of the 2021 Notes at a redemption price of 106.625% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of redemption, with the net cash proceeds from one or more equity offerings of the Company.

Upon the occurrence of a change of control (as defined in the 2021 Notes Indenture), SGI must make an offer to purchase the 2021 Notes at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of repurchase. In addition, following an asset sale (as defined in the 2021 Notes Indenture) and subject to the limitations contained in the 2021 Notes Indenture, SGI must make an offer to purchase certain amounts of the 2021 Notes using the net cash proceeds from such asset sale to the extent such proceeds are not applied as set forth in the 2021 Notes Indenture, at a purchase price equal to 100% of the principal amount of the 2021 Notes to be repurchased, plus accrued interest to the date of repurchase.

The 2021 Notes are unsecured senior subordinated obligations of SGI and are subordinated to all of the SGI's existing and future senior debt, rank equally with all of SGI's existing and future senior subordinated debt and rank senior to all of SGI's future debt that is expressly subordinated to the 2021 Notes. The 2021 Notes are guaranteed on an unsecured senior subordinated basis by the Company and all of its 100%-owned U.S. subsidiaries (other than SGI). The 2021 Notes are structurally subordinated to all of the liabilities of the Company's non-guarantor subsidiaries.

The 2021 Notes Indenture contains certain covenants that, among other things, limit the Company's ability, and the ability of certain of its subsidiaries, to incur additional indebtedness, pay dividends or make distributions or certain other restricted payments, purchase or redeem capital stock, make investments or extend credit, engage in certain transactions with affiliates, consummate certain asset sales, effect a consolidation or merger, or sell, transfer, lease or otherwise dispose of all or substantially all assets, or create certain liens and other encumbrances on assets. The 2021 Notes Indenture contains events of default customary for agreements of its type (with customary grace periods and maturity thresholds, as applicable).

In connection with the issuance of the 2021 Notes, SGI, the Company, the subsidiary guarantors party thereto, and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representative for the initial purchasers listed therein, entered into a registration rights agreement, dated June 4, 2014 (the "Registration Rights Agreement"). Under the Registration Rights Agreement, SGI and the guarantors agreed, for the benefit of the holders of the 2021 Notes, that they will file with the SEC and use their commercially reasonable efforts to cause to become effective, a registration statement relating to an offer to exchange the 2021 Notes for an issue of SEC-registered notes (the "Exchange Notes") with terms identical to the 2021 Notes (except that the Exchange Notes will not be subject to restrictions on transfer or to any increase in annual interest rate as described below).

Under certain circumstances, including if applicable interpretations of the staff of the SEC do not permit SGI to effect the exchange offer, SGI and the guarantors will use their commercially reasonable efforts to cause to become effective a shelf registration statement relating to resales of the Notes and to keep that shelf registration statement effective until the first anniversary of the date such shelf registration statement becomes effective, or such shorter period that will terminate when all 2021 Notes covered by the shelf registration statement have been sold. The obligation to complete the exchange offer and/or file a shelf registration statement will terminate on the second anniversary of the date of the Registration Rights Agreement.

If the exchange offer is not completed (or, if required, the shelf registration statement is not declared effective) on or before June 4, 2015 (subject to the right of the Company to extend such date by up to 90 additional days under customary "blackout" provisions if the Company determines in good faith that it is in possession of material, non-public information), the annual interest rate borne by the 2021 Notes will be increased by 0.25% per annum for the first 90-day period immediately following such date and by an additional 0.25% per annum with respect to each subsequent 90-day period, up to a maximum additional rate of 1.00% per annum thereafter until the exchange offer is completed, the shelf registration statement is declared effective or the obligation to complete the exchange offer and/or file the shelf registration statement terminates, at which time the interest rate will revert to the original interest rate on the date the 2021 Notes were originally issued.

2019 Notes

On June 4, 2014, SGI completed a tender offer pursuant to which it purchased $140.6 million in aggregate principal amount of the 2019 Notes for total consideration of $1,051.25 for each $1,000 principle amount of the 2019 Notes tendered, plus accrued and unpaid interest to the applicable payment date.

On June 4, 2014, SGI delivered a notice of redemption with respect to all $209.4 million of the remaining outstanding principal amount of the 2019 Notes, and satisfied and discharged the indenture governing the 2019 Notes by depositing funds with the trustee sufficient to pay the redemption price of 104.625% of the principal amount of the 2019 Notes, plus accrued and unpaid interest to the redemption date. In accordance with the notice of redemption, the 2019 Notes were redeemed on July 4, 2014 and the redemption payment was made on July 7, 2014.

The purchase and redemption of the 2019 Notes were funded, in part, with the net proceeds from the issuance of the 2021 Notes. In connection with the purchase and redemption of the 2019 Notes, we recorded a loss on early extinguishment of debt of $25.9 million comprised primarily of the tender and redemption premiums and the write-off of previously deferred financing costs.

For additional information regarding our 2021 Notes and the repurchase and redemption of our 2019 Notes, see our Current Report on Form 8-K filed with the SEC on June 6, 2014. For additional information regarding our 2018 Notes, 2019 Notes and 2020 Notes, see Note 15 in our 2013 Annual Report on Form 10-K.

We were in compliance with the covenants under our debt agreements as of June 30, 2014.

Capital Leases

On March 31, 2014, we entered into a new leasing arrangement with ITL for the lease of gaming machines in connection with a long-term services contract with a customer. We completed the placement of the new gaming machines under this contract as of June 30, 2014 and recorded a capital lease asset and minimum lease liability of $42.8 million.

(13) Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset and liability in an orderly transaction between market participants at the measurement date. We estimate fair value of our assets and liabilities utilizing an established three-level hierarchy as described in Note 16 in our 2013 Annual Report on Form 10-K.

The fair value of our financial assets and liabilities is determined by reference to market data and other valuation techniques as appropriate. We believe the fair value of our financial instruments, which are principally cash and cash equivalents, accounts and notes receivable, other current assets, accounts payable and accrued liabilities, approximates their recorded values.

Interest rate swaption contract

In January 2014, we entered into a swaption contract with an aggregate notional value of $150.0 million. The swaption gives us the right, but not the obligation, to enter into a swap in which we would pay a fixed rate of 2.151% and receive interest on the notional amount based on a floating LIBOR rate. We paid a premium of $0.9 million at the time we entered into the swaption and have no additional payment obligations. The cash settlement value depends on the extent to which prevailing LIBOR swap rates exceed the fixed rate under the swaption. To the extent the prevailing swap rate on the expiration date exceeds the swaption fixed rate, a payment would be due to us, which would effectively reduce our future interest costs. To the extent the prevailing swap rate is at or below the swaption fixed rate, we would not exercise the swaption and it would expire with no further cash payment from us or the counterparty.

The swaption is highly effective in offsetting our exposure to the variability of the three-month LIBOR rate associated with our variable rate debt. The effectiveness of the swaption is measured quarterly on a retrospective basis by comparing the cumulative change in the hedging instrument's fair value to the change in the underlying hedged transaction's fair value. In accordance with ASC 815, *Derivatives and Hedging*, we have designated the intrinsic value associated with the swaption as a qualifying hedge. We have elected to exclude the time value, inclusive of premium paid, from our qualifying hedging relationship. As a result, the time value of the swaption will be amortized over the period of the contract and recognized as interest expense in our Consolidated Statements of Operations and Comprehensive Loss. We will recognize all gains and losses associated with the intrinsic value of the swaption in other comprehensive income (loss) in our Consolidated Statements of Operations and Comprehensive Loss until its expiration date. Realized gains, if any, owed by the counterparty at expiration will be recognized as a reduction to interest expense in our Consolidated Statements of Operations and Comprehensive Loss by applying the effective interest method for the applicable periods.

As valuations for comparable swaptions are not publicly available, we categorized the swaption as Level 3 in the fair value hierarchy. We believe the estimated fair value for the swaption we hold is based on the most accurate information available for these types of derivative contracts. For the three and six months ended June 30, 2014, we recorded a loss, net of tax, of $0.9 million and $0, respectively, in other comprehensive income (loss) in our Consolidated Statements of Operations

and Comprehensive Loss, representing the change in fair value associated with the intrinsic value of the swaption. The fair value of the swaption as of June 30, 2014 was $0.6 million, which is recorded in other current assets in our Consolidated Balance Sheets.

Interest rate swap contracts

In August 2013, we entered into forward starting interest rate swap contracts with an aggregate notional value of $500.0 million. In October 2013, we entered into additional forward starting interest rate swap contracts with an aggregate notional value of $200.0 million. These hedges become effective in April 2015 and mature in January 2018. We entered into the forward starting interest rate swap contracts, which are designated as cash flow hedges of the future interest payment transactions in accordance with ASC 815, *Derivatives and Hedging*, in order to eliminate the variability of cash flows attributable to the LIBOR component of interest expense to be paid on our variable-rate debt. Under these hedges, we will pay interest on the notional amount of debt at a weighted average fixed rate of 2.151% and receive interest on the notional amount at the greater of 1% or the then prevailing three-month LIBOR rate beginning in April 2015.

These hedges are highly effective in offsetting our exposure to the variability of the three-month LIBOR rate associated with our variable-rate debt. The effectiveness of these hedges is measured quarterly on a retrospective basis by comparing the cumulative change in the hedging instrument's fair value to the change in the hedged transaction's fair value. To the extent these hedges have no ineffectiveness, all gains and losses from these hedges are recorded in other comprehensive income (loss) in our Consolidated Statements of Operations and Comprehensive Loss until the future underlying interest payment transactions occur. Any realized gains or losses resulting from the hedges will be recognized (together with the hedged transaction) as interest expense in our Consolidated Statements of Operations and Comprehensive Loss beginning in June 2015. For the three and six months ended June 30, 2014, we recorded a loss, net of tax, of $4.8 million and $6.4 million, respectively, in other comprehensive income (loss) in our Consolidated Statements of Operations and Comprehensive Loss, representing the change in fair value associated with these hedges. The fair value of these hedges as of June 30, 2014 was $7.9 million, which is recorded in other long-term liabilities in our Consolidated Balance Sheets.

Foreign currency forward contracts

During 2012, we entered into foreign currency forward contracts for the sale of Euros for U.S. dollars at a weighted average rate of 1.319 to hedge a portion of the net investment in one of our subsidiaries that is denominated in Euros. Some of these foreign currency forward contracts settled in 2012. In May 2013, we settled the remaining €20.0 million in aggregate notional amount of the foreign currency forward contracts, which had a weighted average rate of 1.269%.

We designated the forward contracts as qualified hedges in accordance with ASC 815, *Derivatives and Hedging*. Gains and losses from the foreign currency forward contracts were recorded in accumulated other comprehensive income in our Consolidated Balance Sheets until the investment was liquidated.

Other

In accordance with ASC 323, *Investments - Equity Method and Joint Ventures*, we record our share of a derivative instrument held by LNS. Changes in the fair value of the derivative instrument are recorded by LNS in other comprehensive income on LNS' statement of comprehensive income. During the three and six months ended June 30, 2014 and 2013, our 20% share of the change associated with this derivative instrument was not material to our other comprehensive income (loss) in our Consolidated Statements of Operations and Comprehensive Loss and in equity investments in our Consolidated Balance Sheets.

(14) Stockholders' Equity

The following table presents the change in the number of shares of our Class A common stock outstanding during the six months ended June 30, 2014 and during the fiscal year ended December 31, 2013:

	Six Months Ended June 30, 2014	Twelve Months Ended December 31, 2013
Shares outstanding as of beginning of period	85.2	84.4
Shares issued as part of equity-based compensation plans and the ESPP, net of RSUs surrendered	1.4	1.1
Common stock repurchases	(2.0)	(0.3)
Shares outstanding as of end of period	84.6	85.2

On December 5, 2013, our board of directors approved an extension of our existing stock repurchase program to December 31, 2014. The program, originally announced in May 2010, was due to expire on December 31, 2013. Under the

program, we are authorized to repurchase, from time to time through open market purchases or otherwise, shares of our outstanding common stock in an aggregate amount up to $200.0 million. As of December 31, 2013, we had $104.5 million available for potential repurchases under the program. During the first quarter of 2014, we repurchased approximately 2.0 million shares at an aggregate cost of $29.5 million, which was funded by cash flows from operations. There were no share repurchases during the second quarter of 2014. As of June 30, 2014, we had $75.0 million available for potential repurchases under the program.

During 2013, we repurchased 50,000 shares at an aggregate cost of $0.8 million.

(15) Stock-Based Compensation

We offer stock-based compensation in the form of stock options and RSUs. We also offer an ESPP.

We grant stock options to employees and directors under our equity-based compensation plans with exercise prices that are not less than the fair market value of our common stock on the date of grant. The terms of the stock option and RSU awards, including the vesting schedule of such awards, are generally determined at the discretion of the compensation committee of the Board of Directors, subject to the terms of the applicable equity-based compensation plan. Options granted over the last several years have generally become exercisable in four or five equal annual installments beginning on the first anniversary of the date of grant or when certain performance targets are determined to have been met and have a maximum term of ten years. RSUs typically vest in four or five equal annual installments beginning on the first anniversary of the date of grant or when certain performance targets are determined to have been met. We record compensation cost for all stock options and RSUs based on the grant date fair value.

In connection with the WMS acquisition, we assumed the WMS Incentive Compensation Plan (2012 Restatement) (the "Legacy WMS Plan") and the outstanding awards under such plan, which were converted into Company equity awards using a customary exchange ratio. At the time of the assumption, there were 5.6 million shares available for future issuance under the WMS Plan excluding shares underlying outstanding awards. At the Company's annual meeting of stockholders on June 11, 2014, the Company's stockholders approved an amendment and restatement of the Company's 2003 Incentive Compensation Plan (the "2003 Plan"). Under the amended and restated 2003 Plan, the Legacy WMS Plan was merged into the 2003 Plan. As a result, the shares reserved and available under the two plans were combined into a single share pool, with such shares available for equity awards to any employee, non-employee director or other eligible service provider of the Company or its subsidiaries, including WMS. For additional information, see the Company's Current Report on Form 8-K filed with the SEC on June 17, 2014.

As a result of merging the plans, common stock authorized for awards increased from 13.5 million shares to 16.0 million shares under our amended and restated 2003 Plan plus available shares from a pre-existing equity-based compensation plan, which plans were approved by our stockholders. As of June 30, 2014, we had approximately 4.7 million shares available for grants of equity awards to our employees under our amended and restated 2003 Plan plus available shares from a pre-existing equity-based compensation plan, which plans were approved by our stockholders.

Under the share counting rules of our 2003 Plan, awards may be outstanding relating to a greater number of shares than the aggregate remaining available under our 2003 Plan so long as awards will not result in delivery and vesting of shares in excess of the number then available under the plan. Shares available for future issuance do not include shares expected to be withheld in connection with outstanding awards to satisfy tax withholding obligations, which would be available for future awards under our 2003 Plan under the applicable share counting rules.

Our ESPP allows for a total of up to 1.0 million shares of Class A common stock to be purchased by eligible employees under offerings made each January 1 and July 1. Employees participate through payroll deductions up to a maximum of 15% of eligible compensation. The term of each offering period is six months and shares are purchased on the last day of the offering period at a 15% discount to the stock's market value. As of June 30, 2014, we had approximately 0.2 million shares available for issuance under the ESPP.

In May 2014, our largest shareholder became a beneficial owner of more than 40% of our common stock by acquiring additional shares in the open market. As a result, under the terms of the 2003 Plan, the vesting of certain stock options and RSUs granted under the 2003 Plan prior to June 7, 2011 accelerated. The accelerated vesting resulted in a $1.9 million increase in stock-based compensation expense for the three months ended June 30, 2014.

Stock Options

A summary of the changes in stock options outstanding during the six months ended June 30, 2014 is presented below:

	Number of Options	Weighted Average Remaining Contract Term (Years)	Weighted Average Exercise Price	Aggregate Intrinsic Value
Options outstanding as of December 31, 2013	2.6	4.2	$ 10.46	$ 17.8
Granted	0.4		16.03	—
Exercised	—		—	0.2
Canceled	(1.1)		9.04	—
Options outstanding as of March 31, 2014	1.9	7.7	$ 12.62	$ 5.0
Granted	0.2		8.94	—
Exercised	—		—	0.1
Canceled	(0.1)		13.88	—
Options outstanding as of June 30, 2014	2.0	7.4	$ 12.34	$ 2.3
Options exercisable as of June 30, 2014	1.0	5.9	$ 11.00	$ 1.5

The weighted average grant date fair value of options awarded during the three months ended June 30, 2014 and March 31, 2014 was $4.81 and $8.86, respectively. No options were granted during the three months ended June 30, 2013 and March 31, 2013. For the three and six months ended June 30, 2014, we recognized stock-based compensation expense of $1.0 million and $1.5 million, respectively, related to the service period of stock options and a related tax benefit of $0.4 million and $0.6 million, respectively, prior to consideration of any valuation allowance recorded against the tax benefit. For the three and six months ended June 30, 2013, we recognized stock-based compensation expense of approximately $0.9 million and $1.8 million, respectively, related to the service period of stock options and the related tax benefit of approximately $0.3 million and $0.7 million, respectively, prior to consideration of any valuation allowance recorded against the tax benefit.

As of June 30, 2014, we had unrecognized compensation expense of $6.7 million relating to stock option awards that will be amortized over a weighted average period of approximately two years.

Restricted Stock Units

A summary of the changes in RSUs outstanding during the six months ended June 30, 2014 is presented below:

	Number of RSUs	Weighted Average Grant Date Fair Value Per RSU
Unvested units as of December 31, 2013	5.2	$ 11.93
Granted	1.4	16.02
Vested	(1.7)	10.09
Canceled	(0.1)	13.84
Unvested units as of March 31, 2014	4.8	$ 13.76
Granted	0.3	10.33
Vested	(0.4)	11.53
Canceled	(0.3)	13.44
Unvested units as of June 30, 2014	4.4	$ 13.50

For the three and six months ended June 30, 2014, we recognized stock-based compensation expense of $7.0 million and $11.6 million, respectively, related to the service period of RSUs and a related tax benefit of $2.6 million and $4.3 million, respectively, prior to consideration of any valuation allowance recorded against the tax benefit. For the three and six months ended June 30, 2013, we recognized stock-based compensation expense of $4.6 million and $9.3 million, respectively, related to the service period of RSUs and the related tax benefit of $1.7 million and $3.5 million, respectively, prior to consideration of any valuation allowance recorded against the tax benefit.

As of June 30, 2014, we had unrecognized compensation expense of $49.9 million relating to RSUs that will be amortized over a weighted average period of approximately two years.

(16) Employee Benefit Plans

We have defined benefit pension plans for our U.K.-based union employees and certain Canadian-based employees (the "U.K. Plan" and the "Canadian Plan," respectively). Retirement benefits under the U.K. Plan are based on an employee's

average compensation over the two years preceding retirement. Retirement benefits under the Canadian Plan are generally based on the number of years of credited service. Our policy is to fund the minimum contribution permissible by the applicable regulatory authorities.

The following table sets forth the combined amount of net periodic benefit cost recognized for the three and six months ended June 30, 2014 and 13:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Components of net periodic pension benefit cost:				
Service cost	$ 0.6	$ 0.6	$ 1.2	$ 1.2
Interest cost	1.3	1.2	2.6	2.4
Expected return on plan assets	(1.7)	(1.4)	(3.3)	(2.8)
Amortization of actuarial gains	0.1	0.3	0.3	0.5
Curtailment	0.1	—	0.2	—
Amortization of prior service costs	—	(0.1)	(0.1)	(0.1)
Net periodic cost	$ 0.4	$ 0.6	$ 0.9	$ 1.2

We have a 401(k) plan for U.S.-based employees. We contribute 37.5 cents on the dollar for the first 6% of participant contributions for a match of up to 2.25% of eligible compensation. In connection with the WMS acquisition, we assumed existing 401(k) plans of WMS. These plans cover union and non-union full-time employees of WMS and provide for contributions of up to 4.5% of covered non-union employees' eligible compensation and a maximum fixed annual amount for covered union employees' eligible compensation as defined in the plans.

(17) Income Taxes

The effective income tax rates on the loss from continuing operations of (7.0)% and (37.6)% for the three months ended June 30, 2014 and 2013, respectively, and (12.0)% and (39.1)% for the six months ended June 30, 2014 and 2013, respectively, were determined using an estimated annual effective tax rate after considering any discrete items for such periods. Due to a valuation allowance against our U.S. deferred tax assets, the effective tax rates for the three months ended June 30, 2014 and 2013 did not include the benefit of the current-year U.S. tax loss. As a result, income tax expense for the three months ended June 30, 2014 and 2013 primarily related to income tax expense in foreign jurisdictions.

Our effective income tax rate on foreign earnings was impacted by the mix of income and the statutory tax rates in our foreign jurisdictions, which ranged from a low of 0% to a high of 35%. The foreign jurisdictions that had the most impact on our foreign income tax benefit (expense) in the period include Austria, Canada, Ireland and the U.K.

(18) Litigation

The Company is involved in various legal proceedings, including those discussed below. We record an accrual for legal contingencies when it is both probable that a liability will be incurred and the amount or range of the loss can be reasonably estimated. We evaluate our accruals for legal contingencies at least quarterly and, as appropriate, establish new accruals or adjust existing accruals to reflect (1) the facts and circumstances known to us at the time, including information regarding negotiations, settlements, rulings and other relevant events and developments, (2) the advice and analyses of counsel and (3) the assumptions and judgment of management. Legal costs associated with our legal proceedings are expensed as incurred. We had accrued liabilities of $23.4 million and $25.9 million for all of our legal matters that were contingencies as of June 30, 2014 and December 31, 2013, respectively.

Substantially all of our legal contingencies are subject to significant uncertainties and, therefore, determining the likelihood of a loss and/or the measurement of any loss involves a series of complex judgments about future events. Consequently, the ultimate outcomes of our legal contingencies could result in losses in excess of amounts we have accrued. Any such losses could have a material adverse impact on our results of operations, financial position and cash flows.

Colombia Litigation

Our subsidiary, SGI, owned a minority interest in Wintech de Colombia S.A., or Wintech (now liquidated), which formerly operated the Colombian national lottery under a contract with Empresa Colombiana de Recursos para la Salud, S.A.

(together with its successors, "Ecosalud"), an agency of the Colombian government. The contract provided for a penalty against Wintech, SGI and the other shareholders of Wintech of up to $5.0 million if certain levels of lottery sales were not achieved. In addition, SGI delivered to Ecosalud a $4.0 million surety bond as a further guarantee of performance under the contract. Wintech started the instant lottery in Colombia but, due to difficulties beyond its control, including, among other factors, social and political unrest in Colombia, frequently interrupted telephone service and power outages, and competition from another lottery being operated in a province of Colombia that we believe was in violation of Wintech's exclusive license from Ecosalud, the projected sales level was not met for the year ended June 30, 1993.

In 1993, Ecosalud issued a resolution declaring that the contract was in default. In 1994, Ecosalud issued a liquidation resolution asserting claims for compensation and damages against Wintech, SGI and other shareholders of Wintech for, among other things, realization of the full amount of the penalty, plus interest, and the amount of the bond. SGI filed separate actions opposing each resolution with the Tribunal Contencioso of Cundinamarca in Colombia (the "Tribunal"), which upheld both resolutions. SGI appealed each decision to the Council of State. In May 2012, the Council of State upheld the contract default resolution, which decision was notified to us in August 2012. In October 2013, the Council of State upheld the liquidation resolution, which decision was notified to us in December 2013.

In July 1996, Ecosalud filed a lawsuit against SGI in the U.S. District Court for the Northern District of Georgia asserting many of the same claims asserted in the Colombia proceedings, including breach of contract, and seeking damages. In March 1997, the District Court dismissed Ecosalud's claims. Ecosalud appealed the decision to the U.S. Court of Appeals for the Eleventh Circuit. The Court of Appeals affirmed the District Court's decision in 1998.

In June 1999, Ecosalud filed a collection proceeding against SGI to enforce the liquidation resolution and recover the claimed damages. In May 2013, the Tribunal denied SGI's merit defenses to the collection proceeding and issued an order of payment of approximately 90 billion Colombian pesos (approximately $48 million based on the current exchange rate) plus default interest (potentially accrued since 1994). SGI has filed an appeal to the Council of State, which appeal has stayed the payment order.

SGI believes it has various defenses, including on the merits, against Ecosalud's claims. Although we believe these claims will not result in a material adverse effect on our consolidated financial position or results of operations, it is not feasible to predict the final outcome, and there can be no assurance that these claims will not ultimately be resolved adversely to us or result in material liability.

SNAI Litigation

On April 16, 2012, certain VLTs operated by SNAI S.p.a. ("SNAI") in Italy and supplied by Barcrest erroneously printed what appeared to be winning jackpot and other tickets with a face amount in excess of €400.0 million. SNAI has stated, and system data confirms, that no jackpots were actually won on that day. The terminals have been deactivated by the Italian regulatory authority. Following the incident, we understand that the Italian regulatory authority revoked the certification of the version of the gaming system that Barcrest provided to SNAI and fined SNAI €1.5 million, but determined to not revoke SNAI's concession to operate VLTs in Italy.

In October 2012, SNAI filed a lawsuit in the Court of First Instance of Rome in Italy against Barcrest and Global Draw, our subsidiary which acquired Barcrest from IGT-UK Group Limited, a subsidiary of International Game Technology ("IGT"), claiming liability based on breach of contract and tort. The lawsuit seeks to terminate SNAI's agreement with Barcrest and damages arising from the deactivation of the terminals, including among other things, lost profits, expenses and costs, potential awards to players who have sought to enforce what appeared to be winning jackpot and other tickets, compensation sought by managers of the gaming locations where SNAI VLTs supplied by Barcrest were installed, damages to commercial reputation and any future damages arising from SNAI's potential loss of its concession or inability to obtain a new concession. In June 2013, Barcrest and Global Draw filed a counterclaim based on SNAI's alleged breach of contract.

In September 2013, Global Draw brought an action against IGT-UK Group Limited and IGT in the High Court of Justice (Commercial Court) in London, England seeking relief under the indemnification and warranty provisions contained in the agreement pursuant to which Barcrest was acquired from IGT-UK Group, including in connection with the April 2012 incident and a number of ancillary matters. In November 2013, IGT-UK Group Limited filed a defense in which it denied Global Draw's claims and counterclaimed based on Global Draw's alleged breach of contract in connection with one of the ancillary matters.

While we believe we have meritorious defenses in the Italian litigation and potential third party recoveries, the lawsuit is in its early stages and we cannot currently predict the outcome of this matter.

WMS Merger Litigation

Complaints challenging the WMS merger were filed in early 2013 in the Delaware Court of Chancery, the Circuit Court of Cook County, Illinois and the Circuit Court of the Nineteenth Judicial Circuit, Lake County, Illinois. The actions are putative class actions filed on behalf of WMS stockholders. The complaints generally allege that the WMS directors breached their fiduciary duties in connection with their consideration and approval of the merger and in connection with their public disclosures concerning the merger. The complaints allege that other defendants, including WMS, Scientific Games Corporation and certain affiliates of Scientific Games Corporation, aided and abetted those alleged breaches. The plaintiffs sought equitable relief, including to enjoin the acquisition, to rescind the acquisition if not enjoined, damages, attorneys' fees and other costs.

The Delaware actions have been consolidated under the caption In re WMS Stockholders Litigation (C.A. No. 8279-VCP). The plaintiffs in the consolidated Delaware actions submitted to the Delaware Court of Chancery a letter advising that they had conferred with the plaintiffs in the Illinois actions and agreed to stay the consolidated Delaware action.

The Lake County, Illinois actions have been transferred to Cook County. All of the Illinois actions have been consolidated in Cook County with Gardner v. WMS Industries Inc., et al. (No. 2013 CH 3540).

In April 2013, the plaintiffs in the Gardner action filed a motion for preliminary injunction to enjoin the WMS stockholder vote on the merger. Following that, in April 2013, lead counsel in the Gardner action, on behalf of counsel for plaintiffs in all actions in Delaware and Illinois, agreed to withdraw the motion for preliminary injunction and not to seek to enjoin the WMS stockholder vote in return for WMS's agreement to make certain supplemental disclosures related to the merger. WMS made those supplemental disclosures in a Current Report on Form 8-K filed with the SEC on April 29, 2013.

The plaintiffs in the Illinois action filed a claim for interim attorney fees of $0.85 million. In November 2013, the court granted our motion to stay the plaintiffs' claim for an interim award of attorney fees.

In January 2014, the plaintiffs in the Illinois action filed an amended complaint seeking damages for the alleged breach of fiduciary duties by the individual defendants and the alleged aiding and abetting of those breaches by WMS and Scientific Games Corporation. In February 2014, WMS and Scientific Games Corporation filed motions to dismiss the amended complaint, which is pending.

The Company believes the claims in the Illinois and Delaware actions are without merit.

Conlee Litigation

In May 2011, a putative class action was filed against WMS and certain of its executive officers in the U.S. District Court for the Northern District of Illinois by Wayne C. Conlee. In October 2011, the lead plaintiff filed an amended complaint in the lawsuit seeking unspecified damages. As amended, the lawsuit alleged that, during the period from September 21, 2010 to August 4, 2011 (the date WMS announced its 2011 fiscal year financial results), WMS made material misstatements and omitted material information related to its 2011 fiscal year guidance in violation of federal securities laws. WMS filed a motion to dismiss the amended complaint in December 2011 and, in July 2012, the Court granted the motion without prejudice.

In September 2012, the plaintiffs filed a further amended complaint, which WMS moved to dismiss in October 2012. In April 2013, the District Court granted WMS's motion to dismiss with prejudice. In May 2013, the plaintiffs filed a notice of appeal with the U.S. Court of Appeals for the Seventh Circuit. In October 2013, the parties advised the court that they had reached a proposed settlement on a class basis and sought the District Court's approval of the proposed settlement. In January 2014, the District Court preliminarily approved the proposed settlement. In May 2014, final approval of the settlement was received and the case was dismissed with prejudice. The settlement did not have a material impact on our results of operations.

IGT License Claims

In early 2012, IGT initiated an audit to determine whether WMS was in compliance with the terms of a license agreement between the two parties. IGT claimed that WMS underpaid license fees by approximately $25.0 million plus $11.0 million in interest. IGT subsequently filed a demand for arbitration seeking $50.0 million from WMS. We initiated an action in the U.S. District Court for the District of Nevada seeking a preliminary injunction to enjoin or limit the scope of the arbitration and to restrain IGT from seeking to enforce certain provisions of the arbitration clause in the license agreement, as well as a refund of overpaid royalty payments. Our motion for preliminary injunction was denied by the District Court in March 2014 and our action seeking recovery of overpaid royalty payments was stayed pending resolution of certain matters in the arbitration. In June 2014, WMS, Scientific Games Corporation and IGT entered into a settlement agreement that resolved this matter and a number of other disputes and proceedings among the parties. We paid $8.0 million to IGT in connection with the settlement, substantially all of which was included in our previously accrued liabilities assumed in the WMS acquisition. The District Court action was dismissed in June 2014 and the arbitration action was dismissed in July 2014.

(19) Supplemental Disclosure of Cash Flow Information

Additional cash flow information is presented below:

	Six months ended June 30,	
	2014	2013
Interest paid	$ 64.2	$ 46.3
Income taxes paid, net of refunds	$ (5.3)	$ 6.1

Six months ended June 30, 2014

On March 31, 2014, we entered into a new leasing arrangement with ITL for the lease of gaming machines in connection with a long-term services contract with a customer. As of June 30, 2014, we recorded a non-cash capital lease asset and minimum lease liability of $42.8 million.

During the six months ended June 30, 2014 we recorded approximately $115 million of non-cash other assets and related liabilities related to agreements entered into during the period for long-term licensed assets with minimum royalty guarantees.

There were no other significant non-cash investing or financing activities for the six months ended June 30, 2014.

Six months ended June 30, 2013

During the six months ended June 30, 2013 we recorded approximately $26 million of non-cash other assets and related liabilities related to agreements entered into during the period for long-term licensed assets with minimum royalty guarantees.

There were no other significant non-cash investing or financing activities for the six months ended June 30, 2013.

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

We conduct substantially all of our business through our U.S. and foreign subsidiaries. SGI's obligations under the credit agreement, the 2021 Notes and the 2020 Notes are fully and unconditionally and jointly and severally guaranteed by Scientific Games Corporation (the "Parent Company") and substantially all of our 100%-owned U.S. subsidiaries other than SGI (the "Guarantor Subsidiaries"). Our 2018 Notes, which were issued by the Parent Company, are fully and unconditionally and jointly and severally guaranteed by our 100% owned U.S. subsidiaries, including SGI. The guarantees of our 2021 Notes, 2020 Notes and 2018 Notes will terminate under following customary circumstances: (1) the sale or disposition of the capital stock of the guarantor (including by consolidation or merger of the guarantor into another person); (2) the liquidation or dissolution of the guarantor; (3) the defeasance or satisfaction and discharge of the notes; (4) the release of the guarantor from any guarantees of indebtedness of the Parent Company and SGI (or, in the case of the 2018 Notes, the release of the guarantor from any guarantees of indebtedness of the Parent Company); and (5) in the case of the 2020 Notes and 2021 Notes, the proper designation of the guarantor as an unrestricted subsidiary pursuant to the indenture governing the 2020 and 2021 Notes, respectively.

Presented below is condensed consolidated financial information for (1) the Parent Company, (2) SGI, (3) the Guarantor Subsidiaries and (4) our 100%-owned foreign subsidiaries and our non-100%-owned U.S. and foreign subsidiaries (collectively, the "Non-Guarantor Subsidiaries") as of June 30, 2014 and December 31, 2013 and for the three and six months ended June 30, 2014 and 2013. The condensed consolidating financial information has been presented to show the nature of assets held by, and the results of operations and cash flows of, the Parent Company, SGI, the Guarantor Subsidiaries and the Non-Guarantor Subsidiaries assuming the guarantee structures of the credit agreement, the 2021 Notes, the 2020 Notes and the 2018 Notes were in effect at the beginning of the periods presented.

The condensed consolidated financial information reflects the investments of the Parent Company in the Guarantor and Non-Guarantor Subsidiaries using the equity method of accounting. Corporate interest and administrative expenses have not been allocated to the subsidiaries. Net changes in intercompany due from/due to accounts are reported in the accompanying Supplemental Condensed Consolidating Statements of Cash Flows as investing activities if the applicable entities have a net investment (asset) in intercompany accounts, and as a financing activity if the applicable entities have a net intercompany borrowing (liability) balance. This is a correction from the prior-year presentation that reflected all changes in intercompany due to/due from accounts as financing activities in the Supplemental Condensed Consolidating Statements of Cash Flows. This correction had no impact on our consolidated results of operations for the periods presented.

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL CONDENSED CONSOLIDATING BALANCE SHEET
As of June 30, 2014

	Parent Company	SGI	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated
Assets						
Cash and cash equivalents	$ 16.3	$ 0.1	$ 1.3	$ 71.5	$ —	$ 89.2
Restricted cash	—	—	11.7	0.1	—	11.8
Accounts receivable, net	—	66.8	138.1	121.6	—	326.5
Notes receivable, net	—	—	77.7	57.3	—	135.0
Inventories	—	39.3	64.8	66.2	—	170.3
Other current assets	13.9	14.5	82.8	35.2	—	146.4
Property and equipment, net	0.6	129.4	418.5	218.3	—	766.8
Investment in subsidiaries	1,933.4	957.3	—	—	(2,890.7)	—
Goodwill	—	253.6	484.2	460.0	—	1,197.8
Intangible assets, net	161.9	41.5	281.9	25.0	—	510.3
Intercompany balances	—	1,408.0	286.8	—	(1,694.8)	—
Software, net	10.5	33.6	227.6	49.4	—	321.1
Other assets	3.3	129.1	28.3	347.6	—	508.3
Total assets	$ 2,139.9	$ 3,073.2	$ 2,103.7	$ 1,452.2	$ (4,585.5)	$ 4,183.5
Liabilities and stockholders' equity						
Debt payments due within one year	$ —	$ 23.0	$ —	$ 13.2	$ —	$ 36.2
Other current liabilities	41.3	71.5	123.6	127.7	(0.1)	364.0
Long-term debt, excluding current installments	250.0	2,902.9	—	34.6	—	3,187.5
Other long-term liabilities	179.7	44.5	73.2	72.5	—	369.9
Intercompany balances	1,443.0	—	—	251.8	(1,694.8)	—
Stockholders' equity	225.9	31.3	1,906.9	952.4	(2,890.6)	225.9
Total liabilities and stockholders' equity	$ 2,139.9	$ 3,073.2	$ 2,103.7	$ 1,452.2	$ (4,585.5)	$ 4,183.5

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL CONDENSED CONSOLIDATING BALANCE SHEET
As of December 31, 2013

	Parent Company	SGI	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated
Assets						
Cash and cash equivalents	$ 56.0	$ —	$ 24.4	$ 73.3	$ —	$ 153.7
Restricted cash	—	—	10.9	—	—	10.9
Accounts receivable, net	—	66.9	135.4	143.7	—	346.0
Notes receivable, net	—	—	90.9	67.8	—	158.7
Inventories	—	28.2	59.6	50.0	—	137.8
Other current assets	13.9	10.5	95.0	35.0	—	154.4
Property and equipment, net	1.1	137.3	441.3	192.9	—	772.6
Investment in subsidiaries	1,962.5	796.5	—	—	(2,759.0)	—
Goodwill	—	251.7	464.6	470.6	—	1,186.9
Intangible assets, net	1.9	42.0	340.6	26.6	—	411.1
Intercompany balances	—	1,430.1	296.3	—	(1,726.4)	—
Software, net	9.4	31.7	251.4	51.0	—	343.5
Other assets	6.0	147.7	42.2	370.4	—	566.3
Total assets	$ 2,050.8	$ 2,942.6	$ 2,252.6	$ 1,481.3	$ (4,485.4)	$ 4,241.9
Liabilities and stockholders' equity						
Debt payments due within one year	$ —	$ 23.0	$ —	$ 7.4	$ —	$ 30.4
Other current liabilities	30.4	63.2	174.9	158.2	—	426.7
Long-term debt, excluding current installments	250.0	2,912.2	—	—	—	3,162.2
Other long-term liabilities	20.8	37.8	121.2	67.8	—	247.6
Intercompany balances	1,374.6	—	—	351.8	(1,726.4)	—
Stockholders' equity	375.0	(93.6)	1,956.5	896.1	(2,759.0)	375.0
Total liabilities and stockholders' equity	$ 2,050.8	$ 2,942.6	$ 2,252.6	$ 1,481.3	$ (4,485.4)	$ 4,241.9

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS AND COMPREHENSIVE LOSS
Three Months Ended June 30, 2014

	Parent Company	SGI	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated
Revenue	$ —	$ 109.8	$ 167.0	$ 140.0	$ 0.1	$ 416.9
Cost of instant games, cost of services and cost of product sales (1)	—	32.0	87.4	72.9	0.1	192.4
Selling, general and administrative	17.0	17.5	41.8	18.9	—	95.2
Research and development	—	0.6	20.1	4.1	—	24.8
Employee termination and restructuring	2.0	—	2.5	0.4	—	4.9
Depreciation and amortization	1.8	10.1	61.7	22.4	—	96.0
Operating (loss) income	(20.8)	49.6	(46.5)	21.3	—	3.6
Interest income (expense)	3.1	(4.4)	(47.7)	(0.3)	—	(49.3)
Other (expense) income, net	(17.3)	(67.6)	50.3	12.7	(0.1)	(22.0)
Net (loss) income before equity in income of subsidiaries and income taxes	(35.0)	(22.4)	(43.9)	33.7	(0.1)	(67.7)
Equity in (loss) income of subsidiaries	(32.8)	20.6	—	—	12.2	—
Income tax expense	(4.6)	(0.1)	—	—	—	(4.7)
Net (loss) income from continuing operations	$ (72.4)	$ (1.9)	$ (43.9)	$ 33.7	$ 12.1	$ (72.4)
Net (loss) income	(72.4)	(1.9)	(43.9)	33.7	12.1	(72.4)
Other comprehensive income (loss)	4.2	(4.9)	—	9.7	(4.8)	4.2
Comprehensive (loss) income	$ (68.2)	$ (6.8)	$ (43.9)	$ 43.4	$ 7.3	$ (68.2)

(1) Exclusive of depreciation and amortization.

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS AND COMPREHENSIVE LOSS
Three Months Ended June 30, 2013

	Parent Company	SGI	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated
Revenue	$ —	$ 107.0	$ 9.8	$ 119.0	$ (0.8)	$ 235.0
Cost of instant games, cost of services and cost of product sales (1)	—	34.4	34.7	66.1	(1.8)	133.4
Selling, general and administrative	17.7	11.9	2.3	12.8	—	44.7
Research and development	—	0.8	0.2	0.4	—	1.4
Employee termination and restructuring	—	—	—	—	—	—
Depreciation and amortization	0.2	9.5	5.5	27.9	—	43.1
Operating (loss) income	(17.9)	50.4	(32.9)	11.8	1.0	12.4
Interest expense	(5.3)	(19.7)	—	(0.2)	0.1	(25.1)
Other income (expense), net	0.8	(46.5)	47.9	2.6	(1.1)	3.7
Net (loss) income before equity in income of subsidiaries and income taxes	(22.4)	(15.8)	15.0	14.2	—	(9.0)
Equity in income (loss) of subsidiaries	11.8	14.9	—	—	(26.7)	—
Income tax expense	(1.8)	(0.1)	—	(1.5)	—	(3.4)
Net (loss) income from continuing operations	$ (12.4)	$ (1.0)	$ 15.0	$ 12.7	$ (26.7)	$ (12.4)
Net loss from discontinued operations	(0.6)	—	—	(0.6)	0.6	(0.6)
Net (loss) income	(13.0)	(1.0)	15.0	12.1	(26.1)	(13.0)
Other comprehensive income (loss)	0.8	(0.2)	—	0.9	(0.7)	0.8
Comprehensive (loss) income	$ (12.2)	$ (1.2)	$ 15.0	$ 13.0	$ (26.8)	$ (12.2)

(1) Exclusive of depreciation and amortization.

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS AND COMPREHENSIVE LOSS
Six Months Ended June 30, 2014

	Parent Company	SGI	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated
Revenue	$ —	$ 210.2	$ 316.3	$ 278.5	$ —	$ 805.0
Cost of instant games, cost of services and cost of product sales (1)	—	63.8	161.6	149.8	—	375.2
Selling, general and administrative	32.1	34.1	82.1	38.7	—	187.0
Research and development	—	1.1	41.6	8.0	—	50.7
Employee termination and restructuring	2.0	0.2	4.1	4.2	—	10.5
Depreciation and amortization	5.5	20.3	119.8	44.5	—	190.1
Operating (loss) income	(39.6)	90.7	(92.9)	33.3	—	(8.5)
Interest expense	(2.3)	(46.5)	(47.9)	(0.5)	—	(97.2)
Other (expense) income, net	(32.6)	(95.3)	91.4	37.4	—	0.9
Net (loss) income before equity in income of subsidiaries and income taxes	(74.5)	(51.1)	(49.4)	70.2	—	(104.8)
Equity in (loss) income of subsidiaries	(32.9)	35.1	—	—	(2.2)	—
Income tax expense	(10.0)	(0.1)	—	(2.5)	—	(12.6)
Net (loss) income from continuing operations	$ (117.4)	$ (16.1)	$ (49.4)	$ 67.7	$ (2.2)	$ (117.4)
Net (loss) income	(117.4)	(16.1)	(49.4)	67.7	(2.2)	(117.4)
Other comprehensive income (loss)	3.7	3.0	(0.3)	10.1	(12.8)	3.7
Comprehensive (loss) income	$ (113.7)	$ (13.1)	$ (49.7)	$ 77.8	$ (15.0)	$ (113.7)

(1) Exclusive of depreciation and amortization.

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS AND COMPREHENSIVE LOSS
Six Months Ended June 30, 2013

	Parent Company	SGI	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated
Revenue	$ —	$ 207.8	$ 21.9	$ 226.6	$ (1.7)	$ 454.6
Cost of instant games, cost of services and cost of product sales (1)	—	66.9	69.0	126.1	(3.9)	258.1
Selling, general and administrative	35.3	24.7	5.2	28.9	(0.6)	93.5
Research and development	—	2.2	0.3	0.8	—	3.3
Employee termination and restructuring	—	—	—	0.3	—	0.3
Depreciation and amortization	0.4	18.6	11.0	45.9	—	75.9
Operating (loss) income	(35.7)	95.4	(63.6)	24.6	2.8	23.5
Interest expense	(10.6)	(39.1)	—	(0.5)	0.1	(50.1)
Other income (expense), net	3.3	(87.0)	89.6	5.7	(2.8)	8.8
Net (loss) income before equity in income of subsidiaries and income taxes	(43.0)	(30.7)	26.0	29.8	0.1	(17.8)
Equity in income (loss) of subsidiaries	21.9	25.8	—	—	(47.7)	—
Income tax expense	(3.6)	(0.1)	—	(3.2)	—	(6.9)
Net (loss) income from continuing operations	$ (24.7)	$ (5.0)	$ 26.0	$ 26.6	$ (47.6)	$ (24.7)
Net loss from discontinued operations	(1.5)	—	—	(1.5)	1.5	(1.5)
Net (loss) income	(26.2)	(5.0)	26.0	25.1	(46.1)	(26.2)
Other comprehensive (loss) income	(37.3)	0.1	—	(37.3)	37.2	(37.3)
Comprehensive (loss) income	$ (63.5)	$ (4.9)	$ 26.0	$ (12.2)	$ (8.9)	$ (63.5)

(1) Exclusive of depreciation and amortization.

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
Six Months Ended June 30, 2014

	Parent Company	SGI	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated
Net cash (used in) provided by operating activities	$ (54.6)	$ 8.8	$ 62.7	$ 90.2	$ —	$ 107.1
Cash flows from investing activities:						—
Additions to property and equipment	(2.2)	(0.3)	(13.3)	(5.3)	—	(21.1)
Lottery and gaming services expenditures	(0.1)	(9.0)	(25.3)	(10.4)	—	(44.8)
Intangible assets and software expenditures	(3.7)	(6.8)	(29.0)	(9.3)	—	(48.8)
Additions to equity method investments	—	—	—	(40.6)	—	(40.6)
Distributions of capital on equity investments	—	1.1	—	31.8	—	32.9
Proceeds on sale of equity interest	—	—	—	44.9	—	44.9
Other	—	22.0	(1.3)	5.9	(27.7)	(1.1)
Intercompany balances	—	20.9	(16.2)	—	(4.7)	—
Net cash provided by (used in) investing activities	(6.0)	27.9	(85.1)	17.0	(32.4)	(78.6)
Cash flows from financing activities:						
Net payments on long-term debt	—	(13.8)	—	(3.0)	—	(16.8)
Payments of financing fees	—	(22.8)	—	—	—	(22.8)
Common stock repurchases	(29.5)	—	—	—	—	(29.5)
Contingent earnout payments	—	—	—	(3.2)	—	(3.2)
Net redemptions of common stock under stock-based compensation plans	(19.2)	—	—	(27.7)	27.7	(19.2)
Other, principally intercompany balances	69.6	—	—	(74.3)	4.7	—
Net cash provided by (used in) financing activities	20.9	(36.6)	—	(108.2)	32.4	(91.5)
Effect of exchange rate changes on cash	—	—	(0.7)	(0.8)	—	(1.5)
Increase (decrease) in cash and cash equivalents	(39.7)	0.1	(23.1)	(1.8)	—	(64.5)
Cash and cash equivalents, beginning of period	56.0	—	24.4	73.3	—	153.7
Cash and cash equivalents, end of period	$ 16.3	$ 0.1	$ 1.3	$ 71.5	$ —	$ 89.2

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
Six Months Ended June 30, 2013

	Parent Company	SGI	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated
Net cash (used in) provided by operating activities	$ (24.1)	$ (9.2)	$ 28.3	$ 75.0	$ —	$ 70.0
Cash flows from investing activities:						
Additions to property and equipment	(3.6)	(0.8)	(6.7)	(3.9)	—	(15.0)
Lottery and gaming services expenditures	(0.2)	(2.3)	(0.3)	(40.3)	—	(43.1)
Intangible assets and software expenditures	—	(7.1)	(7.7)	(7.6)	—	(22.4)
Business acquisitions, net of cash acquired	—	—	—	(0.4)	—	(0.4)
Other assets and investments	(0.2)	9.8	—	48.7	(61.4)	(3.1)
Other, principally intercompany balances	19.8	—	(14.1)	—	(5.7)	—
Net cash (used in) provided by investing activities	15.8	(0.4)	(28.8)	(3.5)	(67.1)	(84.0)
Cash flows from financing activities:						
Net payments on long-term debt	—	(3.1)	—	(6.0)	—	(9.1)
Net redemptions of common stock under stock-based compensation plans	(2.8)	—	—	(61.4)	61.4	(2.8)
Payment of financing fees	—	(2.0)	—	—	—	(2.0)
Other, principally intercompany balances	—	14.7	—	(20.4)	5.7	—
Net cash provided by (used in) financing activities	(2.8)	9.6	—	(87.8)	67.1	(13.9)
Effect of exchange rate changes on cash	—	(0.1)	—	(2.9)	—	(3.0)
Decrease in cash and cash equivalents	(11.1)	(0.1)	(0.5)	(19.2)	—	(30.9)
Cash and cash equivalents, beginning of period	27.2	0.1	2.4	79.3	—	109.0
Cash and cash equivalents, end of period	$ 16.1	$ —	$ 1.9	$ 60.1	$ —	$ 78.1

(21) Subsequent Events

Pending Acquisition of Bally Technologies, Inc.

On August 1, 2014, we entered into a merger agreement pursuant to which we agreed to acquire Bally Technologies, Inc., a leading supplier of games, table game products, systems, mobile, and iGaming solutions ("Bally"), for $83.30 in cash per common share, for a total enterprise value of approximately $5.1 billion, including the refinancing of approximately $1.8 billion of existing Bally net debt.

The closing of the merger is subject to approval of the merger by Bally stockholders, expiration or early termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), receipt of certain gaming regulatory approvals and other customary closing conditions

The merger agreement contains certain termination rights for both Scientific Games and Bally and further provides that, in connection with termination of the merger agreement under specified circumstances, (1) we may be required to pay to Bally a termination fee of $105.0 million if all the conditions to closing have been met and the merger is not consummated because of a breach by our lenders of their obligations to finance the transaction, (2) we may be required to pay to Bally a termination fee of $105.0 million if the parties are unable to obtain approval under the HSR Act or to obtain the gaming regulatory approvals that are conditions to closing and (3) Bally may be required to pay to us a termination fee of $80.0 million under specified circumstances, including, but not limited to, a change in the Bally board's recommendation of the merger or in connection with Bally's termination of the merger agreement to enter into a written definitive agreement for a "superior proposal" (as defined in the merger agreement).

The transaction is expected to be completed in early 2015. However, no assurance can be given that the transaction will be completed.

In connection with the pending acquisition of Bally, Scientific Games and SGI entered into a commitment letter with Bank of America, N.A., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Deutsche Bank AG New York Branch, Deutsche Bank AG Cayman Islands Branch, Deutsche Bank Securities Inc., JPMorgan Chase Bank, N.A. and J.P. Morgan Securities LLC and certain of their respective affiliates as additional commitment parties. Pursuant to the commitment letter, the commitment parties have agreed to provide the financing necessary to fund the consideration to be paid pursuant to the terms of the merger agreement (the "Debt Financing"). The Debt Financing is anticipated to consist of, among other things, (1) a senior secured term loan facility in a total principal amount of $1,735.0 million, (2) a senior secured incremental revolving credit facility in a total principal amount of $350.0 million, (3) amendments to, or the refinancing of, Scientific Games' existing credit facilities, consisting of (a) an existing senior secured term loan facility in a total principal amount of $2,294.0 million and (b) an existing senior secured revolving credit facility in a total principal amount of $300 million, and (4) senior secured notes and senior unsecured notes yielding $3,450.0 million in aggregate gross cash proceeds and/or to the extent that the issuance of such notes yields less than $3,450.0 million in aggregate gross cash proceeds or such cash proceeds are otherwise unavailable, a senior secured bridge loan facility and a senior unsecured bridge loan facility up to an aggregate principal amount of $3,450 million (less the cash proceeds received from the notes and available for use, (if any)). The funding of the Debt Financing is contingent on the satisfaction of certain conditions set forth in the commitment letter. The merger is not conditioned on our obtaining the proceeds of any financing, including the Debt Financing.

For further information regarding the pending transaction and the Debt Financing, please see the full text of the merger agreement, a copy of which is filed as exhibit 2.1 to our Current Report on Form 8-K filed with the SEC on August 4, 2014, the full text of the commitment letter, a copy of which is filed as Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on August 4, 2014, as well as the section entitled "Risks Relating to Our Pending Acquisition of Bally" contained in "Risk Factors" in Item 1A of this Quarterly Report on Form 10-Q.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following MD&A is intended to enhance the reader's understanding of our operations and current business environment. This MD&A should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" for the fiscal year ended December 31, 2013 and the "Business" section included in our 2013 Annual Report on Form 10-K.

This MD&A contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and should be read in conjunction with the disclosures and information contained and referenced under "Forward-Looking Statements" included in this Quarterly Report on Form 10-Q. As used in this MD&A, the terms "we," "us," "our" and the "Company" mean Scientific Games Corporation together with its consolidated subsidiaries.

Our MD&A is organized into the following sections:

- BUSINESS OVERVIEW
- CONSOLIDATED RESULTS
- BUSINESS SEGMENT RESULTS
- RECENTLY ISSUED ACCOUNTING GUIDANCE
- CRITICAL ACCOUNTING ESTIMATES
- LIQUIDITY, CAPITAL SOURCES AND WORKING CAPITAL

BUSINESS OVERVIEW

We are a leading diversified supplier of technology-based products and services to the gaming and lottery industries. The Company's portfolio includes instant and draw-based lottery games; gaming machines and game content; server-based lottery and gaming systems; sports betting technology; loyalty and rewards programs; and interactive products and services. We also gain access to technologies and pursue global expansion through strategic acquisitions, equity investments and licensing agreements.

Pending Acquisition of Bally Technologies, Inc.

On August 1, 2014, we entered into a merger agreement pursuant to which we agreed to acquire Bally for $83.30 in cash per common share, for a total enterprise value of approximately $5.1 billion, including the refinancing of approximately $1.8 billion of existing Bally net debt. The closing of the merger is subject to approval of the merger by Bally stockholders, expiration or early termination of the waiting period under the HSR Act, receipt of certain gaming regulatory approvals and other customary closing conditions.

In connection with the merger agreement, we entered into a commitment letter pursuant to which the lenders party thereto have agreed to provide the Debt Financing. The merger is not conditioned on our obtaining the proceeds of any financing, including the Debt Financing.

The merger agreement contains certain termination rights for both Scientific Games and Bally and further provides that, in connection with termination of the merger agreement under specified circumstances, (1) we may be required to pay to Bally a termination fee of $105.0 million if all the conditions to closing have been met and the merger is not consummated because of a breach by our lenders of their obligations to finance the transaction, (2) we may be required to pay to Bally a termination fee of $105.0 million if the parties are unable to obtain approval under the HSR Act or to obtain the gaming regulatory approvals that are conditions to closing and (3) Bally may be required to pay to us a termination fee of $80.0 million under specified circumstances, including, but not limited to, a change in the Bally board's recommendation of the merger or in connection with Bally's termination of the merger agreement to enter into a written definitive agreement for a "superior proposal" (as defined in the merger agreement).

The transaction is expected to be completed in early 2015. However, no assurance can be given that the transaction will be completed.

In connection with the pending transaction, we have incurred and currently expect to continue to incur, professional fees and other expenses in the third quarter of 2014, with additional transaction-related fees and expenses anticipated to be incurred throughout the balance of 2014.

For additional information regarding the pending transaction and the Debt Financing, please see the full text of the merger agreement, a copy of which is filed as exhibit 2.1 to our Current Report on Form 8-K filed with the SEC on August 4, 2014, the full text of the commitment letter, a copy of which is filed as Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on August 4, 2014, as well as the section entitled "Risks Relating to Our Pending Acquisition of Bally" contained in "Risk Factors" in Item 1A of this Quarterly Report on Form 10-Q.

Impact of WMS Acquisition and Other Items

On October 18, 2013, the Company acquired WMS for $1,485.9 million. For additional information regarding the WMS acquisition, please see Note 3 (Acquisitions and Dispositions) in this Quarterly Report on Form 10-Q.

We believe that the WMS acquisition is transformational for Scientific Games, adding one of the largest global gaming suppliers with a diversified suite of products and strong content creation capabilities to our portfolio. In particular, we believe that the WMS acquisition (1) significantly expands our gaming business, (2) diversifies our mix of products, customers and geographies in which we do business and (3) allows the combined company to leverage the unique core competencies of each organization. We also expect the combined company to benefit from economies of scale, which we believe will provide opportunities for synergies and cash flow improvements.

Our consolidated results of operations for the three and six months ended June 30, 2014 were significantly impacted by the inclusion of the results of operations of WMS in our consolidated and gaming business segment results of operations. Results for the three and six months ended June 30, 2013 do not include results of operations for WMS.

We remain focused on successfully integrating WMS and Scientific Games and achieving anticipated cost synergies by implementing our integration plans to streamline our operations and cost structure. We are also focused on positioning the Company for profitable growth by leveraging our core strengths and capabilities to enhance our portfolio of products and services and to expand into new markets and further penetrate existing markets worldwide. We anticipate our future results of operations will benefit from these efforts, although we expect that incremental costs and capital expenditures will be required relating to our contemplated integration activities. We also expect to incur additional costs during 2014 to position ourselves to capitalize on longer-term revenue opportunities.

Segments

We report our operations in three business segments: Instant Products, Lottery Systems and Gaming. The Instant Products and Lottery Systems business segments are managed by a single executive and the Gaming business segment is managed by a different executive, both of whom report to our chief executive officer (who is the "chief operating decision maker" under applicable accounting rules). Our interactive operating segment is aggregated with our gaming operating segment and is presented within the Gaming business segment. See "Business Segment Results" below and Note 2 (Reportable Business Segment Information) in this Quarterly Report on Form 10-Q for additional business segment information. In addition, effective in the fourth quarter of 2013, we revised our business and operating segments to reflect the reorganization of our business following the WMS acquisition and the financial information regularly reviewed by our chief executive officer. Based on that review, we moved our video systems operating segment from the Lottery Systems business segment to the Gaming business segment. This change, which was effective as of December 31, 2013, had no impact on the Company's consolidated financial statements for any periods. Business segment information for the three and six months ended June 30, 2013 has been adjusted to reflect this change.

Discontinued Operations

On March 25, 2013, we completed the sale of our installed base of gaming machines in our pub business, as discussed in Note 3 (Acquisitions and Dispositions) in this Quarterly Report on Form 10-Q. The results of our discontinued pub operations for the three and six months ended March 31, 2013 are presented in the Consolidated Statements of Operations and Comprehensive Loss in accordance with ASC 205-20, *Presentation of Financial Statements - Discontinued Operations*. For the three and six months ended June 30, 2013, we recorded a loss from discontinued operations of $0.6 million and $1.5 million, respectively. There were no results of operations for this business for the three or six months ended June 30, 2014.

Foreign Exchange

Our results are impacted by changes in foreign currency exchange rates from the translation of foreign functional currencies into U.S. dollars and the re-measurement of foreign currency transactions. The impact of foreign currency exchange rate fluctuations represents the difference between current rates and prior-period rates applied to current activity. We derived approximately 49% and 53% of our revenue from sales to customers outside of the U.S. in 2013 and 2012, respectively. We have exposure to foreign currency volatility, particularly the British Pound Sterling and the Euro which represented $58.2 million, or 14.0%, and $22.1 million, or 5.3%, respectively, of our revenue for the three months ended June 30, 2014 and

$114.8 million, or 14.3%, and $42.3 million, or 5.3%, respectively, of our revenue for the six months ended June 30, 2014. We also have foreign currency exposure related to certain of our equity investments. Our earnings from our Euro-denominated equity investment in LNS were $4.9 million and $10.6 million for the three and six months ended June 30, 2014, respectively. See "Quantitative and Qualitative Disclosures About Market Risk" in Item 7A of our 2013 Annual Report on Form 10-K for further information regarding our foreign exchange exposures.

Three Months Ended June 30, 2014 Compared to Three Months Ended June 30, 2013
CONSOLIDATED RESULTS

(in millions)	Three Months Ended June 30,		Variance for the Three Months Ended June 30,	
	2014	2013	2014 vs. 2013	
Revenue:				
Instant games	$ 135.4	$ 126.5	$ 8.9	7.0 %
Services	179.3	85.2	94.1	110.4 %
Product sales	102.2	23.3	78.9	338.6 %
Total revenue	416.9	235.0	181.9	77.4 %
Operating expenses:				
Cost of instant games (1)	72.9	71.5	1.4	2.0 %
Cost of services (1)	64.6	46.2	18.4	39.8 %
Cost of product sales (1)	54.9	15.7	39.2	249.7 %
Selling, general and administrative	95.2	44.7	50.5	113.0 %
Research and development	24.8	1.4	23.4	n/m
Employee termination and restructuring	4.9	—	4.9	n/m
Depreciation and amortization	96.0	43.1	52.9	122.7 %
Operating income	3.6	12.4	(8.8)	(71.0)%
Other (expense) income:				
Interest expense	(49.3)	(25.1)	(24.2)	96.4 %
Earnings from equity investments	0.7	3.5	(2.8)	(80.0)%
Loss on early extinguishment of debt	(25.9)	—	(25.9)	n/m
Other income, net	3.2	0.2	3.0	n/m
Net loss from continuing operations before income taxes	(67.7)	(9.0)	(58.7)	652.2 %
Income tax expense	(4.7)	(3.4)	(1.3)	38.2 %
Net loss from continuing operations	$ (72.4)	$ (12.4)	$ (60.0)	483.9 %

"n/m" - not meaningful
(1) Exclusive of depreciation and amortization.

Three Months Ended June 30, 2014 Compared to Three Months Ended June 30, 2013

Revenue

Consolidated revenue increased in each of our categories of revenue: instant games, services and product sales. The inclusion of revenue from WMS increased consolidated revenue by $169.6 million. Consolidated revenue also reflected favorable foreign currency translation of $4.2 million.

Instant games revenue increased $8.9 million reflecting higher revenue from our participation contracts in U.S. and international jurisdictions and our game licensing and player loyalty programs. These increases were partially offset by lower revenue from our international price-per-unit contracts. Services revenue, which includes our participation-based and other services revenue from our U.S.-based Lottery Systems and global Gaming businesses, increased $94.1 million, primarily reflecting the inclusion of WMS services revenue of $93.0 million. The $78.9 million increase in product sales revenue included $76.6 million of WMS product sales revenue, with the remaining increase attributable to higher hardware and software sales to our international and U.S. lottery customers.

Cost of Revenue

Consolidated cost of revenue increased primarily as a result of higher revenue. Cost of instant games revenue increased 2% compared to the increase in instant games revenue of 7%. Cost of services increased nearly 40% compared to an increase in services revenue of 110%, reflecting a more profitable revenue mix primarily attributable to WMS services revenue.

Cost of product sales increased 250% compared to an increase in sales revenue of 339%, reflecting the inclusion of WMS product sales.

SG&A

SG&A increased $50.5 million, which reflected $43.8 million of SG&A attributable to WMS, $4.7 million of higher compensation expense and $1.0 .llion of higher legal fees.

R&D

R&D increased $23.4 million primarily related to the inclusion of WMS in our financial results.

Employee Termination and Restructuring

Employee termination and restructuring costs included $4.1 million related to WMS integration activities and $0.8 million related to the exit from our paper roll conversion operations in the U.S., which are non-core to our operations. For additional information regarding these charges, see Note 4 (Restructuring) in this Quarterly Report on Form 10-Q.

D&A

D&A increased $52.9 million, of which $53.2 million was attributable to WMS. Excluding the increase attributable to WMS, D&A was flat, reflecting accelerated D&A recorded in the prior year for the write-down of used gaming machines and a change in the estimated useful lives of our gaming machines, offset by an increase in depreciation of internally developed software assets in the current-year period.

Other Income and Expense

Interest expense increased $24.2 million due to the additional indebtedness incurred under our new credit facilities to finance the WMS acquisition. This increase was slightly offset by a reduction in interest expense as a result of the replacement of the 2019 Notes with the 2021 Notes in June 2014. For additional information regarding our indebtedness, see Note 12 (Long-term and Other Debt) in this Quarterly Report on Form 10-Q.

Earnings from equity investments decreased primarily due to a decrease in earnings from our Northstar Illinois equity investment as a result of an $8.0 million charge we recorded related our share of an estimated net shortfall payment accrued by Northstar Illinois. This decrease was partially offset by an increase in earnings from our other equity investments, primarily RCN.

We recorded a loss on early extinguishment of debt of $25.9 million primarily related to the tender and redemption premiums and the write-off of deferred financing costs in connection with the purchase and redemption of our 2019 Notes in June 2014.

Income Tax Expense

The effective income tax rates on the loss from continuing operations of (7.0)% and (37.6)% for the three months ended June 30, 2014 and 2013, respectively, were determined using an estimated annual effective tax rate after considering any discrete items for such periods. Due to a valuation allowance against our U.S. deferred tax assets, the effective tax rates for the three months ended June 30, 2014 and 2013 did not include the benefit of the current-year U.S. tax loss. As a result, income tax expense for the three months ended June 30, 2014 and 2013 primarily related to income tax expense in foreign jurisdictions.

Our effective income tax rate on foreign earnings was impacted by the mix of income and the statutory tax rates in our foreign jurisdictions, which ranged from a low of 0% to a high of 35%. The foreign jurisdictions that had the most impact on our foreign income tax benefit (expense) in the period include Austria, Canada, Ireland, and the U.K.

BUSINESS SEGMENTS RESULTS

INSTANT PRODUCTS

Our Instant Products segment is primarily comprised of our global instant lottery games business. We generate revenue from the manufacture and sale of instant lottery games, as well as the provision of value-added services such as game design, sales and marketing support, specialty games and promotions, inventory management and warehousing and fulfillment services. In addition, we provide licensed games, promotional entertainment and internet-based marketing services to the lottery industry. These revenues are presented as instant games revenue in our results of operations. Revenue generated from the sale of phone cards that we manufacture is presented as product sales revenue in our results of operations. Our equity investments in LNS (Italy), Northstar Illinois, Northstar New Jersey, CSG (China) and Hellenic Lotteries (Greece) are included in the Instant Products segment.

Current Year Update

In January 2014, we completed the installation of a new, state-of-the-art instant lottery game printing press at our Alpharetta, Georgia facility, which provides increased capacity for the production of our instant games.

Following the expiration of our contract with Loto-Québec in January 2014, we have continued to provide instant lottery games to this customer under the previous contract terms. In November 2013, we were awarded a new price-per-unit contract with Loto-Québec, which we expect to take effect in the third quarter of 2014 and that will represent a significantly smaller portion of such customer's instant lottery game business than the recently expired contract. We understand that a contract has been awarded to one of our competitors for certain categories of instant games that we provided under the recently expired contract.

In April 2014, we entered into a three-year price-per-unit instant games contract to continue serving as the primary supplier to La Française des Jeux ("FDJ"), the operator of the French National Lottery and the second largest instant game lottery in the world, which includes options for FDJ to extend the contract for three additional one-year periods.

In May 2014, Hellenic Lotteries commenced sales of lottery games in Greece under its 12-year concession, which provides exclusive rights to the production, operation and management of instant games and certain traditional lotteries in Greece. We own a 16.5% equity interest in Hellenic Lotteries and are its exclusive supplier of instant games.

In December 2013, we initiated a plan to exit our instant lottery game operations in Mexico. In February 2014, we exited the operations and simultaneously entered into a three-year agreement to supply instant lottery games to a distributor in Mexico. In June 2014, we initiated a plan to exit our paper roll conversion operations in the U.S., which are non-core to our operations.

We understand that the Illinois lottery has asserted that Northstar Illinois is responsible for shortfall payments of approximately $22 million with respect to its fiscal year ended June 30, 2012 and approximately $39 million with respect to its fiscal year ended June 30, 2013. We further understand that Northstar Illinois disagrees with the methodology used by the lottery in calculating the lottery's net income for each such fiscal year that formed the basis of the lottery's shortfall payment claims and believes that certain other matters that could impact any potential shortfall payments have yet to be resolved, and has initiated the resolution process contemplated by the PMA in an attempt to resolve these matters.

We understand that, during 2013, Northstar Illinois recorded a liability of approximately $42 million in 2013 associated with its initial estimate of the potential aggregate net shortfall payments for the first three fiscal years under its PMA with the State of Illinois. Northstar Illinois amortizes the $42.0 million liability over the life of the contract, which reduces our earnings from our equity investment in Northstar Illinois. This amount was not material to our results of operations for the three and six months ended June 30, 2014. During the three months ended June 30, 2014, we understand that Northstar Illinois recorded an additional liability of approximately $40 million related to an estimated shortfall payment related to the lottery's fiscal year ended June 30, 2014. We recorded a charge of $8 million, representing our 20% share of that liability, in our earnings from equity investments during the three months ended June 30, 2014.

Retail sales of instant lottery games can be a key performance indicator of our instant games revenue, although there may not always be a direct correlation between retail sales and our instant games revenue due to the type of contract (*e.g.*, participation contracts versus price-per-unit contracts), the impact of changes in our customer contracts, the performance of our game licensing and player loyalty business or other factors.

Based on third-party data, our U.S. customers' total instant lottery games retail sales increased 4.9% and 4.3% for the three and six months ended June 30, 2014 compared to the prior-year periods, driven by several factors, including strong performance in those states where we provide instant game product management services. Retail sales of instant games in Italy

decreased 2.5% and 2.6% for the three and six months ended June 30, 2014 compared to the prior-year periods. Italy retail sales are generally impacted by the level of marketing spending and timing of the launch of new games.

Results of Operations and Key Performance Indicators for Instant Products

(in millions)	Three Months Ended June 30,		Variance for the Three Months Ended June 30,	
	2014	2013	2014 vs. 2013	
Revenue:				
Instant games	$ 135.4	$ 126.5	$ 8.9	7.0 %
Product sales	3.1	3.5	(0.4)	(11.4)%
Total revenue	138.5	130.0	8.5	6.5 %
Operating expenses:				
Cost of instant games (1)	72.9	71.5	1.4	2.0 %
Cost of product sales (1)	2.1	2.5	(0.4)	(16.0)%
Selling, general and administrative	13.7	11.7	2.0	17.1 %
Research and development	0.3	0.2	0.1	50.0 %
Employee termination and restructuring	0.8	—	0.8	n/m
Depreciation and amortization	9.1	8.8	0.3	3.4 %
Operating income	$ 39.6	$ 35.3	$ 4.3	12.2 %
Earnings (loss) from equity investments	$ (2.4)	$ 4.3	$ (6.7)	(155.8)%
Key Performance Indicators:				
Instant games by revenue type				
Participation contracts	$ 69.5	$ 62.1	$ 7.4	11.9 %
Price-per-unit contracts	51.9	53.9	(2.0)	(3.7)%
Licensing and player loyalty	14.0	10.5	3.5	33.3 %
Total instant games revenue	$ 135.4	$ 126.5	$ 8.9	7.0 %
Instant games revenue by geography				
U.S.	$ 87.9	$ 78.7	$ 9.2	11.7 %
International	47.5	47.8	(0.3)	(0.6)%
Total instant games revenue	$ 135.4	$ 126.5	$ 8.9	7.0 %
U.S. lottery customers' retail sales of instant games	$ 9,880	$ 9,419	$ 461	4.9 %
Italy retail sales of instant games (in Euros)	€ 2,315	€ 2,374	€ (59)	(2.5)%

"n/m" - not meaningful
(1) Exclusive of depreciation and amortization.

Three Months Ended June 30, 2014 Compared to Three Months Ended June 30, 2013

Revenue

The increase in instant games revenue of $8.9 million was primarily due to $7.4 million of higher revenue from our participation contracts in the U.S., including our contract with Northstar New Jersey, and certain international jurisdictions, including initial revenue from our instant games supply contract with Hellenic Lotteries, and $3.5 million of higher revenue from our licensing and player loyalty programs. These increases were partially offset by a $2.0 million decrease in our price-per-unit revenue primarily related to our international contracts, including our contracts with LNS and Loto-Québec.

Operating Income

Operating income increased $4.3 million primarily due to higher revenue and a more profitable mix of revenue partially offset by higher SG&A reflecting higher compensation and legal expenses and higher employee termination and restructuring costs.

LOTTERY SYSTEMS

Our Lottery Systems business segment provides customized computer software, software support, equipment and data communication services, sports wagering systems and keno to lotteries. In the U.S., we typically provide the necessary equipment, software and maintenance services on a participation basis pursuant to long-term contracts that typically have an initial term of at least five years. Internationally, we typically sell point-of-sale terminals and/or computer software to lottery authorities and may provide ongoing fee-based systems maintenance and software support services. Our equity investment in GLB is included in the Lottery Systems segment.

Current Year Update

In March 2014, we executed an eight-year contract with the North Dakota Lottery, an existing customer, to implement and operate a lottery system and to provide a range of related services and marketing support. The contract commenced in July 2014 and may be extended by the lottery for an additional two-year period.

In May 2014, we signed an amendment to our contract with Loteria Nacional de Beneficencia of Panama (the National Lottery of Panama) to provide Panama's first draw lottery game, which is expected to launch in the second half of 2014.

We are the exclusive instant lottery game validation network provider to the CSL under an agreement that expires in January 2016. Under the terms of this agreement, the participation rate we receive decreased by 0.1% in January 2014. We have seen a decline in our instant lottery game validation revenue and our joint venture's instant lottery game printing revenue as CSL's retail sales of instant lottery games have declined, which we believe is due in part to competition from other lottery products. We are currently seeking opportunities to continue providing our value-added services relating to the CSL, as well as additional business development opportunities to maintain our revenue and profit relating to our China lottery business following the expiration of the our current CSL agreement. To the extent we are not able to do so, our operating results relating to our China lottery business will be adversely affected.

In June 2013, the Colorado lottery awarded a new lottery systems contract to one of our competitors. We will continue to provide lottery systems services to the Colorado lottery under our existing contract through October 2014.

We believe that our U.S. lottery customers' retail sales is a key performance indicator of our Lottery Systems services revenue, although there may not always be a direct correlation between retail sales and our Lottery Systems services revenue due to the terms of our contracts, the impact of changes in our customer contracts or other factors. We believe the level of jackpots of the Powerball and Mega Millions multi-state draw lottery games, and the number of drawings conducted before a jackpot is won, may have an impact on U.S. retail sales and, therefore, on our services revenue in any given period. Our Lottery Systems services revenue is also impacted by retail sales of instant lottery games where we provide instant lottery game validation services on a standalone basis or as part of a Lottery Systems contract. Our Lottery Systems product sales revenue primarily relates to sales of equipment to international customers that are not subject to long-term contracts.

Results of Operations and Key Performance Indicators for Lottery Systems

(millions)	Three Months Ended June 30,		Variance for the Three Months Ended June 30,	
	2014	2013	2014 vs. 2013	
Revenue:				
Services	$ 51.0	$ 49.7	$ 1.3	2.6 %
Product sales	18.3	14.7	3.6	24.5 %
Total revenue	69.3	64.4	4.9	7.6 %
Operating expenses:				
Cost of services (1)	29.6	27.1	2.5	9.2 %
Cost of product sales (1)	14.5	9.9	4.6	46.5 %
Selling, general and administrative	5.9	5.4	0.5	9.3 %
Research and development	0.4	0.8	(0.4)	(50.0)%
Depreciation and amortization	14.3	12.8	1.5	11.7 %
Operating income	$ 4.6	$ 8.4	$ (3.8)	(45.2)%
Earnings from equity investments	$ 0.8	$ 0.5	$ 0.3	60.0 %
Key Performance Indicators:				
Services revenue by geography:				
U.S. (2)	$ 27.6	$ 28.2	$ (0.6)	(2.1)%
International	23.4	21.5	1.9	8.8 %
Total services revenue	$ 51.0	$ 49.7	$ 1.3	2.6 %
Product sales by geography:				
U.S.	$ 3.3	$ 1.9	$ 1.4	73.7 %
International	15.0	12.8	2.2	17.2 %
Total product sales revenue	$ 18.3	$ 14.7	$ 3.6	24.5 %
U.S. lottery customers' retail sales (3)	$ 2,133	$ 2,196	$ (63)	(2.9)%

"n/m" - not meaningful

(1) Exclusive of depreciation and amortization.

(2) U.S. services revenue includes revenue from Puerto Rico.

(3) U.S. lottery customers' retail sales primarily include retail sales of draw games, keno and instant games validated by the relevant system. The retail sales metric for the Lottery Systems segment presented in prior periods included draw game retail sales only. We believe the revised metric more clearly correlates to our U.S. Lottery Systems services revenue, since we are generally compensated based on total retail sales generated by the relevant lottery system and not just draw game retail sales. The prior-year period retail sales information presented above conforms to the revised metric.

Three Months Ended June 30, 2014 Compared to Three Months Ended June 30, 2013

Revenue

Lottery Systems services revenue increased $1.3 million primarily due to an increase in sports betting services revenue from our international operations, partially offset by a decline in revenue under our agreement with the CSL primarily reflecting the decrease in our participation rate. Lottery Systems revenue from the U.S. was essentially flat. The $3.6 million increase in Lottery Systems product sales revenue, which can fluctuate due to its non-recurring nature, primarily reflected higher international sales of hardware and software of $2.2 million and higher U.S. sales. Services and product sales revenue each reflected a favorable impact from foreign currency translation of $0.5 million.

Operating Income

Operating income decreased $3.8 million primarily due to a less profitable mix of revenue and an increase in D&A related to software assets.

GAMING

Our Gaming business segment is comprised of our gaming operating segment and our interactive operating segment. Our gaming operating segment designs, develops, manufactures, distributes and markets a comprehensive portfolio of gaming products. We lease gaming machines, systems and content and sell new and used gaming machines, VLTs, conversion kits and parts to commercial casinos, Native American casinos, wide-area gaming operators, such as LBO, arcade and bingo operators in the U.K. and continental Europe, and gaming operators affiliated with governments, such as lotteries and gaming regulators. Our interactive operating segment is comprised of our social gaming business in which we sell virtual coins for use on our social gaming sites and our real-money gaming business where we earn a percentage of net gaming revenue generated by play of our games on legalized real-money gaming websites operated by third parties. Our equity investments in RCN, ITL and, until its sale in January 2014, Sportech are part of our Gaming business segment.

We generate Gaming revenues from product sales and services. Our product sales consist of video and mechanical reel gaming machines, VLTs, conversion kits (including game, hardware and operating system conversions), parts and game content to casinos and wide-area and other gaming operators. Our services revenue includes revenue earned from leased gaming machines, other services and our interactive business.

Current Year Update

Our Gaming revenue increased in the second quarter of 2014 compared to the prior-year period, primarily due to the inclusion of WMS' revenue. However, we believe that challenging market conditions in the gaming industry adversely impacted our Gaming results for the second quarter of 2014 relative to WMS' results for the prior-year period and could continue to negatively impact our results of operations. These challenges included: (1) fewer new casino openings and expansions than in the prior year resulting in lower demand for new gaming machines; (2) increased competition, which negatively impacted our share of shipments of new gaming machines; (3) a decline in gaming operators' gross gaming revenues in the first and second quarters of 2014, which we believe resulted in a decrease in capital spending by gaming operators on new gaming machines; (4) government actions in Argentina, which limited our ability to import our products for sale in Argentina; and (5) industry challenges in Mexico, including fewer gaming operators, resulting in a decline in shipments of gaming machines to customers in Mexico.

In March 2014, the U.K. government announced a proposed change to the machine games duty, or MGD, for certain gaming machines supplied to LBOs. The change, which is anticipated to go into effect in March 2015, raises the MGD rate from 20% to 25% of the net win generated by such gaming machines. We expect that this tax change will negatively impact our LBO customers' businesses and our U.K. gaming business. In April 2014, the U.K. government announced its intention to impose restrictions on betting shops and high stakes play, including requiring retail premises to submit planning applications and seek permission before converting their locations to betting shops, requiring customers wagering stakes of fifty Pounds or more to use account-based play or to load cash "over the counter" prior to play, and allowing players to set limits on the time or money they want to spend before commencing play. These changes, which are expected to be implemented in the second half of 2015, could negatively impact our U.K. gaming business. In addition, ongoing adverse publicity in the U.K. exists surrounding casino-style games available on certain gaming machines.

In May 2014, the U.K. government passed the Gambling (Licensing and Advertising) Act 2014 (the "Act"). The Act, which will take effect in October 2014, expands the licensing regime in the U.K. to require any gaming operator that transacts with or advertises to British consumers to obtain an operating license from the U.K. Gambling Commission ("UKGC"). In addition, the UKGC has separately announced a regulatory change, which will take effect in January 2015, requiring any party that manufactures, adapts, installs or supplies gambling software to such operators to obtain a remote gambling software license from the UKGC. As a result of these changes, the Company and certain of its customers will be required to obtain additional licenses and, while the U.K. government has indicated that current gaming operators will be able to obtain transitional approval to continue to operate while their license applications are pending, there can be no assurance that we or our customers will obtain the necessary licenses. Separately, legislation has been introduced in the U.K. that will impose a new remote gaming duty, or RGD, on gaming operators of 15% of the net win generated by transactions with U.K. customers. The new RGD is expected to take effect in December 2014. We anticipate that this tax change will impact our U.K. customers' businesses and, therefore, could negatively impact our business.

In April 2014, we entered into a three-year contract extension with the Delaware lottery, which contemplates the placement of a minimum of 400 of our VLTs at charitable gaming organizations in Delaware.

In June 2014, we signed a ten-year contract with the Independent Gaming Corporation Limited of South Australia to supply our *SGVideo™* central monitoring and control system, which will monitor approximately 12,500 gaming machines in more than 550 locations throughout South Australia. Operations under the contract are expected to commence in the second half of 2014.

Our interactive product portfolio recently expanded with the addition of a second social casino gaming site, Gold Fish® Social Slots, which became available on Facebook in the first quarter of 2014 and on mobile devices in the second quarter of 2014. We expanded our interactive real-money gaming business by entering into several new game content agreements with online operators and went live on several sites, including with bwin.party in Europe and certain online gaming sites in New Jersey.

In January 2014, we completed the sale of our 20% equity interest in Sportech for cash proceeds of £27.8 million, or $44.9 million, resulting in a gain of approximately £9 million, or $14.5 million.

Results of Operations and Key Performance Indicators for Gaming

All results for 2013 presented herein include no results of operations of WMS, which was acquired in October 2013.

(in millions)	Three Months Ended June 30,		Variance for the Three Months Ended June 30,	
	2014	2013	2014 vs. 2013	
Revenue				
Services	$ 128.3	$ 35.5	$ 92.8	n/m
Product sales	80.8	5.1	75.7	n/m
Total revenue	209.1	40.6	168.5	n/m
Operating expenses				
Cost of services (1)	35.0	19.1	15.9	n/m
Cost of product sales (1)	38.3	3.3	35.0	n/m
Selling, general and administrative	44.6	4.9	39.7	n/m
Research and development	24.1	0.4	23.7	n/m
Employee termination and restructuring	2.2	—	2.2	n/m
Depreciation and amortization	66.7	21.3	45.4	n/m
Operating loss	$ (1.8)	$ (8.4)	$ 6.6	n/m
Earnings (loss) from equity investments	$ 2.3	$ (1.3)	$ 3.6	n/m

"n/m" - not meaningful
1) Exclusive of depreciation and amortization.

(in millions, except for unit and per unit (or user) information)	Three Months Ended June 30,		Variance for the Three Months Ended June 30,	
	2014	2013	2014 vs 2013	
Key Performance Indicators:				
Services revenue:				
WAP and premium participation products	$ 57.8	$ —	$ 57.8	n/m
Other leased and participation products	30.6	29.0	1.6	5.5%
Interactive gaming products and services	32.3	—	32.3	n/m
Other services	7.6	6.5	1.1	16.9%
Total services revenue	$ 128.3	$ 35.5	$ 92.8	n/m
WAP and premium participation units (1):				
Installed base at period end	8,732	—	8,732	n/m
Average installed base	8,973	—	8,973	n/m
Average daily revenue per unit	$ 70.73	$ —	$ 70.73	n/m
Other leased and participation units (2):				
Installed base at period end	26,711	26,277	434	1.7%
Average installed base	27,228	26,168	1,060	4.1%
Average daily revenue per unit	$ 12.36	$ 12.19	$ 0.17	1.4%
Interactive gaming products and services - social casino:				
Average Monthly Active Users (MAU) (3)	5.2	—	5.2	n/m
Average Daily Active Users (DAU) (4)	1.4	—	1.4	n/m
Average revenue per daily active user (ARPDAU) (5)	$ 0.22	$ —	$ 0.22	n/m
Product sales revenue:				
New gaming machine sales	$ 59.8	$ 2.6	$ 57.2	n/m
Other product sales	21.0	2.5	18.5	n/m
Total product sales revenue	$ 80.8	$ 5.1	$ 75.7	n/m
Product sales:				
U.S. and Canadian new unit shipments	2,553	9	2,544	n/m
International new unit shipments	1,550	519	1,031	n/m
Total new unit shipments	4,103	528	3,575	n/m
Average sales price per new unit	$ 14,568	$ 4,674	$ 9,894	n/m

"n/m" - not meaningful
(1) WAP and premium participation products are comprised of WMS participation gaming machines (WAP, LAP and standalone units) generally available only as leased units
(2) Other leased and participation units are comprised principally of Scientific Games legacy server-based gaming machines, primarily in the U.K., and other leased WMS units
(3) MAU = Monthly Active Users, a count of unique visitors to our sites during a month
(4) DAU = Daily Active Users, a count of unique visitors to our sites during a day
(5) ARPDAU = Average revenue per DAU is calculated by dividing revenue for a period by the DAU for the period by the number of days for the period

Three Months Ended June 30, 2014 Compared to Three Months Ended June 30, 2013

Revenue

The $92.8 million increase in Gaming services revenue included $93.0 million from WMS. Services revenue from our U.K. gaming customers was sentially flat compared to the prior-year period due to the loss of our Betfred contract in December 2013 and lower services revenue from our international gaming customers, offset by favorable foreign currency translation of $2.9 million. Our installed base of WAP and premium participation units declined to 8,732 units as of June 30, 2014 from 9,810 units for WMS at June 30, 2013, reflecting a decline in WMS' installed base of premium participation units, partially offset by an increase in the installed base of WAP units. The average daily revenue per WAP and premium participation unit increased 5% over the amount reported by WMS in the prior-year period despite challenging gaming industry conditions, reflecting the positive performance of our new games and the shift in our installed base of WAP and premium participation units to include more WAP units. Our average installed base of other leased and participation units rose to 27,228 units, reflecting the addition of 2,462 other leased units within the WMS footprint, partially offset by a decline in our U.K. gaming installed base that largely resulted from the loss of our Betfred contract. Average daily revenue for our other leased and participation units increased 1% compared to the prior-year period. Gaming services revenue also included revenue from our interactive gaming business and reflected the approximately 1.4 million average DAU for our social casinos in the period.

The $75.7 million increase in product sales revenue included $76.6 million from WMS. Compared to the prior-year period, new gaming machine shipments by WMS declined approximately 44%, reflecting the challenging gaming industry conditions discussed above. Excluding the impact of WMS revenue, product sales revenue was flat for the three months ended June 30, 2014.

Operating Loss

The $6.6 million decrease in operating loss reflected a $4.6 million operating loss of WMS, which reflected SG&A of $39.2 million, R&D of $22.6 million, employee termination and restructuring costs of $2.2 million and D&A of $53.2 million. The operating loss of WMS was partially offset by a more profitable mix of business and improvement in our cost structure in the U.K. including lower D&A of $7.8 million primarily due to accelerated D&A recorded in the prior-year period related to the write-down of used gaming machines and a change in the estimated useful lives of our gaming machines.

Six Months Ended June 30, 2014 Compared to Six Months Ended June 30, 2013
CONSOLIDATED RESULTS

(in millions)	Six Months Ended June 30,		Variance for the Six Months Ended June 30,	
	2014	2013	2014 vs. 2013	
Revenue:				
Instant games	$ 261.6	$ 249.3	$ 12.3	4.9 %
Services	356.1	167.0	189.1	113.2 %
Product sales	187.3	38.3	149.0	389.0 %
Total revenue	805.0	454.6	350.4	77.1 %
Operating expenses:				
Cost of instant games (1)	142.8	139.7	3.1	2.2 %
Cost of services (1)	131.1	92.4	38.7	41.9 %
Cost of product sales (1)	101.3	26.0	75.3	289.6 %
Selling, general and administrative	187.0	93.5	93.5	100.0 %
Research and development	50.7	3.3	47.4	n/m
Employee termination and restructuring	10.5	0.3	10.2	n/m
Depreciation and amortization	190.1	75.9	114.2	150.5 %
Operating (loss) income	(8.5)	23.5	(32.0)	(136.2)%
Other (expense) income:				
Interest expense	(97.2)	(50.1)	(47.1)	94.0 %
Earnings from equity investments	6.2	9.6	(3.4)	(35.4)%
Loss on early extinguishment of debt	(25.9)	—	(25.9)	n/m
Gain on sale of equity interest	14.5	—	14.5	n/m
Other (expense) income, net	6.1	(0.8)	6.9	(862.5)%
Net loss from continuing operations before income taxes	(104.8)	(17.8)	(87.0)	488.8 %
Income tax expense	(12.6)	(6.9)	(5.7)	82.6 %
Net loss from continuing operations	$ (117.4)	$ (24.7)	$ (92.7)	375.3 %

"n/m" - not meaningful
(1) Exclusive of depreciation and amortization.

Six Months Ended June 30, 2014 Compared to Six Months Ended June 30, 2013

Revenue

Consolidated revenue increased in each of our categories of revenue: instant games, services and product sales. The inclusion of revenue from WMS increased consolidated revenue by $326.2 million. Consolidated revenue also reflected favorable foreign currency translation of $6.8 million.

Instant games revenue increased $12.3 million reflecting higher revenue from our participation contracts in U.S. and international jurisdictions and our game licensing and player loyalty programs. These increases were partially offset by lower revenue from our international price-per-unit contracts. Services revenue, which includes our participation-based and other services revenue from our international lottery systems and Gaming businesses, increased $189.1 million, primarily reflecting the inclusion of WMS services revenue. The $149.0 million increase in product sales revenue included $139.8 million of WMS product sales revenue, with the remaining increase due to higher hardware and software sales to our international and U.S. lottery customers.

Cost of Revenue

Consolidated cost of revenue increased primarily as a result of higher revenue. Cost of instant games revenue increased 2% compared to the increase in instant games revenue of 5%. Cost of services increased 42% compared to an increase in services revenue of 113%, reflecting a more profitable revenue mix primarily attributable to WMS services revenue. Cost of product sales increased 290% compared to an increase in sales revenue of 389%, reflecting the inclusion of WMS product sales.

SG&A

SG&A increased $93.5 million, which reflected $87.6 million of SG&A attributable to WMS. SG&A also increased primarily due to higher compensation expense of $5.7 million and higher legal fees of $0.7 million.

R&D

R&D increased $47.4 million primarily related to the inclusion of WMS in our financial results.

Employee Termination and Restructuring

Employee termination and restructuring costs included $9.3 million related to WMS integration activities, $0.4 million related to the exit from our instant lottery game operations in Mexico during the three months ended March 31, 2014 and $0.8 million during the three months ended June 30, 2014 related to the exit from our paper roll conversion operations in the U.S. For additional information regarding these charges, see Note 4 (Restructuring) in this Quarterly Report on Form 10-Q.

D&A

D&A increased $114.2 million, of which $104.1 million was from WMS. During the three months ended March 31, 2014, we revised the depreciable lives of certain acquired intangible assets from a range of four to ten years to a range of three to eight years, which increased D&A in our Gaming segment by $3.7 million. Excluding the increase attributable to WMS, D&A increased $10.1 million primarily due to an increase in D&A related to internally developed software, including a write-off of $3.1 million, partially offset by a decrease in D&A in our U.K. gaming business of $6.1 million primarily due to accelerated D&A recorded in the prior-year period related to the write-down of used gaming machines and a change in the estimated useful lives of our gaming machines.

Other Income and Expense

Interest expense increased $47.1 million due to the additional indebtedness incurred under our new credit facilities to finance the WMS acquisition. This increase was slightly offset by a reduction in interest expense as a result of the refinancing of the 2019 Notes with the 2021 Notes in June 2014. For additional information regarding our indebtedness, see Note 12 (Long-Term and Other Debt) in this Quarterly Report on Form 10-Q.

The decline in earnings from equity investments included a decrease in earnings from our Northstar Illinois equity investment due to an $8.0 million charge representing our share of an estimated shortfall payment recorded by Northstar Illinois related to the lottery's fiscal year ended June 30, 2014. This decrease was partially offset by an increase in earnings from LNS and RCN.

We recorded a loss on early extinguishment of debt of $25.9 million primarily related to the tender and redemption premiums and the write-off of deferred financing costs in connection with the purchase and redemption of our 2019 Notes in June 2014.

In January 2014, we completed the sale of our 20% equity interest in Sportech for cash proceeds of £27.8 million, or $44.9 million, resulting in a gain of approximately £9 million, or $14.5 million.

Income Tax Expense

The effective income tax rates on the loss from continuing operations of (12.0)% and (39.1)% for the six months ended June 30, 2014 and 2013, respectively, were determined using an estimated annual effective tax rate after considering any discrete items for such periods. Due to a valuation allowance against our U.S. deferred tax assets, the effective tax rates for the six months ended June 30, 2014 and 2013 did not include the benefit of the current-year U.S. tax loss. As a result, income tax expense for the six months ended June 30, 2014 and 2013 primarily related to income tax expense in foreign jurisdictions.

Our effective income tax rate on foreign earnings was impacted by the mix of income and the statutory tax rates in our foreign jurisdictions, which ranged from a low of 0% to a high of 35%. The foreign jurisdictions that had the most impact on our foreign income tax benefit (expense) in the period include Austria, Canada, Ireland, and the U.K.

BUSINESS SEGMENTS RESULTS

INSTANT PRODUCTS

Results of Operations and Key Performance Indicators for Instant Products

(in millions)	Six Months Ended June 30,		Variance for the Six Months Ended June 30,	
	2014	2013	2014 vs. 2013	
Revenue:				
Instant games	$ 261.6	$ 249.3	$ 12.3	4.9 %
Product sales	6.2	7.0	(0.8)	(11.4)%
Total revenue	267.8	256.3	11.5	4.5 %
Operating expenses:				
Cost of instant games (1)	142.8	139.7	3.1	2.2 %
Cost of product sales (1)	4.1	5.0	(0.9)	(18.0)%
Selling, general and administrative	26.7	24.0	2.7	11.3 %
Research and development	0.5	0.3	0.2	66.7 %
Employee termination and restructuring	1.2	0.3	0.9	n/m
Depreciation and amortization	17.3	17.8	(0.5)	(2.8)%
Operating income	$ 75.2	$ 69.2	$ 6.0	8.7 %
Earnings from equity investments	$ 3.0	$ 10.6	$ (7.6)	(71.7)%
Key Performance Indicators:				
Instant games by revenue type:				
Participation contracts	$ 136.8	$ 125.5	$ 11.3	9.0 %
Price-per-unit contracts	96.3	100.7	(4.4)	(4.4)%
Licensing and player loyalty	28.5	23.1	5.4	23.4 %
Total instant games revenue	$ 261.6	$ 249.3	$ 12.3	4.9 %
Instant games revenue by geography:				
U.S.	$ 170.0	$ 154.9	$ 15.1	9.7 %
International	91.6	94.4	(2.8)	(3.0)%
Total instant games revenue	$ 261.6	$ 249.3	$ 12.3	4.9 %
U.S. lottery customers' retail sales of instant games	$ 19,700	$ 18,886	$ 814	4.3 %
Italy retail sales of instant games (in Euros)	€ 4,791	€ 4,920	€ (129)	(2.6)%

"n/m" - not meaningful
(1) Exclusive of depreciation and amortization.

Six Months Ended June 30, 2014 Compared to Six Months Ended June 30, 2013

Revenue

Instant games revenue increased $12.3 primarily due to $11.3 million of higher revenue from our participation contracts in the U.S. including our contract with Northstar New Jersey and certain international jurisdictions, including initial

revenue from our instant game supply contract with Hellenic Lotteries, and $5.4 million of higher revenue from our licensing and player loyalty programs. These increases were partially offset by $4.4 million decrease in revenue primarily related to our international price-per-unit contracts, including our contracts with LNS and Loto-Quebec.

Operating Income

Operating income increased $6.0 million primarily due to a higher and more profitable mix of revenue and a decrease in D&A, partially offset by higher SG&A reflecting higher compensation, legal expenses and restructuring costs.

LOTTERY SYSTEMS

Results of Operations and Key Performance Indicators for Lottery Systems

(in millions)	Six Months Ended June 30,		Variance for the Six Months Ended June 30,	
	2014	2013	2014 vs. 2013	
Revenue:				
Services	$ 101.1	$ 97.5	$ 3.6	3.7 %
Product sales	32.8	21.6	11.2	51.9 %
Total revenue	133.9	119.1	14.8	12.4 %
Operating expenses:				
Cost of services (1)	60.0	54.9	5.1	9.3 %
Cost of product sales (1)	26.2	15.1	11.1	73.5 %
Selling, general and administrative	11.5	10.7	0.8	7.5 %
Research and development	0.8	2.2	(1.4)	(63.6)%
Depreciation and amortization	28.6	25.4	3.2	12.6 %
Operating income	$ 6.8	$ 10.8	$ (4.0)	(37.0)%
Earnings from equity investments	$ 1.2	$ 0.6	$ 0.6	100.0 %
Key Performance Indicators:				
Services revenue by geography:				
U.S. (2)	$ 55.2	$ 55.4	$ (0.2)	(0.4)%
International	45.9	42.1	3.8	9.0 %
Total services revenue	$ 101.1	$ 97.5	$ 3.6	3.7 %
Product sales by geography:				
U.S.	$ 4.8	$ 3.1	$ 1.7	54.8 %
International	28.0	18.5	9.5	51.4 %
Total product sales revenue	$ 32.8	$ 21.6	$ 11.2	51.9 %
U.S. lottery customers' retail sales (3)	$ 4,245	$ 4,284	$ (39)	(0.9)%

(1) Exclusive of depreciation and amortization.
(2) U.S. services revenue includes revenue from Puerto Rico.
(3) U.S. lottery customers' retail sales primarily include retail sales of draw games, keno and instant games validated by the relevant system. The retail sales metric for the Lottery Systems segment presented in prior periods included draw game retail sales only. We believe the revised metric more clearly correlates to our U.S. Lottery Systems services revenue, since we are generally compensated based on total retail sales generated by the relevant lottery system and not just draw game retail sales. The prior-year period retail sales information presented above conforms to the revised metric.

Six Months Ended June 30, 2014 Compared to Six Months Ended June 30, 2013

Revenue

Lottery Systems services revenue increased $3.6 million primarily due to an increase in sports betting services revenue from our international operations, partially offset by a decline in revenue under our agreement with the CSL primarily reflecting the decrease in our participation rate. Lottery Systems revenue from the U.S. was essentially flat. The increase in service revenue also included a favorable impact from foreign currency translation of $0.7 million. The $11.2 million increase in Lottery Systems product sales revenue, which can fluctuate due to its non-recurring nature, primarily reflected higher international sales of hardware and software of $9.5 million and higher U.S. sales. The increase in product sales revenue also included a favorable impact from foreign currency translation of $0.6 million.

Operating Income

Operating income decreased $4.0 million primarily due to a less profitable mix of revenue and higher D&A.

GAMING

Results of Operations and Key Performance Indicators for Gaming

All results for 2013 presented herein do not include results of operations for WMS, which was acquired in October 2013.

(in millions)	Six Months Ended June 30,		Variance for the Six Months Ended June 30,	
	2014	2013	2014 vs. 2013	
Revenue				
Services	$ 255.0	$ 69.5	$ 185.5	n/m
Product sales	148.3	9.7	138.6	n/m
Total revenue	403.3	79.2	324.1	n/m
Operating expenses				
Cost of services (1)	71.1	37.5	33.6	n/m
Cost of product sales (1)	71.0	5.9	65.1	n/m
Selling, general and administrative	90.5	13.0	77.5	n/m
Research and development	49.4	0.8	48.6	n/m
Employee termination and restructuring	7.4	—	7.4	n/m
Depreciation and amortization	130.4	32.4	98.0	n/m
Operating loss	$ (16.5)	$ (10.4)	$ (6.1)	n/m
Earnings (loss) from equity investments	$ 2.0	$ (1.6)	$ 3.6	n/m

"n/m" - not meaningful
(1) Exclusive of depreciation and amortization.

(in millions, except for unit and per unit (or user) information)	Six Months Ended June 30,		Variance for the Six Months Ended June 30,	
	2014	2013	2014 vs 2013	
Key Performance Indicators:				
Services revenue:				
WAP and premium participation products	$ 115.5	$ —	$ 115.5	n/m
Other leased and participation products	60.5	56.4	4.1	7.3 %
Interactive gaming products and services	63.1	—	63.1	n/m
Other services	15.9	13.1	2.8	21.4 %
Total services revenue	$ 255.0	$ 69.5	$ 185.5	n/m
WAP and premium participation units (1):				
Installed base at period end	8,732	—	8,732	n/m
Average installed base	9,058	—	9,058	n/m
Average daily revenue per unit	$ 70.45	$ —	$ 70.45	n/m
Other leased and participation units (2):				
Installed base at period end	26,711	26,277	434	1.7 %
Average installed base	28,108	26,031	2,077	8.0 %
Average daily revenue per unit	$ 11.89	$ 11.97	$ (0.08)	(0.7)%
Interactive gaming products and services - social casino:				
Average Monthly Active Users (MAU) (3)	5.1	—	5.1	n/m
Average Daily Active Users (DAU) (4)	1.3	—	1.3	n/m
Average revenue per daily active user (ARPDAU) (5)	$ 0.22	$ —	$ 0.22	n/m
Product sales revenue:				
New gaming machine sales	$ 109.7	$ 6.0	$ 103.7	n/m
Other product sales	38.6	3.7	34.9	n/m
Total product sales revenue	$ 148.3	$ 9.7	$ 138.6	n/m
Product sales:				
U.S. and Canadian new unit shipments	4,589	74	4,515	n/m
International new unit shipments	3,028	845	2,183	n/m
Total new unit shipments	7,617	919	6,698	n/m
Average sales price per new unit	$ 14,402	$ 6,420	$ 7,982	n/m

"n/m" - not meaningful
(1) WAP and premium participation products are comprised of WMS participation gaming machines (WAP, LAP and standalone units) generally available only as leased units
(2) Other leased and participation units are comprised principally of Scientific Games legacy server-based gaming machines, primarily in the U.K., and other leased WMS units
(3) MAU = Monthly Active Users, a count of unique visitors to our sites during a month
(4) DAU = Daily Active Users, a count of unique visitors to our sites during a day
(5) ARPDAU = Average revenue per DAU is calculated by dividing revenue for a period by the DAU for the period by the number of days for the period

Six Months Ended June 30, 2014 Compared to Six Months Ended June 30, 2013

Revenue

The $185.5 million increase in Gaming services revenue included $186.4 million from WMS and a favorable impact from foreign currency translation of $4.5 million, partially offset by $6.5 million of lower services revenue primarily due to the loss of our Betfred contract in December 2013 and lower services revenue from our international gaming customers. Our installed base of WAP and premium participation units declined to 8,732 units as of June 30, 2014 from 9,810 units for WMS at June 30, 2013, reflecting a decline in WMS' installed base of premium participation units, partially offset by an increase in the installed base of WAP units. The average daily revenue per WAP and premium participation unit increased 3% over the amount reported by WMS in the prior-year period despite challenging gaming industry conditions, reflecting the positive performance of our new games and the shift in our installed base of WAP and premium participation units to include more WAP units. Our average installed base of other leased and participation units rose to 28,108 units, reflecting the addition of 2,535 other leased units within the WMS footprint, partially offset by a decline in the U.K. gaming installed base that largely resulted from the loss of our Betfred contract. Average daily revenue for our other leased and participation units declined slightly compared to the prior-year period. Gaming services revenue also included revenue from our interactive gaming business and reflected the approximately 1.3 million average DAU for our social casinos in the period.

The $138.6 million increase in product sales revenue included $139.8 million from WMS. Compared to the prior-year period, new gaming machine shipments by WMS declined approximately 42%, reflecting the challenging gaming industry conditions discussed above. Excluding the impact of WMS revenue, product sales revenue was lower by $1.3 million for the six months ended June 30, 2014.

Operating Loss

The $6.1 million increase in operating loss primarily reflected an operating loss of WMS of $18.7 million. The operating loss of WMS included SG&A of $79.9 million, R&D of $46.4 million, employee termination and restructuring costs of $7.0 million and D&A of $104.1 million. The operating loss of WMS was partially offset by a more profitable mix of business and improvement in our cost structure in our U.K. business, including lower SG&A and lower D&A of $6.1 million primarily due to accelerated D&A recorded in the prior-year period related to the write-down of used gaming machines and a change in the estimated useful lives of our gaming machines.

Recently Issued Accounting Guidance

For a description of recently issued accounting pronouncements, see Note 1 (Description of the Business and Summary of Significant Accounting Policies) in this Quarterly Report on Form 10-Q.

CRITICAL ACCOUNTING ESTIMATES

For a description of our policies regarding our critical accounting estimates, see "Critical Accounting Estimates" in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our 2013 Annual Report on Form 10-K.

We consider the following accounting estimates to be the most critical to fully understand and evaluate our reported financial results. The list below is not intended to be a comprehensive list of all of our accounting policies. Our significant accounting policies are described in Note 1 (Description of the Business and Summary of Significant Accounting Policies) in our 2013 Annual Report on Form 10-K.

- Income taxes and deferred income taxes
- Valuation of investments, long-lived and intangible assets and goodwill
- Business combinations
- Revenue recognition
- Notes receivable
- Performance-based compensation
- Inventory
- Restructuring

There have been no significant changes in our critical accounting estimate policies or the application of those policies to our consolidated financial statements from those presented in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our 2013 Annual Report on Form 10-K.

LIQUIDITY, CAPITAL RESOURCES AND WORKING CAPITAL

Sources of Liquidity

As of June 30, 2014, our principal sources of liquidity other than cash provided by operating activities, were cash and equivalents and amounts available under our revolving credit facility discussed below under "Credit Agreement and Other Debt."

As of June 30, 2014, our available cash and equivalents and borrowing capacity totaled $346.9 million including cash and cash equivalents of $89.2 million and availability of $257.7 million under our revolving credit facility, compared to $411.0 million as of December 31, 2013 (including cash and cash equivalents of $153.7 million and availability of $257.3 million under our prior revolving credit facility). There were no borrowings outstanding under our revolving credit facility as of June 30, 2014; however, we had $42.3 million in outstanding letters of credit as of June 30, 2014, which reduces our capacity to borrow under our revolving credit facility. The amount of our available cash and equivalents fluctuates principally based on borrowings or repayments under our credit facilities, investments, acquisitions and changes in our working capital position. The borrowing capacity under our revolving credit facility will depend on the amount of outstanding borrowings and letters of credit issued and will also depend on us remaining in compliance with the covenants under our credit agreement, including the maintenance of applicable financial ratios. We were in compliance with the covenants under our credit agreement as of June 30, 2014.

We believe that our cash flow from operations, available cash and equivalents and available borrowing capacity under our revolving credit facility will be sufficient to meet our liquidity needs for the foreseeable future; however, there can be no assurance that this will be the case. We believe that substantially all cash held outside the U.S. is free from legal encumbrances or similar restrictions that would prevent it from being available to meet our global liquidity needs.

Total cash held by our foreign subsidiaries was $71.2 million as of June 30, 2014. To the extent that a portion of our foreign cash was required to meet liquidity needs in the U.S. (which we do not currently anticipate), we might incur a tax liability to repatriate it, the timing and amount of which would depend on a variety of factors. A significant amount of the cash held by our foreign subsidiaries as of June 30, 2014 could be transferred to the U.S. as intercompany loan repayments or tax-free basis reductions.

Our lottery contracts are periodically subject to renewal or re-bid and there can be no assurance that we will be successful in sustaining our cash flow from operations if our contracts are not renewed or replaced or are renewed on less favorable terms, or if we are unable to enter into new contracts. In addition, lottery customers in the U.S. generally require service providers to provide performance bonds in connection with the relevant contract. As of June 30, 2014, our outstanding performance bonds totaled $195.4 million. Our ability to obtain performance bonds on commercially reasonable terms is

subject to our financial condition and to prevailing market conditions, which may be impacted by economic and political events. Although we have not experienced difficulty in obtaining such bonds to date, there can be no assurance that we will continue to be able to obtain performance bonds on commercially reasonable terms or at all. If we need to refinance all or part of our indebtedness at or before maturity, there can be no assurance that we will be able to obtain new financing or to refinance any of our indebtedness on commercially reasonable terms or at all.

Cash Flow Summary

	Six Months Ended June 30,		Variance for the Six Months Ended June 30,
	2014	2013	2014 vs. 2013
Net cash provided by operating activities	$ 107.1	$ 70.0	$ 37.1
Net cash used in investing activities	(78.6)	(84.0)	5.4
Net cash used in financing activities	(91.5)	(13.9)	(77.6)
Effect of exchange rates on cash and cash equivalents	(1.5)	(3.0)	1.5
Decrease in cash and cash equivalents	$ (64.5)	$ (30.9)	$ (33.6)

Cash flows from operating activities

Net cash provided by operating activities for the six months ended June 30, 2014 increased $37.1 million over the prior-year period reflecting a $44.8 million increase in net earnings after adjustments for non-cash items, loss on early extinguishment of debt and gain on sale of equity interest and $0.6 million of unfavorable changes in current assets and liabilities, net of effects of acquisitions, due primarily to the acquisition of WMS. The increase in net cash provided by operating activities was partially offset by a decrease in distributions received from our equity investments of $7.1 million.

Cash flows from investing activities

The reduction in net cash used in investing activities primarily reflected an increase in return of capital payments from our equity investments of $16.6 million, including a return of capital from LNS of $22.4 million and a return of capital from ITL of $10.5 million in the current-year period. Net cash used in investing activities also reflected proceeds from the sale of our equity interest in Sportech of $44.9 million in the first quarter of 2014, partially offset by increased capital expenditures of $34.2 million related to contracts in our Lottery Systems business, property, plant and equipment additions and capital expenditures in our Gaming business. Capital contributions to our equity investments increased $19.2 million primarily reflecting contributions to ITL related to the roll-out of gaming terminals for a customer in the U.K.

Cash flows from financing activities

The increase in net cash used in financing activities was primarily due to common stock repurchases of $29.5 million in the first quarter of 2014, an increase in financing fees of $20.8 million related to the issuance of the 2021 Notes and the repurchase and redemption of the 2019 Notes, an increase in the redemption of common stock under our stock-based compensation plans of $16.4 million and a $5.3 million increase in net payments on long-term indebtedness.

Credit Agreement and Other Debt

As of June 30, 2014, our total debt was comprised principally of $2,288.5 million (excluding an unamortized discount of $10.3 million) outstanding under our term loan facilities under the credit agreement discussed below, $250.0 million in aggregate principal amount of our 2018 Notes, $300.0 million in aggregate principal amount of our 2020 Notes, $350.0 million (excluding an unamortized discount of $2.3 million) in aggregate principal amount of our 2021 Notes, $5.0 million of China Loans and $42.8 million in capital leases related to our U.K. gaming operations. We use interest rate swap derivatives to diversify our debt portfolio between fixed and variable rate instruments. For additional information regarding our interest rate risk and interest rate hedging instruments, see "Quantitative and Qualitative Disclosures About Market Risk" in Item 7A in our 2013 Annual Report on Form 10-K.

Senior Secured Credit Facilities

We are party to a credit agreement dated as of October 18, 2013, by and among SGI, as the borrower, the Company, as a guarantor, Bank of America, N.A., as administrative agent, and the lenders and other agents party thereto providing for senior secured credit facilities in an aggregate principal amount of $2,600.0 million including a $300.0 million revolving credit facility, which has dollar and multi-currency tranches, and a $2,300.0 million term loan facility. The term loan facility was used, in part, to finance the consideration paid in the WMS acquisition, to repay all indebtedness under our and WMS's prior

credit agreements and to pay related acquisition and financing fees and expenses. Up to $200.0 million of the revolving credit facility is available for issuances of letters of credit. The term loan is scheduled to mature on October 18, 2020 and the revolving credit facility is scheduled to mature on October 18, 2018 (subject to accelerated maturity dates depending on our liquidity at the time our 2018 Notes and 2020 Notes become due).

SGI is required to pay commitment fees to revolving lenders on the actual daily unused portion of the revolving commitments at a rate of 0.50% per annum through maturity, subject to a step-down to 0.375% based upon certain first lien net leverage ratios. The credit facilities contain customary events of default (subject to customary grace periods and materiality thresholds). Upon the occurrence of certain events of default, the obligations under the credit facilities may be accelerated and the commitments may be terminated.

Senior Subordinated Notes

2021 Notes

On June 4, 2014, SGI issued $350.0 million in aggregate principle amount of 2021 Notes at a price of 99.321% of the principal amount thereof in a private offering to qualified institutional buyers in accordance with Rule 144A under the Securities Act and to persons outside the United States under Regulation S under the Securities Act. The 2021 Notes were issued pursuant to the 2021 Notes Indenture.

The 2021 Notes bear interest at the rate of 6.625% per annum, which accrues from June 4, 2014 and is payable semiannually in arrears on May 15 and November 15 of each year, commencing on November 15, 2014. The 2021 Notes mature on May 15, 2021, unless earlier redeemed or repurchased, and are subject to the terms and conditions set forth in the 2021 Notes Indenture. In connection with the issuance of the 2021 Notes, the Company capitalized financing costs of $7.3 million.

The 2021 Notes are unsecured senior subordinated obligations of SGI and are subordinated to all of the SGI's existing and future senior debt, rank equally with all of SGI's existing and future senior subordinated debt and rank senior to all of SGI's future debt that is expressly subordinated to the 2021 Notes. The 2021 Notes are guaranteed on an unsecured senior subordinated basis by the Company and all of its 100%-owned U.S. subsidiaries (other than SGI). The 2021 Notes are structurally subordinated to all of the liabilities of the Company's non-guarantor subsidiaries.

The 2021 Notes Indenture contains certain covenants that, among other things, limit the Company's ability, and the ability of certain of its subsidiaries, to incur additional indebtedness, pay dividends or make distributions or certain other restricted payments, purchase or redeem capital stock, make investments or extend credit, engage in certain transactions with affiliates, consummate certain asset sales, effect a consolidation or merger, or sell, transfer, lease or otherwise dispose of all or substantially all assets, or create certain liens and other encumbrances on assets. The 2021 Notes Indenture contains events of default customary for agreements of its type (with customary grace periods and maturity thresholds, as applicable).

2019 Notes

On June 4, 2014, SGI completed a tender offer pursuant to which it purchased $140.6 million in aggregate principal amount of the 2019 Notes for total consideration of $1,051.25 for each $1,000 principle amount of the 2019 Notes tendered, plus accrued and unpaid interest to the applicable payment date.

On June 4, 2014, SGI delivered a notice of redemption with respect to all $209.4 million of the remaining outstanding principal amount of the 2019 Notes, and satisfied and discharged the indenture governing the 2019 Notes by depositing funds with the trustee sufficient to pay the redemption price of 104.625% of the principal amount of the 2019 Notes, plus accrued and unpaid interest to the redemption date. In accordance with the notice of redemption, the 2019 Notes were redeemed on July 4, 2014 and the redemption payment was made on July 7, 2014.

The purchase and redemption of the 2019 Notes were funded, in part, with the net proceeds from the issuance of the 2021 Notes. In connection with the purchase and redemption of the 2019 Notes, we recorded a loss on early extinguishment of debt of $25.9 million comprised primarily of the tender and redemption premiums and the write-off of previously deferred financing costs.

For additional information regarding our 2021 Notes and the repurchase and redemption of our 2019 Notes, see our Current Report on Form 8-K filed with the SEC on June 6, 2014. For additional information regarding our 2018 Notes, 2019 Notes and 2020 Notes, see Note 15 in our 2013 Annual Report on Form 10-K.

We were in compliance with the covenants under our debt agreements as of June 30, 2014.

Commitment Letter

In connection with the pending acquisition of Bally, the Company and SGI entered into a commitment letter pursuant to which the lenders party thereto have agreed to provide the Debt Financing. The Debt Financing is anticipated to consist of, among other things, (1) a senior secured term loan facility in a total principal amount of $1,735 million, (2) a senior secured

incremental revolving credit facility in a total principal amount of $350 million, (3) amendments to, or the refinancing of, our existing credit facilities, consisting of (a) an existing senior secured term loan facility in a total principal amount of $2,294 million and (b) an existing senior secured revolving credit facility in a total principal amount of $300 million, and (4) senior secured notes and senior unsecured notes yielding $3,450 million in aggregate gross cash proceeds and/or, to the extent that the issuance of such notes yields less than $3,450 million in aggregate gross cash proceeds or such cash proceeds are otherwise unavailable, a senior secured bridge loan facility and a senior unsecured bridge loan facility up to an aggregate principal amount of $3,450 million (less the cash proceeds received from the notes and available for use (if any)). The funding of the Debt Financing is contingent on the satisfaction of certain conditions set forth in the commitment letter. For further information regarding the Debt Financing, please see the full text of the commitment letter, a copy of which is filed as Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on August 4, 2014.

Capital Leases

On March 31, 2014, we entered into a new leasing arrangement with ITL for the lease of gaming machines in connection with a long-term contract with a U.K. customer. We completed the placement of the new gaming machines under this contract as of June 30, 2014 and recorded a capital lease asset and minimum lease liability of $42.8 million.

Contractual Obligations

Other than the issuance of the 2021 Notes as described above, there have been no material changes to our contractual obligations disclosed in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity, Capital Resources and Working Capital - Contractual Obligations" included in our 2013 Annual Report on Form 10-K.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

There have been no material changes to the disclosure under "Item 7A. Quantitative and Qualitative Disclosures about Market Risk" included in our 2013 Annual Report on Form 10-K.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We have evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this Quarterly Report on Form 10-Q. The evaluation was conducted under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the three months ended June 30, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company is involved in various legal proceedings, including those discussed below. We record an accrual for legal contingencies when it is both probable that a liability will be incurred and the amount or range of the loss can be reasonably estimated. We evaluate our accruals for legal contingencies at least quarterly and, as appropriate, establish new accruals or adjust existing accruals to reflect (1) the facts and circumstances known to us at the time, including information regarding negotiations, settlements, rulings and other relevant events and developments, (2) the advice and analyses of counsel and (3) the assumptions and judgment of management. Legal costs associated with our legal proceedings are expensed as incurred. We had accrued liabilities of $23.4 million and $25.9 million for all of our legal matters that were contingencies as of June 30, 2014 and December 31, 2013, respectively.

Substantially all of our legal contingencies are subject to significant uncertainties and, therefore, determining the likelihood of a loss and/or the measurement of any loss involves a series of complex judgments about future events. Consequently, the ultimate outcomes of our legal contingencies could result in losses in excess of amounts we have accrued. Any such losses could have a material adverse impact on our results of operations, financial position and cash flows.

Colombia Litigation

Our subsidiary, SGI, owned a minority interest in Wintech de Colombia S.A., or Wintech (now liquidated), which formerly operated the Colombian national lottery under a contract with Empresa Colombiana de Recursos para la Salud, S.A. (together with its successors, "Ecosalud"), an agency of the Colombian government. The contract provided for a penalty against Wintech, SGI and the other shareholders of Wintech of up to $5.0 million if certain levels of lottery sales were not achieved. In addition, SGI delivered to Ecosalud a $4.0 million surety bond as a further guarantee of performance under the contract. Wintech started the instant lottery in Colombia but, due to difficulties beyond its control, including, among other factors, social and political unrest in Colombia, frequently interrupted telephone service and power outages, and competition from another lottery being operated in a province of Colombia that we believe was in violation of Wintech's exclusive license from Ecosalud, the projected sales level was not met for the year ended June 30, 1993.

In 1993, Ecosalud issued a resolution declaring that the contract was in default. In 1994, Ecosalud issued a liquidation resolution asserting claims for compensation and damages against Wintech, SGI and other shareholders of Wintech for, among other things, realization of the full amount of the penalty, plus interest, and the amount of the bond. SGI filed separate actions opposing each resolution with the Tribunal Contencioso of Cundinamarca in Colombia (the "Tribunal"), which upheld both resolutions. SGI appealed each decision to the Council of State. In May 2012, the Council of State upheld the contract default resolution, which decision was notified to us in August 2012. In October 2013, the Council of State upheld the liquidation resolution, which decision was notified to us in December 2013.

In July 1996, Ecosalud filed a lawsuit against SGI in the U.S. District Court for the Northern District of Georgia asserting many of the same claims asserted in the Colombia proceedings, including breach of contract, and seeking damages. In March 1997, the District Court dismissed Ecosalud's claims. Ecosalud appealed the decision to the U.S. Court of Appeals for the Eleventh Circuit. The Court of Appeals affirmed the District Court's decision in 1998.

In June 1999, Ecosalud filed a collection proceeding against SGI to enforce the liquidation resolution and recover the claimed damages. In May 2013, the Tribunal denied SGI's merit defenses to the collection proceeding and issued an order of payment of approximately 90 billion Colombian pesos (approximately $48 million based on the current exchange rate) plus default interest (potentially accrued since 1994). SGI has filed an appeal to the Council of State, which appeal has stayed the payment order.

SGI believes it has various defenses, including on the merits, against Ecosalud's claims. Although we believe these claims will not result in a material adverse effect on our consolidated financial position or results of operations, it is not feasible to predict the final outcome, and there can be no assurance that these claims will not ultimately be resolved adversely to us or result in material liability.

SNAI Litigation

On April 16, 2012, certain VLTs operated by SNAI in Italy and supplied by Barcrest erroneously printed what appeared to be winning jackpot and other tickets with a face amount in excess of €400.0 million. SNAI has stated, and system data confirms, that no jackpots were actually won on that day. The terminals have been deactivated by the Italian regulatory authority. Following the incident, we understand that the Italian regulatory authority revoked the certification of the version of the gaming system that Barcrest provided to SNAI and fined SNAI €1.5 million, but determined to not revoke SNAI's concession to operate VLTs in Italy.

In October 2012, SNAI filed a lawsuit in the Court of First Instance of Rome in Italy against Barcrest and Global Draw, our subsidiary which acquired Barcrest from IGT-UK Group Limited, a subsidiary of IGT, claiming liability based on breach of contract and tort. The lawsuit seeks to terminate SNAI's agreement with Barcrest and damages arising from the deactivation of the terminals, including among other things, lost profits, expenses and costs, potential awards to players who have sought to enforce what appeared to be winning jackpot and other tickets, compensation sought by managers of the gaming locations where SNAI VLTs supplied by Barcrest were installed, damages to commercial reputation and any future damages arising from SNAI's potential loss of its concession or inability to obtain a new concession. In June 2013, Barcrest and Global Draw filed a counterclaim based on SNAI's alleged breach of contract.

In September 2013, Global Draw brought an action against IGT-UK Group Limited and IGT in the High Court of Justice (Commercial Court) in London, England seeking relief under the indemnification and warranty provisions contained in the agreement pursuant to which Barcrest was acquired from IGT-UK Group, including in connection with the April 2012 incident and a number of ancillary matters. In November 2013, IGT-UK Group Limited filed a defense in which it denied Global Draw's claims and counterclaimed based on Global Draw's alleged breach of contract in connection with one of the ancillary matters.

While we believe we have meritorious defenses in the Italian litigation and potential third party recoveries, the lawsuit is in its early stages and we cannot currently predict the outcome of this matter.

WMS Merger Litigation

Complaints challenging the WMS merger were filed in early 2013 in the Delaware Court of Chancery, the Circuit Court of Cook County, Illinois and the Circuit Court of the Nineteenth Judicial Circuit, Lake County, Illinois. The actions are putative class actions filed on behalf of WMS stockholders. The complaints generally allege that the WMS directors breached their fiduciary duties in connection with their consideration and approval of the merger and in connection with their public disclosures concerning the merger. The complaints allege that other defendants, including WMS, Scientific Games Corporation and certain affiliates of Scientific Games Corporation, aided and abetted those alleged breaches. The plaintiffs sought equitable relief, including to enjoin the acquisition, to rescind the acquisition if not enjoined, damages, attorneys' fees and other costs.

The Delaware actions have been consolidated under the caption In re WMS Stockholders Litigation (C.A. No. 8279-VCP). The plaintiffs in the consolidated Delaware actions submitted to the Delaware Court of Chancery a letter advising that they had conferred with the plaintiffs in the Illinois actions and agreed to stay the consolidated Delaware action.

The Lake County, Illinois actions have been transferred to Cook County. All of the Illinois actions have been consolidated in Cook County with Gardner v. WMS Industries Inc., et al. (No. 2013 CH 3540).

In April 2013, the plaintiffs in the Gardner action filed a motion for preliminary injunction to enjoin the WMS stockholder vote on the merger. Following that, in April 2013, lead counsel in the Gardner action, on behalf of counsel for plaintiffs in all actions in Delaware and Illinois, agreed to withdraw the motion for preliminary injunction and not to seek to enjoin the WMS stockholder vote in return for WMS's agreement to make certain supplemental disclosures related to the merger. WMS made those supplemental disclosures in a Current Report on Form 8-K filed with the SEC on April 29, 2013.

The plaintiffs in the Illinois action filed a claim for interim attorney fees of $0.9 million. In November 2013, the court granted our motion to stay the plaintiffs' claim for an interim award of attorney fees.

In January 2014, the plaintiffs in the Illinois action filed an amended complaint seeking damages for the alleged breach of fiduciary duties by the individual defendants and the alleged aiding and abetting of those breaches by WMS and Scientific Games Corporation. In February 2014, WMS and Scientific Games Corporation filed motions to dismiss the amended complaint, which is pending.

The Company believes the claims in the Illinois and Delaware actions are without merit.

Conlee Litigation

In May 2011, a putative class action was filed against WMS and certain of its executive officers in the U.S. District Court for the Northern District of Illinois by Wayne C. Conlee. In October 2011, the lead plaintiff filed an amended complaint in the lawsuit seeking unspecified damages. As amended, the lawsuit alleged that, during the period from September 21, 2010 to August 4, 2011 (the date WMS announced its 2011 fiscal year financial results), WMS made material misstatements and omitted material information related to its 2011 fiscal year guidance in violation of federal securities laws. WMS filed a motion to dismiss the amended complaint in December 2011 and, in July 2012, the Court granted the motion without prejudice.

In September 2012, the plaintiffs filed a further amended complaint, which WMS moved to dismiss in October 2012. In April 2013, the District Court granted WMS's motion to dismiss with prejudice. In May 2013, the plaintiffs filed a notice of

appeal with the U.S. Court of Appeals for the Seventh Circuit. In October 2013, the parties advised the court that they had reached a proposed settlement on a class basis and sought the District Court's approval of the proposed settlement. In January 2014, the District Court preliminarily approved the proposed settlement. In May 2014, final approval of the settlement was received and the case was dismissed with prejudice. The settlement did not have a material impact on our results of operations.

IGT License Claims

In early 2012, IGT initiated an audit to determine whether WMS was in compliance with the terms of a license agreement between the two parties. IGT claimed that WMS underpaid license fees by approximately $25 million plus approximately $11 million in interest. IGT subsequently filed a demand for arbitration seeking $50.0 million from WMS. We initiated an action in the U.S. District Court for the District of Nevada seeking a preliminary injunction to enjoin or limit the scope of the arbitration and to restrain IGT from seeking to enforce certain provisions of the arbitration clause in the license agreement, as well as a refund of overpaid royalty payments. Our motion for preliminary injunction was denied by the District Court in March 2014 and our action seeking recovery of overpaid royalty payments was stayed pending resolution of certain matters in the arbitration. In June 2014, WMS, Scientific Games Corporation and IGT entered into a settlement agreement that resolved this matter and a number of other disputes and proceedings among the parties. We paid $8.0 million to IGT in connection with the settlement, substantially all of which was included in our previously accrued liabilities assumed in the WMS acquisition. The District Court action was dismissed in June 2014 and the arbitration action was dismissed in July 2014.

Item 1A. Risk Factors

There have been no material changes in our risk factors from those disclosed under "Item 1A. Risk Factors" included in our 2013 Annual Report on Form 10-K other than as set forth below, which risk factors should be read in conjunction with the other risk factors disclosed in our 2013 Annual Report on Form 10-K.

Risks Relating to Our Pending Acquisition of Bally

We may be unable to obtain the regulatory approvals required to complete the merger with Bally or, in order to obtain such approvals, we may have to take actions that could have an adverse effect on our operations.

On August 1, 2014, we entered into a merger agreement under which we agreed to acquire Bally. Under the terms of the merger agreement, the closing of the merger is subject to, among other conditions, expiration or early termination of the waiting period under the HSR Act as well as the receipt of certain gaming regulatory approvals. There can be no assurance that we will obtain all the required regulatory approvals within the timeframe necessary to consummate the merger. Under certain circumstances specified in the merger agreement, we may be required to pay to Bally a termination fee of $105.0 million if we are unable to obtain the required regulatory approvals. In addition, as a condition to granting their approval, certain regulatory authorities may require us to agree to concessions or undertakings (including the divestiture of assets or businesses or the termination of relationships or contractual obligations) that could have an adverse effect on our business or that of the combined company following the merger.

The merger may not be consummated in a timely manner or at all, including if we unable to obtain the debt financing necessary for us to complete the merger.

Consummation of the merger is subject to the satisfaction of various conditions, including receipt of certain regulatory approvals and approval by Bally's shareholders. There can be no assurances that these conditions will be satisfied on a timely basis or at all. In addition, we will not be able to consummate the merger unless we are able to obtain debt financing in an amount sufficient to pay the merger consideration, refinance Bally's existing indebtedness and pay all related transaction costs. While we have obtained commitments from various lenders to provide us this debt financing, there can be no assurances that this debt financing will ultimately be available to us. If the conditions to closing the merger have been satisfied and we are unable to close because the debt financing is unavailable, we would be required to pay to Bally a termination fee of $105.0 million. The failure of the merger to close on a timely basis or at all, including if we are required to pay a termination fee in connection with the termination of the merger agreement, could have an adverse effect on our business, financial condition, results of operations or cash flows.

The pending merger could adversely affect the business and operations of Scientific Games and Bally and may result in the departure of key personnel.

In connection with the pending merger, some customers of each of Scientific Games and Bally may delay or defer decisions or may end their relationships with the relevant company, which could negatively affect the revenue, earnings and cash flows of Scientific Games and Bally, regardless of whether the merger is consummated. Similarly, current and prospective employees of Scientific Games and Bally may experience uncertainty about their future roles with the Company following the

merger, which may materially adversely affect the ability of each of Scientific Games and Bally to attract and retain key personnel during the pendency of the merger.

Failure to complete the merger could have a materially adverse effect on our financial condition and results and could negatively impact our stock price.

We will incur significant transaction costs relating to the merger, including legal, accounting, financial advisory, regulatory and other expenses. In connection with the merger, we have incurred and currently expect to continue to incur, regulatory costs, professional fees and other expenses in the third quarter of 2014, with additional transaction-related fees and expenses anticipated to be incurred throughout the balance of 2014. In general, these expenses are payable by us whether or not the merger is completed. If the merger is not completed under specified circumstances, we may be required to pay to Bally a termination fee of $105.0 million for the failure to obtain the required regulatory approvals or the failure to obtain the required financing. The payment of such transaction costs or termination fees could have an adverse effect on our financial condition, results of operations or cash flows. In addition, we could be subject to litigation in the event the merger is not consummated, which could subject us to significant liability for damages and result in the incurrence of substantial legal fees. The current market price of our stock may reflect an assumption that the pending merger will occur and failure to complete the merger could result in a decline in our stock price.

If completed, the merger with Bally may not achieve the intended benefits or may disrupt our current plans and operations.

There can be no assurance that we will be able to successfully integrate the businesses of Scientific Games and Bally or realize the anticipated synergies from the proposed transaction in the anticipated amounts or within the anticipated timeframes or costs expectations or at all. Failure to realize the expected costs savings and operating synergies related to the merger could result in increased costs and have an adverse effect on the combined company's financial results and prospects. Our business may be negatively impacted following the merger if we are unable to effectively manage our expanded operations. The integration planning before the merger and the implementation of our integration plans following the merger will require significant time and focus from management and may divert attention from the day-to-day operations of the combined business. Additionally, consummation of the merger could disrupt current plans and operations, which could delay the achievement of our strategic objectives.

If completed, following the merger, Scientific Games will have a substantial amount of debt, and the cost of servicing that debt could adversely affect Scientific Games' business.

The indebtedness Scientific Games expects to incur to fund the acquisition of Bally will significantly increase our outstanding debt levels. This additional indebtedness will require us to dedicate a substantial portion of our cash flow to servicing this debt, thereby reducing the availability of cash to fund other business initiatives. Further, additional indebtedness could have an adverse effect on the combined company's financial results and prospects.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (2)
4/1/2014 - 4/30/2014	15,759	$ 12.42	—	$75.0 million
5/1/2014 - 5/31/2014	114,116	$ 9.19	—	$75.0 million
6/1/2014 - 6/30/2014	1,030	$ 10.96	—	$75.0 million
Total	130,905	$ 9.59	—	$75.0 million

(1) This column reflects 130,905 shares withheld from employees to satisfy tax withholding obligations associated with the vesting of RSUs during the three months ended June 30, 2014.

(2) On December 5, 2013, our board of directors approved an extension of our existing stock repurchase program to December 31, 2014. The program, originally announced in May 2010, was due to expire on December 31, 2013. Under the program, we are authorized to repurchase, from time to time through open market purchases or otherwise, shares of our outstanding common stock in an aggregate amount up to $200 million. As of June 30, 2014, we had $75.0 million available for potential repurchases under the program.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Description
2.1	Agreement and Plan of Merger, dated as of August 1, 2014, by and among the Company, SGI, Scientific Games Nevada, Inc. and Bally Technologies, Inc. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on August 4, 2014).
4.1	Indenture, dated as of June 4, 2014, among SGI, as issuer, the Company, as a guarantor, the subsidiary guarantors party thereto and Deutsche Bank Trust Company Americas, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on June 6, 2014).
4.2	Registration Rights Agreement, dated as of June 4, 2014, among SGI, the Company, the other guarantors party thereto, and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representative for the initial purchasers listed therein (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed on June 6, 2014).
10.1	Amended and Restated Executive Employment Agreement, dated April 1, 2014, by and between the Company and Scott D. Schweinfurth (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014).*
10.2	Employment Agreement, dated as of June 9, 2014, by and between the Company and M. Gavin Isaacs (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 10, 2014).*
10.3	Employment Agreement, dated as of June 9, 2014, by and between the Company and David L. Kennedy (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on June 10, 2014).*
10.4	Amended and Restated 2003 Incentive Compensation Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 17, 2014).*
10.5	TITO Game Manufacturer License Agreement dated as of June 13, 2014 between the Company and IGT. Portions of this exhibit have been omitted under a request for confidential treatment from the Securities and Exchange Commission on July 17, 2014 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 19, 2014).
10.6	Commitment Letter, dated as of August 1, 2014, by and among the Company, SGI and Bank of America, N.A., Merrill Lynch, Pierce, Fenner & Smith Incorporated, JPMorgan Chase Bank, N.A., J.P. Morgan Securities LLC, Deutsche Bank AG New York Branch, Deutsche Bank AG Cayman Islands Branch and Deutsche Bank Securities Inc. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on August 4, 2014).
31.1	Certification of the Chief Executive Officer of the Company pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934. (†)
31.2	Certification of the Chief Financial Officer of the Company pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934. (†)
32.1	Certification of the Chief Executive Officer of the Company pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (†)
32.2	Certification of the Chief Financial Officer of the Company pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (†)

Exhibit Number	Description
99.1	Form of Equity Awards Notice under the Scientific Games Corporation Amended and Restated 2003 Incentive Compensation Plan.* (†)
99.2	Terms and Conditions of Equity Awards to Employees under the Scientific Games Corporation Amended and Restated 2003 Incentive Compensation Plan.* (†)
99.3	Terms and Conditions of Equity Awards to Non-Employee Directors under the Scientific Games Corporation Amended and Restated 2003 Incentive Compensation Plan.* (†)
99.4	Terms and Conditions of Equity Awards to Consultants under the Scientific Games Corporation Amended and Restated 2003 Incentive Compensation Plan.* (†)
101	Financial statements from the Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2014, filed on August 6, 2014, formatted in Extensible Business Reporting Language (XBRL): (i) the Consolidated Statements of Operations and Comprehensive Loss, (ii) the Consolidated Balance Sheets, (iii) the Consolidated Statements of Cash Flows and (iv) the Notes to Consolidated Financial Statements tagged as blocks of text. (†)(**)

* Management contracts and compensation plans and arrangements.
(**) Pursuant to Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall not be deemed "filed" for purposes of Section 18 of the Exchange Act of 1934, or otherwise subject to liability of that section and shall not be incorporated by reference into any filing or other document pursuant to the Securities Act of 1933, except as shall be expressly set forth by specific reference in such filing or document.
(†) Filed herewith.

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/ Scott D. Schweinfurth
Name:	Scott D. Schweinfurth
Title:	Executive Vice President and Chief Financial Officer

By:	/s/ Jeffrey B. Johnson
Name:	Jeffrey B. Johnson
Title:	Vice President, Finance, and Chief Accounting Officer

Dated: August 6, 2014

Exhibit 31.1

Certification by Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, M. Gavin Isaacs, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Scientific Games Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2014

/s/ M. Gavin Isaacs

M. Gavin Isaacs
Chief Executive Officer

Exhibit 31.2

Certification by Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Scott D. Schweinfurth, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Scientific Games Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2014

/s/ Scott D. Schweinfurth

Scott D. Schweinfurth
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Scientific Games Corporation (the "Company") on Form 10-Q for the period ended June 30, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, M. Gavin Isaacs, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ M. Gavin Isaacs

M. Gavin Isaacs
Chief Executive Officer

August 6, 2014

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Scientific Games Corporation (the "Company") on Form 10-Q for the period ended June 30, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Scott D. Schweinfurth, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ Scott D. Schweinfurth

Scott D. Schweinfurth
Chief Financial Officer

August 6, 2014

Exhibit 99.1

SCIENTIFIC GAMES CORPORATION
2003 INCENTIVE COMPENSATION PLAN
AS AMENDED AND RESTATED JUNE 11, 2014

EQUITY AWARD NOTICE

You have been granted the equity award shown below with respect to shares of Class A Common Stock, par value $0.01 ("Shares"), of Scientific Games Corporation ("Company"). This award is subject to the applicable award agreement, by and between you and Company, and Company's 2003 Incentive Compensation Plan, as amended from time to time, both of which are incorporated herein and made a part of this notice.

Award Recipient: [•]

Stock Options

Grant Date: [•]

Number of Shares: [•]

Exercise Price: [•]

Vesting Schedule: **4 years***

Restricted Stock Units ("RSUs")

Grant Date: [•]

Number of Shares: [•]

Vesting Schedule: **4 years***

Performance-Conditioned RSUs ("PRSUs")

Grant Date: [•]

Number of Shares: [•]

Vesting Schedule: **4 years****

Executed as of the Grant Date

SCIENTIFIC GAMES CORPORATION
By: _____
Scott Schweinfurth
Executive Vice President and Chief Financial Officer

*25% of total number of Shares subject to the award on each of first four (4) anniversaries of Grant Date
**With respect the PRSUs, vesting is contingent upon satisfaction of the performance conditions as more fully described on Exhibit A hereto.

EXHIBIT A

Performance Conditions

[•]

Exhibit 99.2

SCIENTIFIC GAMES CORPORATION
2003 INCENTIVE COMPENSATION PLAN
AS AMENDED AND RESTATED JUNE 11, 2014

TERMS AND CONDITIONS OF EQUITY AWARDS TO KEY EMPLOYEES

THIS AGREEMENT, made as of the [] day of [], 20[], between SCIENTIFIC GAMES CORPORATION (the "Company") and [] (the "Participant").

WHEREAS, the Compensation Committee (the "Committee") administers the Scientific Games Corporation 2003 Incentive Compensation Plan, as amended from time to time (the "Plan");

WHEREAS, the Participant is eligible to receive awards under the Plan in connection with the Participant's employment with the Company (or any of its applicable affiliates) ("Employment"); and

WHEREAS, the Committee may from time to time approve awards for the Participant in such amounts and at such times as the Committee may determine in its sole discretion, which awards shall be subject to the terms and conditions of the Plan and this Agreement, as such terms and conditions may be amended or supplemented from time to time by the Committee; agree as follows.

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter set forth, the parties

1. Grants. Pursuant and subject to the terms and conditions set forth herein and in the Plan, the Participant may be granted the following types of awards ("Awards") with respect to the Company's Class A Common Stock (" Common Stock"), pursuant to an Award notice, which will state the type of Award, the number of shares subject to the Award and any other terms determined by the Committee in its sole discretion:

(a) *Stock Options* ("Options") -- representing a right to purchase shares of the Common Stock at an exercise price per share that is equal to or greater than the fair market value of a share of Common Stock on the date of grant. The Committee will generally set the exercise price of Options at the fair market value of the Common Stock on the date of grant. The Options do not become exercisable until satisfaction of an applicable vesting period. The Options are "Non-Qualified Stock Options" (*i.e.*, they do not constitute "incentive stock options" within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended ("Code")).

(b) *Restricted Stock Units* ("Units") -- representing a right to receive shares of Common Stock following satisfaction of an applicable vesting period subject to the conditions, restrictions and limitations set forth in Section 6(d) of the Plan, this Agreement and the Award notice.

(c) *Performance Conditioned Restricted Stock Units* ("Performance Units") -- representing a right to receive shares of the Common Stock following satisfaction of an applicable vesting period and subject to performance requirements established by the Committee at the time of grant, which may be based on Company or individual performance criteria for an annual or other applicable performance period, and subject to such other conditions, restrictions and limitations set forth in Section 7 of the Plan, this Agreement and the Award notice.

2. Incorporation of Plan by Reference. All terms, conditions and restrictions of the Plan are incorporated in, and made a part of, this Agreement as if stated herein. If there is any conflict between the terms and conditions of the Plan and this Agreement, the terms and conditions of the Plan, as interpreted by the Committee, shall govern. Except as otherwise provided herein, all capitalized terms used in this Agreement shall have the meaning given to such terms in the Plan. In addition, if there is any conflict between this Agreement and the terms of any written employment contract between the Participant and the Company (or any of its applicable affiliates), the terms of the written employment contract will govern (except to the extent the terms set forth in this Agreement or the Award notice expressly apply notwithstanding anything to the contrary set forth in such employment contract), subject to the mandatory terms of the Plan.

3. Restriction on Transfer of Awards. Awards under the Plan may not be sold, assigned, transferred, pledged,

hypothecated, margined, or otherwise encumbered or disposed of by the Participant, except for transfers upon the death of the Participant.

4. Vesting Schedule for Awards. Unless otherwise set forth in the applicable Award notice, an Award under the Plan will be granted with a four-year ratable vesting schedule such that 25% of the total Award will vest on each of the first four anniversaries of the grant date. In the case of Performance Units, vesting will also be conditioned on satisfaction of performance criteria established by the Committee. With respect to such Performance Units, the Committee will determine whether the performance criteria applicable to an Award have been satisfied within 90 days following the end of the applicable performance period(s) (but not later than the March 15 following the year in which the performance period ended). Notwithstanding anything contained to the contrary in this Agreement (or in any prior award agreement), in any Award notice or in any other document (including any employment contract), in the event that the Participant's Employment is terminated other than as a result of death or "Disability" (as defined below) prior to the Committee's determination as to the satisfaction of any performance criteria to which any Award of Performance Units is subject, such Performance Units will neither vest nor accelerate unless and until a determination is or has been made by the Committee that such criteria have been satisfied, at which time such Performance Units may vest or accelerate to the extent provided in, and in accordance with, any applicable contract and the Plan (it being understood and agreed that nothing in this Agreement shall grant any right to any such acceleration or vesting upon any such termination). For the avoidance of doubt, in the event that the criteria are determined not to have been satisfied, such Award shall immediately lapse and be forfeited.

5. Method of Exercise of Vested Options. Awards of Options, to the extent vested, shall be exercisable in whole or in part by the Participant delivering notice to the Plan Administrator (as defined below) in accordance with the terms of the Award. Payment for shares of Common Stock purchased upon the exercise of an Option, and any applicable withholding taxes, shall be made on the effective date of such exercise through any of the following means: (i) in cash, by certified check, bank cashier's check or wire transfer; (ii) through a brokered exercise with the Plan Administrator under which a portion of the proceeds from a sale are withheld for such exercise price and applicable taxes; or (iii) if permitted by the Company at the time of exercise, by surrendering shares of Common Stock. The notification to the Plan Administrator shall be made in accordance with its procedures. The shares of Common Stock purchased upon the exercise of an Option shall be delivered as soon as practicable following exercise in accordance with the procedures established by the Company or the Plan Administrator from time to time. Options may only be exercised by the Participant or, if the Participant is incapacitated, by the Participant's guardian or legal representative; provided that an exercise by a guardian or legal representative shall not be effective unless and until the Company has received evidence satisfactory to it as to the authority of such guardian or legal representative.

6. Distribution of Vested Units and Performance Units. As soon as administratively practicable after each applicable vesting date of an Award of Units or Performance Units (generally within three business days and in no event more than 15 business days), the Company will deliver to the Participant a number of shares of Common Stock equal to the number of Units or Performance Units that vested as of an applicable vesting date less the number of shares, if any, withheld in satisfaction of applicable withholding taxes as discussed in Section 7(b).

7. Taxes. To the extent required by applicable federal, state, local or foreign law, the Participant shall make arrangements satisfactory to the Company for the satisfaction of any withholding tax obligations that arise with respect to an Award. The Company shall not be required to issue shares until such obligations are satisfied. The methods permitted by the Company for the payment of taxes are as follows:

(a) *Options*. In the case of Options, the acceptable methods for making payment for taxes shall be the same as those for payment of the exercise price for Options as discussed in Section 5 above. If shares of Common Stock are used to satisfy the applicable taxes, the taxes must be calculated at the Participant's minimum applicable tax rates.

(b) *Units and Performance Units*. In the case of Units and Performance Units, unless otherwise determined by the Committee, the Company will withhold from any shares deliverable upon the vesting of Units or Performance Units a number of shares sufficient to satisfy the minimum applicable withholding taxes; provided, however, that, unless otherwise determined by the Committee, the Participant will be permitted to elect, in accordance with procedures adopted from time to time by the Company, to pay the tax withholding amount in cash, in which case no shares will be withheld and the Participant will be required to pay the amount of the taxes in full by the vesting date, in cash, by certified check, bank cashier's check or wire transfer.

8. Expiration of Awards; Effect of Termination.

(a) *Units and Performance Units*. Subject to the provisions of the Plan and this Agreement, except to the extent otherwise specifically provided under the terms of any Award notice with respect to Units or Performance Units (as the case may be):

(i) in the event the Employment of the Participant terminates for any reason (other than by reason of death or Disability (as defined below)), all unvested Units and Performance Units shall be immediately forfeited; or

(ii) in the event the Employment of the Participant terminates by reason of death or Disability, all

unvested Units or Performance Units shall fully vest and become non-forfeitable as of the date of death or the date of such termination, as the case may be, and, in all other respects, all such Units or Performance Units shall be governed b the plans and programs and the agreements and other documents pursuant to which such Units or Performance Units were granted.

(b) *Options.* The Options granted by the Company will expire at a date specified in the Award notice, which shall be not later than the tenth anniversary of the grant date (the "Scheduled Expiration Date"). Subject to the provisions of the Plan and this Agreement, except to the extent otherwise specifically provided under the terms of any Award notice with respect to Options:

(i) in the event the Employment of the Participant terminates for any reason (other than by reason of death or Disability), (A) all unvested Options shall immediately expire on the date of termination and (B) the portion of any Options that vested prior to such termination (other than a termination for "Cause" (as defined below), in which event all such vested Options shall be immediately forfeited) shall remain exercisable until the earlier of three (3) months after such termination and the Scheduled Expiration Date and, in all other respects, shall be governed by the plans and programs and the agreements and other documents pursuant to which such Options were granted; or

(ii) in the event the Employment of the Participant terminates by reason of death or Disability, all unvested Options shall fully vest and become non-forfeitable as of the date of death or the date of such termination, as the case may be, and such Options (together with the portion of any Options that vested prior to such death or termination) shall remain exercisable by the Participant (or, in the case of death, Participant's executor or administrator or Beneficiary (as defined below)) until the earlier of (A) the first anniversary of such death or termination and (B) the Scheduled Expiration Date and, in all other respects, all such Options shall be governed by the plans and programs and the agreements and other documents pursuant to which such Options were granted.

For purposes of this Agreement, "Cause" shall mean any of the following: (i) the Participant's breach of the terms of any employment or other agreement with any of the Company and its subsidiaries and affiliates (collectively, "SG"); (ii) the Participant's failure substantially to perform his or her duties; (iii) the Participant's material act or omission that is or may be injurious to the SG, monetarily or otherwise; (iv) the Participant's material violation of the SG's policies, including the Code of Conduct; and (v) the Participant's commission of a felony, any other crime involving moral turpitude or any act involving dishonesty or fraud. Any rights SG may have hereunder in respect of the events giving rise to Cause shall be in addition to the rights SG may have under any other agreement with the Participant or at law or in equity. Any determination of whether the Participant's is (or is deemed to have been) terminated for Cause shall be made by the Committee in its discretion. The Participant's termination for Cause shall be effective as of the date of the occurrence of the event giving rise to Cause, regardless of when the determination of Cause is made.

For purposes of this Agreement, "Beneficiary" means the person, persons, trust, or trusts which have been designated by a Participant in his or her most recent written beneficiary designation filed with the Company to receive the benefits specified under the Plan upon such Participant's death. If, upon a Participant's death, there is no designated Beneficiary or surviving designated Beneficiary, then the term Beneficiary means a person, persons, trust, or trusts entitled by will or the laws of descent and distribution to receive such benefits. A Beneficiary or other person claiming any rights under the Plan from or through any Participant shall be subject to all terms and conditions of the Plan and any Award agreement applicable to such Participant and to any additional terms and conditions deemed necessary or appropriate by the Committee.

(c) *Definition of Disability.* For purposes of this Agreement, "Disability" shall mean the Participant's becoming eligible to receive benefits under any SG-sponsored long-term disability program under which the Participant is eligible for coverage, determined in accordance with Section 409A of the Code.

(d) *Last Day to Exercise an Option.* If an Option's expiration date determined under this Section 8 falls on a day which is not a business day, then the last day to exercise the Option shall be the last business day before such date.

9. Other Terms.

(a) *No Shareholder Rights.* Until shares of Common Stock covered by an Award are issued to the Participant in connection with the exercise of an Option or the vesting of Units or Performance Units, the Participant shall have no voting, dividend or other rights as a stockholder of the Company for any purpose.

(b) *Consideration for Grant.* Participant shall not be required to pay any cash consideration for the grant of an Award. In the case of grants of Units and Performance Units, as to which cash consideration at the time of grant or vesting shall not be required, the Participant's Employment from the grant date to the date of vesting shall be deemed to be consideration for the grant, which services have a value at least equal to the aggregate par value of the shares being newly issued in connection with the grant. The foregoing notwithstanding, an Award may be granted in exchange for the Participant's surrender of another Award or other right to compensation, if and to the extent permitted by the Committee.

(c) *Insider Trading Policy Applicable.* Participant acknowledges that sales of shares received with respect to

Awards will be subject to the SG's policies regulating trading by employees.

10. Delays or Omissions. No delay or omission to exercise any right, power or remedy accruing to any party hereto, upon any breach or default of any party under this Agreement, shall impair any such right, power or remedy of such party, nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, or of or in any similar breach or default thereafter occurring, nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of any party of any breach or default under this Agreement, or any waiver on the part of any party of any provisions or conditions of this Agreement, must be in a writing signed by such party and shall be effective only to the extent specifically set forth in such writing.

11. Integration. This Agreement, the Plan and the other documents, including without limitation, the Award notice, which form a part of this Agreement, contain the entire understanding of the parties with respect to its subject matter. There are no restrictions, agreements, promises, representations, warranties, covenants or undertakings with respect to the subject matter hereof other than those expressly set forth herein. This Agreement, including, without limitation, the Plan, supersedes all prior agreements and understandings between the parties with respect to its subject matter.

12. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware, without regard to the provisions governing conflict of laws.

13. Restrictive Covenants Condition. The Participant hereby acknowledges and agrees that the receipt of Awards, including any right to exercise an Option, receive the shares of Common Stock following a vesting date or retains the profit from the sale of shares of Common Stock subject to an Award, is conditioned upon Participant's compliance with the restrictive covenants in Section 14-17 of this Agreement.

14. Noncompetition; Non-solicitation.

(a) Participant acknowledges the highly competitive nature of the business of SG and that access to SG's confidential records and proprietary information renders Participant special and unique within SG's industry. Participant hereby agrees that during his Employment, and during the Covered Time (as defined below), Participant, alone or with others, will not, directly or indirectly, engage (as owner, investor, partner, stockholder, employer, employee, consultant, advisor, director or otherwise) in any Competing Business. For purposes of this Section 14, "Competing Business" shall mean any business or operations (i) (A) involving the design, development, manufacture, production, sale, lease, license, provision, operation, or management (as the case may be) of (I) instant lottery tickets or games or any related marketing, warehouse, distribution, category management or other services or programs; (II) lottery-related terminals or vending machines (whether clerk-operated, self-service or otherwise), (III) gaming machines, terminals or devices (including video or reel spinning slot machines, video poker machines, video lottery terminals and fixed odds betting terminals), (IV) lottery, video gaming (including server-based gaming), sports betting or other wagering or gaming systems (including control and monitoring systems, local or wide-area progressive systems and redemption systems); (V) lottery- or gaming-related proprietary or licensed content (including themes, entertainment and brands), platforms, websites and loyalty and customer relationship management programs (including any of the foregoing relating to online play, social gaming or interactive (including internet and mobile) lottery or gaming); (VI) prepaid cellular or other phone cards; or (VII) ancillary products (including equipment, hardware, software, marketing materials, chairs and signage) or services (including field service, maintenance and support) related to any of the foregoing under sub-clauses (I) through (VI) above); or (B) in which SG is then or was within the previous 12 months engaged, or in which SG, to Participant's knowledge, contemplates to engage in during Participant's Employment or the Covered Time, (ii) in which Participant is or was engaged or involved (whether in a supervisory capacity or otherwise) on behalf of SG or with respect to which Participant has obtained proprietary or confidential information, and (iii) which is or was, to Participant's knowledge, conducted or contemplated to be conducted anywhere in the United States or in any other geographic area during Participant's Employment or the Covered Time.

(b) Participant hereby agrees that, during his Employment and during the Covered Time, Participant shall not, directly or indirectly: (i) solicit or attempt to induce any of the employees, agents, consultants or representatives of SG to terminate his, her, or its relationship with SG; (ii) solicit or attempt to induce any of the employees, agents, consultants or representatives of SG to become employees, agents, consultants or representatives of any other person or entity; (iii) solicit or attempt to induce any customer, vendor or distributor of SG to curtail or cancel any business with SG; or (iv) hire any person who, to Participant's actual knowledge, is, or was within 180 days prior to such hiring, an employee of SG.

(c) Participant hereby agrees that, during his Employment and during the Covered Time, upon the earlier of his (i) negotiating with any Competitor (as defined below) concerning his possible employment with the Competitor, (ii) responding to (other than for the purpose of declining) an offer of employment from a Competitor, or (iii) becoming employed by a Competitor, (A) Participant will provide copies of this Agreement to the Competitor, and (B) in the case of any circumstance described in (iii) above occurring during the Covered Time, and in the case of any circumstance described in (i) or (ii) above occurring during Participant's Employment or during the Covered Time, Participant will promptly provide notice to the Company of such circumstances. Participant further agrees that the Company may provide notice to a Competitor of Participant's obligations under this Agreement. For purposes

of this Agreement, "Competitor" shall mean any person or entity (other than SG) that engages, directly or indirectly, in the United States in any Competing Business.

(d) Participant understands that the restrictions in this Section 14 may limit Participant's ability to earn a livelihood in a business similar the business of SG but nevertheless agrees and acknowledges that the consideration provided under this Agreement is sufficient to justify such restrictions. In consideration thereof and in light of Participant's education, skills and abilities, Participant hereby agrees that he will not assert in any forum that such restrictions prevent him from earning a living or otherwise should be held void or unenforceable.

(e) For purposes of this Section 14, "Covered Time" shall mean the period beginning on the date of termination of Participant's Employment (the "Date of Termination") and ending twelve (12) months after the Date of Termination.

15. Proprietary Information; Inventions.

(a) Participant hereby acknowledges that, during the course of his Employment, Participant necessarily will have (and during any affiliation with SG prior to his Employment Participant may have had) access to and make use of proprietary information and confidential records of SG. Participant covenants that he shall not during his Employment or at any time thereafter, directly or indirectly, use for his own purpose or for the benefit of any person or entity other than SG, nor otherwise disclose to any person or entity, any such proprietary information, unless and to the extent such disclosure has been authorized in writing by the Company or is otherwise required by law. The term "proprietary information" means: (i) the software products, programs, applications, and processes utilized by SG; (ii) the name or address of any customer or vendor of SG or any information concerning the transactions or relations of any customer or vendor of SG or with SG; (iii) any information concerning any product, technology, or procedure employed by SG but not generally known to its customers or vendors or competitors, or under development by or being tested by SG but not at the time offered generally to customers or vendors; (iv) any information relating to SG's computer software, computer systems, pricing or marketing methods, sales margins, cost of goods, cost of material, capital structure, operating results, borrowing arrangements or business plans; (v) any information identified as confidential or proprietary in any line of business engaged in by SG; (vi) any information that, to Participant's actual knowledge, SG ordinarily maintains as confidential or proprietary; (vii) any business plans, budgets, advertising or marketing plans; (viii) any information contained in any of SG's written or oral policies and procedures or manuals; (ix) any information belonging to customers, vendors or any other person or entity which SG, to Participant's actual knowledge, has agreed to hold in confidence; and (x) all written, graphic, electronic data and other material containing any of the foregoing. Participant acknowledges that information that is not novel or copyrighted or patented may nonetheless be proprietary information. The term "proprietary information" shall not include information generally known or available to the public or information that becomes available to Participant on an unrestricted, non-confidential basis from a source other than SG or any of its directors, officers, employees, agents or other representatives (without breach of any obligation of confidentiality of which Participant has knowledge, after reasonable inquiry, at the time of the relevant disclosure by Participant). Notwithstanding the foregoing and Section 16, Participant may disclose or use proprietary information or confidential records solely to the extent (A) such disclosure or use may be required or appropriate in the performance of Participant's Employment, (B) required to do so by a court of law, by any governmental agency having supervisory authority over the business of SG or by any administrative or legislative body (including a committee thereof) with apparent jurisdiction to order Participant to divulge, disclose or make accessible such information (provided that in such case Participant shall first give the Company prompt written notice of any such legal requirement, disclose no more information than is so required and cooperate fully with all efforts by SG to obtain a protective order or similar confidentiality treatment for such information), (C) such information or records becomes generally known to the public without Participant's violation of this Agreement, or (D) disclosed to Participant's spouse, attorney or his personal tax and financial advisors to the extent reasonably necessary to advance Participant's tax, financial and other personal planning (each an "Exempt Person"); provided, however, that any disclosure or use of any proprietary information or confidential records by an Exempt Person shall be deemed to be a breach of this Section 15 or Section 16 by Participant.

(b) Participant hereby agrees that all processes, technologies and inventions (collectively, "Inventions"), including new contributions, improvements, ideas and discoveries, whether patentable or not, conceived, developed, invented or made by Participant during his Employment (and during any affiliation with SG prior to Participant's Employment) shall belong to the SG, provided that such Inventions grew out of Participant's work with SG, are related in any manner to the business (commercial or experimental) of SG or are conceived or made on SG's time or with the use of SG's facilities or materials. Participant further agrees to: (i) promptly disclose such Inventions to the Company; (ii) assign to the SG, without additional compensation, all patent and other rights to such Inventions for the United States and foreign countries; (iii) sign all papers necessary to carry out the foregoing; and (iv) give testimony in support of Participant's Inventions. If any Invention is described in a patent application or is disclosed to third parties, directly or indirectly, by Participant within two (2) years after the termination of Participant's Employment, it is to be presumed that the Invention was conceived or made during Participant's Employment. Participant agrees that he will not assert any rights to any Invention as having been made or acquired by him prior to the date of this Agreement, except for Inventions, if any, disclosed by Participant in writing in connection with his execution of this Agreement.

16. Confidentiality and Surrender of Records. Participant hereby agrees that he shall not, during his Employment or at any time thereafter (irrespective of the circumstances under which his Employment terminates), except to the extent

required by law, directly or indirectly publish, make known or in any fashion disclose or retain any confidential records to, or permit any inspection or copying of confidential records by, any person or entity other than in the course of such person's or entity's employment or retention by SG, and Participant further agrees to deliver promptly to the Company, any of the same following termination of his Employment for any reason or upon request by SG. For purposes hereof, "confidential records" means those portions of correspondence, memoranda, files, manuals, books, lists, financial, operating or marketing records, magnetic tape, or electronic or other media or equipment of any kind in Participant's possession or under Participant's control or accessible to Participant which contain any proprietary information. All confidential records shall be and remain the sole property of the Company during Participant's Employment and thereafter.

17. Non-disparagement. Participant hereby agrees that he shall not, during his Employment and thereafter, disparage in any material respect SG, any of their respective businesses, any of their respective officers, directors or employees, or the reputation of any of the foregoing persons or entities. Notwithstanding the foregoing, nothing in this Agreement shall preclude Participant from making truthful statements that are required by applicable law, regulation or legal process.

18. No Other Obligations. Participant hereby represents that he is not precluded or limited in his ability to undertake or perform his Employment by any contract, agreement or restrictive covenant. Participant covenants that he shall not employ the trade secrets or proprietary information of any other person in connection with his Employment without such person's authorization.

19. Enforcement. Participant acknowledges and agrees that, by virtue of his position, Employment and access to and use of confidential records and proprietary information, any violation by Participant of any of the undertakings contained in this Agreement would cause SG immediate, substantial and irreparable injury for which it has no adequate remedy at law. Accordingly, Participant hereby agrees and consents to the entry of an injunction or other equitable relief by a court of competent jurisdiction restraining any violation or threatened violation of any undertaking contained in this Agreement. Participant waives posting of any bond otherwise necessary to secure such injunction or other equitable relief. Rights and remedies provided for in this Agreement are cumulative and shall be in addition to rights and remedies otherwise available to the parties hereunder or under any other agreement or applicable law.

20. Data Privacy. For Participants in certain jurisdictions, the data privacy laws of such jurisdictions may require the Participants' consent to the use and transfer of certain personal information necessary to administer the Plan and any Awards the Participants may receive. Accordingly, if applicable, the Participant hereby acknowledges and agrees that the Participant's receipt of any Awards, including any right to exercise an Option, receive the shares of Common Stock following vesting of an award of Units or Performance Units or retain the profit from the sale of shares of Common Stock subject to an Award, is conditioned upon Participant's consent to the use and transfer of such personal information.

21. Plan Administrator. The Company has retained Fidelity Stock Plan Services, LLC as a third-party administrator to assist in the administration and management of the Plan (the "Plan Administrator" or "Fidelity"). A listing of all Awards may be viewed through the Plan Administrator's website at **www.NetBenefits.com** once the Participant has established an account with the Plan Administrator. The Plan Administrator shall handle the processing of Option exercises and vesting and settlement of Units and Performance Units. The Company reserves the right to replace Fidelity as the Plan Administrator at any time in the Company's sole discretion.

22. Participant Acknowledgment. The Participant hereby acknowledges receipt of a copy of the Plan. The Participant hereby acknowledges that all decisions, determinations and interpretations of the Committee in respect of the Plan, this Agreement and the Awards shall be final and conclusive.

23. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument. Counterpart signature pages to this Agreement transmitted by facsimile transmission, by electronic mail in portable document format (.pdf), or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, will have the same effect as physical delivery of the paper document bearing an original signature.

24. Successors and Assigns. The Company may assign any of its rights under this Agreement. This Agreement will be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth herein, this Agreement will be binding upon the Participant or and the Participant's beneficiaries, executors, administrators and the person(s) to whom the Award may be transferred by will or the laws of descent or distribution.

25. Severability. The invalidity or unenforceability of any provision of the Plan or this Agreement shall not affect the validity or enforceability of any other provision of the Plan or this Agreement, and each provision of the Plan and this Agreement shall be severable and enforceable to the extent permitted by law.

IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed by its duly authorized officer, and the Participant has signed this Agreement on his or her own behalf, thereby representing that he or she has carefully read and understands this Agreement and the Plan as of the day and year first written above.

SCIENTIFIC GAMES CORPORATION

By:_____
Scott Schweinfurth
Executive Vice President and Chief Financial Officer

PARTICIPANT:

_____
[]

SCIENTIFIC GAMES CORPORATION
2003 INCENTIVE COMPENSATION PLAN
AS AMENDED AND RESTATED JUNE 11, 2014

TERMS AND CONDITIONS OF

EQUITY AWARDS TO NON-EMPLOYEE DIRECTORS

THIS AGREEMENT, made as of the [•] day of [•], 20[•], between SCIENTIFIC GAMES CORPORATION (the "Company") and [•] (the "Participant").

WHEREAS, the Compensation Committee (the "Committee") administers the Scientific Games Corporation 2003 Incentive Compensation Plan, as amended from time to time (the "Plan");

WHEREAS, the Committee has determined that the Participant is eligible to receive awards under the Plan by virtue of the Participant's provision of substantial services to the Company (or any of its applicable affiliates) ("Services"); and

WHEREAS, the Committee may from time to time approve awards for the Participant in such amounts and at such times as the Committee may determine in its sole discretion, which awards shall be subject to the terms and conditions of the Plan and this Agreement and the Award notice, as such terms and conditions may be amended or supplemented from time to time by the Committee;

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter set forth, the parties agree as follows.

1. Grants. Pursuant and subject to the terms and conditions set forth herein and in the Plan, the Participant may be granted the following types of awards ("Awards") with respect to the Company's Class A Common Stock (" Common Stock"), pursuant to an Award notice, which will state the type of Award, the number of shares subject to the Award and any other terms determined by the Committee in its sole discretion:

(a) *Stock Options* ("Options") – representing a right to purchase shares of the Common Stock at an exercise price per share that is equal to or greater than the fair market value of a share of Common Stock on the date of grant. The Committee will generally set the exercise price of Options at the fair market value of the Common Stock on the date of grant. The Options do not become exercisable until satisfaction of an applicable vesting period. The Options are "Non-Qualified Stock Options" (*i.e.*, they do not constitute "incentive stock options" within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended).

(b) *Restricted Stock Units* ("Units") – representing a right to receive shares of Common Stock following satisfaction of an applicable vesting period subject to the conditions, restrictions and limitations set forth in Section 6(d) of the Plan, this Agreement and the Award notice.

(c) *Performance Conditioned Restricted Stock Units* ("Performance Units") – representing a right to receive shares of the Common Stock following satisfaction of an applicable vesting period and subject to performance requirements established by the Committee at the time of grant, based on Company performance criteria for an annual or other applicable performance period, and subject to such other conditions, restrictions and limitations set forth in Section 7 of the Plan, this Agreement and the Award notice.

2. Incorporation of Plan by Reference. All terms, conditions and restrictions of the Plan are incorporated in, and made a part of, this Agreement as if stated herein. If there is any conflict between the terms and conditions of the Plan and this Agreement, the terms and conditions of the Plan, as interpreted by the Committee, shall govern. Except as otherwise provided herein, all capitalized terms used in this Agreement shall have the meaning given to such terms in the Plan.

3. Restriction on Transfer of Awards. Awards under the Plan may not be sold, assigned, transferred, pledged, hypothecated, margined, or otherwise encumbered or disposed of by the Participant, except for transfers upon the death of the Participant.

4. Vesting Schedule for Awards. Unless otherwise set forth in the applicable Award notice, an Award under the Plan will be granted with a four-year ratable vesting schedule such that 25% of the total Award will vest on each of the first four anniversaries of the grant date. In the case of Performance Units, vesting will also be conditioned on satisfaction of performance criteria established by the Committee. With respect to such Performance Units, the Committee will determine whether the performance criteria applicable to an Award have been satisfied within 90 days following the end of the applicable performance period(s) (but not later than the March 15 following the year in which the performance period ended). Notwithstanding anything contained to the contrary in this Agreement (or in any prior award agreement), in any Award notice or in any other document, in the event that the Participant's provision of Services is terminated other than as a result of death or "Disability" (as defined below) prior to the Committee's determination as to the satisfaction of any performance criteria to which any Award of Performance Units is subject, such Performance Units will neither vest nor accelerate unless and until a determination is or has been made by the Committee that such criteria have been satisfied, at which

time such Performance Units may vest or accelerate to the extent provided in, and in accordance with, any applicable contract and the Plan (it being understood and agreed that nothing in this Agreement shall grant any right to any such acceleration or vesting upon any such termination). For the avoidance of doubt, in the event that the criteria are determined not to have been satisfied, such Award shall immediately lapse and be forfeited.

5. Method of Exercise of Vested Options. Awards of Options, to the extent vested, shall be exercisable in whole or in part by the rticipant delivering notice to the Plan Administrator (as defined below) in accordance with the terms of the Award. Payment for shares of Common Stock purchased upon the exercise of an Option shall be made on the effective date of such exercise through any of the following means: (i) in cash, by certified check, bank cashier's check or wire transfer; (ii) through a brokered exercise with the Plan Administrator under which a portion of the proceeds from a sale are withheld for such exercise price; or (iii) if permitted by the Company at the time of exercise, by surrendering shares of Common Stock. The notification to the Plan Administrator shall be made in accordance with its procedures. The shares of Common Stock purchased upon the exercise of an Option shall be delivered as soon as practicable following exercise in accordance with the procedures established by the Company or the Plan Administrator from time to time. Options may only be exercised by the Participant or, if the Participant is incapacitated, by the Participant's guardian or legal representative; provided that an exercise by a guardian or legal representative shall not be effective unless and until the Company has received evidence satisfactory to it as to the authority of such guardian or legal representative.

6. Distribution of Vested Units and Performance Units. As soon as administratively practicable after each applicable vesting date of an Award of Units or Performance Units (generally within three business days and in no event more than 15 business days), the Company will deliver to the Participant a number of shares of Common Stock equal to the number of Units or Performance Units that vested as of an applicable vesting date.

7. Taxes. The Participant shall be solely responsible for taxes under applicable federal, state, local or foreign law.

8. Expiration of Awards; Effect of Termination.

(a) *Units and Performance Units.* Subject to the provisions of the Plan and this Agreement, except to the extent otherwise specifically provided under the terms of any Award notice with respect to Units or Performance Units (as the case may be):

(i) in the event the provision of Services by the Participant terminates for any reason (other than by reason of death or "Disability" (as defined below)), all unvested Units and Performance Units shall be immediately forfeited; or

(ii) in the event the provision of Services by the Participant terminates by reason of death or Disability, all unvested Units or Performance Units shall fully vest and become non-forfeitable as of the date of death or the date of such termination, as the case may be, and, in all other respects, all such Units or Performance Units shall be governed by the plans and programs and the agreements and other documents pursuant to which such Units or Performance Units were granted.

(b) *Options.* The Options granted by the Company will expire at a date specified in the Award notice, which shall be not later than the tenth anniversary of the grant date (the "Scheduled Expiration Date"). Subject to the provisions of the Plan and this Agreement, except to the extent otherwise specifically provided under the terms of any Award notice with respect to Options:

(i) in the event the provision of Services by the Participant terminates for any reason (other than by reason of death or Disability), (A) all unvested Options shall immediately expire on the date of termination and (B) the portion of any Options that vested prior to such termination (other than a termination by reason of removal from the Board of Directors of the Company for cause, in which event all such vested Options shall be immediately forfeited) shall remain exercisable until the earlier of three (3) months after such termination and the Scheduled Expiration Date and, in all other respects, shall be governed by the plans and programs and the agreements and other documents pursuant to which such Options were granted; or

(ii) in the event the provision of Services by the Participant terminates by reason of death or Disability, all unvested Options shall fully vest and become non-forfeitable as of the date of death or the date of such termination, as the case may be, and such Options (together with the portion of any Options that vested prior to such death or termination) shall remain exercisable by the Participant (or, in the case of death, Participant's executor or administrator or Beneficiary (as defined below)) until the earlier of (A) the first anniversary of such death or termination and (B) the Scheduled Expiration Date and, in all other respects, all such Options shall be governed by the plans and programs and the agreements and other documents pursuant to which such Options were granted.

For purposes of this Agreement, "Beneficiary" means the person, persons, trust, or trusts which have been designated by a Participant in his or her most recent written beneficiary designation filed with the Company to receive the benefits specified under the Plan upon such Participant's death. If, upon a Participant's death, there is no designated Beneficiary or surviving designated Beneficiary, then the term Beneficiary means person, persons, trust, or trusts entitled by will or the laws of descent and distribution to receive such benefits. A Beneficiary or other person claiming any rights under the Plan from or through any Participant

shall be subject to all terms and conditions of the Plan and any Award agreement applicable to such Participant and to any additional terms and conditions deemed necessary or appropriate by the Committee.

(c) *Definition of Disability*. For purposes of this Agreement, "Disability" shall mean the Participant's inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months.

(d) *Last Day to Exercise an Option*. If an Option's expiration date determined under this Section 8 falls on a day which is not a business day, then the last day to exercise the Option shall be the last business day before such date.

9. Other Terms.

(a) *No Shareholder Rights*. Until shares of Common Stock covered by an Award are issued to the Participant in connection with the exercise of an Option or the vesting of Units or Performance Units, the Participant shall have no voting, dividend or other rights as a stockholder of the Company for any purpose.

(b) *Consideration for Grant*. Participant shall not be required to pay any cash consideration for the grant of an Award. In the case of grants of Units and Performance Units, as to which cash consideration at the time of grant or vesting shall not be required, the Participant's performance of Services from the grant date to the date of vesting shall be deemed to be consideration for the grant, which Services have a value at least equal to the aggregate par value of the shares being newly issued in connection with the grant. The foregoing notwithstanding, an Award may be granted in exchange for the Participant's surrender of another Award or other right to compensation, if and to the extent permitted by the Committee.

(c) *Insider Trading Policy Applicable*. Participant acknowledges that sales of shares received with respect to Awards will be subject to the policies regulating trading by directors of Company

1 0 Delays or Omissions. No delay or omission to exercise any right, power or remedy accruing to any party hereto, upon any breach or default of any party under this Agreement, shall impair any such right, power or remedy of such party, nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, or of or in any similar breach or default thereafter occurring, nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of any party of any breach or default under this Agreement, or any waiver on the part of any party of any provisions or conditions of this Agreement, must be in a writing signed by such party and shall be effective only to the extent specifically set forth in such writing.

11. Integration. This Agreement, the Plan, and the other documents, including, without limitation, the Award notice, which form a part of this Agreement, contain the entire understanding of the parties with respect to its subject matter. There are no restrictions, agreements, promises, representations, warranties, covenants or undertakings with respect to the subject matter hereof other than those expressly set forth herein. This Agreement, including, without limitation, the Plan, supersedes all prior agreements and understandings between the parties with respect to its subject matter.

1 2 . Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware, without regard to the provisions governing conflict of laws.

13. Restrictive Covenants Condition. The Participant hereby acknowledges and agrees that the receipt of Awards, including any right to exercise an Option, receive the shares of Common Stock following a vesting date or retains the profit from the sale of shares of Common Stock subject to an Award, is conditioned upon Participant's compliance with the restrictive covenants in Sections 14-16 of this Agreement.

14. Proprietary Information. Participant hereby acknowledges that, during the period of providing Services, Participant necessarily will have (and during any affiliation with any of the Company and its subsidiaries and affiliates (collectively, ("SG")) SG prior to his Service, Participant may have had) access to and make use of proprietary information and confidential records of SG. Participant covenants that he shall not during his provision of Services or at any time thereafter, directly or indirectly, use for his own purpose or for the benefit of any person or entity other than SG, nor otherwise disclose to any person or entity, any such proprietary information, unless and to the extent such disclosure has been authorized in writing by the Company or is otherwise required by law. The term "proprietary information" means: (i) the software products, programs, applications, and processes utilized by SG; (ii) the name or address of any customer or vendor of SG or any information concerning the transactions or relations of any customer or vendor of SG or with SG; (iii) any information concerning any product, technology, or procedure employed by SG but not generally known to its customers or vendors or competitors, or under development by or being tested by SG but not at the time offered generally to customers or vendors; (iv) any information relating to SG's computer software, computer systems, pricing or marketing methods, sales margins, cost of goods, cost of material, capital structure, operating results, borrowing arrangements or business plans; (v) any information identified as confidential or proprietary in any line of business engaged in by SG; (vi) any information that, to Participant's actual knowledge, SG ordinarily maintains as confidential or proprietary; (vii) any business plans, budgets, advertising or marketing plans; (viii) any information contained in any of SG's written or oral policies and procedures or manuals; (ix) any information belonging to customers, vendors or any other person or entity which SG, to Participant's actual knowledge, has agreed to hold in confidence; and

(x) all written, graphic, electronic data and other material containing any of the foregoing. Participant acknowledges that information that is not novel or copyrighted or patented may nonetheless be proprietary information. The term "proprietary information" shall not include information generally known or available to the public or information that becomes available to Participant on an unrestricted, non-confidential basis from a source other than SG or any of its directors, officers, employees, agents or other representatives (without breach of any obligation of confidentiality of which Participant has knowledge, after reasonable inquiry, at the time of the relevant disclosure by Participant). Notwithstanding the foregoing, Participant may disclose or use proprietary information or confidential records solely to the extent (A) such disclosure or use may be required or appropriate in connection with the provision of Services by the Participant, (B) required to do so by a court of law, by any governmental agency having supervisory authority over the business of SG or by any administrative or legislative body (including a committee thereof) with apparent jurisdiction to order Participant to divulge, disclose or make accessible such information (provided that in such case Participant shall first give the Company prompt written notice of any such legal requirement, disclose no more information than is so required and cooperate fully with all efforts by SG to obtain a protective order or similar confidentiality treatment for such information), (C) such information or records becomes generally known to the public without Participant's violation of this Agreement, or (D) disclosed to Participant's spouse, attorney or his personal tax and financial advisors to the extent reasonably necessary to advance Participant's tax, financial and other personal planning (each an "Exempt Person"); provided, however, that any disclosure or use of any proprietary information or confidential records by an Exempt Person shall be deemed to be a breach of this Section 14 or Section 15 by Participant.

15. Confidentiality and Surrender of Records. Participant hereby agrees that he shall not, during the period of providing Services or at any time thereafter (irrespective of the circumstances under which his provision of Services terminates), except to the extent required by law, directly or indirectly publish, make known or in any fashion disclose or retain any confidential records to, or permit any inspection or copying of confidential records by, any person or entity other than in the course of such person's or entity's employment or retention by SG, and Participant further agrees to deliver promptly to the Company, any of the same following termination of his provision of Services for any reason or upon request by SG. For purposes hereof, "confidential records" means those portions of correspondence, memoranda, files, manuals, books, lists, financial, operating or marketing records, magnetic tape, or electronic or other media or equipment of any kind in Participant's possession or under Participant's control or accessible to Participant which contain any proprietary information. All confidential records shall be and remain the sole property of SG during the provision of Services by the Participant and thereafter.

16. Non-disparagement. Participant hereby agrees that he shall not, during the period of providing and thereafter, disparage in any material respect SG, any of their respective businesses, any of their respective officers, directors or employees, or the reputation of any of the foregoing persons or entities. Notwithstanding the foregoing, nothing in this Agreement shall preclude Participant from making truthful statements that are required by applicable law, regulation or legal process.

17. No Other Obligations. Participant hereby represents that he is not precluded or limited in his ability to undertake or perform Services by any contract, agreement or restrictive covenant. Participant covenants that he shall not employ the trade secrets or proprietary information of any other person in connection with the provision of Services by the Participant without such person's authorization.

18. Enforcement. Participant acknowledges and agrees that, by virtue of his position, provision of the Services and access to and use of confidential records and proprietary information, any violation by Participant of any of the undertakings contained in this Agreement would cause SG immediate, substantial and irreparable injury for which it has no adequate remedy at law. Accordingly, Participant hereby agrees and consents to the entry of an injunction or other equitable relief by a court of competent jurisdiction restraining any violation or threatened violation of any undertaking contained in this Agreement. Participant waives posting of any bond otherwise necessary to secure such injunction or other equitable relief. Rights and remedies provided for in this Agreement are cumulative and shall be in addition to rights and remedies otherwise available to the parties hereunder or under any other agreement or applicable law.

19. Data Privacy. For Participants in certain jurisdictions, the data privacy laws of such jurisdictions may require the Participants' consent to the use and transfer of certain personal information necessary to administer the Plan and any Awards the Participants may receive. Accordingly, if applicable, the Participant hereby acknowledges and agrees that the Participant's receipt of any Awards, including any right to exercise an Option, receive the shares of Common Stock following vesting of an award of Units or Performance Units or retain the profit from the sale of shares of Common Stock subject to an Award, is conditioned upon Participant's consent to the use and transfer of such personal information.

20. Plan Administrator. The Company has retained Fidelity Stock Plan Services, LLC as a third-party administrator to assist in the administration and management of the Plan (the "Plan Administrator" or "Fidelity"). A listing of all Awards may be viewed through the Plan Administrator's website at **www.NetBenefits.com** once the Participant has established an account with the Plan Administrator. The Plan Administrator shall handle the processing of Option exercises and vesting and settlement of Units and Performance Units. The Company reserves the right to replace Fidelity as the Plan Administrator at any time in the Company's sole discretion.

21. Participant Acknowledgment. The Participant hereby acknowledges receipt of a copy of the Plan. The Participant hereby acknowledges that all decisions, determinations and interpretations of the Committee in respect of the Plan, this Agreement and the Awards shall be final and conclusive.

22. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument. Counterpart signature pages to this Agreement transmitted by facsimile transmission, by electronic mail in portable document format (.pdf), or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, will have the same effect as physical delivery of the paper document bearing an original signature.

23. Successors and Assigns. The Company may assign any of its rights under this Agreement. This Agreement will be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth herein, this Agreement will be binding upon the Director and the Director's beneficiaries, executors, administrators and the person(s) to whom the Option may be transferred by will or the laws of descent or distribution.

24. Severability. The invalidity or unenforceability of any provision of the Plan or this Agreement shall not affect the validity or enforceability of any other provision of the Plan or this Agreement, and each provision of the Plan and this Agreement shall be severable and enforceable to the extent permitted by law.

[remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed by its duly authorized officer, and the Participant has signed this Agreement on his or her own behalf, thereby representing that he or she has carefully read and understands this Agreement and the Plan as of the day and year first written above.

SCIENTIFIC GAMES CORPORATION

By: _____
Scott Schweinfurth
Executive Vice President and Chief Financial Officer

PARTICIPANT:

_____
[•]

Exhibit 99.4

SCIENTIFIC GAMES CORPORATION
2003 INCENTIVE COMPENSATION PLAN
AS AMENDED AND RESTATED JUNE 11, 2014

TERMS AND CONDITIONS OF

EQUITY AWARDS TO CONSULTANTS

THIS AGREEMENT, made as of the [•] day of [•], 20[•], between SCIENTIFIC GAMES CORPORATION (the "Company") and [•] (the "Participant").

WHEREAS, the Compensation Committee (the "Committee") administers the Scientific Games Corporation 2003 Incentive Compensation Plan, as amended from time to time (the "Plan");

WHEREAS, the Committee has determined that the Participant is eligible to receive awards under the Plan by virtue of the Participant's provision of substantial services to the Company (or any of its applicable affiliates) ("Services"); and

WHEREAS, the Committee may from time to time approve awards for the Participant in such amounts and at such times as the Committee may determine in its sole discretion, which awards shall be subject to the terms and conditions of the Plan and this Agreement and the Award notice, as such terms and conditions may be amended or supplemented from time to time by the Committee;

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter set forth, the parties agree as follows.

1. Grants. Pursuant and subject to the terms and conditions set forth herein and in the Plan, the Participant may be granted the following types of awards ("Awards") with respect to the Company's Class A Common Stock ("Common Stock"), pursuant to an Award notice, which will state the type of Award, the number of shares subject to the Award and any other terms determined by the Committee in its sole discretion:

(a) *Stock Options* ("Options") -- representing a right to purchase shares of the Common Stock at an exercise price per share that is equal to or greater than the fair market value of a share of Common Stock on the date of grant. The Committee will generally set the exercise price of Options at the fair market value of the Common Stock on the date of grant. The Options do not become exercisable until satisfaction of an applicable vesting period. The Options are "Non-Qualified Stock Options" (*i.e.*, they do not constitute "incentive stock options" within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended).

(b) *Restricted Stock Units* ("Units") -- representing a right to receive shares of Common Stock following satisfaction of an applicable vesting period subject to the conditions, restrictions and limitations set forth in Section 6(d) of the Plan, this Agreement and the Award notice.

(c) *Performance Conditioned Restricted Stock Units* ("Performance Units") -- representing a right to receive shares of the Common Stock following satisfaction of an applicable vesting period and subject to performance requirements established by the Committee at the time of grant, which may be based on Company or individual performance criteria for an annual or other applicable performance period, and subject to such other conditions, restrictions and limitations set forth in Section 7 of the Plan and in this Agreement.

2. Incorporation of Plan by Reference. All terms, conditions and restrictions of the Plan are incorporated in, and made a part of, this Agreement as if stated herein. If there is any conflict between the terms and conditions of the Plan and this Agreement, the terms and conditions of the Plan, as interpreted by the Committee, shall govern. Except as otherwise provided herein, all capitalized terms used in this Agreement shall have the meaning given to such terms in the Plan.

3. Restriction on Transfer of Awards. Awards under the Plan may not be sold, assigned, transferred, pledged, hypothecated, margined, or otherwise encumbered or disposed of by the Participant, except for transfers upon the death of the Participant.

4. Vesting Schedule for Awards. Unless otherwise set forth in the applicable Award notice, an Award under the Plan will be granted with a four-year ratable vesting schedule such that 25% of the total Award will vest on each of the first four anniversaries of the grant date. In the case of Performance Units, vesting will also be conditioned on satisfaction of performance criteria established by the Committee. With respect to such Performance Units, the Committee will determine whether the performance criteria applicable to an Award have been satisfied within 90 days following the end of the applicable performance period(s) (but not later than the March 15 following the year in which the performance period ended). Notwithstanding anything contained to the contrary in this Agreement (or in any prior award agreement), in any Award notice or in any other document, in the event that the Participant's provision

of Services is terminated other than as a result of death or "Disability" (as defined below) prior to the Committee's determination as to the satisfaction of any performance criteria to which any Award of Performance Units is subject, such Performance Units will neither vest nor accelerate unless and until a determination is or has been made by the Committee that such criteria have been satisfied, at which time such Performance Units may vest or accelerate to the extent provided in, and in accordance with, any applicable contract and the Plan (it being understood and agreed that nothing in this Agreement shall grant any right to any such acceleration or vesting upon any such termination). For the avoidance of doubt, in the event that the criteria are determined not to have been satisfied, such Award shall immediately lapse and be forfeited.

5. Method of Exercise of Vested Options. Awards of Options, to the extent vested, shall be exercisable in whole or in part by the Participant delivering notice to the Plan Administrator (as defined below) in accordance with the terms of the Award. Payment for shares of Common Stock purchased upon the exercise of an Option shall be made on the effective date of such exercise through any of the following means: (i) in cash, by certified check, bank cashier's check or wire transfer; (ii) through a brokered exercise with the Plan Administrator under which a portion of the proceeds from a sale are withheld for such exercise price; or (iii) if permitted by the Company at the time of exercise, by surrendering shares of Common Stock. The notification to the Plan Administrator shall be made in accordance with its procedures. The shares of Common Stock purchased upon the exercise of an Option shall be delivered as soon as practicable following exercise in accordance with the procedures established by the Company or the Plan Administrator from time to time. Options may only be exercised by the Participant or, if the Participant is incapacitated, by the Participant's guardian or legal representative; provided that an exercise by a guardian or legal representative shall not be effective unless and until the Company has received evidence satisfactory to it as to the authority of such guardian or legal representative.

6. Distribution of Vested Units and Performance Units. As soon as administratively practicable after each applicable vesting date of an Award of Units or Performance Units (generally within three business days and in no event more than 15 business days), the Company will deliver to the Participant a number of shares of Common Stock equal to the number of Units or Performance Units that vested as of an applicable vesting date.

7. Taxes. The Participant shall be solely responsible for taxes under applicable federal, state, local or foreign law.

8. Expiration of Awards; Effect of Termination.

(a) *Units and Performance Units.* Subject to the provisions of the Plan and this Agreement, except to the extent otherwise specifically provided under the terms of any Award notice with respect to Units or Performance Units (as the case may be):

(i) in the event the provision of Services by the Participant terminates for any reason (other than by reason of death or "Disability" (as defined below)), all unvested Units and Performance Units shall be immediately forfeited; or

(ii) in the event the provision of Services by the Participant terminates by reason of death or Disability, all unvested Units or Performance Units shall fully vest and become non-forfeitable as of the date of death or the date of such termination, as the case may be, and, in all other respects, all such Units or Performance Units shall be governed by the plans and programs and the agreements and other documents pursuant to which such Units or Performance Units were granted.

(b) *Options.* The Options granted by the Company will expire at a date specified in the Award notice, which shall be not later than the tenth anniversary of the grant date (the "Scheduled Expiration Date"). Subject to the provisions of the Plan and this Agreement, except to the extent otherwise specifically provided under the terms of any Award notice with respect to Options:

(i) in the event the provision of Services by the Participant terminates for any reason (other than by reason of death or Disability), (A) all unvested Options shall immediately expire on the date of termination and (B) the portion of any Options that vested prior to such termination (other than a termination for "Cause" (as defined below)), in which event all such vested Options shall be immediately forfeited) shall remain exercisable until the earlier of three (3) months after such termination and the Scheduled Expiration Date and, in all other respects, shall be governed by the plans and programs and the agreements and other documents pursuant to which such Options were granted; or

(ii) in the event the provision of Services by the Participant terminates by reason of death or Disability, all unvested Options shall fully vest and become non-forfeitable as of the date of death or the date of such termination, as the case may be, and such Options (together with the portion of any Options that vested prior to such death or termination) shall remain exercisable by the Participant (or, in the case of death, Participant's executor or administrator or Beneficiary (as defined below)) until the earlier of (A) the first anniversary of such death or termination and (B) the Scheduled Expiration Date and, in all other respects, all such Options shall be governed by the plans and programs and the agreements and other documents pursuant to which such Options were granted.

For purposes of this Agreement, "Cause" shall mean any of the following: (i) the Participant's breach of the terms of any agreement with any of the Company and its subsidiaries and affiliates (collectively, "SG"); (ii) the Participant's material act or omission that is or may be injurious to SG, monetarily or otherwise; (iii) the Participant's material violation of SG's policies applicable to Participant, including the Code of Conduct, and (iv) the Participant's commission of a felony, any other crime involving moral turpitude

or any act involving dishonesty or fraud. Any rights SG may have hereunder in respect of the events giving rise to Cause shall be in addition to the rights SG may have under any other agreement with the Participant or at law or in equity. Any determination of whether the Participant's is (or is deemed to have been) terminated for Cause shall be made by the Committee in its discretion. The Participant's termination for Cause shall be effective as of the date of the occurrence of the event giving rise to Cause, regardless of when the determination of Cause is made.

For purposes of this Agreement, "Beneficiary" means the person, persons, trust, or trusts which have been designated by a Participant in his or her most recent written beneficiary designation filed with the Company to receive the benefits specified under the Plan upon such Participant's death. If, upon a Participant's death, there is no designated Beneficiary or surviving designated Beneficiary, then the term Beneficiary means person, persons, trust, or trusts entitled by will or the laws of descent and distribution to receive such benefits. A Beneficiary or other person claiming any rights under the Plan from or through any Participant shall be subject to all terms and conditions of the Plan and any Award agreement applicable to such Participant and to any additional terms and conditions deemed necessary or appropriate by the Committee.

(c) *Definition of Disability*. For purposes of this Agreement, "Disability" shall mean the Participant's inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months.

(d) *Last Day to Exercise an Option*. If an Option's expiration date determined under this Section 8 falls on a day which is not a business day, then the last day to exercise the Option shall be the last business day before such date.

9. Other Terms.

(a) *No Shareholder Rights*. Until shares of Common Stock covered by an Award are issued to the Participant in connection with the exercise of an Option or the vesting of Units or Performance Units, the Participant shall have no voting, dividend or other rights as a stockholder of the Company for any purpose.

(b) *Consideration for Grant*. Participant shall not be required to pay any cash consideration for the grant of an Award. In the case of grants of Units and Performance Units, as to which cash consideration at the time of grant or vesting shall not be required, the Participant's performance of Services from the grant date to the date of vesting shall be deemed to be consideration for the grant, which Services have a value at least equal to the aggregate par value of the shares being newly issued in connection with the grant. The foregoing notwithstanding, an Award may be granted in exchange for the Participant's surrender of another Award or other right to compensation, if and to the extent permitted by the Committee.

(c) *Insider Trading Policy Applicable.* Participant acknowledges that sales of shares received with respect to Awards will be subject to SG's policies regulating trading by consultants.

1 0 Delays or Omissions. No delay or omission to exercise any right, power or remedy accruing to any party hereto, upon any breach or default of any party under this Agreement, shall impair any such right, power or remedy of such party, nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, or of or in any similar breach or default thereafter occurring, nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of any party of any breach or default under this Agreement, or any waiver on the part of any party of any provisions or conditions of this Agreement, must be in a writing signed by such party and shall be effective only to the extent specifically set forth in such writing.

1 1. Integration. This Agreement, the Plan, and the other documents, including, without limitation, the Award notice, which form a part of this Agreement, contain the entire understanding of the parties with respect to its subject matter. There are no restrictions, agreements, promises, representations, warranties, covenants or undertakings with respect to the subject matter hereof other than those expressly set forth herein. This Agreement, including, without limitation, the Plan, supersedes all prior agreements and understandings between the parties with respect to its subject matter.

1 2 . Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware, without regard to the provisions governing conflict of laws.

13. Restrictive Covenants Condition. The Participant hereby acknowledges and agrees that the receipt of Awards, including any right to exercise an Option, receive the shares of Common Stock following a vesting date or retains the profit from the sale of shares of Common Stock subject to an Award, is conditioned upon Participant's compliance with the restrictive covenants in Sections 14-17 of this Agreement.

14. Non-solicitation.

(a) Participant acknowledges the highly competitive nature of the business of SG and that access to SG's confidential records and proprietary information renders Participant special and unique within SG's industry. Participant hereby agrees that, during the period of providing Services and during the Covered Time (defined below), Participant shall not, directly or indirectly: (i) solicit

or attempt to induce any of the employees, agents, consultants or representatives of SG to terminate his, her, or its relationship with SG; (ii) solicit or attempt to induce any of the employees, agents, consultants or representatives of SG to become employees, agents, consultants or representatives of any other person or entity; (iii) solicit or attempt to induce any customer, vendor or distributor of SG to curtail or cancel any business with SG; or (iv) hire any person who, to rticipant's actual knowledge, is, or was within 180 days prior to such hiring, an employee of SG.

(b) Participant hereby agrees that, during the Participant's period of providing Services and during the Covered Time, upon the earlier of his (i) negotiating with any Competitor (as defined below) concerning his possible employment with the Competitor, (ii) responding to (other than for the purpose of declining) an offer of employment from a Competitor, or (iii) becoming employed by a Competitor, (A) Participant will provide copies of this Agreement to the Competitor, and (B) in the case of any circumstance described in (iii) above occurring during the Covered Time, and in the case of any circumstance described in (i) or (ii) above occurring during the period in which the Participant is providing Services or during the Covered Time, Participant will promptly provide notice to the Company of such circumstances. Participant further agrees that the Company may provide notice to a Competitor of Participant's obligations under this Agreement. For purposes of this Agreement, "Competitor" shall mean any person or entity (other than SG) that engages, directly or indirectly, in the United States in any Competing Business. For purposes of this Section 14, "Competing Business" shall mean any business or operations (i) (A) involving the design, development, manufacture, production, sale, lease, license, provision, operation, or management (as the case may be) of (I) instant lottery tickets or games or any related marketing, warehouse, distribution, category management or other services or programs; (II) lottery-related terminals or vending machines (whether clerk-operated, self-service or otherwise), (III) gaming machines, terminals or devices (including video or reel spinning slot machines, video poker machines, video lottery terminals and fixed odds betting terminals), (IV) lottery, video gaming (including server-based gaming), sports betting or other wagering or gaming systems (including control and monitoring systems, local or wide-area progressive systems and redemption systems); (V) lottery- or gaming-related proprietary or licensed content (including themes, entertainment and brands), platforms, websites and loyalty and customer relationship management programs (including any of the foregoing relating to online play, social gaming or interactive (including internet and mobile) lottery or gaming); (VI) prepaid cellular or other phone cards; or (VII) ancillary products (including equipment, hardware, software, marketing materials, chairs and signage) or services (including field service, maintenance and support) related to any of the foregoing under sub-clauses (I) through (VI) above); or (B) in which SG is then or was within the previous 12 months engaged, or in which SG, to Participant's knowledge, contemplates to engage in during the period in which the Participant is providing Services or the Covered Time, (ii) in which Participant is or was engaged or involved (whether in a supervisory capacity or otherwise) on behalf of SG or with respect to which Participant has obtained proprietary or confidential information, and (iii) which is or was, to Participant's knowledge, conducted or contemplated to be conducted anywhere in the United States or in any other geographic area during Participant's period of providing Services or the Covered Time.

(c) For purposes of this Section 14, "Covered Time" shall mean the period beginning on the date of termination of Participant's provision of Services (the "Date of Termination") and ending twelve (12) months after the Date of Termination.

15. Proprietary Information. Participant hereby acknowledges that, during the period of providing Services, Participant necessarily will have (and during any affiliation with SG prior to his Service, Participant may have had) access to and make use of proprietary information and confidential records of SG. Participant covenants that he shall not during his provision of Services or at any time thereafter, directly or indirectly, use for his own purpose or for the benefit of any person or entity other than SG, nor otherwise disclose to any person or entity, any such proprietary information, unless and to the extent such disclosure has been authorized in writing by the Company or is otherwise required by law. The term "proprietary information" means: (i) the software products, programs, applications, and processes utilized by SG; (ii) the name or address of any customer or vendor of SG or any information concerning the transactions or relations of any customer or vendor of SG or with SG; (iii) any information concerning any product, technology, or procedure mployed by SG but not generally known to its customers or vendors or competitors, or under development by or being tested by SG but not at the time offered generally to customers or vendors; (iv) any information relating to SG's computer software, computer systems, pricing or marketing methods, sales margins, cost of goods, cost of material, capital structure, operating results, borrowing arrangements or business plans; (v) any information identified as confidential or proprietary in any line of business engaged in by SG; (vi) any information that, to Participant's actual knowledge, SG ordinarily maintains as confidential or proprietary; (vii) any business plans, budgets, advertising or marketing plans; (viii) any information contained in any of SG's written or oral policies and procedures or manuals; (ix) any information belonging to customers, vendors or any other person or entity which SG, to Participant's actual knowledge, has agreed to hold in confidence; and (x) all written, graphic, electronic data and other material containing any of the foregoing. Participant acknowledges that information that is not novel or copyrighted or patented may nonetheless be proprietary information. The term "proprietary information" shall not include information generally known or available to the public or information that becomes available to Participant on an unrestricted, non-confidential basis from a source other than SG or any of its directors, officers, employees, agents or other representatives (without breach of any obligation of confidentiality of which Participant has knowledge, after reasonable inquiry, at the time of the relevant disclosure by Participant). Notwithstanding the foregoing and Section 14, Participant may disclose or use proprietary information or confidential records solely to the extent (A) such disclosure or use may be required or appropriate in connection with the provision of Services by the Participant, (B) required to do so by a court of law, by any governmental agency having supervisory authority over the business of SG or by any administrative or legislative body (including a committee thereof) with apparent jurisdiction to order Participant to divulge, disclose or make accessible such information (provided that in such case Participant shall first give the Company prompt written notice of any such legal requirement, disclose no more information than is so required and cooperate fully with all efforts by SG to obtain a protective order or similar confidentiality treatment

for such information), (C) such information or records becomes generally known to the public without Participant's violation of this Agreement, or (D) disclosed to Participant's spouse, attorney or his personal tax and financial advisors to the extent reasonably necessary to advance Participant's tax, financial and other personal planning (each an "Exempt Person"); provided, however, that any disclosure or use of any proprietary information or confidential records by an Exempt Person shall be deemed to be a breach of this Section 14 or Section 15 by Participant.

16. Confidentiality and Surrender of Records. Participant hereby agrees that he shall not, during the period of providing Services or at any time thereafter (irrespective of the circumstances under which his provision of Services terminates), except to the extent required by law, directly or indirectly publish, make known or in any fashion disclose or retain any confidential records to, or permit any inspection or copying of confidential records by, any person or entity other than in the course of such person's or entity's employment or retention by SG, and Participant further agrees to deliver promptly to the Company, any of the same following termination of his provision of Services for any reason or upon request by SG. For purposes hereof, "confidential records" means those portions of correspondence, memoranda, files, manuals, books, lists, financial, operating or marketing records, magnetic tape, or electronic or other media or equipment of any kind in Participant's possession or under Participant's control or accessible to Participant which contain any proprietary information. All confidential records shall be and remain the sole property of SG during the provision of Services by the Participant and thereafter.

17. Non-disparagement. Participant hereby agrees that he shall not, during the period of providing Services and thereafter, disparage in any material respect SG, any of their respective businesses, any of their respective officers, directors or employees, or the reputation of any of the foregoing persons or entities. Notwithstanding the foregoing, nothing in this Agreement shall preclude Participant from making truthful statements that are required by applicable law, regulation or legal process.

18. No Other Obligations. Participant hereby represents that he is not precluded or limited in his ability to undertake or perform Services by any contract, agreement or restrictive covenant. Participant covenants that he shall not employ the trade secrets or proprietary information of any other person in connection with the provision of Services by the Participant without such person's authorization.

19. Enforcement. Participant acknowledges and agrees that, by virtue of his position, provision of the Services and access to and use of confidential records and proprietary information, any violation by Participant of any of the undertakings contained in this Agreement would cause SG immediate, substantial and irreparable injury for which it has no adequate remedy at law. Accordingly, Participant hereby agrees and consents to the entry of an injunction or other equitable relief by a court of competent jurisdiction restraining any violation or threatened violation of any undertaking contained in this Agreement. Participant waives posting of any bond otherwise necessary to secure such injunction or other equitable relief. Rights and remedies provided for in this Agreement are cumulative and shall be in addition to rights and remedies otherwise available to the parties hereunder or under any other agreement or applicable law.

20. Data Privacy. For Participants in certain jurisdictions, the data privacy laws of such jurisdictions may require the Participants' consent to the use and transfer of certain personal information necessary to administer the Plan and any Awards the Participants may receive. Accordingly, if applicable, the Participant hereby acknowledges and agrees that the Participant's receipt of any Awards, including any right to exercise an Option, receive the shares of Common Stock following vesting of an award of Units or Performance Units or retain the profit from the sale of shares of Common Stock subject to an Award, is conditioned upon Participant's consent to the use and transfer of such personal information.

21. Plan Administrator. The Company has retained Fidelity Stock Plan Services, LLC as a third-party administrator to assist in the administration and management of the Plan (the "Plan Administrator" or "Fidelity"). A listing of all Awards may be viewed through the Plan Administrator's website at **www.NetBenefits.com** once the Participant has established an account with the Plan Administrator. The Plan Administrator shall handle the processing of Option exercises and vesting and settlement of Units and Performance Units. The Company reserves the right to replace Fidelity as the Plan Administrator at any time in the Company's sole discretion.

22. Participant Acknowledgment. The Participant hereby acknowledges receipt of a copy of the Plan. The Participant hereby acknowledges that all decisions, determinations and interpretations of the Committee in respect of the Plan, this Agreement and the Awards shall be final and conclusive.

23. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument. Counterpart signature pages to this Agreement transmitted by facsimile transmission, by electronic mail in portable document format (.pdf), or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, will have the same effect as physical delivery of the paper document bearing an original signature.

24. Successors and Assigns. The Company may assign any of its rights under this Agreement. This Agreement will be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth herein, this Agreement will be binding upon the Director and the Director's beneficiaries, executors, administrators and the person(s) to whom the Option may be transferred by will or the laws of descent or distribution.

25. Severability. The invalidity or unenforceability of any provision of the Plan or this Agreement shall not affect the validity or enforceability of any other provision of the Plan or this Agreement, and each provision of the Plan and this Agreement shall be severable and enforceable to the extent permitted by law.

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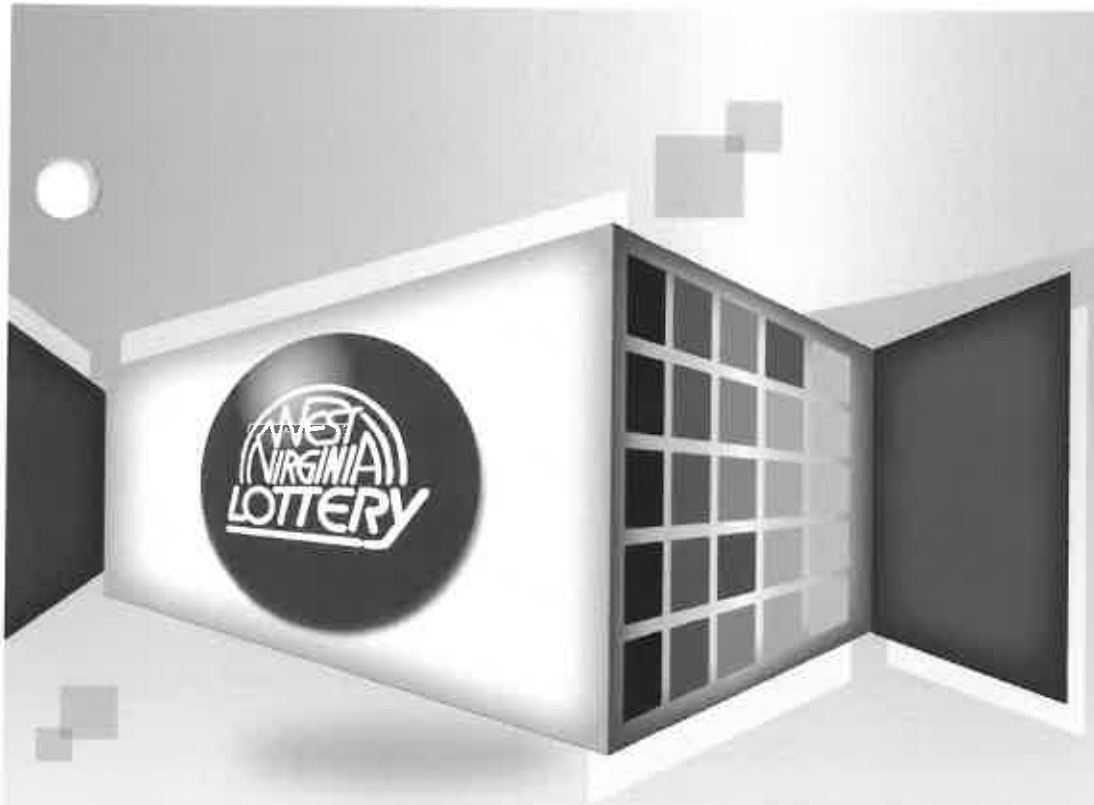
IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed by its duly authorized officer, and the Participant has signed this Agreement on his or her own behalf, thereby representing that he or she has carefully read and understands this Agreement and the Plan as of the day and year first written above.

SCIENTIFIC GAMES CORPORATION

By:_____
Scott Schweinfurth
Executive Vice President and Chief Financial Officer

PARTICIPANT:

_____
[•]



2014 SG 10-Q (Q1)

SG SCIENTIFIC GAMES

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, 2014

OR

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

For the transition period from to

Commission file number: 0-13063

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

Delaware	**81-0422894**
(State or other jurisdiction of incorporation or organization)	(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 required 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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

Large accelerated filer ☐	Accelerated filer ☒
Non-accelerated filer ☐	Smaller reporting company ☐

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The registrant has the following number of shares outstanding of each of the registrant's classes of common stock as of May 5, 2014:

Class A Common Stock: 84,272,363
Class B Common Stock: None

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
INDEX TO FINANCIAL INFORMATION
AND OTHER INFORMATION
THREE MONTHS ENDED MARCH 31, 2014

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Glossary of Terms

As used in this Quarterly Report on Form 10-Q, the terms "we," "us," "our" and the "Company" mean Scientific Games Corporation together with its consolidated subsidiaries. The following terms or acronyms used in this Form 10-Q are defined below:

Term or Acronym	Definition
2018 Notes	8.125% senior subordinated notes due 2018 issued by Scientific Games Corporation
2019 Notes	9.250% senior subordinated notes due 2019 issued by SGI
2020 Notes	6.250% senior subordinated notes due 2020 issued by SGI
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
Barcrest	Barcrest Group Limited, an indirect wholly owned subsidiary of Scientific Games Corporation
China Loans	RMB denominated loans due 2014
CSG	Beijing CITIC Scientific Games Technology Co., Ltd., the instant games supplier to the CSL, in which we have a 49% equity interest
CSL	China Sports Lottery
D&A	depreciation and amortization expense
FASB	Financial Accounting Standards Board
Global Draw	The Global Draw Limited, an indirect wholly owned subsidiary of Scientific Games Corporation
GLB	Beijing Guard Libang Technology Co., Ltd., a provider of lottery systems and services to the China Welfare Lottery in which we have a 50% equity interest
Hellenic Lotteries	Hellenic Lotteries S.A., the operator of the Greek state lotteries, in which we have a 16.5% equity interest
ITL	International Terminal Leasing, an entity that leases gaming machines to us for provision to our customers in which we have a 50% equity interest
LAP	local-area progressive
LBO	licensed betting office
LNS	Lotterie Nazionali S.r.l., the operator of the Gratta e Vinci instant ticket lottery in Italy, in which we have a 20% equity interest
MD&A	Management's discussion and analysis of financial condition and results of operations
Northstar Illinois	Northstar Lottery Group, LLC, the private manager of the Illinois lottery, in which we have a 20% equity interest
Northstar New Jersey	Northstar New Jersey Lottery Group, LLC, the operating entity that provides marketing and sales services to the New Jersey lottery, in which we have a 17.69% equity interest
Note	refers to a note to our Consolidated Financial Statements, unless otherwise specified
participation	with respect to our lottery business, refers to a contract or arrangement in which we are paid based on a percentage of retail sales
PMA	private management agreement
Provoloto	SG Provoloto, S. de R.L. de C.V., an indirect wholly owned subsidiary of Scientific Games Corporation until February 2014
R&D	research and development expense
RCN	Roberts Communications Network, LLC, a provider of communications services to racing and non-racing customers, in which we have a 29.4% equity interest
RFP	request for proposal
RMB	Chinese Renminbi Yuan
RSU	restricted stock unit
SEC	Securities and Exchange Commission
SG&A	selling, general and administrative expense
SGI	Scientific Games International, Inc., a direct wholly owned subsidiary of Scientific Games Corporation
Sportech	Sportech plc, an operator and supplier of sports pools and tote systems, in which we had a 20% equity interest until January 2014
U.S.	United States of America
U.S. GAAP	accounting principles generally accepted in the United States of America
VLT	video lottery terminal
WAP	wide-area progressive
WMS	WMS Industries Inc., a direct wholly owned subsidiary of Scientific Games Corporation

Forward-Looking Statements

Throughout this Quarterly Report on Form 10-Q, we make "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements describe future expectations, plans, results or strategies and can often be identified by the use of terminology such as "may," "will," "estimate," "intend," "continue," "believe," "expect," "anticipate," "should," "could," "potential," "opportunity," or similar terminology. The forward-looking statements contained in this Quarterly Report on Form 10-Q are generally located 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 statements are based upon management's current expectations, assumptions and estimates and are not guarantees of future results or performance. Actual results may differ materially from those contemplated in these statements due to a variety of risks and uncertainties and other factors, including, among other things:

- competition;
- U.S. and international economic and industry conditions, including declines in or slow growth of lottery retail sales or gross gaming revenues and reductions in or constraints on capital spending by gaming or lottery operators;
- slow growth of new gaming jurisdictions, slow addition of casinos in existing jurisdictions and declines in the replacement cycle of gaming machines;
- ownership changes and consolidation in the casino industry;
- opposition to legalized gaming or the expansion thereof;
- ability to adapt to, and offer products that keep pace with, evolving technology;
- ability to develop successful gaming concepts and content;
- laws and government regulation, including those relating to gaming licenses and environmental laws;
- inability to identify and capitalize on trends and changes in the lottery and gaming industries, including the expansion of interactive gaming;
- dependence upon key providers in our social gaming business;
- retention and renewal of existing contracts and entry into new or revised contracts;
- level of our indebtedness, availability and adequacy of cash flows to satisfy obligations or future needs, and restrictions and covenants in our debt agreements;
- protection of our intellectual property, ability to license third party intellectual property and the intellectual property rights of others;
- security and integrity of our software and systems and reliance on or failures in our information technology systems;
- natural events that disrupt our operations or those of our customers, suppliers or regulators;
- inability to benefit from, and risks associated with, strategic equity investments and relationships, including (1) the inability of our joint venture to meet the net income targets or otherwise to realize the anticipated benefits under its PMA with the Illinois Lottery, (2) the inability of our joint venture to meet the net income targets or other requirements under its agreement to provide marketing and sales services to the New Jersey Lottery or otherwise to realize the anticipated benefits under such agreement (including as a result of a protest) and (3) failure to realize the anticipated benefits related to the award to our consortium of an instant lottery game concession in Greece;
- failure to achieve the intended benefits of the WMS acquisition, including due to the inability to realize synergies in the anticipated amounts or within the contemplated time-frames or cost expectations, or at all;
- inability to complete and integrate future acquisitions;
- restructuring costs, revenue recognition standards and impairment charges;
- fluctuations in our results due to seasonality and other factors;
- dependence on suppliers and manufacturers;
- risks relating to foreign operations, including fluctuations in foreign currency exchange rates and restrictions on the import of our products;
- dependence on our employees;
- litigation and other liabilities relating to our business, including litigation and liabilities relating to our contracts and licenses, our products and systems, our employees, intellectual property and our strategic relationships;
- influence of certain stockholders; and
- stock price volatility.

Additional information regarding risks and uncertainties and other factors that could cause actual results to differ materially from those contemplated in forward-looking statements is included from time to time in our filings with the SEC, including under the heading "Risk Factors" in our most recent Annual Report on Form 10-K. Forward-looking statements speak only as of the date they are made and, except for our ongoing obligations under the U.S. federal securities laws, we undertake no obligation to publicly update any forward-looking statements whether as a result of new information, future events or otherwise.

This Quarterly Report on Form 10-Q may contain references to industry market data and certain industry forecasts. Industry market data and industry forecasts are obtained from publicly available information and industry publications. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of that information is not guaranteed. While we believe industry information to be accurate, it is not independently verified by us and we do not make any representation as to the accuracy of that information. In general, we believe there is less publicly available information concerning the international lottery industry than the lottery industry in the U.S.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Unaudited, in millions, except per share amounts)

	Three Months Ended March 31,	
	2014	2013
Revenue:		
Instant games	$ 126.2	$ 122.8
Services	176.8	81.8
Product sales	85.1	15.0
Total revenue	388.1	219.6
Operating expenses:		
Cost of instant games (1)	69.9	68.2
Cost of services (1)	66.5	46.2
Cost of product sales (1)	46.4	10.3
Selling, general and administrative	91.8	48.8
Research and development	25.9	1.9
Employee termination and restructuring	5.6	0.3
Depreciation and amortization	94.1	32.8
Operating (loss) income	(12.1)	11.1
Other income (expense):		
Interest expense	(47.9)	(25.0)
Earnings from equity investments	5.5	6.1
Gain on sale of equity interest	14.5	—
Other income (expense), net	2.9	(1.0)
Total other expense	(25.0)	(19.9)
Net loss from continuing operations before income taxes	(37.1)	(8.8)
Income tax expense	(7.9)	(3.5)
Net loss from continuing operations	$ (45.0)	$ (12.3)
Discontinued operations:		
Loss from discontinued operations	—	(1.9)
Other expense	—	(0.1)
Gain on sale of assets	—	0.8
Income tax benefit	—	0.3
Net loss from discontinued operations	$ —	$ (0.9)
Net loss	$ (45.0)	$ (13.2)
Other comprehensive loss:		
Foreign currency translation gain (loss)	0.1	(39.3)
Pension and post-retirement gain, net of tax	0.1	0.5
Derivative financial instruments unrealized (loss) gain, net of tax	(0.7)	0.7
Other comprehensive loss	(0.5)	(38.1)
Comprehensive loss	$ (45.5)	$ (51.3)

(1) Exclusive of depreciation and amortization.

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS (cont'd)
(Unaudited, in millions, except per share amounts)

	Three Months Ended March 31,	
	2014	2013
Basic net loss per share:		
Continuing operations	$ (0.53)	$ (0.15)
Discontinued operations	—	(0.01)
Total basic net loss per share	$ (0.53)	$ (0.16)
Diluted net loss per share:		
Continuing operations	$ (0.53)	$ (0.15)
Discontinued operations	—	(0.01)
Total diluted net loss per share	$ (0.53)	$ (0.16)
Weighted average number of shares used in per share calculations:		
Basic shares	84.3	84.6
Diluted shares	84.3	84.6

See accompanying notes to consolidated financial statements.

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in millions, except par value)

	March 31, 2014 (Unaudited)	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	$ 169.1	$ 153.7
Restricted cash	11.8	10.9
Accounts receivable, net	317.8	346.0
Notes receivable, net	143.9	158.7
Inventories	163.2	137.8
Deferred income taxes, current portion	35.2	35.1
Prepaid expenses, deposits and other current assets	112.3	119.3
Total current assets	953.3	961.5
Property and equipment, net	765.6	772.6
Long-term notes receivable	64.1	72.6
Goodwill	1,190.4	1,186.9
Intangible assets, net	512.8	411.1
Software, net of accumulated amortization of $138.0 and $114.2, respectively	329.0	343.5
Equity investments	319.0	367.2
Other assets	125.9	126.5
Total assets	$ 4,260.1	$ 4,241.9
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Debt payments due within one year	$ 32.9	$ 30.4
Accounts payable	108.5	140.9
Accrued liabilities	301.7	285.8
Total current liabilities	443.1	457.1
Deferred income taxes	145.3	138.0
Other long-term liabilities	217.5	109.6
Long-term debt, excluding current installments	3,168.3	3,162.2
Total liabilities	3,974.2	3,866.9
Commitments and contingencies		
Stockholders' equity:		
Class A common stock, par value $0.01 per share; 199.3 shares authorized; 101.4 and 100.4 shares issued and 84.2 and 85.2 shares outstanding, respectively	1.0	1.0
Additional paid-in capital	723.7	737.8
Accumulated loss	(281.4)	(236.4)
Treasury stock, at cost: 17.2 and 15.2 shares held, respectively	(175.2)	(145.7)
Accumulated other comprehensive income	17.8	18.3
Total stockholders' equity	285.9	375.0
Total liabilities and stockholders' equity	$ 4,260.1	$ 4,241.9

See accompanying notes to consolidated financial statements.

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, in millions)

	Three Months Ended March 31,	
	2014	**2013**
Cash flows from operating activities:		
Net loss	$ (45.0)	$ (13.2)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	94.1	33.3
Change in deferred income taxes	1.2	0.8
Stock-based compensation	5.2	5.9
Non-cash interest expense	4.3	1.7
Earnings from equity investments, net	(5.5)	(6.1)
Distributed earnings from equity investments	18.2	2.2
Gain on sale of equity interest	(14.5)	—
Changes in current assets and liabilities, net of effects of acquisitions		
Accounts and notes receivable	51.3	24.7
Inventories	(25.6)	0.8
Accounts payable	(25.3)	(12.6)
Accrued liabilities	19.3	(13.6)
Other current assets and liabilities	7.1	1.5
Other	(1.5)	(2.2)
Net cash provided by operating activities	83.3	23.2
Cash flows from investing activities:		
Additions to property and equipment	(12.2)	(7.3)
Lottery and gaming services expenditures	(24.7)	(16.9)
Intangible assets and software expenditures	(22.7)	(12.1)
Proceeds from asset disposals	—	0.9
Change in other assets and liabilities, net	(0.1)	(0.2)
Equity method investments	(17.7)	—
Distributions of capital on equity investments	22.4	—
Proceeds from sale of equity interest	44.9	—
Restricted cash	(0.9)	1.0
Business acquisitions, net of cash acquired	—	(0.3)
Net cash used in investing activities	(11.0)	(34.9)
Cash flows from financing activities:		
Proceeds from the issuance of long-term debt	0.3	0.9
Payments on long-term debt	(6.3)	(1.6)
Common stock repurchases	(29.5)	—
Contingent earnout payments	(1.8)	—
Net redemptions of common stock under stock-based compensation plans	(19.2)	(2.9)
Net cash used in financing activities	(56.5)	(3.6)
Effect of exchange rate changes on cash and cash equivalents	(0.4)	(3.7)
Increase (decrease) in cash and cash equivalents	15.4	(19.0)
Cash and cash equivalents, beginning of period	153.7	109.0
Cash and cash equivalents, end of period	$ 169.1	$ 90.0

See accompanying notes to consolidated financial statements.

(1) Description of the Business and Summary of Significant Accounting Policies

Description of the Business

We are a leading diversified supplier of technology-based products and services to the gaming and lottery industries. Our portfolio includes instant and draw-based lottery games; gaming machines and game content; server-based lottery and gaming systems; sports betting technology; loyalty and rewards programs; and interactive products and services. As a result of our acquisition of WMS in October 2013, we have significantly expanded our global gaming business.

Basis of Presentation and Principles of Consolidation

The accompanying consolidated financial statements of the Company have been prepared in accordance with SEC and U.S. GAAP requirements. All monetary values set forth in these financial statements are in U.S. dollars ("$") unless otherwise stated herein. The accompanying consolidated financial statements include the Company's accounts and subsidiaries that are wholly owned and in which we have a controlling financial interest. Investments in other entities in which we do not have a controlling financial interest but we exert significant influence are accounted for in the consolidated financial statements using the equity method of accounting. All intercompany balances and transactions have been eliminated in consolidation. We have evaluated subsequent events through the date of these financial statements. In the opinion of management, we have made all adjustments necessary to present fairly our consolidated financial position, our results of operations, comprehensive loss and our cash flows for the periods presented. Such adjustments are of a normal, recurring nature. These consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our 2013 Annual Report on Form 10-K. Interim results of operations are not necessarily indicative of results of operations for a full year.

In our Consolidated Statements of Operations and Comprehensive Loss for the three months ended March 31, 2013, we reclassified $ 1.9 million of R&D expense previously included within SG&A to conform to the current-year presentation.

On March 25, 2013, we completed the sale of our installed base of gaming machines in our pub business as discussed in Note 3 (Acquisitions and Dispositions) to this Quarterly Report on Form 10-Q. The results of the discontinued pub operations for the three months ended March 31, 2013 are presented herein in accordance with ASC 205, *Presentation of Financial Statements - Discontinued Operations*. There were no results of operations for this business for the three months ended March 31, 2014.

Significant Accounting Policies

There have been no changes to our significant accounting policies described in Note 1 in our 2013 Annual Report on Form 10-K except for the addition of our lease accounting policy as described below.

Lease Accounting

We account for assets held under lease in accordance with ASC 840, *Leases*. For leases classified as operating leases, we record expense on a straight-line basis over the base term of the lease agreements. For assets accounted for as capital leases, we record the lower of the net present value of the future minimum lease payments or the fair value of the leased asset at the inception of the lease. Amortization expense is computed using the straight-line method over the shorter of the estimated useful lives of the asset or the period of the related lease.

Recently Issued Accounting Guidance

In January 2014, the FASB issued ASU 2014-05, *Service Concession Arrangements (Topic 853), a consensus of the FASB Emerging Issues Task Force,* which specified that an operating entity should not account for a service concession arrangement within the scope of the update as a lease in accordance with ASC 840, *Leases*. The guidance is effective for fiscal years beginning after December 15, 2014. We do not expect ASU 2014-05 to have a material effect on our financial condition, results of operations or cash flows.

In April 2014, the FASB issued ASU 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity.* ASU 2014-08 changes the criteria for reporting discontinued operations and modifies related

disclosure requirements. The new guidance is effective on a prospective basis for fiscal years beginning after December 15, 2014, and interim periods within annual periods beginning on or after December 15, 2015. We do not expect ASU 2014-08 to have a material effect on our financial condition, results of operations or cash flows.

(2) Reportable Business Segment Information

We report our operations in three business segments—Instant Products, Lottery Systems and Gaming—representing our different products and services. These are our reportable segments under ASC 280, *Segment Reporting*. The Instant Products and Lottery Systems business segments are managed by one executive and the Gaming business segment is managed by a different executive, both of whom report to our chief executive officer (who is our "chief operating decision maker" under applicable accounting standards). Our three business segments represent the aggregation of similar operating segments. Our Instant Products business segment is comprised of our instant products operating segment, which provides instant lottery games and related value-added services, as well as licensed brands that are printed on instant lottery games and other promotional lottery products. Our Lottery Systems business segment is comprised of our lottery systems operating segment, which provides products and services to lottery operators generally comprised of a central system, customized computer software, data communication services, support and/or related equipment. Our Gaming business segment includes (1) our gaming operating segment, which generally sells new and used gaming machines, conversion kits and parts, and leases or otherwise provides gaming machines, systems and content, to commercial, tribal and governmental gaming operators and (2) our interactive operating segment, which provides social gaming entertainment and game server services for real money gaming. Additional discussion regarding the products and services from which each reportable business segment derives its revenue is included in Note 1 in our 2013 Annual Report on Form 10-K.

Effective in the fourth quarter of 2013, we revised our business and operating segments to reflect the reorganization of our business following the WMS acquisition and changes in the financial information regularly reviewed by our chief executive officer. Based on that review, we moved our video systems operating segment from the Lottery Systems business segment to the Gaming business segment. This change, which was effective as of December 31, 2013, had no impact on the Company's consolidated financial statements for any periods. Business segment information for the three months ended March 31, 2013 has been adjusted to reflect this change.

The following tables present revenue, cost of revenue, SG&A, R&D, employee termination and restructuring, D&A, operating income (loss) from continuing operations and earnings (loss) from equity investments by business segment for the three months ended March 31, 2014 and 2013. Certain unallocated expenses managed at the corporate level, comprised primarily of general and administrative costs and other income (expense), net, are not allocated to our business segments.

	Three Months Ended March 31, 2014			
	Instant Products	Lottery Systems	Gaming	Total
Revenue:				
Instant games	$ 126.2	$ —	$ —	$ 126.2
Services	—	50.1	126.7	176.8
Product sales	3.1	14.5	67.5	85.1
Total revenue	129.3	64.6	194.2	388.1
Cost of instant games (1)	69.9	—	—	69.9
Cost of services (1)	—	30.4	36.1	66.5
Cost of product sales (1)	2.0	11.7	32.7	46.4
Selling, general and administrative	13.0	5.6	45.9	64.5
Research and development	0.2	0.4	25.3	25.9
Employee termination and restructuring	0.4	—	5.2	5.6
Depreciation and amortization	8.2	14.3	63.7	86.2
Segment operating income (loss) from continuing operations	$ 35.6	$ 2.2	$ (14.7)	$ 23.1
Unallocated corporate costs				35.2
Consolidated operating loss from continuing operations				$ (12.1)
Earnings (loss) from equity investments	$ 5.4	$ 0.4	$ (0.3)	$ 5.5

(1) Exclusive of depreciation and amortization.

	Three Months Ended March 31, 2013			
	Instant Products	Lottery Systems	Gaming	Total
Revenue:				
Instant games	$ 122.8	$ —	$ —	$ 122.8
Services	—	47.8	34.0	81.8
Product sales	3.5	6.9	4.6	15.0
Total revenue	126.3	54.7	38.6	219.6
Cost of instant games (1)	68.2	—	—	68.2
Cost of services (1)	—	27.8	18.4	46.2
Cost of product sales (1)	2.5	5.2	2.6	10.3
Selling, general and administrative	12.3	5.3	8.1	25.7
Research and development	0.1	1.4	0.4	1.9
Employee termination and restructuring	0.3	—	—	0.3
Depreciation and amortization	9.0	12.6	11.1	32.7
Segment operating income (loss) from continuing operations	$ 33.9	$ 2.4	$ (2.0)	$ 34.3
Unallocated corporate costs				23.2
Consolidated operating income from continuing operations				$ 11.1
Earnings (loss) from equity investments	$ 6.3	$ 0.1	$ (0.3)	$ 6.1

(1) Exclusive of depreciation and amortization.

The following table presents a reconciliation of business segment operating income from continuing operations to net loss from continuing operations before income taxes for each period:

	Three Months Ended March 31,	
	2014	2013
Reportable business segment operating income from continuing operations	$ 23.1	$ 34.3
Unallocated corporate costs	(35.2)	(23.2)
Consolidated operating income (loss) from continuing operations	(12.1)	11.1
Interest expense	(47.9)	(25.0)
Earnings from equity investments	5.5	6.1
Gain on sale of equity interest	14.5	—
Other income (expense), net	2.9	(1.0)
Net loss from continuing operations before income taxes	$ (37.1)	$ (8.8)

In evaluating segment financial performance, we focus on operating income as a segment's measure of profit or loss. Segment operating income is income before other income (expense), net, interest expense, earnings from equity investments, gain on sale of equity interest, unallocated corporate costs and income taxes. The accounting policies of the business segments are the same as those described in our summary of significant accounting policies (see Note 1 in our 2013 Annual Report on Form 10-K).

(3) Acquisitions and Dispositions

Acquisitions

On October 18, 2013 we acquired WMS, a global gaming supplier with a diversified suite of products and strong content creation capabilities, for $1,485.9 million.

We have recorded the assets and liabilities of WMS based on our preliminary estimates of their fair values as of the acquisition date. The determination of the fair values of the acquired assets and assumed liabilities (and the related determination of estimated lives of assets) requires significant judgment. The estimates and assumptions include the projected timing and amount of future cash flows and discount rates reflecting risk inherent in future cash flows. The estimated fair values of the assets and liabilities of WMS and resulting goodwill are subject to adjustment as the Company finalizes its fair value analysis. The significant items for which a final fair value has not been determined as of the filing of this Quarterly

Report on Form 10-Q include accrued liabilities, deferred income taxes and other long-term liabilities. We expect to complete our fair value determinations by the end of the third quarter of 2014. We do not expect our fair value determinations to change; however, there may be differences compared to the amounts reflected in our consolidated financial statements at March 31, 2014 as we finalize our analysis.

Based on our preliminary estimates, the equity purchase price exceeded the aggregate estimated fair value of the acquired assets and assumed liabilities at the acquisition date by $385.6 million, which amount has been recognized as goodwill within our Gaming segment. We attribute this goodwill to enhanced financial and operational scale, market diversification, opportunities for synergies and other strategic benefits. None of the goodwill associated with the acquisition is deductible for income tax purposes and, as such, no deferred taxes have been recorded related to goodwill.

The preliminary allocation of the purchase price to the estimated fair values of assets acquired and liabilities assumed did not change during the three months ended March 31, 2014 from the amounts disclosed in Note 3 in our 2013 Annual Report on Form 10-K, and is presented below:

	At October 18, 2013
Current assets	$ 508.0
Long-term notes receivable	76.2
Property, plant and equipment, net	465.3
Goodwill	385.6
Intangible assets	325.0
Intellectual property	201.2
Other long-term assets	5.9
Total assets	1,967.2
Current liabilities	(164.4)
Deferred income taxes	(166.6)
Long-term liabilities	(150.3)
Total liabilities	(481.3)
Total equity purchase price	$ 1,485.9

As required by ASC 805, *Business Combinations*, the following unaudited pro forma financial information for the three months ended March 31, 2013 gives effect to the WMS acquisition as if it had been completed on January 1, 2012. The unaudited pro forma financial information is presented for illustrative purposes only and is not necessarily indicative of what the operating results actually would have been had the WMS acquisition been completed on January 1, 2012. In addition, the unaudited pro forma financial information does not purport to project the future operating results of the Company. This information is preliminary in nature and subject to change based on any final purchase price allocation adjustments. The unaudited pro forma financial information does not reflect (1) any anticipated synergies (or costs to achieve anticipated synergies) or (2) the impact of non-recurring items directly related to the WMS acquisition.

	Three Months Ended March 31, 2013
Revenue from Consolidated Statements of Operations and Comprehensive Loss	$ 219.6
Add: WMS revenue not reflected in Consolidated Statements of Operations and Comprehensive Loss	177.9
Unaudited pro forma revenue	$ 397.5

	Three Months Ended March 31, 2013
Net loss from continuing operations from Consolidated Statements of Operations and Comprehensive Loss	$ (12.3)
Add: WMS net loss from continuing operations not reflected in Consolidated Statements of Operations and Comprehensive Loss plus pro forma adjustments (1), (2), (3) and (4) below	(12.4)
Unaudited pro forma net loss from continuing operations	$ (24.7)

Unaudited pro forma amounts reflect the following adjustments:

(1) An adjustment to reflect additional D&A of $10.6 million for the three months ended March 31, 2013 that would have been incurred assuming the fair value adjustments to intangible assets and property and equipment had been applied on January 1, 2012.

(2) An adjustment to reverse acquisition-related fees and expenses of $11.1 million for the three months ended March 31, 2013.

(3) An adjustment to reflect additional interest expense of $20.3 million for the three months ended March 31, 2013 that would have been incurred assuming our new credit facilities were in place as of January 1, 2012.

(4) An adjustment of $0.1 million for the three months ended March 31, 2013 to reverse the U.S. tax expense of WMS under the assumption that the U.S. taxable income of WMS would have been offset by U.S. tax attributes of the Company.

Dispositions

On March 25, 2013, we completed the sale of our installed base of gaming terminals in our pub business for £0.5 million. There were no results of operations for this business for the three months ended March 31, 2014. The components of our loss from discontinued operations for the three months ended March 31, 2013 are presented below:

	Three Months Ended March 31, 2013
Revenue:	
Services	$ 1.8
Operating expenses:	
Cost of services (1)	2.6
Selling, general and administrative	0.6
Employee termination and restructuring	—
Depreciation and amortization	0.5
Loss from discontinued operations	(1.9)
Other expense	(0.1)
Gain on sale of assets	0.8
Income tax benefits	0.3
Net loss from discontinued operations	$ (0.9)

(1) Exclusive of depreciation and amortization.

(4) Restructuring Plans

We recorded pre-tax employee termination and restructuring costs of $5.6 million and $0.3 million for the three months ended March 31, 2014 and 2013, respectively. All employee termination and restructuring initiatives reported in the three months ended March 31, 2013 were completed in that period and are not included in the tables below.

Upon our acquisition of WMS in October 2013, we began integrating Scientific Games and WMS and implementing our plans to streamline our operations and cost structure. We have recorded costs that meet the criteria under ASC 420, *Exit and Disposal Cost Obligations*, in each of our segments associated with integration activities that have been initiated in the relevant period. These costs include employee severance costs, costs relating to the exiting of facilities and costs related to exiting two immaterial businesses.

Unallocated corporate employee termination costs primarily relate to an accrual for cash severance due to our former chief executive officer that was recorded in the fourth quarter of 2013.

In December 2013, we initiated a plan to exit our Provoloto instant lottery game operations in Mexico, which was completed during the three months ended March 31, 2014. Employee termination and restructuring costs related to this initiative are included in our Instant Products segment.

The following table presents a summary of employee termination and restructuring costs by segment related to restructuring plans that were initiated as of March 31, 2014, including the costs incurred during the three months ended March 31, 2014, the cumulative costs incurred through March 31, 2014 since the relevant restructuring activities were initiated and the

total expected cost related to the relevant restructuring activities that have been initiated. As additional integration-related activities are initiated, we expect to incur additional costs related to those activities.

Business Segment		Employee Termination Costs	Property Costs	Other	Total
Instant Products	2014 first quarter	$ 0.4	$ —	$ —	$ 0.4
	Cumulative	0.4	—	4.7	5.1
	Expected Total	0.4	—	4.7	5.1
Lottery Systems	2014 first quarter	—	—	—	—
	Cumulative	0.4	—	—	0.4
	Expected Total	0.4	—	—	0.4
Gaming	2014 first quarter	3.5	—	1.7	5.2
	Cumulative	7.3	1.0	5.5	13.8
	Expected Total	7.5	1.7	6.2	15.4
Unallocated corporate	2014 first quarter	—	—	—	—
	Cumulative	6.9	2.1	—	9.0
	Expected Total	6.9	2.1	—	9.0
Total	2014 first quarter	$ 3.9	$ —	$ 1.7	$ 5.6
	Cumulative	$ 15.0	$ 3.1	$ 10.2	$ 28.3
	Expected Total	$ 15.2	$ 3.8	$ 10.9	$ 29.9

The following table presents a summary of employee termination and restructuring costs and changes in the related accruals.

	Employee Termination Costs	Property Costs	Other	Total
Balance as of December 31, 2013	$ 9.3	$ 2.8	$ 0.1	$ 12.2
Accrual additions	3.9	—	1.7	5.6
Cash payments	(4.4)	(0.1)	(1.4)	(5.9)
Non-cash expense	(0.1)	(0.2)	—	(0.3)
Balance as of March 31, 2014	$ 8.7	$ 2.5	$ 0.4	$ 11.6

(5) Basic and Diluted Net Loss Per Share

The following represents a reconciliation of the numerator and denominator used in computing basic and diluted net loss per share available to common stockholders for the three months ended March 31, 2014 and 2013:

	Three Months Ended March 31,	
	2014	2013
Net loss		
Net loss from continuing operations	$ (45.0)	$ (12.3)
Net loss from discontinued operations	—	(0.9)
Net loss	$ (45.0)	$ (13.2)
Weighted average number of shares used in per share calculations:		
Basic shares	84.3	84.6
Diluted shares	84.3	84.6
Basic net loss per share:		
Continuing operations	$ (0.53)	$ (0.15)
Discontinued operations	—	(0.01)
Total basic net loss per share	$ (0.53)	$ (0.16)
Diluted net loss per share:		
Continuing operations	$ (0.53)	$ (0.15)
Discontinued operations	—	(0.01)
Total diluted net loss per share	$ (0.53)	$ (0.16)

For all periods presented, basic and diluted net loss per share is the same, as any additional common stock equivalents would be anti-dilutive. We excluded 1.9 million and 3.5 million of stock options from the weighted average diluted common shares outstanding for the three months ended March 31, 2014 and 2013, respectively, which would have been anti-dilutive due to the net loss in those periods. In addition, we excluded 4.8 million and 5.2 million of RSUs from the calculation of weighted average diluted common shares outstanding, for the three months ended March 31, 2014 and 2013, respectively, which would have been anti-dilutive due to the net loss in those periods.

(6) Accounts and Notes Receivable and Credit Quality of Notes Receivable

Accounts and Notes Receivable

The following summarizes the components of current and long-term accounts and notes receivable, net, as of March 31, 2014 and December 31, 2013:

	As of March 31, 2014	As of December 31, 2013
Current:		
Accounts receivable	$ 330.2	$ 360.4
Notes receivable	150.5	164.3
Allowance for doubtful accounts	(19.0)	(20.0)
Current accounts and notes receivable, net	$ 461.7	$ 504.7
Long-term:		
Notes receivable	64.1	72.6
Total accounts and notes receivable, net	$ 525.8	$ 577.3

Credit Quality of Notes Receivable

Our accounts and notes receivable, net, from customers in Argentina at March 31, 2014 was $36.4 million, which is denominated in U.S. dollars, although our customers pay us in pesos at the spot exchange rate between the peso and the U.S. dollar on the date of payment. In evaluating the collectability of customer receivables in Argentina at March 31, 2014, we specifically evaluated recent payments, receivable aging, any additional security or collateral we had (bills of exchange, pledge agreements, etc.) and other facts and circumstances to determine our customers' ability to pay. Our customers in Argentina have continued to pay us in pesos based on the spot exchange rate between the peso and the U.S. dollar on payment date. We collected $11.7 million of outstanding receivable balances from customers in Argentina during the three months ended March 31, 2014.

We carry our notes receivable at face amounts less an allowance for doubtful accounts and imputed interest. Interest income is recognized ratably over the life of the note receivable and any related fees or costs to establish the notes are expensed as incurred, as they are considered insignificant. Actual or imputed interest, if any, is determined based on current market rates

at the time the note originated and is recorded as interest income in other income (expense), net, ratably over the payment period. We impute interest income on notes receivable with terms greater than one year that do not contain a stated interest rate. The interest rates on our outstanding notes receivable ranged from 5.25% to 10.0% at March 31, 2014. Our policy is to generally recognize interest on our notes receivable until the note receivable is deemed non-performing, which we define as a note on which payments are over 180 days past due. The amount of our non-performing notes was immaterial at March 31, 2014.

Most of our customers are not rated by credit rating agencies. Where possible we seek payment deposits, collateral, pledge agreements, bills of exchange, foreign bank letters of credit or personal guarantees with respect to notes receivable. However, the majority of our international notes receivable are not collateralized. Currently, we have not sold our notes receivable to third parties; therefore, we do not have any off-balance sheet liabilities for factored receivables.

The following summarizes the components of total notes receivable, net, as of March 31, 2014 and December 31, 2013:

	As of March 31, 2014	Balances over 90 days past due	As of December 31, 2013	Balances over 90 days past due
Notes receivable:				
Domestic	$ 61.7	$ 1.3	$ 65.1	$ 0.4
International	152.9	10.7	171.8	8.7
Total notes receivable	214.6	12.0	236.9	9.1
Notes receivable allowance for doubtful accounts:				
Domestic	—	—	—	—
International	(6.6)	(4.8)	(5.6)	(3.3)
Total notes receivable allowance for doubtful Accounts	(6.6)	(4.8)	(5.6)	(3.3)
Note receivable, net	$ 208.0	$ 7.2	$ 231.3	$ 5.8

At March 31, 2014, 3.5% of our total notes receivable, net, was past due by over 90 days compared to 2.5% at December 31, 2013.

The following tables detail our evaluation of notes receivable for impairment as of March 31, 2014 and December 31, 2013:

	As of March 31, 2014	Ending Balance Individually Evaluated for Impairment	Ending Balance Collectively Evaluated for Impairment
Notes receivable:			
Domestic	$ 61.7	$ 12.6	$ 49.1
International	152.9	91.7	61.2
Total notes receivable	$ 214.6	$ 104.3	$ 110.3

	As of December 31, 2013	Ending Balance Individually Evaluated for Impairment	Ending Balance Collectively Evaluated for Impairment
Notes receivable:			
Domestic	$ 65.1	$ 4.8	$ 60.3
International	171.8	99.7	72.1
Total notes receivable	$ 236.9	$ 104.5	$ 132.4

The following tables reconcile the allowance for doubtful notes receivable from December 31, 2013 to March 31, 2014:

	Total	Ending Balance Individually Evaluated for Impairment	Ending Balance Collectively Evaluated for Impairment
Beginning balance at December 31, 2013	$ 5.6	$ 5.6	$ —
Charge-offs	—	—	—
Recoveries	—	—	—
Provision	1.0	0.9	0.1
Ending Balance at March 31, 2014	$ 6.6	$ 6.5	$ 0.1

Modifications to original financing terms are exceptions to our cash collection process and are a function of collection activities with the customer. If a customer requests a modification of financing terms during the collection process, we evaluate the proposed modification in relation to the recovery of our gaming machines, generally seek additional security and recognize any additional interest income ratably over the remaining new financing term. Additionally, we often take the opportunity to simplify the future payments by consolidating several notes (each typically representing an individual purchase transaction) into one note. In those instances, the aging of any outstanding receivable balance would be adjusted to reflect the new payment terms. Any such modifications generally do not include a concession on the amount owed and generally result only in a delay of payments relative to the original terms.

The following summarizes the notes receivable the financing terms of which were modified during the three months ended March 31, 2014:

	Three Months Ended March 31, 2014			
	# of Customers	# of Notes	Pre-Modification Investment	Post-Modification Investment
Financing term modifications				
International (1)	3	9	$ 7.0	$ 7.0
Total financing term modifications	3	9	$ 7.0	$ 7.0

(1) The modifications are detailed below:

- One customer for which three notes were consolidated into one note aggregating $3.1 million, with an average four-month payment extension;
- One customer with a note for $2.3 million for which original payment terms were extended by nine months; and
- One customer for which four notes were consolidated into one note aggregating $1.4 million, with an average five-month extension and with another note for $0.2 million for which original terms were extended by seven months.

In certain international jurisdictions, we offer extended financing terms related to our notes receivable. Such financing activities subject us to increased credit risk, which could be exacerbated by, among other things, unfavorable economic conditions or political or economic instability in those regions. Our notes receivable were concentrated in the following international gaming jurisdictions at March 31, 2014:

Peru	21%
Mexico	16%
Argentina	16%
Columbia	7%
Other (less than 5% individually)	12%
Total International Notes Receivable	72%

(7) Inventories

Inventories consisted of the following as of the dates presented below:

	March 31, 2014	December 31, 2013
Parts and work-in-process	$ 79.1	$ 62.1
Finished goods	84.1	75.7
Inventory	$ 163.2	$ 137.8

Parts and work-in-process include parts for lottery terminals, gaming machines and instant lottery ticket materials as well as labor and overhead costs associated with the manufacturing of instant lottery games. Our finished goods inventory primarily consists of instant games for our participation arrangements, gaming machines for sale and our licensed branded merchandise.

(8) Property and Equipment

The following table presents certain information regarding our lottery and gaming equipment at March 31, 2014 and December 31, 2013:

	March 31, 2014	December 31, 2013
Lottery equipment	$ 349.3	$ 350.3
Less: accumulated depreciation	(216.7)	(210.6)
Net lottery equipment	132.6	139.7
Gaming equipment	433.2	439.2
Less: accumulated depreciation	(142.6)	(145.0)
Net gaming equipment	290.6	294.2
Total lottery and gaming equipment, net	$ 423.2	$ 433.9

The following table presents certain information regarding our other property and equipment, including capital leases, at March 31, 2014 and December 31, 2013:

	March 31, 2014	December 31, 2013
Land	$ 25.6	$ 25.6
Buildings and leasehold improvements	183.2	181.6
Machinery and equipment	248.8	239.1
Furniture and fixtures	25.1	30.1
Transportation equipment	6.2	6.4
Construction in progress	14.4	33.4
Capital leases	14.2	—
Less: accumulated depreciation	(175.1)	(177.5)
Total other property and equipment, net	$ 342.4	$ 338.7
Total property and equipment, net	$ 765.6	$ 772.6

Depreciation expense for the three months ended March 31, 2014 and 2013 was $52.5 million and $22.2 million, respectively. Depreciation expense is excluded from cost of instant games, cost of services, cost of product sales and other operating expenses and is separately stated with amortization expense on the Consolidated Statements of Operations and Comprehensive Loss.

(9) Intangible Assets and Goodwill

Intangible Assets

The following presents certain information regarding our intangible assets as of March 31, 2014 and December 31, 2013. Amortizable intangible assets are primarily being amortized on a straight-line basis over their estimated useful lives with no estimated residual values.

Intangible Assets	Gross Carrying Amount	Accumulated Amortization	Net Balance
Balance as of March 31, 2014			
Amortizable intangible assets:			
Patents	$ 15.4	$ 7.4	$ 8.0
Customer lists	162.0	28.8	133.2
Licenses	290.5	62.2	228.3
Intellectual property	8.6	6.0	2.6
Brand name	39.3	1.8	37.5
Non-compete agreements	0.4	0.2	0.2
Lottery contracts	1.5	1.4	0.1
	517.7	107.8	409.9
Non-amortizable intangible assets:			
Trade name	105.0	2.1	102.9
Total intangible assets	$ 622.7	$ 109.9	$ 512.8
Balance as of December 31, 2013			
Amortizable intangible assets:			
Patents	$ 14.5	$ 7.1	$ 7.4
Customer lists	161.9	24.0	137.9
Licenses	181.0	59.9	121.1
Intellectual property	8.6	5.7	2.9
Brand name	39.3	0.6	38.7
Non-compete agreements	0.4	0.2	0.2
Lottery contracts	1.5	1.4	0.1
	407.2	98.9	308.3
Non-amortizable intangible assets:			
Trade name	104.9	2.1	102.8
Total intangible assets	$ 512.1	$ 101.0	$ 411.1

The increase in the carrying amount of licenses for the three months ended March 31, 2014 reflected the recording of approximately $106 million associated with a long-term license agreement which was amended and extended during the period. The carrying value of the licensed asset increased to reflect the additional minimum guarantees of royalties under the amended license agreement. For additional information regarding licensed assets with minimum guarantees, see Note 1 in our 2013 Annual Report on Form 10-K.

The aggregate intangible amortization expense for the three months ended March 31, 2014 and 2013 was $14.6 million and $4.9 million, respectively.

Goodwill

The table below reconciles the change in the carrying amount of goodwill by reporting segment from December 31, 2012 to March 31, 2014.

Goodwill	Instant Products	Lottery Systems	Gaming	Totals
Balance as of December 31, 2012	$ 328.0	$ 210.7	$ 262.7	$ 801.4
Acquisitions	—	—	385.6	385.6
Impairments	(5.4)	—	—	(5.4)
Foreign currency adjustments	(2.4)	2.7	5.0	5.3
Reallocation of goodwill	20.0	(39.7)	19.7	—
Balance as of December 31, 2013	340.2	173.7	673.0	1,186.9
Foreign currency adjustments	(0.5)	2.3	1.7	3.5
Balance as of March 31, 2014	$ 339.7	$ 176.0	$ 674.7	$ 1,190.4

(10) Equity Method Investments

The following provides an update for events that occurred during the three months ended March 31, 2014 related to our equity method investments, which are disclosed in Note 11 in our 2013 Annual Report on Form 10-K.

Northstar Illinois

Under the terms of a PMA, Northstar Illinois is entitled to receive annual incentive compensation payments to the extent it is successful in increasing the Illinois lottery's net income (as defined in the PMA) above specified target levels, subject to a cap of 5% of the applicable year's net income. Northstar Illinois is responsible for payments to the State to the extent such targets are not achieved, subject to a similar cap. We understand that the lottery has asserted that Northstar Illinois is responsible for shortfall payments of approximately $22 million with respect to its fiscal year ended June 30, 2012 and approximately $39 million with respect to its fiscal year ended June 30, 2013. We further understand that Northstar Illinois disagrees with the methodology used by the lottery in calculating the lottery's net income for each such fiscal year that formed the basis of the lottery's shortfall payment claim, believes that certain other matters that could impact any potential shortfall payment have yet to be resolved and has initiated the resolution process contemplated by the PMA in an attempt to resolve these matters.

We understand that, despite the disagreement with the methodology, in light of the completion of the lottery's financial statements for the fiscal year ended June 30, 2012, and based on preliminary financial information for the lottery's fiscal year ended June 30, 2013, Northstar Illinois recorded a liability of $42.0 million associated with its estimate of the potential aggregate net shortfall payments for the first three fiscal years under the PMA. We amortize our 20% share of the $42.0 million of estimated net shortfall payments recorded by Northstar Illinois over the ten-year life of the contract, which reduces our earnings from our equity investment in Northstar Illinois. This amount was not material to our results of operations for the three months ended March 31, 2014. Any increase to the estimated liability would result in our recording our 20% share of such amount as a charge in our Consolidated Statements of Operations and Comprehensive Loss.

Sportech

In January 2014, we completed the sale of our 20% equity interest in Sportech for cash proceeds of £27.8 million, or $44.9 million, resulting in a gain of approximately £9 million, or $14.5 million, which is reflected as gain on sale of equity interest in our Consolidated Statements of Operations and Comprehensive Loss.

LNS

During the three months ended March 31, 2014, we received a distribution of capital of $22.4 million and a dividend of $18.2 million from LNS.

ITL

During the three months ended March 31, 2014, we contributed $17.7 million to ITL.

(11) Long-Term and Other Debt

Outstanding Debt

The following reflects our outstanding debt as of March 31, 2014 and December 31, 2013:

	March 31, 2014	December 31, 2013
Revolver, varying interest rate, due 2018	$ —	$ —
Term Loan, varying interest rate, due 2020 (1)	2,283.5	2,288.8
2018 Notes	250.0	250.0
2019 Notes (2)	346.5	346.3
2020 Notes	300.0	300.0
China Loans, varying interest rates	7.0	7.4
Capital lease obligations, 3.9% interest as of March 31, 2014 payable monthly through 2019	14.2	0.1
Total long-term debt outstanding and capital lease obligations	3,201.2	3,192.6
Less: debt payments due within one year	(32.9)	(30.4)
Long-term debt, net of current installments	$ 3,168.3	$ 3,162.2

(1) Total of $2,294.2 million less amortization of a loan discount in the amount of $10.7 million as of March 31, 2014. Total of $2,300.0 million less amortization of a loan discount in the amount of $11.2 million as of December 31, 2013.

(2) Total of $350.0 million less amortization of a loan discount in the amount of $3.5 million and $3.7 million as of March 31, 2014 and December 31, 2013, respectively.

Senior Secured Credit Facilities

In connection with the WMS acquisition, the Company and certain of its subsidiaries entered into a credit agreement dated as of October 18, 2013, by and among SGI, as the borrower, the Company, as a guarantor, Bank of America, N.A., as administrative agent, and the lenders and other agents party thereto, providing for senior secured credit facilities in an aggregate principal amount of $2,600.0 million, including a $300.0 million revolving credit facility, which has dollar and multi-currency tranches, and a $2,300.0 million term loan facility. The term loan facility was used, in part, to finance the consideration paid in the WMS acquisition, to repay all indebtedness under our and WMS's prior credit agreements and to pay related acquisition and financing fees and expenses. Up to $200.0 million of the revolving credit facility is available for issuances of letters of credit. The term loan is scheduled to mature on October 18, 2020 and the revolving credit facility is scheduled to mature on October 18, 2018 (subject to accelerated maturity dates depending on our liquidity at the time our 2018 Notes, 2019 Notes and 2020 Notes become due).

SGI is required to pay commitment fees to revolving lenders on the actual daily unused portion of the revolving commitments at a rate of 0.50% per annum through maturity, subject to a step-down to 0.375% based upon certain first lien net leverage ratios. The credit facilities contain customary events of default (subject to customary grace periods and materiality thresholds). Upon the occurrence of certain events of default, the obligations under the credit facilities may be accelerated and the commitments may be terminated.

We were in compliance with the covenants under the credit agreement as of March 31, 2014.

Senior Subordinated Notes

For additional information regarding our 2018 Notes, 2019 Notes and 2020 Notes, see Note 15 in our 2013 Annual Report on Form 10-K.

Capital Leases

On March 31, 2014, we entered into a new leasing arrangement with ITL for the lease of gaming machines in connection with a long-term services contract with a customer. As of March 31, 2014, we recorded a capital lease asset and minimum lease liability of $14.2 million. We expect the lease value will increase during 2014 as we lease additional gaming machines that will be placed into service under our long-term customer contract.

(12) Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset and liability in an orderly transaction between market participants at the measurement date. We estimate fair value of our assets and liabilities utilizing an established three-level hierarchy as described in Note 16 in our 2013 Annual Report on Form 10-K.

The fair value of our financial assets and liabilities is determined by reference to market data and other valuation techniques as appropriate. We believe the fair value of our financial instruments, which are principally cash and cash equivalents, accounts and notes receivable, other current assets, accounts payable and accrued liabilities, approximates their recorded values.

Interest rate swaption contract

On January 30, 2014, we entered into a swaption contract with an aggregate notional value of $150.0 million. The swaption gives us the right, but not the obligation, to enter into a swap in which we would pay a fixed rate of 2.151% and receive interest on the notional amount based on a floating LIBOR rate. We paid a premium of $0.9 million at the time we entered into the swaption and have no additional payment obligations. The cash settlement value depends on the extent to which prevailing LIBOR swap rates exceed the fixed rate under the swaption. To the extent the prevailing swap rate on the expiration date exceeds the swaption fixed rate, a payment would be due to us, which would effectively reduce our future interest costs. To the extent the prevailing swap rate is at or below the swaption fixed rate, we would not exercise the swaption and it would expire with no further cash payment from us or the counterparty.

The swaption is highly effective in offsetting our exposure to the variability of the three-month LIBOR rate associated with our variable rate debt. The effectiveness of the swaption is measured quarterly on a retrospective basis by comparing the cumulative change in the hedging instrument's fair value to the change in the underlying hedged transaction's fair value. In accordance with ASC 815, *Derivatives and Hedging,* we have designated the intrinsic value associated with the swaption contract as a qualifying hedge. We have elected to exclude the time value, inclusive of premium paid, from our qualifying hedging relationship. As a result, the time value of the contract will be amortized over the period of the contract and recognized as interest expense in our Consolidated Statements of Operations and Comprehensive Loss. We will recognize all gains and losses associated with the intrinsic value of the contract in other comprehensive loss in our Consolidated Statements of Operations and Comprehensive Loss until its expiration date. Realized gains, if any, owed by the counterparty at expiration will be recognized as a reduction to interest expense in our Consolidated Statements of Operations and Comprehensive Loss by applying the effective interest method for the applicable periods.

As valuations for comparable swaptions are not publicly available, we categorized the swaption as Level 3 in the fair value hierarchy. We believe the estimated fair value for the LIBOR swaption we hold is based on the most accurate information available for these types of derivative contracts. For the three months ended March 31, 2014, we recorded a gain, net of tax, of $ 0.9 million in other comprehensive loss in our Consolidated Statements of Operations and Comprehensive Loss, representing the change in fair value associated with the intrinsic value of the swaption. The fair value of the swaption as of March 31, 2014 was $0.9 million, which is recorded in other assets in our Consolidated Balance Sheets.

Interest rate swap contracts

In August 2013, we entered into forward starting interest rate swap contracts with an aggregate notional value of $500.0 million. In October 2013, we entered into additional forward starting interest rate swap contracts with an aggregate notional value of $200.0 million. These hedges become effective in April 2015 and mature in January 2018. We entered into the forward starting interest rate swap contracts, which are designated as cash flow hedges of the future interest payment transactions in accordance with ASC 815, *Derivatives and Hedging,* in order to eliminate the variability of cash flows attributable to the LIBOR component of interest expense to be paid on our variable-rate debt. Under these hedges, we will pay interest on the notional amount of debt at a weighted average fixed rate of 2.151% and receive interest on the notional amount at the greater of 1% or the then prevailing three-month LIBOR rate beginning in April 2015.

These hedges are highly effective in offsetting our exposure to the variability of the three-month LIBOR rate associated with our variable-rate debt. The effectiveness of these hedges is measured quarterly on a retrospective basis by comparing the cumulative change in the hedging instrument's fair value to the change in the hedged transaction's fair value. To the extent these hedges have no ineffectiveness, all gains and losses from these hedges are recorded in other comprehensive loss in our Consolidated Statements of Operations and Comprehensive Loss until the future underlying interest payment transactions occur. Any realized gains or losses resulting from the hedges will be recognized (together with the hedged transaction) as interest expense in our Consolidated Statements of Operations and Comprehensive Loss beginning in June 2015. For the three months ended March 31, 2014, we recorded a loss, net of tax, of $1.6 million in other comprehensive loss in our Consolidated Statements of Operations and Comprehensive Loss, representing the change in fair value associated with these hedges. The fair

value of these hedges as of March 31, 2014 was $3.1 million, which is recorded in other long-term liabilities in our Consolidated Balance Sheets.

Foreign currency forward contracts

During 2012, we entered into foreign currency forward contracts for the sale of Euros for U.S. dollars at a weighted average rate of 1.319 to hedge a portion of the net investment in one of our subsidiaries that is denominated in Euros. Some of these foreign currency forward contracts settled in 2012. In May 2013, we settled the remaining €20.0 million in aggregate notional amount of the foreign currency forward contracts, which had a weighted average rate of 1.269%.

We designated the forward contracts as qualified hedges in accordance with ASC 815, *Derivatives and Hedging*. Gains and losses from the foreign currency forward contracts were recorded in accumulated other comprehensive income in our Consolidated Balance Sheets until the investment was liquidated.

Other

In accordance with ASC 323, *Investments - Equity Method and Joint Ventures*, we record our share of a derivative instrument held by LNS. Changes in the fair value of the derivative instrument are recorded by LNS in other comprehensive income on LNS' statement of comprehensive income. During the three months ended March 31, 2014 and 2013, our 20% share of the change associated with this derivative instrument was not material to our other comprehensive loss in our Consolidated Statements of Operations and Comprehensive Loss and in equity investments on our Consolidated Balance Sheets.

(13) Stockholders' Equity

The following table sets forth the change in the number of shares of our Class A common stock outstanding during the three months ended March 31, 2014 and during the fiscal year ended December 31, 2013:

	Three Months Ended March 31, 2014	Twelve Months Ended December 31, 2013
Shares outstanding as of beginning of period	85.2	84.4
Shares issued as part of equity-based compensation plans and the Employee Stock Purchase Plan ("ESPP"), net of restricted stock units surrendered	1.0	1.1
Common stock repurchases	(2.0)	(0.3)
Shares outstanding as of end of period	84.2	85.2

On December 5, 2013, our board of directors approved an extension of our existing stock repurchase program to December 31, 2014. The program, originally announced in May 2010, was due to expire on December 31, 2013. Under the program, we are authorized to repurchase, from time to time through open market purchases or otherwise, shares of our outstanding common stock in an aggregate amount up to $200.0 million. During the first quarter of 2014, we repurchased approximately 2.0 million shares at an aggregate cost of $29.5 million. As of March 31, 2014, we had $75.0 million available for potential repurchases under the program. Purchases made during the first quarter of 2014 were funded by cash flows from operations.

During 2013, we repurchased 50,000 shares at an aggregate cost of $0.8 million.

(14) Stock-Based Compensation

We offer stock-based compensation in the form of stock options and RSUs. We also offer an ESPP.

We grant stock options to employees and directors under our equity-based compensation plans with exercise prices that are not less than the fair market value of our common stock on the date of grant. The terms of the stock option and RSU awards, including the vesting schedule of such awards, are determined at the discretion of the compensation committee of the Board of Directors, subject to the terms of the applicable equity-based compensation plan. Options granted over the last several years have generally become exercisable in four or five equal annual installments beginning on the first anniversary of the date of grant with a maximum term of ten years or when certain performance targets are determined to have been met. RSUs typically vest in four or five equal annual installments beginning on the first anniversary of the date of grant or when certain performance targets are determined to have been met. There are 13.5 million shares of common stock authorized for awards under our 2003 Incentive Compensation Plan (the "2003 Plan") plus available shares from a pre-existing equity-based compensation plan, which plans were approved by our stockholders. In connection with the WMS acquisition, we assumed the

WMS Incentive Compensation Plan (2012 Restatement) and the outstanding awards under such plan, which were converted into Company equity awards using a customary exchange ratio. At the time of the assumption, there were 5.6 million shares available for future issuance under the WMS Plan, excluding shares available under outstanding awards. We record compensation cost for all stock options and RSUs based on the grant date fair value.

Our ESPP allows for a total of up to 1.0 million shares of Class A common stock to be purchased by eligible employees under offerings made each January 1 and July 1. Employees participate through payroll deductions up to a maximum of 15% of eligible compensation. The term of each offering period is six months and shares are purchased on the last day of the offering period at a 15% discount to the stock's market value.

The Company may grant certain awards the vesting of which is contingent upon the Company achieving certain performance targets. Upon determining that the performance target is probable, the fair value of the award is recognized over the service period, subject to potential adjustment.

As of March 31, 2014, we had approximately 2.0 million shares available for grants of equity awards to our employees (including WMS employees) under our legacy equity-based compensation plans (excluding 0.3 million shares available under our ESPP) and an additional 4.5 million shares available for grants of equity awards to WMS employees only under the WMS plan.

Under the share counting rules of our 2003 Plan, awards may be outstanding relating to a greater number of shares than the aggregate remaining available under our 2003 Plan so long as awards will not result in delivery and vesting of shares in excess of the number then available under the plan. Shares available for future issuance do not include shares expected to be withheld in connection with outstanding awards to satisfy tax withholding obligations, which would be available for future awards under our 2003 Plan under the applicable share counting rules.

Stock Options

A summary of the changes in stock options outstanding during the three months ended March 31, 2014 is presented below:

	Number of Options	Weighted Average Remaining Contract Term (Years)	Weighted Average Exercise Price	Aggregate Intrinsic Value
Options outstanding as of December 31, 2013	2.6	4.2	$ 10.46	$ 17.8
Granted	0.4		16.03	—
Exercised	—		—	0.2
Canceled	(1.1)		9.04	—
Options outstanding as of March 31, 2014	1.9	7.7	$ 12.62	$ 5.0
Options exercisable as of March 31, 2014	0.9	6.6	$ 11.00	$ 3.5

The weighted average grant date fair value of options awarded during the three months ended March 31, 2014 was $8.86. No options were granted during the three months ended March 31, 2013. For the three months ended March 31, 2014 and 2013, we recognized stock-based compensation expense of $0.5 million and $0.9 million, respectively, related to the service period of the stock options and a related tax benefit of $0.2 million and $0.4 million, respectively, prior to consideration of any valuation allowance recorded against the tax benefit.

As of March 31, 2014, we had unrecognized compensation expense of $7.0 million relating to stock option awards that will be amortized over a weighted average period of approximately two years.

Restricted Stock Units

A summary of the changes in RSUs outstanding during the three months ended March 31, 2014 is presented below:

	Number of RSUs	Weighted Average Grant Date Fair Value Per RSU
Unvested units as of December 31, 2013	5.2	$ 11.93
Granted	1.4	16.02
Vested	(1.7)	10.09
Canceled	(0.1)	13.84
Unvested units as of March 31, 2014	4.8	$ 13.76

For the three months ended March 31, 2014 and 2013, we recognized stock-based compensation expense of $4.6 million and $4.7 million, respectively, related to the service period of RSUs and a related tax benefit of $1.7 million and $1.8 million, respectively, prior to consideration of any valuation allowance recorded against the tax benefit.

As of March 31, 2014, we had unrecognized compensation expense of $58.5 million relating to RSUs that will be amortized over a weighted average period of approximately two years.

(15) Employee Benefit Plans

We have defined benefit pension plans for our U.K.-based union employees and certain Canadian-based employees (the "U.K. Plan" and the "Canadian Plan," respectively). Retirement benefits under the U.K. Plan are based on an employee's average compensation over the two years preceding retirement. Retirement benefits under the Canadian Plan are generally based on the number of years of credited service. Our policy is to fund the minimum contribution permissible by the applicable regulatory authorities.

The following table sets forth the combined amount of net periodic benefit cost recognized for the three months ended March 31, 2014 and 2013:

	Three Months Ended March 31,	
	2014	2013
Components of net periodic pension benefit cost:		
Service cost	$ 0.6	$ 0.6
Interest cost	1.3	1.2
Expected return on plan assets	(1.6)	(1.4)
Amortization of actuarial gains	0.2	0.2
Curtailments	0.1	—
Amortization of prior service costs	(0.1)	—
Net periodic cost	$ 0.5	$ 0.6

We have a 401(k) plan for U.S.-based employees. We contribute 37.5 cents on the dollar for the first 6% of participant contributions for a match of up to 2.25% of eligible compensation. In connection with the WMS acquisition, we assumed WMS' existing 401(k) plans. These plans cover union and non-union full-time employees of WMS and provide for contributions of up to 4.5% of covered non-union employees' eligible compensation and a maximum fixed annual amount for covered union employees' eligible compensation as defined in the plans.

(16) Income Taxes

The effective income tax rates on the loss from continuing operations were (21.3)% and (40.6)% for the three months ended March 31, 2014 and 2013, respectively, and were determined using an estimated annual effective tax rate after considering any discrete items for such periods. Due to a valuation allowance against our U.S. deferred tax assets, the effective tax rates for the three months ended March 31, 2014 and 2013 do not include the benefit of the current-year U.S. tax loss. As a result, income tax expense for the three months ended March 31, 2014 and 2013 was primarily due to income tax expense in foreign jurisdictions.

Our effective income tax rate on foreign earnings was impacted by the mix of income and the statutory tax rates in our foreign jurisdictions, which ranged from a low of 0% to a high of 35%. The foreign jurisdictions that had the most impact on our foreign income tax benefit (expense) in the period include Austria, Canada, Ireland and the U.K.

(17) Litigation

The Company is involved in various legal proceedings, including those discussed below. We record an accrual for legal contingencies when it is both probable that a liability will be incurred and the amount or range of the loss can be reasonably estimated. We evaluate our accruals for legal contingencies at least quarterly and, as appropriate, establish new accruals or adjust existing accruals to reflect (1) the facts and circumstances known to us at the time, including information regarding negotiations, settlements, rulings and other relevant events and developments, (2) the advice and analyses of counsel and (3) the assumptions and judgment of management. Legal costs associated with our legal proceedings are expensed as incurred. We had accrued liabilities of $25.9 million for all of our legal matters that were contingencies as of March 31, 2014 and December 31, 2013.

Substantially all of our legal contingencies are subject to significant uncertainties and, therefore, determining the likelihood of a loss and/or the measurement of any loss involves a series of complex judgments about future events. Consequently, the ultimate outcomes of our legal contingencies could result in losses in excess of amounts we have accrued. Any such losses could have a material adverse impact on our results of operations, financial position and cash flows.

Colombia Litigation

Our subsidiary, SGI, owned a minority interest in Wintech de Colombia S.A., or Wintech (now liquidated), which formerly operated the Colombian national lottery under a contract with Empresa Colombiana de Recursos para la Salud, S.A. (together with its successors, "Ecosalud"), an agency of the Colombian government. The contract provided for a penalty against Wintech, SGI and the other shareholders of Wintech of up to $5.0 million if certain levels of lottery sales were not achieved. In addition, SGI delivered to Ecosalud a $4.0 million surety bond as a further guarantee of performance under the contract. Wintech started the instant lottery in Colombia but, due to difficulties beyond its control, including, among other factors, social and political unrest in Colombia, frequently interrupted telephone service and power outages, and competition from another lottery being operated in a province of Colombia that we believe was in violation of Wintech's exclusive license from Ecosalud, the projected sales level was not met for the year ended June 30, 1993.

In 1993, Ecosalud issued a resolution declaring that the contract was in default. In 1994, Ecosalud issued a liquidation resolution asserting claims for compensation and damages against Wintech, SGI and other shareholders of Wintech for, among other things, realization of the full amount of the penalty, plus interest, and the amount of the bond. SGI filed separate actions opposing each resolution with the Tribunal Contencioso of Cundinamarca in Colombia (the "Tribunal"), which upheld both resolutions. SGI appealed each decision to the Council of State. In May 2012, the Council of State upheld the contract default resolution, which decision was notified to us in August 2012. In October 2013, the Council of State upheld the liquidation resolution, which decision was notified to us in December 2013.

In July 1996, Ecosalud filed a lawsuit against SGI in the U.S. District Court for the Northern District of Georgia asserting many of the same claims asserted in the Colombia proceedings, including breach of contract, and seeking damages. In March 1997, the District Court dismissed Ecosalud's claims. Ecosalud appealed the decision to the U.S. Court of Appeals for the Eleventh Circuit. The Court of Appeals affirmed the District Court's decision in 1998.

In June 1999, Ecosalud filed a collection proceeding against SGI to enforce the liquidation resolution and recover the claimed damages. In May 2013, the Tribunal denied SGI's merit defenses to the collection proceeding and issued an order of payment of approximately 90 billion Colombian pesos (approximately $47 million based on the current exchange rate) plus default interest (potentially accrued since 1994). SGI has filed an appeal to the Council of State, which appeal has stayed the payment order.

SGI believes it has various defenses, including on the merits, against Ecosalud's claims. Although we believe these claims will not result in a material adverse effect on our consolidated financial position or results of operations, it is not feasible to predict the final outcome, and there can be no assurance that these claims will not ultimately be resolved adversely to us or result in material liability.

SNAI Litigation

On April 16, 2012, certain VLTs operated by SNAI S.p.a. ("SNAI") in Italy and supplied by Barcrest erroneously printed what appeared to be winning jackpot and other tickets with a face amount in excess of €400.0 million. SNAI has stated, and system data confirms, that no jackpots were actually won on that day. The terminals have been deactivated by the Italian regulatory authority. Following the incident, we understand that the Italian regulatory authority revoked the certification of the version of the gaming system that Barcrest provided to SNAI and fined SNAI €1.5 million, but determined to not revoke SNAI's concession to operate VLTs in Italy.

In October 2012, SNAI filed a lawsuit in the Court of First Instance of Rome in Italy against Barcrest and Global Draw, our subsidiary which acquired Barcrest from IGT-UK Group Limited, a subsidiary of International Game Technology ("IGT"), claiming liability based on breach of contract and tort. The lawsuit seeks to terminate SNAI's agreement with Barcrest and damages arising from the deactivation of the terminals, including among other things, lost profits, expenses and costs, potential awards to players who have sought to enforce what appeared to be winning jackpot and other tickets, compensation sought by managers of the gaming locations where SNAI VLTs supplied by Barcrest were installed, damages to commercial reputation and any future damages arising from SNAI's potential loss of its concession or inability to obtain a new concession. In June 2013, Barcrest and Global Draw filed a counterclaim based on SNAI's alleged breach of contract.

In September 2013, Global Draw brought an action against IGT-UK Group Limited and IGT in the High Court of Justice (Commercial Court) in London, England seeking relief under the indemnification and warranty provisions contained in the agreement pursuant to which Barcrest was acquired from IGT-UK Group, including in connection with the April 2012 incident and a number of ancillary matters. In November 2013, IGT-UK Group Limited Barcrest filed a defense in which it denied Global Draw's claims and counterclaimed based on Global Draw's alleged breach of contract in connection with one of the ancillary matters.

While we believe we have meritorious defenses in the Italian litigation and potential third party recoveries, the lawsuit is in its early stages and we cannot currently predict the outcome of this matter.

WMS Merger Litigation

Complaints challenging the WMS merger were filed in early 2013 in the Delaware Court of Chancery, the Circuit Court of Cook County, Illinois and the Circuit Court of the Nineteenth Judicial Circuit, Lake County, Illinois. The actions are putative class actions filed on behalf of WMS stockholders. The complaints generally allege that the WMS directors breached their fiduciary duties in connection with their consideration and approval of the merger and in connection with their public disclosures concerning the merger. The complaints allege that other defendants, including WMS, Scientific Games Corporation and certain affiliates of Scientific Games Corporation, aided and abetted those alleged breaches. The plaintiffs sought equitable relief, including to enjoin the acquisition, to rescind the acquisition if not enjoined, damages, attorneys' fees and other costs.

The Delaware actions have been consolidated under the caption In re WMS Stockholders Litigation (C.A. No. 8279-VCP). The plaintiffs in the consolidated Delaware actions submitted to the Delaware Court of Chancery a letter advising that they had conferred with the plaintiffs in the Illinois actions and agreed to stay the consolidated Delaware action.

The Lake County, Illinois actions have been transferred to Cook County. All of the Illinois actions have been consolidated in Cook County with Gardner v. WMS Industries Inc., et al. (No. 2013 CH 3540).

In April 2013, the plaintiffs in the Gardner action filed a motion for preliminary injunction to enjoin the WMS stockholder vote on the merger. Following that, in April 2013, lead counsel in the Gardner action, on behalf of counsel for plaintiffs in all actions in Delaware and Illinois, agreed to withdraw the motion for preliminary injunction and not to seek to enjoin the WMS stockholder vote in return for WMS's agreement to make certain supplemental disclosures related to the merger. WMS made those supplemental disclosures in a Current Report on Form 8-K filed with the SEC on April 29, 2013.

The plaintiffs in the Illinois action filed a claim for interim attorney fees of $0.85 million. In November 2013, the court granted our motion to stay the plaintiffs' claim for an interim award of attorney fees.

In January 2014, the plaintiffs in the Illinois action filed an amended complaint seeking damages for the alleged breach of fiduciary duties by the individual defendants and the alleged aiding and abetting of those breaches by WMS and Scientific Games Corporation. In February 2014, WMS and Scientific Games Corporation filed motions to dismiss the amended complaint.

The Company believes the claims in the Illinois and Delaware actions are without merit.

Conlee Litigation

In May 2011, a putative class action was filed against WMS and certain of its executive officers in the U.S. District Court for the Northern District of Illinois by Wayne C. Conlee. In October 2011, the lead plaintiff filed an amended complaint in the lawsuit seeking unspecified damages. As amended, the lawsuit alleged that, during the period from September 21, 2010 to August 4, 2011 (the date WMS announced its 2011 fiscal year financial results), WMS made material misstatements and omitted material information related to its 2011 fiscal year guidance in violation of federal securities laws. WMS filed a motion to dismiss the amended complaint in December 2011 and, in July 2012, the Court granted the motion without prejudice.

In September 2012, the plaintiffs filed a further amended complaint, which WMS moved to dismiss in October 2012. In April 2013, the District Court granted WMS's motion to dismiss with prejudice. In May 2013, the plaintiffs filed a notice of

appeal with the U.S. Court of Appeals for the Seventh Circuit. In October 2013, the parties advised the court that they had reached a proposed settlement on a class basis and sought the District Court's approval of the proposed settlement. In January 2014, the District Court preliminarily approved the proposed settlement and scheduled a fairness hearing for May 2014 for final approval of the settlement. If approved, the settlement will not have a material impact on our results of operations.

IGT License Claims

In early 2012, IGT initiated an audit to determine whether WMS was in compliance with the terms of a license agreement between the two parties. IGT claimed that WMS underpaid license fees by approximately $25.0 million plus $11.0 million in interest. IGT subsequently filed a demand for arbitration with the American Arbitration Association (the "AAA") seeking $50.0 million from WMS. We initiated an action in the U.S. District Court for the District of Nevada seeking a preliminary injunction to enjoin or limit the scope of the arbitration and to restrain IGT from seeking to enforce certain provisions of the arbitration clause in the license agreement, as well as a refund of overpaid royalty payments. Our motion for preliminary injunction was denied by the District Court in March 2014 and our action seeking recovery of overpaid royalty payments has been stayed pending resolution of certain matters in the arbitration. We have denied IGT's claims in the arbitration. While we believe we have meritorious defenses with respect to these license claims, the proceedings are in their early stages and we cannot currently predict the outcome of this matter.

(18) Supplemental Disclosure of Cash Flow Information

Additional cash flow information is presented below:

	Three months ended March 31,	
	2014	2013
Interest paid	$ 39.2	$ 24.7
Income taxes paid, net of refunds	$ 0.6	$ 3.6

Three months ended March 31, 2014

On March 31, 2014, we entered into a new leasing arrangement with ITL for the lease of gaming machines in connection with a long-term services contract with a customer. As of March 31, 2014, we recorded a non-cash capital lease asset and minimum lease liability of $14.2 million.

During the three months ended March 31, 2014 we recorded approximately $106 million of non-cash other assets and related liabilities related to agreements entered into during the period for long-term licensed assets with minimum royalty guarantees.

There were no other significant non-cash investing or financing activities for the three months ended March 31, 2014.

Three months ended March 31, 2013

During the three months ended March 31, 2013 we recorded approximately $20 million of non-cash other assets and related liabilities related to agreements entered into during the period for long-term licensed assets with minimum royalty guarantees.

There were no other significant non-cash investing or financing activities for the three months ended March 31, 2013.

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

We conduct substantially all of our business through our U.S. and foreign subsidiaries. SGI's obligations under the credit agreement, the 2020 Notes and the 2019 Notes are fully and unconditionally and jointly and severally guaranteed by Scientific Games Corporation (the "Parent Company") and substantially all of our 100%-owned U.S. subsidiaries other than SGI (the "Guarantor Subsidiaries"). Our 2018 Notes, which were issued by the Parent Company, are fully and unconditionally and jointly and severally guaranteed by our 100% owned U.S. subsidiaries, including SGI. The guarantees of our 2020 Notes, 2019 Notes and 2018 Notes will terminate under following customary circumstances: (1) the sale or disposition of the capital stock of the guarantor (including by consolidation or merger of the guarantor into another person); (2) the liquidation or dissolution of the guarantor; (3) the defeasance or satisfaction and discharge of the notes; (4) the release of the guarantor from any guarantees of indebtedness of the Parent Company and SGI (or, in the case of the 2018 Notes, the release of the guarantor from any guarantees of indebtedness of the Parent Company); and (5) in the case of the 2020 Notes, the proper designation of the guarantor as an unrestricted subsidiary pursuant to the indenture governing the 2020 Notes.

Presented below is condensed consolidated financial information for (1) the Parent Company, (2) SGI, (3) the Guarantor Subsidiaries and (4) our 100%-owned foreign subsidiaries and our non-100%-owned U.S. and foreign subsidiaries (collectively, the "Non-Guarantor Subsidiaries") as of March 31, 2014 and December 31, 2013 and for the three months ended March 31, 2013 and 2012. The condensed consolidating financial information has been presented to show the nature of assets held by, and the results of operations and cash flows of, the Parent Company, SGI, the Guarantor Subsidiaries and the Non-Guarantor Subsidiaries assuming the guarantee structures of our obligations as disclosed in Note 24 in our 2013 Annual Report on Form 10-K for all periods presented.

The condensed consolidated financial information reflects the investments of the Parent Company in the Guarantor and Non-Guarantor Subsidiaries using the equity method of accounting. Corporate interest and administrative expenses have not been allocated to the subsidiaries. Net changes in intercompany due from/due to accounts are reported in the accompanying Supplemental Condensed Consolidating Statements of Cash Flows as investing activities if the applicable entities have a net investment (asset) in intercompany accounts, and as a financing activity if the applicable entities have a net intercompany borrowing (liability) balance. This is a correction from the prior-year presentation that reflected all changes in intercompany due to/due from accounts as financing activities in the Supplemental Condensed Consolidating Statements of Cash Flows. This correction had no impact on our consolidated results of operations for the periods presented.

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL CONDENSED CONSOLIDATING BALANCE SHEET
As of March 31, 2014

	Parent Company	SGI	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated
Assets						
Cash and cash equivalents	$ 42.7	$ 0.2	$ 11.4	$ 114.8	$ —	$ 169.1
Restricted cash	—	—	11.8	—	—	11.8
Accounts receivable, net	—	68.8	132.1	116.9	—	317.8
Note receivable, net	—	—	80.4	63.5	—	143.9
Inventories	—	38.8	64.4	60.0	—	163.2
Other current assets	13.3	11.0	90.0	33.2	—	147.5
Property and equipment, net	2.0	132.9	434.7	196.0	—	765.6
Investment in subsidiaries	1,961.8	949.6	—	—	(2,911.4)	—
Goodwill	—	253.6	484.3	452.5	—	1,190.4
Intangible assets, net	2.8	195.7	288.9	25.4	—	512.8
Intercompany balances	—	1,423.7	306.5	—	(1,730.2)	—
Software, net	6.8	32.4	239.4	50.4	—	329.0
Other assets	3.8	142.1	34.2	328.9	—	509.0
Total assets	$ 2,033.2	$ 3,248.8	$ 2,178.1	$ 1,441.6	$ (4,641.6)	$ 4,260.1
Liabilities and stockholders' equity						
Debt payments due within one year	$ —	$ 23.0	$ —	$ 9.9	$ —	$ 32.9
Other current liabilities	26.8	79.7	151.9	151.8	—	410.2
Long-term debt, excluding current installments	250.0	2,907.0	—	11.3	—	3,168.3
Other non-current liabilities	21.7	194.0	75.7	71.4	—	362.8
Intercompany balances	1,448.8	—	—	281.6	(1,730.4)	—
Stockholders' equity	285.9	45.1	1,950.5	915.6	(2,911.2)	285.9
Total liabilities and stockholders' equity	$ 2,033.2	$ 3,248.8	$ 2,178.1	$ 1,441.6	$ (4,641.6)	$ 4,260.1

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL CONDENSED CONSOLIDATING BALANCE SHEET
As of December 31, 2013

	Parent Company	SGI	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated
Assets						
Cash and cash equivalents	$ 56.0	$ —	$ 24.4	$ 73.3	$ —	$ 153.7
Restricted cash	—	—	10.9	—	—	10.9
Accounts receivable, net	—	66.9	135.4	143.7	—	346.0
Note receivable, net	—	—	90.9	67.8	—	158.7
Inventories	—	28.2	59.6	50.0	—	137.8
Other current assets	13.9	10.5	95.0	35.0	—	154.4
Property and equipment, net	1.1	137.3	441.3	192.9	—	772.6
Investment in subsidiaries	1,962.5	796.5	—	—	(2,759.0)	—
Goodwill	—	251.7	464.6	470.6	—	1,186.9
Intangible assets, net	1.9	42.0	340.6	26.6	—	411.1
Intercompany balances	—	1,430.1	296.3	—	(1,726.4)	—
Software, net	9.4	31.7	251.4	51.0	—	343.5
Other assets	6.0	147.7	42.2	370.4	—	566.3
Total assets	$ 2,050.8	$ 2,942.6	$ 2,252.6	$ 1,481.3	$ (4,485.4)	$ 4,241.9
Liabilities and stockholders' equity						
Debt payments due within one year	$ —	$ 23.0	$ —	$ 7.4	$ —	$ 30.4
Other current liabilities	30.4	63.2	174.9	158.2	—	426.7
Long-term debt, excluding current installments	250.0	2,912.2	—	—	—	3,162.2
Other non-current liabilities	20.8	37.8	121.2	67.8	—	247.6
Intercompany balances	1,374.6	—	—	351.8	(1,726.4)	—
Stockholders' equity	375.0	(93.6)	1,956.5	896.1	(2,759.0)	375.0
Total liabilities and stockholders' equity	$ 2,050.8	$ 2,942.6	$ 2,252.6	$ 1,481.3	$ (4,485.4)	$ 4,241.9

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS AND COMPREHENSIVE LOSS
Three Months Ended March 31, 2014

	Parent Company	SGI	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated
Revenue	$ —	$ 100.4	$ 149.3	$ 138.5	$ (0.1)	$ 388.1
Cost of instant games, cost of services and cost of product sales (1)	—	31.8	74.2	76.9	(0.1)	182.8
Selling, general and administrative	15.1	16.6	40.3	19.8	—	91.8
Research and development	—	0.5	21.5	3.9	—	25.9
Employee termination and restructuring	—	0.2	1.6	3.8	—	5.6
Depreciation and amortization	3.7	10.2	58.1	22.1	—	94.1
Operating (loss) income	(18.8)	41.1	(46.4)	12.0	—	(12.1)
Interest expense	(5.4)	(42.1)	(0.2)	(0.2)	—	(47.9)
Other (expense) income, net	(15.3)	(27.7)	41.1	24.7	0.1	22.9
Net (loss) income before equity in income of subsidiaries, and income taxes	(39.5)	(28.7)	(5.5)	36.5	0.1	(37.1)
Equity in (loss) income of subsidiaries	(0.1)	14.5	—	—	(14.4)	—
Income tax expense	(5.4)	—	—	(2.5)	—	(7.9)
Net (loss) income from continuing operations	$ (45.0)	$ (14.2)	$ (5.5)	$ 34.0	$ (14.3)	$ (45.0)
Net loss from discontinued operations	—	—	—	—	—	—
Net (loss) income	(45.0)	(14.2)	(5.5)	34.0	(14.3)	(45.0)
Other comprehensive (loss) income	(0.5)	7.9	(0.3)	0.4	(8.0)	(0.5)
Comprehensive (loss) income	$ (45.5)	$ (6.3)	$ (5.8)	$ 34.4	$ (22.3)	$ (45.5)

(1) Exclusive of depreciation and amortization.

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS AND COMPREHENSIVE LOSS
Three Months Ended March 31, 2013

	Parent Company	SGI	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated
Revenue	$ —	$ 100.8	$ 12.1	$ 107.6	$ (0.9)	$ 219.6
Cost of instant games, cost of services and cost of product sales (1)	—	32.5	34.3	60.0	(2.1)	124.7
Selling, general and administrative	17.6	12.8	2.9	16.1	(0.6)	48.8
Research and development	—	1.4	0.1	0.4	—	1.9
Employee termination and restructuring	—	—	—	0.3	—	0.3
Depreciation and amortization	0.2	9.1	5.5	18.0	—	32.8
Operating (loss) income	(17.8)	45.0	(30.7)	12.8	1.8	11.1
Interest expense	(5.3)	(19.4)	—	(0.3)	—	(25.0)
Other income (expense), net	2.5	(40.5)	41.7	3.1	(1.7)	5.1
Net (loss) income before equity in income of subsidiaries, and income taxes	(20.6)	(14.9)	11.0	15.6	0.1	(8.8)
Equity in income (loss) of subsidiaries	10.1	10.9	—	—	(21.0)	—
Income tax expense	(1.8)	—	—	(1.7)	—	(3.5)
Net (loss) income from continuing operations	$ (12.3)	$ (4.0)	$ 11.0	$ 13.9	$ (20.9)	$ (12.3)
Net loss from discontinued operations	(0.9)	—	—	(0.9)	0.9	(0.9)
Net (loss) income	(13.2)	(4.0)	11.0	13.0	(20.0)	(13.2)
Other comprehensive (loss) income	(38.1)	0.3	—	(38.2)	37.9	(38.1)
Comprehensive (loss) income	$ (51.3)	$ (3.7)	$ 11.0	$ (25.2)	$ 17.9	$ (51.3)

(1) Exclusive of depreciation and amortization.

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
Three Months Ended March 31, 2014

	Parent Company	SGI	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated
Net cash (used in) provided by operating activities	$ (36.1)	$ (7.1)	$ 56.7	$ 69.8	$ —	$ 83.3
Cash flows from investing activities:						
Additions to property and equipment	(1.5)	(0.1)	(7.7)	(2.9)	—	(12.2)
Lottery and gaming services expenditures	—	(4.4)	(16.6)	(3.7)	—	(24.7)
Intangible assets and software expenditures	(1.4)	(3.2)	(13.7)	(4.4)	—	(22.7)
Equity method investments	—	—	—	(17.7)	—	(17.7)
Distributions of capital on equity investments	—	1.1	—	21.3	—	22.4
Proceeds on sale of equity interest	—	—	—	44.9	—	44.9
Other	—	—	(0.8)	(0.2)	—	(1.0)
Intercompany balances	—	19.7	(30.5)	—	10.8	—
Net cash provided by (used in) investing activities	(2.9)	13.1	(69.3)	37.3	10.8	(11.0)
Cash flows from financing activities:						
Net (payments) proceeds on long-term debt and financing fees	—	(5.8)	—	(0.2)	—	(6.0)
Common stock repurchases	(29.5)	—	—	—	—	(29.5)
Contingent earnout payments	—	—	—	(1.8)	—	(1.8)
Net redemptions of common stock under stock-based compensation plans	(19.2)	—	—	—	—	(19.2)
Other, principally intercompany balances	74.4	—	—	(63.6)	(10.8)	—
Net cash provided by (used in) financing activities	25.7	(5.8)	—	(65.6)	(10.8)	(56.5)
Effect of exchange rate changes on cash	—	—	(0.4)	—	—	(0.4)
Increase (decrease) in cash and cash equivalents	(13.3)	0.2	(13.0)	41.5	—	15.4
Cash and cash equivalents, beginning of period	56.0	—	24.4	73.3	—	153.7
Cash and cash equivalents, end of period	$ 42.7	$ 0.2	$ 11.4	$ 114.8	$ —	$ 169.1

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
Three Months Ended March 31, 2013

	Parent Company	SGI	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated
Net cash (used in) provided by operating activities	$ (15.2)	$ 0.6	$ 1.8	$ 36.0	$ —	$ 23.2
Cash flows from investing activities:						
Lottery, gaming and other capital expenditures and intangible and software expenditures	(1.5)	(4.2)	(8.4)	(22.2)	—	(36.3)
Other	(0.2)	—	—	1.9	—	1.7
Business acquisitions, net of cash acquired	—	—	—	(0.3)	—	(0.3)
Intercompany balances	9.3	—	6.3	—	(15.6)	—
Net cash used in investing activities	7.6	(4.2)	(2.1)	(20.6)	(15.6)	(34.9)
Cash flows from financing activities:						
Net (payments) proceeds on long-term debt and financing fees	—	(1.6)	—	0.9	—	(0.7)
Net redemptions of common stock under stock-based compensation plans	(2.9)	—	—	—	—	(2.9)
Other, principally intercompany balances	—	5.5	—	(21.1)	15.6	—
Net cash provided by (used in) financing activities	(2.9)	3.9	—	(20.2)	15.6	(3.6)
Effect of exchange rate changes on cash	—	(0.3)	—	(3.4)	—	(3.7)
Increase (decrease) in cash and cash equivalents	(10.5)	—	(0.3)	(8.2)	—	(19.0)
Cash and cash equivalents, beginning of period	27.2	0.2	2.4	79.2	—	109.0
Cash and cash equivalents, end of period	$ 16.7	$ 0.2	$ 2.1	$ 71.0	$ —	$ 90.0

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following MD&A is intended to enhance the reader's understanding of our operations and current business environment. This MD&A should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" for the fiscal year ended December 31, 2013 and the "Business" section included in our 2013 Annual Report on Form 10-K.

This MD&A contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and should be read in conjunction with the disclosures and information contained and referenced under "Forward-Looking Statements" included in this Quarterly Report on Form 10-Q. As used in this MD&A, the terms "we," "us," "our" and the "Company" mean Scientific Games Corporation together with its consolidated subsidiaries.

Our MD&A is organized into the following sections:

- BUSINESS OVERVIEW
- CONSOLIDATED RESULTS
- BUSINESS SEGMENT RESULTS
- RECENTLY ISSUED ACCOUNTING GUIDANCE
- CRITICAL ACCOUNTING ESTIMATES
- LIQUIDITY, CAPITAL SOURCES AND WORKING CAPITAL

BUSINESS OVERVIEW

We are a leading diversified supplier of technology-based products and services to the gaming and lottery industries. The Company's portfolio includes instant and draw-based lottery games; gaming machines and game content; server-based lottery and gaming systems; sports betting technology; loyalty and rewards programs; and interactive products and services. We also gain access to technologies and pursue global expansion through strategic acquisitions, equity investments and licensing agreements.

Impact of WMS Acquisition and Other Items

On October 18, 2013, the Company acquired WMS for $1,485.9 million. For additional information regarding the WMS acquisition, please see Note 3 (Acquisitions and Dispositions) in this Quarterly Report on Form 10-Q.

We believe that the WMS acquisition is transformational for Scientific Games, adding one of the largest global gaming suppliers with a diversified suite of products and strong content creation capabilities to our portfolio. In particular, we believe that the WMS acquisition (1) significantly expands our gaming business, (2) diversifies our mix of products, customers and geographies in which we do business and (3) allows the combined company to leverage the unique core competencies of each organization. We also expect the combined company to benefit from economies of scale, which we believe will provide opportunities for synergies and cash flow improvements.

Our consolidated results of operations for the three months ended March 31, 2014 were significantly impacted by the inclusion of the results of operations of WMS in our consolidated and gaming business segment results of operations. Results for the three months ended March 31, 2013 do not include results of operations for WMS.

For 2014, we are focused on successfully integrating WMS and Scientific Games and achieving anticipated cost synergies by implementing our integration plans to streamline our operations and cost structure. We are also focused on positioning the Company for profitable growth by leveraging our core strengths and capabilities to enhance our portfolio of products and services and to expand into new markets and further penetrate existing markets worldwide. We anticipate our future results of operations will benefit from these efforts, although we expect that incremental costs and capital expenditures will be required relating to our contemplated integration activities. We also expect to incur additional costs during 2014 to position ourselves to capitalize on longer-term revenue opportunities.

Segments

We report our operations in three business segments: Instant Products, Lottery Systems and Gaming. The Instant Products and Lottery Systems business segments are managed by a single executive and the Gaming business segment is managed by a different executive, both of whom report to our chief executive officer (who is the "chief operating decision maker" under applicable accounting rules). Our interactive operating segment is aggregated with our gaming operating

segment and is presented within the Gaming business segment. See "Business Segment Results" below and Note 2 (Reportable Business Segment Information) in this Quarterly Report on Form 10-Q for additional business segment information. In addition, effective in the fourth quarter of 2013, we revised our business and operating segments to reflect the reorganization of our business following the WMS acquisition and the financial information regularly reviewed by our chief executive officer. Based on that review, we moved our video systems operating segment from the Lottery Systems business segment to the Gaming business segment. This change, which was effective as of December 31, 2013, had no impact on the Company's consolidated financial statements for any periods. Business segment information for the three months ended March 31, 2013 has been adjusted to reflect this change.

Discontinued Operations

On March 25, 2013, we completed the sale of our installed base of gaming machines in our pub business, as discussed in Note 3 (Acquisitions and Dispositions) in this Quarterly Report on Form 10-Q. The results of our discontinued pub operations for the three months ended March 31, 2013 are presented in the Consolidated Statements of Operations and Comprehensive Loss in accordance with ASC 205-20, *Presentation of Financial Statements - Discontinued Operations*. For the three months ended March 31, 2013, we recorded a loss from discontinued operations of $0.9 million. There were no results of operations for this business for the three months ended March 31, 2014.

Foreign Exchange

Our results are subject to the impact of changes in foreign currency exchange rates, which results in the translation of foreign functional currencies into U.S. dollars and the re-measurement of foreign currency transactions. The impact of foreign currency exchange rate fluctuations represents the difference between current rates and prior-period rates applied to current activity. We derived approximately 49% and 53% of our revenue from sales to customers outside of the U.S. in 2013 and 2012, respectively. We have exposure to foreign currency volatility, particularly the British Pound Sterling and the Euro. The British Pound Sterling and the Euro represented, respectively, $57.8 million, or 14.9%, and $20.2 million, or 5.2%, of our revenue for the three months ended March 31, 2014. We also have foreign currency exposure related to certain of our equity investments. Our earnings from our Euro-denominated equity investment in LNS were $5.7 million for the three months ended March 31, 2014. See "Quantitative and Qualitative Disclosures About Market Risk" in Item 7A of our 2013 Annual Report on Form 10-K for further information regarding our foreign exchange exposures.

CONSOLIDATED RESULTS

(in millions)	Three Months Ended March 31,		Variance for the Three Months Ended March 31,	
	2014	2013	2014 vs. 2013	
Revenue:				
Instant games	$ 126.2	$ 122.8	$ 3.4	2.8 %
Services	176.8	81.8	95.0	116.1 %
Product sales	85.1	15.0	70.1	467.3 %
Total revenue	388.1	219.6	168.5	76.7 %
Operating expenses:				
Cost of instant games (1)	69.9	68.2	1.7	2.5 %
Cost of services (1)	66.5	46.2	20.3	43.9 %
Cost of product sales (1)	46.4	10.3	36.1	350.5 %
Selling, general and administrative	91.8	48.8	43.0	88.1 %
Research and development	25.9	1.9	24.0	n/m
Employee termination and restructuring	5.6	0.3	5.3	n/m
Depreciation and amortization	94.1	32.8	61.3	186.9 %
Operating (loss) income	(12.1)	11.1	(23.2)	n/m
Other (expense) income:				
Interest expense	(47.9)	(25.0)	(22.9)	91.6 %
Earnings from equity investments	5.5	6.1	(0.6)	(9.8)%
Gain on sale of equity interest	14.5	—	14.5	n/m
Other (expense) income, net	2.9	(1.0)	3.9	(390.0)%
Net loss from continuing operations before income taxes	(37.1)	(8.8)	(28.3)	321.6 %
Income tax expense	(7.9)	(3.5)	(4.4)	125.7 %
Net loss from continuing operations	$ (45.0)	$ (12.3)	$ (32.7)	265.9 %

n/m - "Not Meaningful"
(1) Exclusive of depreciation and amortization.

Three Months Ended March 31, 2014 Compared to Three Months Ended March 31, 2013

Revenue

Consolidated revenue increased in each of our categories of revenue: instant games, services and product sales. The inclusion of revenue from WMS increased consolidated revenue by $156.6 million. Consolidated revenue also reflected favorable foreign currency translation of $1.1 million.

Instant games revenue increased $3.4 million reflecting higher revenue from our participation contracts in U.S. and international jurisdictions and our game licensing and player loyalty programs. These increases were partially offset by lower revenue from our international price-per-unit contracts. Services revenue, which includes our participation-based and other services revenue from our U.S. and Lottery Systems and Gaming business segments, increased $95.0 million primarily reflecting the inclusion of WMS services revenue. The $70.1 million increase in product sales revenue included $63.2 million of WMS product sales revenue, with the remaining increase due to increased hardware and software sales to our international lottery customers.

Cost of Revenue

Consolidated cost of revenue increased primarily as a result of higher revenue. Cost of instant games revenue increased 2% consistent with the increase in instant games revenue of 3%. Cost of services increased 44% compared to an increase in services revenue of 116%, reflecting a more profitable revenue mix primarily attributable to WMS services revenue.

Cost of product sales increased 350% compared to an increase in sales revenue of 467%, reflecting the inclusion of WMS product sales.

SG&A

SG&A increased $43.0 million, which reflected $45.7 million of SG&A attributable to WMS partially offset by $2.9 million of lower acquisition-related fees.

R&D

R&D increased $24.0 million primarily related to the inclusion of WMS in our financial results.

Employee Termination and Restructuring

Employee termination and restructuring costs in the three months ended March 31, 2014 included $5.2 million related to WMS integration activities and $0.4 million related to the exit from our instant lottery game operations in Mexico. For additional detail on these charges, see Note 4 (Restructuring) in this Quarterly Report on Form 10-Q.

D&A

D&A increased $61.3 million, of which $50.9 million was from WMS, including incremental D&A related to purchase accounting associated with the acquisition. During the March 2014 quarter, we revised the depreciable lives of certain acquired intangible assets from a range of four to ten years to a range of three to eight years, which increased D&A in our Gaming segment by $3.7 million. Excluding the increase attributable to WMS, D&A increased $10.4 million primarily related to a write-off of $3.1 million related to internally developed software and $4.7 million primarily related to unallocated corporate internally developed software assets.

Other Income and Expense

Interest expense increased $22.9 million due to the additional indebtedness incurred under our new credit facilities to finance the WMS acquisition. For additional information regarding our indebtedness, see Note 11 (Long-term and Other Debt) in this Quarterly Report on Form 10-Q.

Earnings from equity investments were essentially flat, as a small increase in earnings from LNS was offset by decreases in earnings from our other equity investments.

In January 2014, we completed the sale of our 20% equity interest in Sportech for cash proceeds of £27.8 million, or $44.9 million, resulting in a gain of approximately £9 million, or $14.5 million.

Income Tax Expense

Income tax expense was higher due to an increase in estimated foreign income taxes. The effective income tax rates on the loss from continuing operations were (21.3)% and (40.6)% for the three months ended March 31, 2014 and 2013, respectively, and were determined using an estimated annual effective tax rate after considering any discrete items for such periods. Due to a valuation allowance against our U.S. deferred tax assets, the effective tax rates for the three months ended March 31, 2014 and 2013 do not include the benefit of the current-year U.S. tax loss. As a result, income tax expense for the three months ended March 31, 2014 and 2013 was primarily due to income tax expense in foreign jurisdictions.

Our effective income tax rate on foreign earnings was impacted by the mix of income and the statutory tax rates in our foreign jurisdictions, which ranged from a low of 0% to a high of 35%. The foreign jurisdictions that had the most impact on our foreign income tax benefit (expense) in the period include Austria, Canada, Ireland, and the U.K.

BUSINESS SEGMENTS RESULTS

INSTANT PRODUCTS

Our Instant Products segment is primarily comprised of our global instant lottery games business. We generate revenue from the manufacture and sale of instant lottery games, as well as the provision of value-added services such as game design, sales and marketing support, specialty games and promotions, inventory management and warehousing and fulfillment services. In addition, we provide licensed games, promotional entertainment and internet-based marketing services to the lottery industry. These revenues are presented as instant games revenue in our results of operations. Revenue generated from the sale of phone cards that we manufacture is presented as product sales revenue in our results of operations. Our equity investments in LNS (Italy), Northstar Illinois, Northstar New Jersey, CSG (China) and Hellenic Lotteries (Greece) are included in the Instant Products segment.

Current Quarter Update

In January 2014, we completed the installation of a new, state-of-the-art instant lottery game printing press at our Alpharetta, Georgia facility, which will provide increased capacity for the production of our instant games.

Following the expiration of our contract with Loto-Québec in January 2014, we have continued to provide instant lottery games to this customer under the previous contract terms. In November 2013, we were awarded a new price-per-unit contract with Loto-Québec, which we expect to go into effect in the second quarter of 2014 and that will represent a significantly smaller portion of such customer's instant lottery game business than the recently expired contract. We understand that a contract has been awarded to one of our competitors for certain categories of instant games that we provided under the recently expired contract.

In April 2014, we entered into a three-year price-per-unit instant games contract to continue serving as the primary supplier to La Française des Jeux ("FDJ"), the operator of the French National Lottery and the second largest instant game lottery in the world, which includes options for FDJ to extend the contract for three additional one-year periods.

In December 2013, we initiated a plan to exit our instant lottery game operations in Mexico. In February 2014, we exited the operations and simultaneously entered into a three-year agreement to supply instant lottery games to a distributor in Mexico.

We understand that the Illinois lottery has asserted that Northstar Illinois is responsible for shortfall payments of approximately $22 million with respect to its fiscal year ended June 30, 2012 and approximately $39 million with respect to its fiscal year ended June 30, 2013. We further understand that Northstar Illinois disagrees with the methodology used by the lottery in calculating the lottery's net income for each such fiscal year that formed the basis of the lottery's shortfall payment claims and believes that certain other matters that could impact any potential shortfall payments have yet to be resolved, and has initiated the resolution process contemplated by the PMA in an attempt to resolve these matters.

We understand that, during 2013, Northstar Illinois recorded a liability of approximately $42 million associated with its estimate of the potential aggregate net shortfall payments for the first three fiscal years under its PMA with the State of Illinois. We amortize our 20% share of the $42 million of estimated shortfall payments recorded by Northstar Illinois over the ten-year life of the contract, which reduces our earnings from equity investment in Northstar Illinois. This amount was not material to our results of operations for the three months ended March 31, 2014.

Retail sales of instant lottery games can be a key performance indicator of our instant games revenue, although there may not always be a direct correlation between retail sales and our instant games revenue due to the type of contract (*e.g.*, participation contracts versus price-per-unit contracts), the impact of changes in our customer contracts, the performance of our game licensing and player loyalty business or other factors.

Based on third-party data, our U.S. customers' total instant lottery games retail sales increased 3.7% for the three months ended March 31, 2014 compared to the prior-year period, driven by several factors, including strong performance in those states where we provide instant game product management services. Retail sales of instant games in Italy decreased 2.7% for the three months ended March 31, 2014 compared to the prior-year period. Italy retail sales are generally impacted by the level of marketing spending and timing of the launch of new games.

Results of Operations and Key Performance Indicators for Instant Products

(in millions)	Three Months Ended March 31,		Variance for the Three Months Ended March 31,	
	2014	2013	2014 vs. 2013	
Revenue:				
Instant games	$ 126.2	$ 122.8	$ 3.4	2.8 %
Product sales	3.1	3.5	(0.4)	(11.4)%
Total revenue	129.3	126.3	3.0	2.4 %
Operating expenses:				
Cost of instant games (1)	69.9	68.2	1.7	2.5 %
Cost of product sales (1)	2.0	2.5	(0.5)	(20.0)%
Selling, general and administrative	13.0	12.3	0.7	5.7 %
Research and development	0.2	0.1	0.1	100.0 %
Employee termination and restructuring	0.4	0.3	0.1	33.3 %
Depreciation and amortization	8.2	9.0	(0.8)	(8.9)%
Operating income	$ 35.6	$ 33.9	$ 1.7	5.0 %
Earnings from equity investments	$ 5.4	$ 6.3	$ (0.9)	(14.3)%
Key Performance Indicators:				
Instant games by revenue type:				
Participation contracts	$ 67.3	$ 63.4	$ 3.9	6.2 %
Price-per-unit contracts	44.4	46.8	(2.4)	(5.1)%
Licensing and player loyalty	14.5	12.6	1.9	15.1 %
Total instant games revenue	$ 126.2	$ 122.8	$ 3.4	2.8 %
Instant games revenue by geography:				
U.S.	$ 82.1	$ 76.2	5.9	7.7 %
International	44.1	46.6	(2.5)	(5.4)%
Total instant games revenue	$ 126.2	$ 122.8	$ 3.4	2.8 %
U.S. lottery customers' retail sales of instant games	$ 9,820	$ 9,467	$ 353	3.7 %
Italy retail sales of instant games (in Euros)	€ 2,476	€ 2,546	€ (70)	(2.7)%

(1) Exclusive of depreciation and amortization.

Three Months Ended March 31, 2014 Compared to Three Months Ended March 31, 2013

Revenue

Instant games revenue increased $3.4 million, inclusive of an unfavorable impact from foreign currency translation of $0.6 million. The increase was primarily due to $3.9 million of higher revenue from our participation contracts in the U.S. and certain international jurisdictions, including our contracts with our Northstar New Jersey joint venture and our new customer in Panama, and $1.9 million of higher revenue from our licensing and player loyalty programs. These increases were partially offset by $2.4 million decrease in revenue primarily related to our international price-per-unit contracts, including our Italy contract.

Operating Income

Operating income increased primarily due to higher revenue and a decrease in D&A, partially offset by higher SG&A reflecting higher compensation and legal expenses.

LOTTERY SYSTEMS

Our Lottery Systems business segment provides customized computer software, software support, equipment and data communication services, sports wagering systems and keno to lotteries. In the U.S., we typically provide the necessary equipment, software and maintenance services on a participation basis pursuant to long-term contracts that typically have an initial term of at least five years. Internationally, we typically sell point-of-sale terminals and/or computer software to lottery authorities and may provide ongoing fee-based systems maintenance and software support services. Our equity investment in GLB is included in the Lottery Systems segment.

Current Quarter Update

In March 2014, we executed an eight-year contract with the North Dakota Lottery, an existing customer, to implement and operate a lottery system and to provide a range of related services and marketing support. The contract is scheduled to commence in July 2014 and may be extended by the lottery for an additional two-year period.

We are the exclusive instant lottery game validation network provider to the CSL under an agreement that expires in January 2016. Under the terms of this agreement, the participation rate we receive decreased by 0.1% in January 2014. We have seen a decline in our instant lottery game validation revenue and our joint venture's instant lottery game printing revenue as CSL's retail sales of instant lottery games have declined, which we believe is due in part to competition from other lottery products. We are currently seeking opportunities to continue providing our value-added services relating to the CSL, as well as additional business development opportunities to maintain our revenue and profit relating to our China lottery business following the expiration of the our current CSL agreement. To the extent we are not able to do so, our operating results relating to our China lottery business will be adversely affected.

In June 2013, the Colorado lottery awarded a new lottery systems contract to one of our competitors. We will continue to provide lottery systems services to the Colorado lottery under our existing contract through October 2014.

We believe that our U.S. lottery customers' retail sales is a key performance indicator of our Lottery Systems services revenue, although there may not always be a direct correlation between retail sales and our Lottery Systems services revenue due to the terms of our contracts, the impact of changes in our customer contracts or other factors. We believe the level of jackpots of the Powerball and Mega Millions multi-state draw lottery games, and the number of drawings conducted before a jackpot is won, may have an impact on U.S. retail sales and, therefore, on our services revenue in any given period. Our Lottery Systems services revenue is also impacted by retail sales of instant lottery games where we provide instant lottery game validation services on a standalone basis or as part of a Lottery Systems contract. Our Lottery Systems product sales revenue primarily relates to sales of equipment in the international markets that are not subject to long-term contracts.

Results of Operations and Key Performance Indicators for Lottery Systems

(in millions)	Three Months Ended March 31,		Variance for the Three Months Ended March 31,	
	2014	2013	2014 vs. 2013	
Revenue:				
Services	$ 50.1	$ 47.8	$ 2.3	4.8 %
Product sales	14.5	6.9	7.6	110.1 %
Total revenue	64.6	54.7	9.9	18.1 %
Operating expenses:				
Cost of services (1)	30.4	27.8	2.6	9.4 %
Cost of product sales (1)	11.7	5.2	6.5	125.0 %
Selling, general and administrative	5.6	5.3	0.3	5.7 %
Research and development	0.4	1.4	(1.0)	(71.4)%
Depreciation and amortization	14.3	12.6	1.7	13.5 %
Operating income	$ 2.2	$ 2.4	$ (0.2)	(8.3)%
Earnings from equity investments	$ 0.4	$ 0.1	$ 0.3	300.0 %
Key Performance Indicators:				
Services revenue by geography:				
U.S. (2)	$ 27.6	$ 27.2	$ 0.4	1.5 %
International	22.5	20.6	1.9	9.2 %
Total services revenue	$ 50.1	$ 47.8	$ 2.3	4.8 %
Product sales by geography:				
U.S.	$ 1.5	$ 1.2	0.3	25.0 %
International	13.0	5.7	7.3	128.1 %
Total product sales revenue	$ 14.5	$ 6.9	$ 7.6	110.1 %
U.S. lottery customers' retail sales (3)	$ 2,112	$ 2,088	$ 24	1.1 %

(1) Exclusive of depreciation and amortization.
(2) U.S. services revenue includes Puerto Rico.
(3) U.S. lottery customers' retail sales primarily include retail sales of draw games, keno and instant games validated by the relevant system. The retail sales metric for the Lottery Systems segment presented in prior periods included draw game retail sales only. We believe the revised metric more clearly correlates to our U.S. Lottery Systems services revenue, since we are generally compensated based on total retail sales generated by the relevant lottery system and not just draw game retail sales.

Three Months Ended March 31, 2014 Compared to Three Months Ended March 31, 2013

Revenue

Lottery Systems services revenue increased $2.3 million, inclusive of a favorable impact from foreign currency translation of $0.5 million, primarily due to an increase in sports betting services revenue from our international operations. Lottery Systems revenue from the U.S. was essentially flat. The $7.6 million increase in Lottery Systems product sales revenue primarily reflected higher international sales of hardware and software, which can fluctuate due to their non-recurring nature.

Operating Income

Operating income was flat for the quarter primarily due to higher revenue and lower R&D, offset by a less profitable mix of revenue and higher D&A driven by increased amortization of our internally developed software platform that was placed into service in the prior year.

GAMING

Our Gaming business segment is comprised of our gaming operating segment and our interactive operating segment. Our gaming operating segment 'esigns, develops, manufactures, distributes and markets a comprehensive portfolio of gaming products. We lease gaming machines, systems and content and sell new and used gaming machines, VLTs, conversion kits and parts to commercial casinos, Native American casinos, wide-area gaming operators, such as LBO, arcade and bingo operators in the U.K. and continental Europe, and gaming operators affiliated with governments, such as lotteries and gaming regulators. Our interactive operating segment is comprised of our social gaming business in which we sell virtual coins for use on our social gaming sites and our real-money gaming business where we earn a percentage of net gaming revenue generated by play of our games on legalized real-money gaming websites operated by third parties. Our equity investments in RCN, ITL and, until its sale in January 2014, Sportech are part of our Gaming business segment.

We generate Gaming revenues from product sales and services. Our product sales consist of video and mechanical reel gaming machines, VLTs, conversion kits (including game, hardware and operating system conversions), parts and game content to casinos and wide-area and other gaming operators. Our services revenue includes revenue earned from leased gaming machines, other services and our interactive business.

Current Quarter Update

While our Gaming revenues increased in the 2014 first quarter compared to the prior-year period, primarily due to the inclusion of WMS' revenue, we believe that challenging market conditions in the gaming industry have adversely impacted our 2014 first quarter results relative to WMS's prior-year period results and could continue to negatively impact our results of operations. These challenges included: (1) fewer new casino openings and expansions than in the prior year resulting in lower demand for new gaming machines; (2) increased competition, which negatively impacted our share of shipments of new gaming machines, (3) a decline in gaming operators' gross gaming revenues in the 2014 first quarter, which we believe resulted in a decrease in capital spending on new gaming machines and (4) government actions in Argentina, which limited our ability to import our products for sale in Argentina.

In March 2014, the U.K. government announced a proposed change to the machine games duty, or MGD, for certain gaming machines supplied to LBOs. The change, which is anticipated to go into effect in March 2015, raises the MGD rate from 20% to 25% of the net win generated by such gaming machines. We anticipate that this tax change will negatively impact our LBO customers' businesses and, therefore, will negatively impact our U.K. gaming business. In addition, ongoing adverse publicity in the U.K. exists surrounding casino-style games available on certain gaming machines. In April 2014, the U.K. government announced its intention to impose restrictions on betting shops and high stakes play, including requiring retail premises to submit planning applications and seek permission before converting their locations to betting shops, requiring customers wagering stakes of fifty Pounds or more to use account-based play or to load cash "over the counter" prior to play, and allowing players to set limits on the time or money they want to spend before commencing play. These changes, which are expected to be implemented in October 2014, could negatively impact our U.K. gaming business.

In April 2014, we entered into a three-year contract extension with the Delaware Lottery, which contemplates the placement of a minimum of 450 of our VLTs at charitable gaming organizations in Delaware.

Our interactive product portfolio recently expanded with the addition of the Gold Fish ® Social Slots in the first quarter of 2014, a second social casino gaming site available on Facebook and expected to be available on mobile devices in the second quarter of 2014. We entered into several new online gaming content agreements for real-money gaming services, including with bwin.Party digital entertainment, which have further expanded our real-money gaming business.

In January 2014, we completed the sale of our 20% equity interest in Sportech for cash proceeds of £27.8 million, or $44.9 million, resulting in a gain of approximately £9 million, or $14.5 million.

Results of Operations and Key Performance Indicators for Gaming

All results for 2013 presented herein include no results of operations of WMS.

(in millions)	Three Months Ended March 31,		Variance for the Three Months Ended March 31,	
	2014	2013	2014 vs. 2013	
Revenue				
Services	$ 126.7	$ 34.0	$ 92.7	n/m
Product sales	67.5	4.6	62.9	n/m
Total revenue	194.2	38.6	155.6	n/m
Operating expenses				
Cost of services (1)	36.1	18.4	17.7	n/m
Cost of product sales (1)	32.7	2.6	30.1	n/m
Selling, general and administrative	45.9	8.1	37.8	n/m
Research and development	25.3	0.4	24.9	n/m
Employee termination and restructuring	5.2	—	5.2	n/m
Depreciation and amortization	63.7	11.1	52.6	n/m
Operating loss	$ (14.7)	$ (2.0)	$ (12.7)	n/m
Loss from equity investments	$ (0.3)	$ (0.3)	$ —	0.0%

n/m - "Not Meaningful"
(1) Exclusive of depreciation and amortization.

(in millions, except for unit and per unit (or user) information)

	Three Months Ended March 31,		Variance for the Three Months Ended March 31,	
	2014	2013	2014 vs 2013	
Key Performance Indicators:				
Services revenue:				
WAP and premium participation products	$ 57.7	$ —	$ 57.7	n/m
Other leased and participation products	29.9	27.4	2.5	9.1 %
Interactive gaming products and services	30.8	—	30.8	n/m
Other services	8.3	6.6	1.7	25.8 %
Total services revenue	$ 126.7	$ 34.0	$ 92.7	n/m
WAP and premium participation units (1):				
Installed base at period end	9,076	—	9,076	n/m
Average installed base	9,142	—	9,142	n/m
Average daily revenue per unit	$ 70.13	$ —	$ 70.13	n/m
Other leased and participation units (2):				
Installed base at period end	27,645	26,348	1,297	4.9 %
Average installed base	28,989	25,893	3,096	12.0 %
Average daily revenue per unit	$ 11.47	$ 11.75	$ (0.28)	(2.4)%
Interactive gaming products and services - social casino:				
Average Monthly Active Users (MAU) (3)	4.9	—	4.9	n/m
Average Daily Active Users (DAU) (4)	1.3	—	1.3	n/m
Average revenue per daily active user (ARPDAU) (5)	$ 0.23	$ —	$ 0.23	n/m
Product sales revenue:				
New gaming machine sales	$ 49.9	$ 3.4	$ 46.5	n/m
Other product sales	17.6	1.2	16.4	n/m
Total product sales revenue	$ 67.5	$ 4.6	$ 62.9	n/m
Product sales:				
U.S. and Canadian new unit shipments	2,036	65	1,971	n/m
International new unit shipments	1,478	326	1,152	n/m
Total new unit shipments	3,514	391	3,123	n/m
Average sales price per new unit	$ 14,189	$ 8,662	$ 5,527	63.8 %

n/m - "Not Meaningful"

(1) WAP and premium participation products are comprised of WMS participation gaming machines (WAP, LAP and standalone units) generally available only as leased units

(2) Other leased and participation units are comprised principally of Scientific Games legacy server-based gaming machines, primarily in the U.K., and other leased WMS units

(3) MAU = Monthly Active Users, a count of unique visitors to our site during a month

(4) DAU = Daily Active Users, a count of unique visitors to our site during a day

(5) ARPDAU = Average revenue per DAU is calculated by dividing revenue for a period by the DAU for the period by the number of days for the period

Three Months Ended March 31, 2014 Compared to Three Months Ended March 31, 2013

Revenue

The $92.7 million increase in Gaming services revenue included $93.4 million from WMS. The average daily revenue per WAP and premium participation unit increased 1% over the amount reported by WMS in the prior-year-period despite challenging gaming industry conditions, reflecting the positive performance of our new games and the shift in our installed base of WAP and premium participation units to include more WAP units. Gaming services revenue for the three months ended March 31, 2014 also included revenue from our interactive social gaming business and reflected the approximately 1.3 million average DAU for our social casinos in the period. The increase in service revenue due to the inclusion of WMS revenue was partially offset by $0.6 million of lower revenues primarily due to the loss of our Betfred contract in December 2013 and lower services revenue from our existing international gaming customers. Our average installed base of other leased and participation units rose to 28,989 units, reflecting the addition of 2,609 other leased units within the WMS footprint and an increase in the total average installed footprint of our U.K. gaming customers. Average daily revenue for our other leased and participation units declined slightly compared to the prior-year period. Services revenue also reflected a favorable foreign currency translation of $1.1 million.

The $62.9 million increase in product sales revenue included $63.2 million from WMS. New gaming machine shipments by WMS declined appreciably, reflecting the challenging gaming industry conditions discussed above. In addition, we believe our ship share declined modestly from that achieved in the December 2013 quarter. Excluding the impact of WMS revenue, product sales revenue was flat for the three months ended March 31, 2014.

Operating Loss

The $12.7 million increase in operating loss in the three months ended March 31, 2014 primarily reflected a $14.1 million operating loss of WMS. The increase in operating loss reflected employee termination and restructuring costs of $5.2 million related to the post-acquisition integration and increases in R&D of $24.9 million and D&A of $52.6 million, including incremental D&A related to purchase accounting associated with the acquisition. During the three months ended March 31, 2014, we revised the depreciable lives of certain acquired intangible assets from a range of four to ten years to a range of three to eight years, which increased depreciation and amortization by $3.7 million. Excluding the impact of WMS, our operating loss decreased $1.4 million due primarily to lower SG&A in our U.K. gaming business, partially offset by increased D&A.

Recently Issued Accounting Guidance

For a description of recently issued accounting pronouncements, see Note 1 (Description of the Business and Summary of Significant Accounting Policies) to this Quarterly Report on Form 10-Q.

CRITICAL ACCOUNTING ESTIMATES

For a description of our policies regarding our critical accounting estimates, see "Critical Accounting Estimates" in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our 2013 Annual Report on Form 10-K.

We consider the following accounting estimates to be the most critical to fully understand and evaluate our reported financial results. The list below is not intended to be a comprehensive list of all of our accounting policies. Our significant accounting policies are described in Note 1 (Description of the Business and Summary of Significant Accounting Policies) in our 2013 Annual Report on Form 10-K.

- Income taxes and deferred income taxes
- Valuation of investments, long-lived and intangible assets and goodwill
- Business combinations
- Revenue recognition
- Notes receivable
- Performance-based compensation
- Inventory
- Restructuring

There have been no significant changes in our critical accounting estimate policies or the application of those policies to our consolidated financial statements from those presented in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations included in our 2013 Annual Report on Form 10-K.

LIQUIDITY, CAPITAL RESOURCES AND WORKING CAPITAL

Sources of Liquidity

As of March 31, 2014, our principal sources of liquidity were cash and equivalents and amounts available under our revolving credit facility discussed below under "Credit Agreement and Other Debt."

As of March 31, 2014, our available cash and equivalents and borrowing capacity totaled $425.6 million including cash and cash equivalents of $169.1 million and availability of $256.5 million under our revolving credit facility, compared to $411.0 million as of December 31, 2013 (including cash and cash equivalents of $153.7 million and availability of $257.3 million under our prior revolving credit facility). There were no borrowings outstanding under our revolving credit facility as of March 31, 2014; however, we had $43.5 million in outstanding letters of credit as of March 31, 2014, which reduces our capacity to borrow under our revolving credit facility. The amount of our available cash and equivalents fluctuates principally based on borrowings or repayments under our credit facilities, investments, acquisitions and changes in our working capital position. The borrowing capacity under our revolving credit facility will depend on the amount of outstanding borrowings and letters of credit issued and will also depend on us remaining in compliance with the covenants under our credit agreement, including the maintenance of applicable financial ratios. We were in compliance with the covenants under our credit agreement as of March 31, 2014.

We believe that our cash flow from operations, available cash and equivalents and available borrowing capacity under our revolving credit facility will be sufficient to meet our liquidity needs for the foreseeable future; however, there can be no assurance that this will be the case. We believe that substantially all cash held outside the U.S. is free from legal encumbrances or similar restrictions that would prevent it from being available to meet our global liquidity needs.

Total cash held by our foreign subsidiaries was $114.9 million as of March 31, 2014. To the extent that a portion of our foreign cash was required to meet liquidity needs in the U.S. (which we do not currently anticipate), we might incur a tax liability to repatriate it, the timing and amount of which would depend on a variety of factors. A significant amount of the cash held by our foreign subsidiaries as of March 31, 2014 could be transferred to the U.S. as intercompany loan repayments and other tax-free basis reductions.

Our contracts are periodically subject to renewal or re-bid and there can be no assurance that we will be successful in sustaining our cash flow from operations if our contracts are not renewed or replaced or are renewed on less favorable terms, or if we are unable to enter into new contracts. In addition, lottery customers in the U.S. generally require service providers to provide performance bonds in connection with the relevant contract. As of March 31, 2014, our outstanding performance bonds totaled $195.6 million. Our ability to obtain performance bonds on commercially reasonable terms is subject to our financial condition and to prevailing market conditions, which may be impacted by economic and political events. Although we have not

experienced difficulty in obtaining such bonds to date, there can be no assurance that we will continue to be able to obtain performance bonds on commercially reasonable terms or at all. If we need to refinance all or part of our indebtedness at or before maturity, there can be no assurance that we will be able to obtain new financing or to refinance any of our indebtedness on commercially reasonable terms or at all.

Cash Flow Summary

	Three Months Ended March 31,		Variance for the Three Months Ended March 31,
	2014	2013	2014 vs. 2013
Net cash provided by operating activities	$ 83.3	$ 23.2	$ 60.1
Net cash used in investing activities	(11.0)	(34.9)	23.9
Net cash used in financing activities	(56.5)	(3.6)	(52.9)
Effect of exchange rates on cash and cash equivalents	(0.4)	(3.7)	3.3
Increase (decrease) in cash and cash equivalents	$ 15.4	$ (19.0)	$ 34.4

Cash flows from operating activities

Net cash provided by operating activities for the three months ended March 31, 2014 increased $60.1 million over the prior-year period reflecting a $17.4 million increase in net earnings after adjustments for non-cash items and $26.7 million of favorable changes in current assets and liabilities, net of effects of acquisitions, due primarily to the acquisition of WMS. The increase in net cash provided by operating activities also reflected an increase in distributions received from our equity investments of $16.0 million primarily related to a distribution of $18.2 million from LNS in the current-year period.

Cash flows from investing activities

The reduction in net cash used in investing activities primarily reflected a distribution of capital from LNS of $22.4 million and proceeds from the sale of our equity interest in Sportech of $44.9 million, partially offset by increased capital expenditures of $23.3 million related to contracts in our Lottery Systems business and capital expenditures by WMS. We also made a capital contribution to ITL of $17.7 million related to the roll-out of gaming terminals for a customer in the U.K.

Cash flows from financing activities

The increase in net cash used in financing activities was primarily due to common stock repurchases of $29.5 million, the redemption of common stock under our stock-based compensation plans of $16.3 million and a principal payment under our term loan of $5.8 million.

Credit Agreement and Other Debt

As of March 31, 2014, our total debt was comprised principally of $2,294.2 million (excluding an unamortized discount of $10.7 million) outstanding under our term loan facilities under the credit agreement discussed below, $250.0 million in aggregate principal amount of our 2018 Notes, $346.5 million in aggregate principal amount of our 2019 Notes, $300.0 million in aggregate principal amount of our 2020 Notes, $7.0 million of China Loans and $14.2 million in capital leases related to our U.K. gaming operations. We use interest rate swap derivatives to diversify our debt portfolio between fixed and variable rate instruments. For further information regarding our interest rate risk and interest rate hedging instruments, see "Quantitative and Qualitative Disclosures About Market Risk" in Item 7A in our 2013 Annual Report on Form 10-K.

Senior Secured Credit Facilities

In connection with the WMS acquisition, the Company and certain of its subsidiaries entered into a credit agreement dated as of October 18, 2013, by and among SGI, as the borrower, the Company, as a guarantor, Bank of America, N.A., as administrative agent, and the lenders and other agents party thereto providing for senior secured credit facilities in an aggregate principal amount of $2,600.0 million including a $300.0 million revolving credit facility, which has dollar and multi-currency tranches, and a $2,300.0 million term loan facility. The term loan facility was used, in part, to finance the consideration paid in the WMS acquisition, to repay all indebtedness under our and WMS's prior credit agreements and to pay related acquisition and financing fees and expenses. Up to $200.0 million of the revolving credit facility is available for issuances of letters of credit. The term loan is scheduled to mature on October 18, 2020 and the revolving credit facility is scheduled to mature on October 18, 2018 (subject to accelerated maturity dates depending on our liquidity at the time our 2018 Notes, 2019 Notes and 2020 Notes become due).

SGI is required to pay commitment fees to revolving lenders on the actual daily unused portion of the revolving commitments at a rate of 0.50% per annum through maturity, subject to a step-down to 0.375% based upon certain first lien net leverage ratios. The credit facilities contain customary events of default (subject to customary grace periods and materiality thresholds). Upon the occurrence of certain events of default, the obligations under the credit facilities may be accelerated and the commitments may be terminated.

We were in compliance with our covenants under our new credit agreement as of March 31, 2014.

Senior Subordinated Notes

For additional information concerning our 2018 Notes, 2019 Notes and 2020 Notes, please see Note 15 in our 2013 Annual Report on Form 10-K.

Capital Leases

On March 31, 2014, we entered into a new leasing arrangement with ITL for the lease of gaming machines in connection with a long-term contract with a U.K. customer. As of March 31, 2014, we recorded a capital lease asset and minimum lease liability of $14.2 million. We expect the lease value will increase during 2014 as we lease additional gaming machines that will be placed into service under this contract.

Contractual Obligations

There have been no material changes to our contractual obligations disclosed in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity, Capital Resources and Working Capital - Contractual Obligations" included in our 2013 Annual Report on Form 10-K.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

There have been no material changes to the disclosure under "Item 7A. Quantitative and Qualitative Disclosures about Market Risk" included in our 2013 Annual Report on Form 10-K.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We have evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this Quarterly Report on Form 10-Q. The evaluation was conducted under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the three months ended March 31, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company is involved in various legal proceedings, including those discussed below. We record an accrual for legal contingencies when it is both probable that a liability will be incurred and the amount or range of the loss can be reasonably estimated. We evaluate our accruals for legal contingencies at least quarterly and, as appropriate, establish new accruals or adjust existing accruals to reflect (1) the facts and circumstances known to us at the time, including information regarding negotiations, settlements, rulings and other relevant events and developments, (2) the advice and analyses of counsel and (3) the assumptions and judgment of management. Legal costs associated with our legal proceedings are expensed as incurred. We had accrued liabilities of $25.9 million for all of our legal matters that were contingencies as of March 31, 2014 and December 31, 2013.

Substantially all of our legal contingencies are subject to significant uncertainties and, therefore, determining the likelihood of a loss and/or the measurement of any loss involves a series of complex judgments about future events. Consequently, the ultimate outcomes of our legal contingencies could result in losses in excess of amounts we have accrued. Any such losses could have a material adverse impact on our results of operations, financial position and cash flows.

Colombia Litigation

Our subsidiary, SGI, owned a minority interest in Wintech de Colombia S.A., or Wintech (now liquidated), which formerly operated the Colombian national lottery under a contract with Empresa Colombiana de Recursos para la Salud, S.A. (together with its successors, "Ecosalud"), an agency of the Colombian government. The contract provided for a penalty against Wintech, SGI and the other shareholders of Wintech of up to $5.0 million if certain levels of lottery sales were not achieved. In addition, SGI delivered to Ecosalud a $4.0 million surety bond as a further guarantee of performance under the contract. Wintech started the instant lottery in Colombia but, due to difficulties beyond its control, including, among other factors, social and political unrest in Colombia, frequently interrupted telephone service and power outages, and competition from another lottery being operated in a province of Colombia that we believe was in violation of Wintech's exclusive license from Ecosalud, the projected sales level was not met for the year ended June 30, 1993.

In 1993, Ecosalud issued a resolution declaring that the contract was in default. In 1994, Ecosalud issued a liquidation resolution asserting claims for compensation and damages against Wintech, SGI and other shareholders of Wintech for, among other things, realization of the full amount of the penalty, plus interest, and the amount of the bond. SGI filed separate actions opposing each resolution with the Tribunal Contencioso of Cundinamarca in Colombia (the "Tribunal"), which upheld both resolutions. SGI appealed each decision to the Council of State. In May 2012, the Council of State upheld the contract default resolution, which decision was notified to us in August 2012. In October 2013, the Council of State upheld the liquidation resolution, which decision was notified to us in December 2013.

In July 1996, Ecosalud filed a lawsuit against SGI in the U.S. District Court for the Northern District of Georgia asserting many of the same claims asserted in the Colombia proceedings, including breach of contract, and seeking damages. In March 1997, the District Court dismissed Ecosalud's claims. Ecosalud appealed the decision to the U.S. Court of Appeals for the Eleventh Circuit. The Court of Appeals affirmed the District Court's decision in 1998.

In June 1999, Ecosalud filed a collection proceeding against SGI to enforce the liquidation resolution and recover the claimed damages. In May 2013, the Tribunal denied SGI's merit defenses to the collection proceeding and issued an order of payment of approximately 90 billion Colombian pesos (approximately $47 million based on the current exchange rate) plus default interest (potentially accrued since 1994). SGI has filed an appeal to the Council of State, which appeal has stayed the payment order.

SGI believes it has various defenses, including on the merits, against Ecosalud's claims. Although we believe these claims will not result in a material adverse effect on our consolidated financial position or results of operations, it is not feasible to predict the final outcome, and there can be no assurance that these claims will not ultimately be resolved adversely to us or result in material liability.

SNAI Litigation

On April 16, 2012, certain VLTs operated by SNAI in Italy and supplied by Barcrest erroneously printed what appeared to be winning jackpot and other tickets with a face amount in excess of €400.0 million. SNAI has stated, and system data confirms, that no jackpots were actually won on that day. The terminals have been deactivated by the Italian regulatory authority. Following the incident, we understand that the Italian regulatory authority revoked the certification of the version of the gaming system that Barcrest provided to SNAI and fined SNAI €1.5 million, but determined to not revoke SNAI's concession to operate VLTs in Italy.

In October 2012, SNAI filed a lawsuit in the Court of First Instance of Rome in Italy against Barcrest and Global Draw, our subsidiary which acquired Barcrest from IGT-UK Group Limited, a subsidiary of IGT, claiming liability based on breach of contract and tort. The lawsuit seeks to terminate SNAI's agreement with Barcrest and damages arising from the deactivation of the terminals, including among other things, lost profits, expenses and costs, potential awards to players who have sought to enforce what appeared to be winning jackpot and other tickets, compensation sought by managers of the gaming locations where SNAI VLTs supplied by Barcrest were installed, damages to commercial reputation and any future damages arising from SNAI's potential loss of its concession or inability to obtain a new concession. In June 2013, Barcrest and Global Draw filed a counterclaim based on SNAI's alleged breach of contract.

In September 2013, Global Draw brought an action against IGT-UK Group Limited and IGT in the High Court of Justice (Commercial Court) in London, England seeking relief under the indemnification and warranty provisions contained in the agreement pursuant to which Barcrest was acquired from IGT-UK Group, including in connection with the April 2012 incident and a number of ancillary matters. In November 2013, IGT-UK Group Limited Barcrest filed a defense in which it denied Global Draw's claims and counterclaimed based on Global Draw's alleged breach of contract in connection with one of the ancillary matters.

While we believe we have meritorious defenses in the Italian litigation and potential third party recoveries, the lawsuit is in its early stages and we cannot currently predict the outcome of this matter.

WMS Merger Litigation

Complaints challenging the WMS merger were filed in early 2013 in the Delaware Court of Chancery, the Circuit Court of Cook County, Illinois and the Circuit Court of the Nineteenth Judicial Circuit, Lake County, Illinois. The actions are putative class actions filed on behalf of WMS stockholders. The complaints generally allege that the WMS directors breached their fiduciary duties in connection with their consideration and approval of the merger and in connection with their public disclosures concerning the merger. The complaints allege that other defendants, including WMS, Scientific Games Corporation and certain affiliates of Scientific Games Corporation, aided and abetted those alleged breaches. The plaintiffs sought equitable relief, including to enjoin the acquisition, to rescind the acquisition if not enjoined, damages, attorneys' fees and other costs.

The Delaware actions have been consolidated under the caption In re WMS Stockholders Litigation (C.A. No. 8279-VCP). The plaintiffs in the consolidated Delaware actions submitted to the Delaware Court of Chancery a letter advising that they had conferred with the plaintiffs in the Illinois actions and agreed to stay the consolidated Delaware action.

The Lake County, Illinois actions have been transferred to Cook County. All of the Illinois actions have been consolidated in Cook County with Gardner v. WMS Industries Inc., et al. (No. 2013 CH 3540).

In April 2013, the plaintiffs in the Gardner action filed a motion for preliminary injunction to enjoin the WMS stockholder vote on the merger. Following that, in April 2013, lead counsel in the Gardner action, on behalf of counsel for plaintiffs in all actions in Delaware and Illinois, agreed to withdraw the motion for preliminary injunction and not to seek to enjoin the WMS stockholder vote in return for WMS's agreement to make certain supplemental disclosures related to the merger. WMS made those supplemental disclosures in a Current Report on Form 8-K filed with the SEC on April 29, 2013.

The plaintiffs in the Illinois action filed a claim for interim attorney fees of $0.9 million. In November 2013, the court granted our motion to stay the plaintiffs' claim for an interim award of attorney fees.

In January 2014, the plaintiffs in the Illinois action filed an amended complaint seeking damages for the alleged breach of fiduciary duties by the individual defendants and the alleged aiding and abetting of those breaches by WMS and Scientific Games Corporation. In February 2014, WMS and Scientific Games Corporation filed motions to dismiss the amended complaint.

The Company believes the claims in the Illinois and Delaware actions are without merit.

Conlee Litigation

In May 2011, a putative class action was filed against WMS and certain of its executive officers in the U.S. District Court for the Northern District of Illinois by Wayne C. Conlee. In October 2011, the lead plaintiff filed an amended complaint in the lawsuit seeking unspecified damages. As amended, the lawsuit alleged that, during the period from September 21, 2010 to August 4, 2011 (the date WMS announced its 2011 fiscal year financial results), WMS made material misstatements and omitted material information related to its 2011 fiscal year guidance in violation of federal securities laws. WMS filed a motion to dismiss the amended complaint in December 2011 and, in July 2012, the Court granted the motion without prejudice.

In September 2012, the plaintiffs filed a further amended complaint, which WMS moved to dismiss in October 2012. In April 2013, the District Court granted WMS's motion to dismiss with prejudice. In May 2013, the plaintiffs filed a notice of

appeal with the U.S. Court of Appeals for the Seventh Circuit. In October 2013, the parties advised the court that they had reached a proposed settlement on a class basis and sought the District Court's approval of the proposed settlement. In January 2014, the District Court preliminarily approved the proposed settlement and scheduled a fairness hearing for May 2014 for final approval of the settlement. If approved, the settlement will not have a material impact on our results of operations.

IGT License Claims

In early 2012, IGT initiated an audit to determine whether WMS was in compliance with the terms of a license agreement between the two parties. IGT claimed that WMS underpaid license fees by approximately $25 million plus approximately $11 million in interest. IGT subsequently filed a demand for arbitration with the AAA seeking $50.0 million from WMS. We initiated an action in the U.S. District Court for the District of Nevada seeking a preliminary injunction to enjoin or limit the scope of the arbitration and to restrain IGT from seeking to enforce certain provisions of the arbitration clause in the license agreement, as well as a refund of overpaid royalty payments. Our motion for preliminary injunction was denied by the District Court in March 2014 and our action seeking recovery of overpaid royalty payments has been stayed pending resolution of certain matters in the arbitration. We have denied IGT's claims in the arbitration. While we believe we have meritorious defenses with respect to these license claims, the proceedings are in their early stages and we cannot currently predict the outcome of this matter.

Item 1A. Risk Factors

There have been no material changes in our risk factors from those disclosed under "Item 1A. Risk Factors" included in our 2013 Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (2)
1/1/2014 - 1/31/2014	1,528,687	$ 15.73	1,093,300	$87.6 million
2/1/2014 - 2/28/2014	1,079,319	$ 13.82	906,700	$75.0 million
3/1/2014 - 3/31/2014	150,443	$ 15.00	—	$75.0 million
Total	2,758,449	$ 14.94	2,000,000	$75.0 million

(1) In addition to shares of Class A common stock repurchased as part of our publicly announced stock repurchase program, this column reflects 0.8 million shares withheld from employees to satisfy the withholding taxes associated with the vesting of RSUs during the three months ended March 31, 2014.

(2) On December 5, 2013, our board of directors approved an extension of our existing stock repurchase program to December 31, 2014. The program, originally announced in May 2010, was due to expire on December 31, 2013. Under the program, we are authorized to repurchase, from time to time through open market purchases or otherwise, shares of our outstanding common stock in an aggregate amount up to $200 million. As of March 31, 2014, we had $75.0 million available for potential repurchases under the program. We repurchased 2.0 million shares under the repurchase program for $29.5 million during the three months ended March 31, 2014.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	
10.1	Amended and Restated Executive Employment Agreement dated as of April 1, 2014 by and between WMS Industries Inc., the Company and Scott D. Schweinfurth.*(†)
10.2	Agreement and General Release dated as of January 8, 2014 by and between the Company and Michael R. Chambrello (incorporated by reference to Exhibit 10.31 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2013).*
31.1	Certification of the Chief Executive Officer of the Company pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934. (†)
31.2	Certification of the Chief Financial Officer of the Company pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934. (†)
32.1	Certification of the Chief Executive Officer of the Company pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (†)
32.2	Certification of the Chief Financial Officer of the Company pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (†)
101	Financial statements from the Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2014, filed on May 8, 2014, formatted in Extensible Business Reporting Language (XBRL): (i) the Consolidated Statements of Operations and Comprehensive Loss, (ii) the Consolidated Balance Sheets, (iii) the Consolidated Statements of Cash Flows and (iv) the Notes to Consolidated Financial Statements tagged as blocks of text. (†)(*)

(†) Filed herewith.
(*) Pursuant to Rule 406T of Regulation S-T, the XBRL-related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to liability of that section and shall not be incorporated by reference into any filing or other document pursuant to the Securities Act of 1933, except as shall be expressly set forth by specific reference in such filing or document.

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/ Scott D. Schweinfurth
Name: Scott D. Schweinfurth
Title: Executive Vice President and Chief Financial Officer

By: /s/ Jeffrey B. Johnson
Name: Jeffrey B. Johnson
Title: Vice President, Finance, and Chief Accounting Officer

Dated: May 8, 2014

Exhibit 10.1

Amended and Restated Executive Employment Agreement

This Amended and Restated Executive Employment Agreement (the "Agreement") is made as of April 1, 2014 by and among Scientific Games Corporation, a Delaware corporation (the "Company"), WMS Industries Inc., a Delaware corporation and wholly-owned subsidiary of the Company ("WMS") and Scott D. Schweinfurth ("Executive").

WHEREAS, WMS and Executive are parties to an Executive Employment Agreement, dated November 15, 2013 (the "Former Agreement");

WHEREAS, the Company and Executive wish to amend and restate the Former Agreement;

NOW, THEREFORE, in consideration of the premises and mutual benefits to be derived herefrom and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the Company and Executive, the parties hereto agree as follows.

1. Employment; Term. The Company hereby agrees to employ Executive, and Executive hereby accepts employment with the Company, in accordance with and subject to the terms and conditions set forth in this Agreement. The term of employment of Executive under this Agreement (the "Term") shall be the period commencing on April 1, 2014 (the "Effective Date") and ending on March 31, 2017, as may be extended in accordance with this Section 1 and subject to earlier termination in accordance with Section 4. The Term shall be extended automatically without further action by either party by one (1) additional year (added to the end of the Term), and then on each succeeding annual anniversary thereafter, unless either party shall have given written notice to the other party prior to the date that is ninety (90) days prior to the date upon which such extension would otherwise have become effective electing not to further extend the Term, in which case Executive's employment shall terminate on the date upon which such extension would otherwise have become effective, unless earlier terminated in accordance with Section 4.

2. Position and Duties. During the Term, Executive will serve as Executive Vice President and Chief Financial Officer of the Company and as an officer or director of any subsidiary or affiliate of the Company if elected to any such position by the stockholders or by the board of directors of any such subsidiary or affiliate, as the case may be. In such capacity, Executive shall perform such duties and shall have such responsibilities as are normally associated with such positions, and as otherwise may be assigned to Executive from time to time by the President and Chief Executive Officer of the Company (the "CEO") or upon the authority of the board of directors of the Company (the "Board"). Subject to Section 4(e), Executive's functions, duties and responsibilities are subject to reasonable changes as the Company may in good faith determine from time to time. Executive hereby agrees to accept such employment and to serve the Company and its subsidiaries and affiliates to the best of Executive's ability in such capacities, devoting all of Executive's business time to such employment. However, Executive may devote reasonable time to (i) supervision of personal investments, or otherwise attend to personal affairs, including family financial and legal affairs, (ii) activities involving professional, charitable, educational, civic, religious and similar public-service types of activities, including speaking engagements, and (iii) serving on the board of directors of one publicly-traded company, subject to the written consent of the CEO, provided that the activities set forth in (i) through (iii) do not interfere or conflict in any

material way with the Executive's responsibilities hereunder. The time involved in such activities shall not be treated as vacation time. The Executive shall be entitled to keep any amounts paid to him in connection with such activities (*e.g.*, director fees and honoraria).

3. Compensation.

(a) *Base Salary*. During the Term, Executive will receive a base salary ("Base Salary") of Six Hundred Seventy Five Thousand U.S. dollars (US$675,000) per annum (pro-rated for any partial year), payable in accordance with the Company's regular payroll practices and subject to such deductions or amounts to be withheld as required by applicable law and regulations or as may be agreed to by Executive. In the event that the Company, in its sole discretion, from time to time determines to increase Executive's base salary, such increased amount shall, from and after the effective date of such increase, constitute "Base Salary" of Executive. Executive's annual Base Salary shall not be reduced after any increase.

(b) *Incentive Compensation*. Executive shall have the opportunity annually to earn incentive compensation ("Incentive Compensation") in amounts determined by the Compensation Committee of the Board (the " Compensation Committee") in accordance with the applicable incentive compensation plan of the Company as in effect from time to time (the " Incentive Compensation Plan"), except as otherwise provided herein. Under such Incentive Compensation Plan, beginning in calendar year 2014, Executive shall have the opportunity annually to earn up to seventy five percent (75%) of Executive's Base Salary as Incentive Compensation at "target opportunity" ("Target Bonus") and one hundred and fifty percent (150%) of Executive's Base Salary as Incentive Compensation at "maximum opportunity" on the terms and subject to the conditions of such Incentive Compensation Plan, (any such Incentive Compensation to be subject to such deductions or amounts to be withheld as required by applicable law and regulations or as may be agreed to by Executive).

(c) *Eligibility for Annual Equity Awards*. Executive shall be eligible to receive an annual grant of stock options, restricted stock units or other equity awards in the sole discretion of the Compensation Committee and in accordance with the applicable plans and programs of the Company for senior executives of the Company and subject to the Company's right to at any time amend or terminate any such plan or program, so long as any such change does not adversely affect any accrued or vested interest of Executive under any such plan or program.

(d) *Expense Reimbursement*. Subject to Section 3(g), the Company shall reimburse Executive for all reasonable and necessary travel, business entertainment and other business expenses incurred by Executive in connection with the performance of Executive's duties under this Agreement, on a timely basis upon timely submission by Executive of vouchers therefor in accordance with the Company's standard policies and procedures.

(e) *Health and Welfare, and Other Benefits*. Executive shall be entitled to participate, without discrimination or duplication, in any and all medical insurance, group health, disability, life insurance, accidental death and dismemberment insurance, 401(k) or other retirement, deferred compensation, stock ownership and such other plans and programs which are made

generally available by the Company to senior executives of the Company in accordance with the terms of such plans and programs and subject to the right of the Company (or its applicable affiliate) to at any time amend or terminate any such plan or program. Executive shall be entitled to paid vacation, holidays and any other time off in accordance with the Company's policies in effect from time to time. Notwithstanding the foregoing, for the 2014 calendar year, Executive shall participate in the health and welfare plans and programs which are made generally available by WMS to its senior executives in accordance with the terms of such plans and programs and subject to the right of WMS (or its applicable affiliate) to at any time amend or terminate any such plan or program. For the avoidance of doubt, Executive's service with WMS shall count as service for purposes of eligibility and vesting under the pension, health and welfare plans, and for purposes of eligibility, vesting and accrual under the vacation and paid-time-off policies, of the Company beginning in the 2015 calendar year, in each case, to the extent the Company credits prior service of its similarly situated senior executives.

(f) *Special Equity Award.* In connection with Executive's execution of this Agreement, as of the Effective Date, or if the Effective Date is not a business day, the first business day immediately following the Effective Date (the " Grant Date"), the Company shall grant to Executive an award of 33,650 restricted stock units (the " Special Equity Award") under the Company's Amended and Restated Incentive Plan (2013 Restatement), as amended and restated (or other then applicable equity compensation plan) (the "Plan"), pursuant to an equity award agreement to be provided by the Company and entered into by and between the Company and Executive (the "Equity Award Agreement"). The Equity Award Agreement shall provide that the Special Equity Award shall vest with respect to twenty-five percent (25%) of the shares of Company common stock subject to such Special Equity Award on each of the first four anniversaries of the Grant Date, subject to Executive's continued employment through the applicable vesting date (except as otherwise provided in this Agreement and the Equity Award Agreement), and shall be settled in shares of Company common stock on the applicable vesting date, less applicable tax withholdings therefrom, and subject to any applicable provisions relating to the accelerated vesting and forfeiture as described in this Agreement, the Equity Award Agreement or the Plan.

(g) *Taxes and Internal Revenue Code 409A.* Payment of all compensation and benefits to Executive under this Agreement shall be subject to all legally required and customary withholdings. It is the Company's and Executive's mutual intent that all compensation and benefits provided to Executive under this Agreement shall be granted and paid in a manner that is either exempt from or complies with Section 409A of the Internal Revenue Code of 1986, as amended (the " Code"), and applicable administrative guidance and regulations ("Section 409A"); provided, the Company makes no representations regarding the tax implications of such compensation and benefits under Section 409A. Section 409A governs plans and arrangements that provide "nonqualified deferred compensation" (as defined under the Code) which may include, among others, nonqualified retirement plans, bonus plans, stock option plans, employment agreements and severance agreements. The Company reserves the right to provide compensation and benefits under any plan or arrangement in amounts, at times and in a manner that minimizes taxes, interest or penalties as a result of Section 409A. In addition, in the event any benefits or amounts paid to Executive hereunder are deemed to be subject to Section 409A, Executive consents to the Company adopting such conforming amendments as the Company deems necessary, in its reasonable

discretion, to comply with Section 409A (including, but not limited to, delaying payment until six (6) months following termination of employment). Notwithstanding anything herein to the contrary, if (i) at the time of Executive's "separation from service" (as defined in Treas. Reg. Section 1.409A-1(h)) with the Company other than as a result of Executive's death, (ii) Executive is a "specified employee" (as defined in Section 409A(a)(2)(B)(i)), (iii) one or more of the payments or benefits received or to be received by Executive pursuant to this Agreement would constitute deferred compensation subject to Section 409A, and (iv) the deferral of the commencement of any such payments or benefits otherwise payable hereunder as a result of such separation of service is necessary in order to prevent any accelerated or additional tax under Section 409A, then the Company will defer the commencement of the payment of any such payments or benefits hereunder to the extent necessary (without any reduction in such payments or benefits ultimately paid or provided to Executive) until the date that is six (6) months following Executive's separation from service with the Company (or the earliest date as is permitted under Section 409A). Any remaining payments or benefits shall be made as otherwise scheduled hereunder. Furthermore, to the extent any payments of money or other benefits due to Executive hereunder could cause the application of an accelerated or additional tax under Section 409A, such payments or other benefits shall be deferred if deferral will make such payment or other benefits compliant under Section 409A, or otherwise such payments or other benefits shall be restructured, to the extent permissible under Section 409A, in a manner determined by the Company that does not cause such an accelerated or additional tax. To the extent any reimbursements or in-kind benefits due to Executive under this Agreement constitute deferred compensation under Section 409A, any such reimbursements or in-kind benefits shall be paid to Executive in a manner consistent with Treas. Reg. Section 1.409A-3(i)(1)(iv). Each payment made under this Agreement shall be designated as a "separate payment" within the meaning of Section 409A.

4. Termination of Employment. Executive's employment may be terminated at any time prior to the end of the Term under the terms described in this Section 4, and the Term shall automatically terminate upon any termination of Executive's employment. For purposes of clarification, except as otherwise expressly provided in this Agreement or the terms of the applicable plans, grant agreements and programs governing Executive's then-outstanding options, restricted stock units or other awards, all such awards will terminate on any termination of the Term and Executive's employment with the Company. Each such award that does not terminate on termination of the Term and Executive's employment with the Company will continue to be governed by the terms of the plan, grant agreement or program applicable to such award.

(a) *Termination of Executive's Employment.* Executive or the Company may terminate Executive's employment hereunder for any reason or no reason upon sixty (60) days' prior written notice to the other referring to this Section 4(a); provided, however, that in the event of a termination for Cause (as defined below), the Company shall not be required to provide Executive with any prior notice of such termination. Upon any termination of Executive's employment, other than a termination of Executive's employment by the Company for Cause, Executive shall be entitled to the following compensation and benefits (the payments set forth in Sections 4(a)(i) - 4(a)(v), collectively, the "Standard Termination Payments"):

(i) any accrued but unpaid Base Salary for services rendered by Executive to the date of such termination, payable in accordance with the Company's regular payroll practices and subject to such deductions or amounts to be withheld as required by applicable law and regulations or as may be agreed to by Executive;

(ii) any earned annual Incentive Compensation Plan bonus or other annual Incentive Compensation award, for which the performance measurement period has ended prior to the Executive's termination date, but which is unpaid at the time of termination (the "Earned Incentive Compensation"), including any annual Incentive Compensation award for which the performance measurement date is the same date as the expiration date of the Term of this Agreement when not renewed by either party pursuant to Section 1, in each case, payable on the date such Earned Incentive Compensation would otherwise be paid by the Company;

(iii) any accrued but unpaid vacation pursuant to Company policy;

(iv) any vested non-forfeitable amounts owing or accrued at the date of such termination under benefit plans, programs and arrangements set forth or referred to in Section 3(e) in which Executive participated during the Term will be paid under the terms and conditions of such plans, programs, and arrangements (and agreements and documents thereunder); and

(v) reasonable business expenses and disbursements incurred by Executive prior to such termination, which will be reimbursed in accordance with Section 3(d).

(b) *Termination By Reason of Death.* If Executive dies during the Term, the last beneficiary designated by Executive by written notice to the Company (or, in the absence of such designation, Executive's estate) shall be entitled to the following compensation and benefits:

(i) the Standard Termination Payments; and

(ii) a lump sum cash payment equal to one and one-half (1.5) of Executive's then current Base Salary (subject to a $1,000,000 cap) payable within sixty (60) days of Executive's death, which in the Company's discretion may be funded under a life insurance policy for which the Company pays premiums (a " Life Insurance Benefit"). For the avoidance of doubt, any proceeds from any life insurance policy for which Executive pays premiums shall not reduce the amount otherwise payable by the Company to Executive under this Section 4(b)(ii).

(c) *Termination By Reason of Total Disability.* The Company may terminate Executive's employment in the event of Executive's "Total Disability." For purposes of this Agreement, "Total Disability" shall mean Executive's (1) becoming eligible to receive benefits under any long-term disability insurance program of the Company or (2) failure to perform the duties and responsibilities contemplated under this Agreement for a period of more than 180 days during any consecutive 12-month period due to physical or mental incapacity or impairment. In the event that Executive's employment is terminated by the Company by reason of Total Disability,

the Company shall pay the following amounts, and make the following other benefits available, to Executive:

(i) the Standard Termination Payments; and

(ii) an amount equal to Executive's annual Base Salary, payable in approximately equal installments over a period of twelve (12) months after such termination; provided that such amount shall be reduced with each installment payment being reduced pro rata by the amount of any long-term disability payments to which Executive may be entitled following the termination of his employment as a result of any disability plan sponsored or maintained by the Company or any of its affiliates providing benefits to Executive.

(d) *Termination by the Company for Cause*. The Company may terminate the employment of Executive without notice at any time for "Cause." For purposes of this Agreement, "Cause" shall mean: (i) gross neglect by Executive of Executive's duties hereunder; (ii) Executive's conviction (including conviction on a *nolo contendere* plea) of a felony or any non-felony crime or offense involving the property of the Company or any of its subsidiaries or affiliates or evidencing moral turpitude; (iii) willful misconduct by Executive in connection with the performance of Executive's duties hereunder; (iv) intentional breach by Executive of any material provision of this Agreement; (v) material violation by Executive of a material provision of the Company's Code of Business Conduct; or (vi) any other willful or grossly negligent conduct of Executive that would make the continued employment of Executive by the Company materially prejudicial to the best interests of the Company. For purposes of this Agreement, an act or failure to act on Executive's part shall be considered "willful" if it was done or omitted to be done by him knowingly, purposefully and not in good faith. For the avoidance of doubt, "Cause" shall not include the mere disagreement or difference of views, in and of itself, between Executive and one or more directors or officers of the Company or any of its affiliates with respect to any matter(s) relating to the business, affairs or operations of the Company and/or any of its affiliates (it being understood and agreed that this sentence does not exclude from "Cause," without limitation, any act or failure to act which otherwise would constitute "Cause" resulting from such disagreement or difference of views). In the event Executive's employment is terminated by the Company for "Cause," Executive shall only be entitled to the payments set forth in Sections 4(a)(i), 4(a)(iii), 4(a)(iv) and 4(a)(v) of this Agreement.

(e) *Termination by the Company without Cause; Executive Termination for Good Reason*. In the event that Executive's employment is terminated by the Company without Cause or Executive terminates his employment for Good Reason (as defined below) during the Term (and not, for the avoidance of doubt, in the event of a termination pursuant to Sections 4(b), (c), (d), or (g) hereof), the Company shall pay the following amounts, and make the following other benefits available, to Executive:

(i) the Standard Termination Payments;

(ii) an amount equal to the sum of (A) Executive's Base Salary and (B) an amount equal to the highest annual Incentive Compensation paid to Executive (if any) in respect of the two (2) most recently completed fiscal years of the Company but not more

than Executive's Target Bonus for the fiscal year of Executive's termination (if Executive was not employed by the Company during the prior fiscal year, such amount shall be Executive's Target Bonus for the then fiscal year) (such amount under this sub-clause (B), the "Severance Bonus Amount"), such amount under this clause (ii) payable over a period of twelve (12) months after such termination in accordance with Section 3(g);

(iii) no later than March 15 following the end of the year in which such termination occurs, in lieu of any Incentive Compensation for the year in which such termination occurs, payment of an amount equal to (A) the Incentive Compensation that would have been payable to Executive had Executive remained in employment with the Company during the entire year in which such termination occurred, multiplied by (B) a fraction the numerator of which is the number of days Executive was employed in the year in which such termination occurs and the denominator of which is the total number of days in the year in which such termination occurs;

(iv) subject to Section 5.6 hereof, full vesting of any unvested stock options, unvested restricted stock units or other unvested equity-based awards held by Executive immediately prior to such termination (provided that any such stock options (together with any other vested stock options) held by Executive will cease being exercisable upon the earlier of ninety (90) days after such termination and the scheduled expiration date of such stock options), and, in all other respects, all stock options, restricted stock units and other equity-based awards held by Executive shall be governed by the plans and programs and the agreements and other documents pursuant to which the awards were granted; provided, however, that, for the avoidance of doubt, in the event such termination occurs prior to the Compensation Committee's determination as to the satisfaction of any performance criteria to which any such awards is subject, such awards will not vest (and, in the case of any such stock options, will not become exercisable) unless and until a determination is or has been made by the Compensation Committee that such criteria have been satisfied, at which time such awards will vest (and, in the case of any such stock options, will become exercisable) to the extent contemplated by the terms of such award (it being understood and agreed, for the avoidance of doubt, that such awards will immediately be forfeited to the extent contemplated by the terms of such award in the event that such criteria are determined not to have been satisfied); and

(v) if Executive elects to continue medical coverage under the Company's group health plan in accordance with COBRA, the Company shall pay the monthly COBRA premiums for such coverage, for a period of twelve (12) months.

For purposes of this Agreement, "Good Reason" shall mean that, without Executive's prior written consent, any of the following shall have occurred: (i) a material change, adverse to Executive, in Executive's positions, titles, offices, or duties as provided in Section 2 hereof, except, in such case, in connection with the termination of Executive's employment for Cause or due to Total Disability, death or expiration of the Term; (ii) an assignment of any significant duties to Executive that are materially inconsistent with Executive's positions or offices held under Section 2 hereof; (iii) a

material decrease in Base Salary or material decrease in Executive's incentive compensation provided under this Agreement; (iv) a requirement that Executive be principally based at a work location that would result in an increase to his commute by more than thirty (30) miles from his commute as of the Effective Date to the Waukegan or Chicago locations, whichever is further from his primary residence as of the Effective Date, and (v) any other material failure by the Company to perform any material obligation under, or material breach by the Company of any material provision of, this Agreement; provided, however, that a termination by Executive for Good Reason under any of clauses (i) - (v) of this Section 4(e) shall not be considered effective unless Executive shall have provided the Company with written notice of the specific reasons for such termination within thirty (30) days after Executive has knowledge of the event or circumstance constituting Good Reason and the Company shall have failed to cure the event or condition allegedly constituting Good Reason within thirty (30) days after such notice has been given to the Company.

(f) *Termination by the Company without Cause or by Executive for Good Reason in connection with a Change in Control.* In the event Executive's employment is terminated by the Company without Cause or by Executive for Good Reason pursuant to Section 4(e) and such termination occurs upon, or within one (1) year immediately following, a "Change in Control" (as defined below), Executive shall be entitled (without duplication) to the payments and benefits described in Section 4(e), except that, solely in the case of an amount otherwise payable under Section 4(e)(ii), such amount shall be multiplied by two (2) (*i.e.*, an amount equal to two (2) multiplied by the sum of Executive's Base Salary and the Severance Bonus Amount, without duplication) and such amount shall be payable over a period of twenty-four (24) months after termination in accordance with Section 3(g) of this Agreement; provided, however, to the extent that such amount under Section 4(e)(ii) is exempt from Section 409A and/or if such Change in Control constitutes a change in ownership, change in effective control or a change in ownership of a substantial portion of the assets of the Company under Regulation Section 1.409A-3(i)(5), such amount otherwise payable under Section 4(e)(ii) shall be paid in a lump sum in accordance with Section 3(g) of this Agreement. Notwithstanding the foregoing, if following the Effective Date there occurs a transaction that constitutes a "change of control" under U.S Treasury Regulation 1.280G-1, and any payments, distributions, benefits or entitlements due to the Executive hereunder (the "Payments") could be considered "parachute payments" within the meaning of Section 280G of the Code (such payments, the "Parachute Payments"), the Payments shall be reduced to the extent necessary to avoid the imposition of any excise tax imposed by Section 4999 of the Code (or any successor provision thereto), any similar tax imposed by state or local law, or any interest or penalties with respect to such tax on the Payments or a loss of deductibility under Section 280G of the Code; provided, however, that the Payments shall only be reduced to the extent that the after-tax value of amounts received by Executive after application of the above reduction would exceed the after-tax value of the Payments received without application of such reduction. For this purpose, the after-tax value of an amount shall be determined taking into account all federal, state, and local income, employment, and excise taxes applicable to such amount. In making any determination as to whether the Payments would be Parachute Payment, consideration shall be given to whether any portion of the Payments could reasonably be considered, based on the relevant facts and circumstances, to be reasonable compensation for services rendered (whether before or after the consummation of the applicable Change in Control). To the extent Payments must be reduced pursuant to this Section, the Company, without consulting Executive regarding the order of reduction of such Payments, will

reduce the Payments to achieve the best economic benefit, and to the extent economically equivalent, on a pro-rata basis.

For purposes of this Agreement, a "Change in Control" shall be deemed to have occurred if: (i) any "person" as defined in Section 3(a)(9) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and as used in Sections 13(d) and 14(d) thereof, including a "group" as defined in Section 13(d) of the Exchange Act but excluding the Company and any subsidiary or affiliate and any employee benefit plan sponsored or maintained by the Company or any subsidiary or affiliate (including any trustee of such plan acting as trustee) or any current stockholder of 20% or more of the outstanding common stock of the Company, directly or indirectly, becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act) of securities of the Company representing at least 40% of the combined voting power of the Company's then-outstanding securities; (ii) the stockholders of the Company approve a merger, consolidation, recapitalization, or reorganization of the Company, or a reverse stock split of any class of voting securities of the Company, or the consummation of any such transaction if stockholder approval is not obtained, other than any such transaction that would result in at least 60% of the total voting power represented by the voting securities of the Company or the surviving entity outstanding immediately after such transaction being beneficially owned by persons who together beneficially owned at least 80% of the combined voting power of the voting securities of the Company outstanding immediately prior to such transaction; provided that, for purposes of this Section 4(f), such continuity of ownership (and preservation of relative voting power) shall be deemed to be satisfied if the failure to meet such 60% threshold is due solely to the acquisition of voting securities by an employee benefit plan of the Company or such surviving entity or of any subsidiary of the Company or such surviving entity; (iii) the stockholders of the Company approve a plan of complete liquidation of the Company, an agreement for the sale or disposition by the Company of all or substantially all of its assets (or any transaction having a similar effect); or (iv) during any period of two (2) consecutive years, individuals who at the beginning of such period constitute the Board, together with any new director (other than a director designated by a person who has entered into an agreement with the Company to effect a transaction described in clause (i), (ii) or (iii) above) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority of the Board.

(g) *Expiration of the Term without Renewal by the Company or the Executive*. In the event of a termination of Executive's employment (other than a termination by the Company for Cause) occurring upon or after the date that the Term expires as a result of a Company notice of nonrenewal or the Executive delivering a notice of nonrenewal, in addition to receiving the Standard Termination Payments, Executive shall be entitled to, subject to Section 5.6 hereof, (i) full vesting of any unvested stock options, unvested restricted stock units or other unvested equity-based awards granted to Executive prior to January 1, 2014 and held by Executive upon the termination of Executive at the expiration of the Term (the "Prior Awards" which, for the avoidance of doubt, excludes the Special Equity Award) and (ii) any unvested stock options, restricted stock units or other equity awards held by Executive upon the termination of Executive at the expiration of the Term, other than the Prior Awards, will continue to vest in accordance with the original vesting

schedule applicable to such equity awards (*i.e.*, without regard to such expiration), and any stock options may be exercised until the scheduled expiration date of such stock options; provided, that in each of (i) and (ii), in all other respects, all such awards shall be governed by the plans and programs and the agreements and other documents pursuant to which the awards were granted; provided further, however, that, for the avoidance of doubt, in the event such termination occurs prior to the Compensation Committee's determination as to the satisfaction of any performance criteria to which any such awards is subject, such awards will not vest (and, in the case of any such stock options, will not become exercisable) unless and until a determination is or has been made by the Compensation Committee that such criteria have been satisfied, at which time such awards will vest (and, in the case of any such stock options, will become exercisable) to the extent contemplated by the terms of such award (it being understood and agreed, for the avoidance of doubt, that such awards will immediately be forfeited to the extent contemplated by the terms of such award in the event that such criteria are determined not to have been satisfied).

(h) *Set-Off and No Mitigation*. Executive shall have no obligation to mitigate damages pursuant to this Section 4 but shall be obligated to promptly advise the Company regarding obtaining other employment providing health insurance benefits with respect to services provided to another employer during any period of continued payments pursuant to this Section 4. The Company's obligation to make continued insurance payments to or on behalf of Executive shall be reduced by any insurance coverage obtained by Executive during the severance period through employment by another entity (without regard to when such coverage is paid). To the fullest extent permitted by law and provided an acceleration of income or the imposition of an additional tax under Section 409A would not result, any amounts otherwise due to Executive hereunder (including, without limitation, any payments pursuant to this Section 4) shall be subject to set-off with respect to any undisputed amounts Executive otherwise owes the Company or any subsidiary or affiliate thereof.

(i) *No Other Benefits or Compensation*. Except as may be provided under this Agreement, under any other effective written agreement between Executive and the Company, or under the terms of any plan or policy applicable to Executive, Executive shall have no right to receive any other compensation from the Company or any subsidiary or affiliate thereof, or to participate in any other plan, arrangement or benefit provided by the Company or any subsidiary or affiliate thereof, with respect to any future period after such termination or resignation. Executive acknowledges and agrees that he is entitled to no compensation or benefits from the Company or any of its subsidiaries or affiliates of any kind or nature whatsoever in respect of periods prior to the date of this Agreement. For the avoidance of doubt, Executive acknowledges and agrees that (i) he is not entitled to any payments or benefits from the Company or any of its subsidiaries or affiliates and (ii) he is not subject to any obligations during or following a termination of his employment with the Company, in each of (i) and (ii), under the Former Agreement.

(j) *Release of Employment Claims; Compliance with Section 5*. Executive agrees, as a condition to receipt of any termination payments and benefits provided for in this Section 4 (other than the Standard Termination Payments), that Executive will execute a general release agreement, in a form reasonably satisfactory to the Company, releasing any and all claims arising out of Executive's employment and the termination of such employment (other than enforcement

of this Agreement). The Company shall provide Executive with the proposed form of general release agreement referred to in the immediately preceding sentence no later than two (2) days following the date of termination. Executive shall thereupon have 21 days to consider such general release agreement and, if he executes such general release agreement, shall have seven (7) days after execution of such general release agreement to revoke such general release agreement. Absent such revocation, such general release agreement shall become binding on Executive. If Executive does not revoke such general release agreement, payments contingent on such general release agreement that constitute deferred compensation under Section 409A (if any) shall be paid on the later of 60 days after the date of termination or the date such payments are otherwise scheduled to be paid pursuant to this Agreement. The Company's obligation to make any termination payments and benefits provided for in this Section 4 (other than the Standard Termination Payments) shall immediately cease if Executive willfully and materially breaches Section 5.1, 5.2, 5.3, 5.4, or 5.8.

5. Noncompetition; Non-solicitation; Nondisclosure; etc.

5.1 Noncompetition; Non-solicitation.

(a) Executive acknowledges the highly competitive nature of the Company's business and that access to the Company's confidential records and proprietary information renders Executive special and unique within the Company's industry. In consideration of the amounts that may hereafter be paid to Executive pursuant to this Agreement (including, without limitation, Sections 3 and 4), Executive agrees that during the Term (including any extensions thereof) and during the Covered Time (as defined in Section 5.1(e)), Executive, alone or with others, will not, directly or indirectly, engage (as owner, investor, partner, stockholder, employer, employee, consultant, advisor, director or otherwise) in any Competing Business, unless approved in writing by the CEO. For purposes of this Section 5, "Competing Business" shall mean any business or operations (i) (A) involving the design, development, manufacture, production, sale, lease, license, provision, operation or management (as the case may be) of (1) instant lottery tickets or games or any related marketing, warehouse, distribution, category management or other services or programs; (2) lottery-related terminals or vending machines (whether clerk-operated, self-service or otherwise), (3) gaming machines, terminals or devices (including video or reel spinning slot machines, video poker machines, video lottery terminals and fixed odds betting terminals), (4) lottery, video gaming (including server-based gaming), sports betting or other wagering or gaming systems (including control and monitoring systems, local or wide-area progressive systems and redemption systems); (5) lottery or gaming-related proprietary or licensed content (including themes, entertainment and brands), platforms, websites and loyalty and customer relationship management programs (including any of the foregoing relating to online play, social gaming or interactive (including internet and mobile) lottery or gaming); (6) prepaid cellular or other phone cards; or (7) ancillary products (including equipment, hardware, software, marketing materials, chairs and signage) or services (including field service, maintenance and support) related to any of the foregoing under sub-clauses (1) through (6) above or (B) in which the Company is then or was within the previous twelve (12) months engaged (excluding any such business engaged in prior to the Effective Date but not engaged in on the Effective Date), or in which the Company, to Executive's knowledge, contemplates to engage in during the Term or the Covered Time; (ii) in which Executive was engaged or involved (whether in an executive or supervisory capacity or otherwise) on behalf of

the Company or with respect to which Executive has obtained proprietary or confidential information; and (iii) which was conducted anywhere in the United States or in any other geographic area in which such business was conducted or planned to be conducted by the Company. Executive's continuing service on a board of directors specifically approved in writing by the CEO shall not be deemed service to a Competing Business. Without limiting the other restrictions in this Section 5, nothing in this Section 5.1(a) is intended to preclude the unknowing ownership or trading by Executive of securities in a Competing Business through a mutual fund or being an investment banker at a firm that represents Competing Business interests. Moreover, the acquisition of up to 2% of the outstanding equity, debt securities, or other equity interests or any person, corporation, partnership, or other business entity for passive investment purposes shall not, in and of itself, be construed as engaging in a Competing Business.

(b) In further consideration of the amounts that may hereafter be paid to Executive pursuant to this Agreement (including, without limitation, Sections 3 and 4), Executive agrees that, during the Term (including any extensions thereof) and during the Covered Time, Executive shall not, directly or indirectly, unless previously approved in writing by the CEO: (i) solicit or attempt to induce any of the employees, agents, consultants or representatives of the Company to terminate his, her, or its relationship with the Company; (ii) solicit or attempt to induce any of the employees, agents, consultants or representatives of the Company to become employees, agents, consultants or representatives of any other person or entity; (iii) solicit or attempt to induce any customer, vendor or distributor of the Company to curtail or cancel any business with the Company; or (iv) hire any person who, to Executive's actual knowledge, is, or was within one hundred eighty (180) days prior to such hiring, an employee of the Company.

(c) During the Term (including any extensions thereof) and during the Covered Time, Executive agrees that upon the earlier of Executive's (i) negotiating with any Competitor (as defined below) concerning the possible employment of Executive by the Competitor, (ii) responding to (other than for the purpose of declining) an offer of employment from a Competitor, or (iii) becoming employed by a Competitor, (A) Executive will provide copies of Section 5 of this Agreement to the Competitor, and (B) in the case of any circumstance described in (iii) above occurring during the Covered Time, and in the case of any circumstance described in (i) or (ii) above occurring during the Term or during the Covered Time, Executive will promptly provide notice to the Company of such circumstances at such time as all such negotiations have concluded and a binding offer of employment has been delivered to Executive for his acceptance, but in any event no later than five (5) business days before executing a binding employment agreement, or if there is no employment agreement, five (5) business days before starting to provide services to a Competitor. Executive further agrees that the Company may provide notice to a Competitor of Executive's obligations under this Agreement. For purposes of this Agreement, "Competitor" shall mean any person or entity (other than the Company, its subsidiaries or affiliates) that engages, directly or indirectly, in the United States in any Competing Business.

(d) Executive understands that the restrictions in this Section 5.1 may limit Executive's ability to earn a livelihood in a business similar to the business of the Company but nevertheless agrees and acknowledges that the consideration provided under this Agreement

(including, without limitation, Sections 3 and 4) is sufficient to justify such restrictions. In consideration thereof and in light of Executive's education, skills and abilities, Executive agrees that Executive will not assert in any forum that such restrictions prevent Executive from earning a living or otherwise should be held void or unenforceable.

(e) For purposes of this Section 5.1, "Covered Time" shall mean the period beginning on the date of termination of Executive's employment (the "Date of Termination") and ending twelve (12) months after the Date of Termination.

5.2 Proprietary Information; Inventions.

(a) Executive acknowledges that, during the course of Executive's employment with the Company, Executive necessarily will have (and during any employment by, or affiliation with, the Company prior to the Term has had) access to and make use of proprietary information and confidential records of the Company. Executive covenants that Executive shall not during the Term or at any time thereafter, directly or indirectly, use for Executive's own purpose or for the benefit of any person or entity other than the Company, nor otherwise disclose to any person or entity, any such proprietary information, unless and to the extent such disclosure has been authorized in writing by the Company or is otherwise required by law. The term "proprietary information" means: (i) the software products, programs, applications, and processes utilized by the Company; (ii) the name and/or address of any customer or vendor of the Company or any information concerning the transactions or relations of any customer or vendor of the Company with the Company; (iii) any information concerning any product, technology, or procedure employed by the Company but not generally known to its customers or vendors or competitors, or under development by or being tested by the Company but not at the time offered generally to customers or vendors; (iv) any information relating to the Company's computer software, computer systems, pricing or marketing methods, sales margins, cost of goods, cost of material, capital structure, operating results, borrowing arrangements or business plans; (v) any information identified as confidential or proprietary in any line of business engaged in by the Company; (vi) any information that, to Executive's actual knowledge, the Company ordinarily maintains as confidential or proprietary; (vii) any business plans, budgets, advertising or marketing plans; (viii) any information contained in any of the Company's written or oral policies and procedures or manuals; (ix) any information belonging to customers, vendors or any other person or entity which the Company, to Executive's actual knowledge, has agreed to hold in confidence; and (x) all written, graphic, electronic data and other material containing any of the foregoing. Executive acknowledges that information that is not novel or copyrighted or patented may nonetheless be proprietary information. The term "proprietary information" shall not include information generally known or available to the public or generally known to the industry or information that becomes available to Executive on an unrestricted, non-confidential basis from a source other than the Company or any of its directors, officers, employees, agents or other representatives (without breach of any obligation of confidentiality of which Executive has knowledge, after reasonable inquiry, at the time of the relevant disclosure by Executive). Notwithstanding the foregoing and Section 5.3, Executive may disclose or use proprietary information or confidential records solely to the extent (A) such disclosure or use may be required or appropriate in the performance of his duties as a director or employee of the Company, (B) required to do so by a court of law, by any governmental agency having supervisory

authority over the business of the Company or by any administrative or legislative body (including a committee thereof) with apparent jurisdiction to order him to divulge, disclose or make accessible such information (provided that in such case Executive shall first give the Company prompt written notice of any such legal requirement, disclose no more information than is so required and cooperate fully with all efforts by the Company to obtain a protective order or similar confidentiality treatment for such information), (C) such information or records becomes generally known to the public without his violation of this Agreement, or (D) disclosed to Executive's spouse, attorney and/or his personal tax and financial advisors to the extent reasonably necessary to advance Executive's tax, financial and other personal planning (each an "Exempt Person"); provided, however, that any disclosure or use of any proprietary information or confidential records by an Exempt Person shall be deemed to be a breach of this Section 5.2 or Section 5.3 by Executive.

(a) Executive agrees that all processes, technologies and inventions (collectively, "Inventions"), including new contributions, improvements, ideas and discoveries, whether patentable or not, conceived, developed, invented or made by Executive during the Term (and during any employment by, or affiliation with, the Company prior to the Term) shall belong to the Company, provided that such Inventions grew out of Executive's work with the Company or any of its subsidiaries or affiliates, are related in any manner to the business (commercial or experimental) of the Company or any of its subsidiaries or affiliates or are conceived or made on the Company's time or with the use of the Company's facilities or materials. Executive shall further: (i) promptly disclose such Inventions to the Company; (ii) assign to the Company, without additional compensation, all patent and other rights to such Inventions for the United States and foreign countries; (iii) sign all papers necessary to carry out the foregoing; and (iv) give testimony in support of Executive's inventorship. If any Invention is described in a patent application or is disclosed to third parties, directly or indirectly, by Executive within two (2) years after the termination of Executive's employment with the Company, it is to be presumed that the Invention was conceived or made during the Term. Executive agrees that Executive will not assert any rights to any Invention as having been made or acquired by Executive prior to the date of this Agreement, except for Inventions, if any, disclosed in Exhibit A to this Agreement.

5.3 Confidentiality and Surrender of Records. Executive shall not, during the Term or at any time thereafter (irrespective of the circumstances under which Executive's employment by the Company terminates), except to the extent required by law, directly or indirectly publish, make known or in any fashion disclose any confidential records to, or permit any inspection or copying of confidential records by, any person or entity other than in the course of such person's or entity's employment or retention by the Company, nor shall Executive retain, and will deliver promptly to the Company, any of the same following termination of Executive's employment hereunder for any reason or upon request by the Company. For purposes hereof, "confidential records" means those portions of correspondence, memoranda, files, manuals, books, lists, financial, operating or marketing records, magnetic tape, or electronic or other media or equipment of any kind in Executive's possession or under Executive's control or accessible to Executive which contain any proprietary information. All confidential records shall be and remain the sole property of the Company during the Term and thereafter.

5.4 Non-disparagement. Executive shall not, during the Term and thereafter, disparage in any material respect the Company, any affiliate of the Company, any of their respective businesses, any of their respective officers, directors or employees, or the reputation of any of the foregoing persons or entities. Notwithstanding the foregoing, nothing in this Agreement shall preclude Executive from making truthful statements that are required by applicable law, regulation or legal process.

5.5 No Other Obligations. Executive represents that Executive is not precluded or limited in Executive's ability to undertake or perform the duties described herein by any contract, agreement or restrictive covenant. Executive covenants that Executive shall not employ the trade secrets or proprietary information of any other person in connection with Executive's employment by the Company without such person's authorization.

5.6 Forfeiture of Outstanding Equity Awards; "Clawback" Policies. The provisions of Section 4 notwithstanding, if Executive willfully and materially fails to comply with Section 5.1, 5.2, 5.3, 5.4, or 5.8, the restricted stock units granted by WMS in September 2013 and all options to purchase common stock, restricted stock units and other equity-based awards granted by the Company or any of its affiliates on or after October 18, 2013 and held by Executive or a transferee of Executive shall be immediately forfeited and cancelled. Executive acknowledges and agrees that, notwithstanding anything contained in this Agreement or any other agreement, plan or program, any incentive-based compensation or benefits contemplated under this Agreement (including Incentive Compensation and equity-based awards) shall be subject to recovery by the Company under any compensation recovery or "clawback" policy, generally applicable to senior executives of the Company, that the Company may adopt from time to time, including without limitation any policy which the Company may be required to adopt under Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act and the rules and regulations of the Securities and Exchange Commission thereunder or the requirements of any national securities exchange on which the Company's common stock may be listed.

5.7 Enforcement. Executive acknowledges and agrees that, by virtue of Executive's position, services and access to and use of confidential records and proprietary

information, any violation by Executive of any of the undertakings contained in this Section 5 would cause the Company immediate, substantial and irreparable injury for which it has no adequate remedy at law. Accordingly, Executive agrees and consents to the entry of an injunction or other equitable relief by a court of competent jurisdiction restraining any violation or threatened violation of any undertaking contained in this Section 5. Executive waives posting of any bond otherwise necessary to secure such injunction or other equitable relief. Rights and remedies provided for in this Section 5 are cumulative and shall be in addition to rights and remedies otherwise available to the parties hereunder or under any other agreement or applicable law.

5.8 *Cooperation with Regard to Litigation*. Executive agrees to cooperate reasonably with the Company, during the Term and thereafter (including following Executive's termination of employment for any reason), by being available to testify on behalf of the Company in any action, suit, or proceeding, whether civil, criminal, administrative, or investigative. In addition, except to the extent that Executive has or intends to assert in good faith an interest or position adverse to or inconsistent with the interest or position of the Company, Executive agrees to cooperate reasonably with the Company, during the Term and thereafter (including following Executive's termination of employment for any reason), to assist the Company in any such action, suit, or proceeding by providing information and meeting and consulting with the Board or its representatives or counsel, or representatives or counsel to the Company, in each case, as reasonably requested by the Company. The Company agrees to pay (or reimburse, if already paid by Executive) all reasonable expenses actually incurred in connection with Executive's cooperation and assistance including, without limitation, reasonable fees and disbursements of counsel, if any, chosen by Executive if Executive reasonably determines in good faith, on the advice of counsel, that the Company's counsel may not ethically represent Executive in connection with such action, suit or proceeding due to actual or potential conflicts of interests.

5.9 *Survival*. The provisions of this Section 5 shall survive the termination of the Term and any termination or expiration of this Agreement.

5.10 *Company*. For purposes of this Section 5, references to the "Company" shall include the Company and each subsidiary and/or affiliate of the Company (and each of their respective joint ventures and equity method investees).

6. Code of Conduct. Executive acknowledges that he has read the Company's Code of Business Conduct and agrees to abide by such Code of Business Conduct, as amended or supplemented from time to time, and other policies applicable to employees and executives of the Company.

7. Indemnification and Insurance. The Company shall indemnify Executive to the full extent permitted under the Company's Certificate of Incorporation or By-Laws and pursuant to any other agreements or policies in effect from time to time in connection with any action, suit or proceeding to which Executive may be made a party by reason of Executive being an officer, director or employee of the Company or of any subsidiary or affiliate of the Company. During the Term and at all times thereafter that Executive may be subject to liability, the Company shall cover Executive as an insured under the terms of the Company's directors' and officers' liability insurance

policy, as in effect from time to time. The provisions of this Section 7 shall survive the termination of the Term and any termination or expiration of the Agreement.

8. Assignability; Binding Effect. Neither this Agreement nor the rights or obligations hereunder of the parties shall be transferable or assignable by Executive, except in accordance with the laws of descent and distribution and as specified below. The Company may assign this Agreement and the Company's rights and obligations hereunder to any affiliate of the Company, provided that upon any such assignment the Company shall remain liable for the obligations to Executive hereunder. This Agreement shall be binding upon and inure to the benefit of Executive, Executive's heirs, executors, administrators, and beneficiaries, and shall be binding upon and inure to the benefit of the Company and its successors and assigns.

9. Complete Understanding; Amendment; Waiver. This Agreement constitutes the complete understanding between the parties with respect to the employment of Executive and supersedes all other prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof, including, without limitation, the Former Agreement, and no statement, representation, warranty or covenant has been made by either party with respect thereto except as expressly set forth herein. Except as contemplated by Section 3(g), this Agreement shall not be modified, amended or terminated except by a written instrument signed by each of the parties. Any waiver of any term or provision hereof, or of the application of any such term or provision to any circumstances, shall be in writing signed by the party charged with giving such waiver. Waiver by either party of any breach hereunder by the other party shall not operate as a waiver of any other breach, whether similar to or different from the breach waived. No delay by either party in the exercise of any rights or remedies shall operate as a waiver thereof, and no single or partial exercise by either party of any such right or remedy shall preclude other or further exercise thereof.

10. Severability. If any provision of this Agreement or the application of any such provision to any person or circumstances shall be determined by any court of competent jurisdiction to be invalid or unenforceable to any extent, the remainder of this Agreement, or the application of such provision to such person or circumstances other than those to which it is so determined to be invalid or unenforceable, shall not be affected thereby, and each provision hereof shall be enforced to the fullest extent permitted by law. If any provision of this Agreement, or any part thereof, is held to be invalid or unenforceable because of the scope or duration of or the area covered by such provision, the parties agree that the court making such determination shall reduce the scope, duration and/or area of such provision (and shall substitute appropriate provisions for any such invalid or unenforceable provisions) in order to make such provision enforceable to the fullest extent permitted by law and/or shall delete specific words and phrases, and such modified provision shall then be enforceable and shall be enforced. The parties recognize that if, in any judicial proceeding, a court shall refuse to enforce any of the separate covenants contained in this Agreement, then that invalid or unenforceable covenant contained in this Agreement shall be deemed eliminated from these provisions to the extent necessary to permit the remaining separate covenants to be enforced. In the event that any court determines that the time period or the area, or both, are unreasonable and that any of the covenants is to that extent invalid or unenforceable, the parties agree that such

covenants will remain in full force and effect, first, for the greatest time period, and second, in the greatest geographical area that would not render them unenforceable.

11. Survivability. The provisions of this Agreement which by their terms call for performance subsequent to termination of Executive's employment hereunder, or of this Agreement, shall so survive such termination, whether or not such provisions expressly state that they shall so survive.

12. Governing Law; Arbitration.

(a) *Governing Law*. This Agreement shall be governed by and construed in accordance with the laws of the State of Illinois applicable to agreements made and to be wholly performed within that State, without regard to its conflict of laws provisions.

(b) *Arbitration*. Executive and the Company agree that, except for claims for workers' compensation, unemployment compensation, and any other claim that is non-arbitrable under applicable law, final and binding arbitration shall be the exclusive forum for any dispute or controversy between them, including, without limitation, disputes arising under or in connection with this Agreement, Executive's employment, and/or termination of employment, with the Company; provided, however, that the Company shall be entitled to commence an action in any court of competent jurisdiction for injunctive relief in connection with any alleged actual or threatened violation of any provision of Section 5. Judgment may be entered on the arbitrators' award in any court having jurisdiction. For purposes of entering such judgment or seeking injunctive relief with regard to Section 5, the Company and Executive hereby consent to the jurisdiction of a court situated in Chicago, Illinois; provided that damages for any alleged violation of Section 5, as well as any claim, counterclaim or cross-claim brought by Executive or any third-party in response to, or in connection with any court action commenced by the Company seeking said injunctive relief shall remain exclusively subject to final and binding arbitration as provided for herein. The Company and Executive hereby waive, to the fullest extent permitted by applicable law, any objection which either may now or hereafter have to such jurisdiction, venue and any defense of inconvenient forum. Thus, except for the claims carved out above, this Agreement includes all common-law and statutory claims (whether arising under federal state or local law), including, but not limited to, any claim for breach of contract, fraud, fraud in the inducement, unpaid wages, wrongful termination, and gender, age, national origin, sexual orientation, marital status, disability, or any other protected status.

Any arbitration under this Agreement shall be filed exclusively with, and administered by, the American Arbitration Association in Chicago, Illinois before three arbitrators, in accordance with the National Rules for the Resolution of Employment Disputes of the American Arbitration Association in effect at the time of submission to arbitration. The Company and Executive hereby agree that a judgment upon an award rendered by the arbitrators may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. The Company shall pay all costs uniquely attributable to arbitration, including the administrative fees and costs of the arbitrators. Each party shall pay that party's own costs and attorney fees, if any, unless the arbitrators rule otherwise. Executive understands that he is giving up no substantive rights, and this Agreement simply governs forum. The arbitrators shall apply the same standards a court would

apply to award any damages, attorney fees or costs. Executive shall not be required to pay any fee or cost that he would not otherwise be required to pay in a court action, unless so ordered by the arbitrators.

EXECUTIVE INITIALS: SDS COMPANY INITIALS: DLK

(c) *WAIVER OF JURY TRIAL.* BY SIGNING THIS AGREEMENT, EXECUTIVE AND THE COMPANY ACKNOWLEDGE THAT THE RIGHT TO A COURT TRIAL AND TRIAL BY JURY IS OF VALUE AND KNOWINGLY AND VOLUNTARILY WAIVE THAT RIGHT FOR ANY DISPUTE SUBJECT TO THE TERMS OF THIS ARBITRATION PROVISION.

13. Titles and Captions. All paragraph titles or captions in this Agreement are for convenience only and in no way define, limit, extend or describe the scope or intent of any provision hereof.

14. Joint Drafting. In recognition of the fact that the parties had an equal opportunity to negotiate the language of, and draft, this Agreement, the parties acknowledge and agree that there is no single drafter of this Agreement and, therefore, the general rule that ambiguities are to be construed against the drafter is, and shall be, inapplicable. If any language in this Agreement is found or claimed to be ambiguous, each party shall have the same opportunity to present evidence as to the actual intent of the parties with respect to any such ambiguous language without any inference or presumption being drawn against any party hereto.

15. Notices. All notices and other communications to be given or to otherwise be made to any party to this Agreement shall be deemed to be sufficient if contained in a written instrument delivered in person or duly sent by certified mail or by a recognized national courier service, postage or charges prepaid, (a) to Scientific Games International, Inc., c/o Scientific Games Corporation, Attn: Legal Department, at 750 Lexington Avenue, 25th Floor, New York, NY 10022, (b) to Executive, at the last address shown in the Company's records, or (c) to such other replacement address as may be designated in writing by the addressee to the addressor.

16. Interpretation. When a reference is made in this Agreement to a Section, such reference shall be to a Section of this Agreement unless otherwise indicated. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation," unless the context otherwise indicates. When a reference in this Agreement is made to a "party" or "parties," such reference shall be to a party or parties to this Agreement unless otherwise indicated or the context requires otherwise. Unless the context requires otherwise, the terms "hereof," "herein," "hereby," "hereto", "hereunder" and derivative or similar words in this Agreement refer to this entire Agreement. Unless the context requires otherwise, words in this Agreement using the singular or plural number also include the plural or singular number, respectively, and the use of any gender herein shall be deemed to include the other genders. References in this Agreement to "dollars" or "$" are to U.S. dollars. When a reference is made in this Agreement to a law, statute or legislation, such reference shall be to such law, statute or legislation as it may be amended, modified, extended or re-enacted from time to time (including any successor law, statute or legislation) and shall include any regulations promulgated thereunder from time to

time. The headings used herein are for reference only and shall not affect the construction of this Agreement.

[*remainder of page intentionally left blank*]

IN WITNESS WHEREOF, each of the parties has duly executed this Agreement as of the date above written.

SCIENTIFIC GAMES CORPORATION

By: /s/ David L. Kennedy
Name: David L. Kennedy
Title: President & CEO

WMS INDUSTRIES INC.

By: /s/ Janice Serpico
Name: Janice Serpico
Title: VP of Corporate HR

EXECUTIVE

/s/ Scott Schweinfurth
Name: Scott Schweinfurth

Exhibit A

Inventions

None

Exhibit 31.1

Certification by Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, David L. Kennedy, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Scientific Games Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2014

/s/ David L. Kennedy

David L. Kennedy
Chief Executive Officer

Exhibit 31.2

Certification by Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Scott D. Schweinfurth, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Scientific Games Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2014

/s/ Scott D. Schweinfurth

Scott D. Schweinfurth
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Scientific Games Corporation (the "Company") on Form 10-Q for the period ended March 31, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David L. Kennedy, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ David L. Kennedy
David L. Kennedy
Chief Executive Officer

May 8, 2014

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Scientific Games Corporation (the "Company") on Form 10-Q for the period ended March 31, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Scott D. Schweinfurth, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

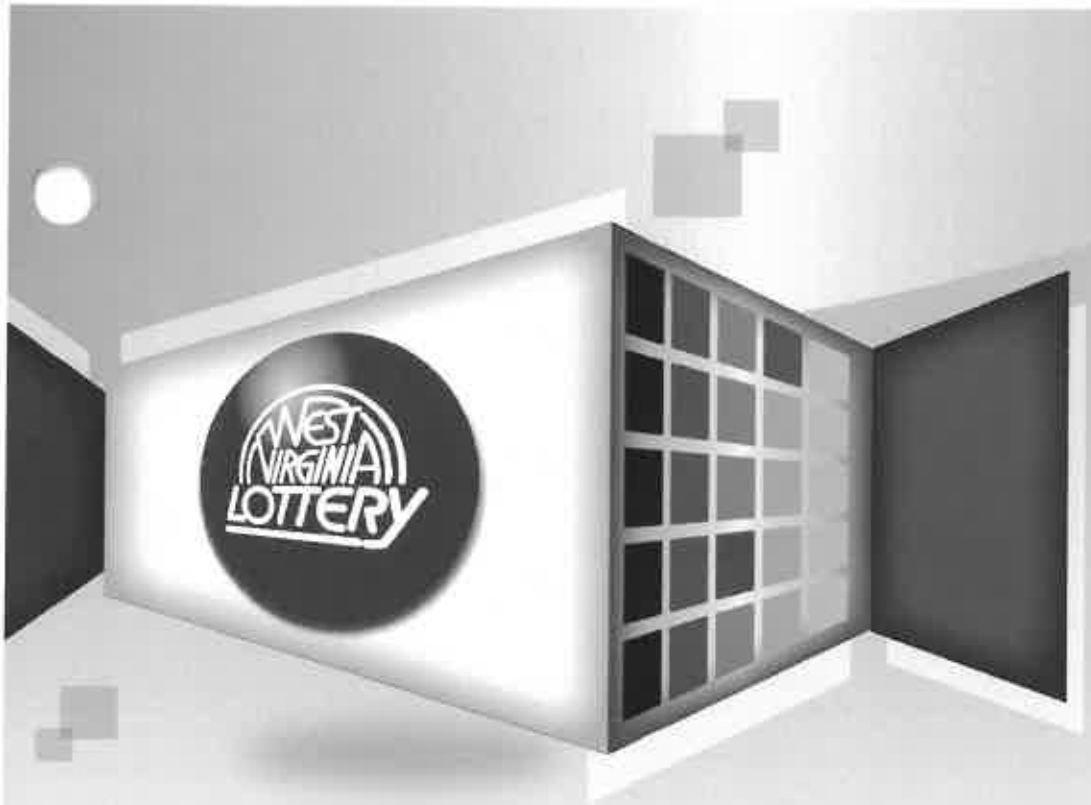
(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ Scott D. Schweinfurth
Scott D. Schweinfurth

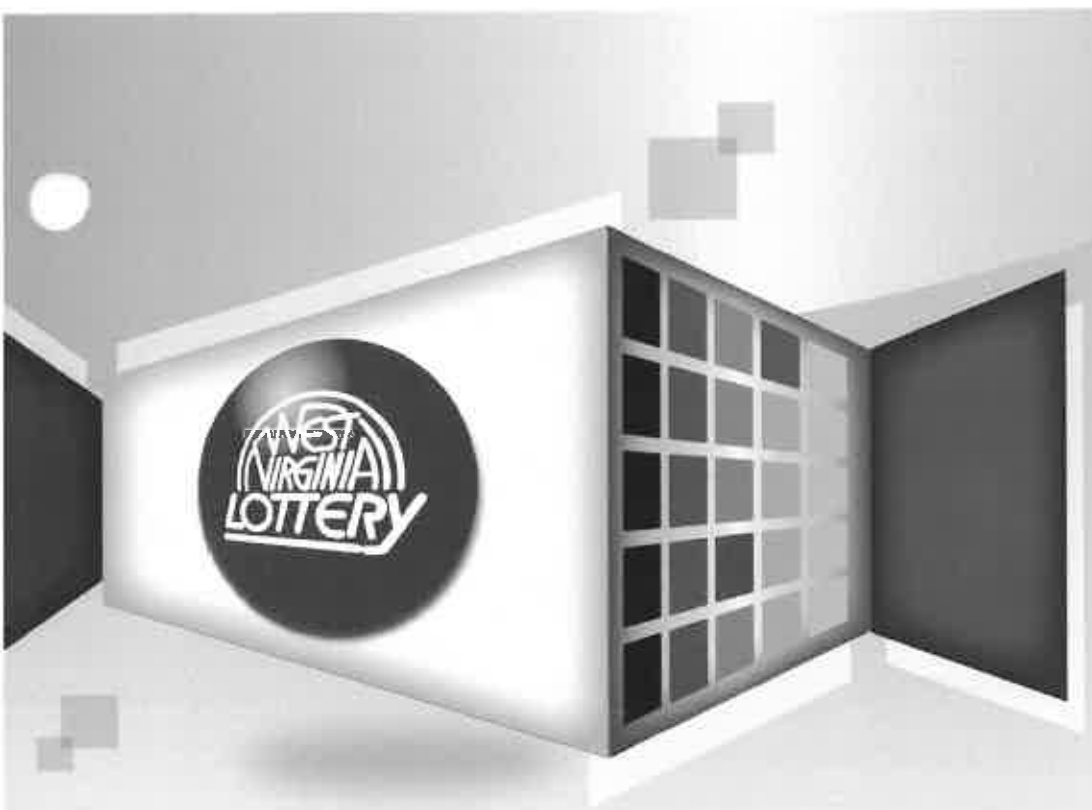
Chief Financial Officer

May 8, 2014



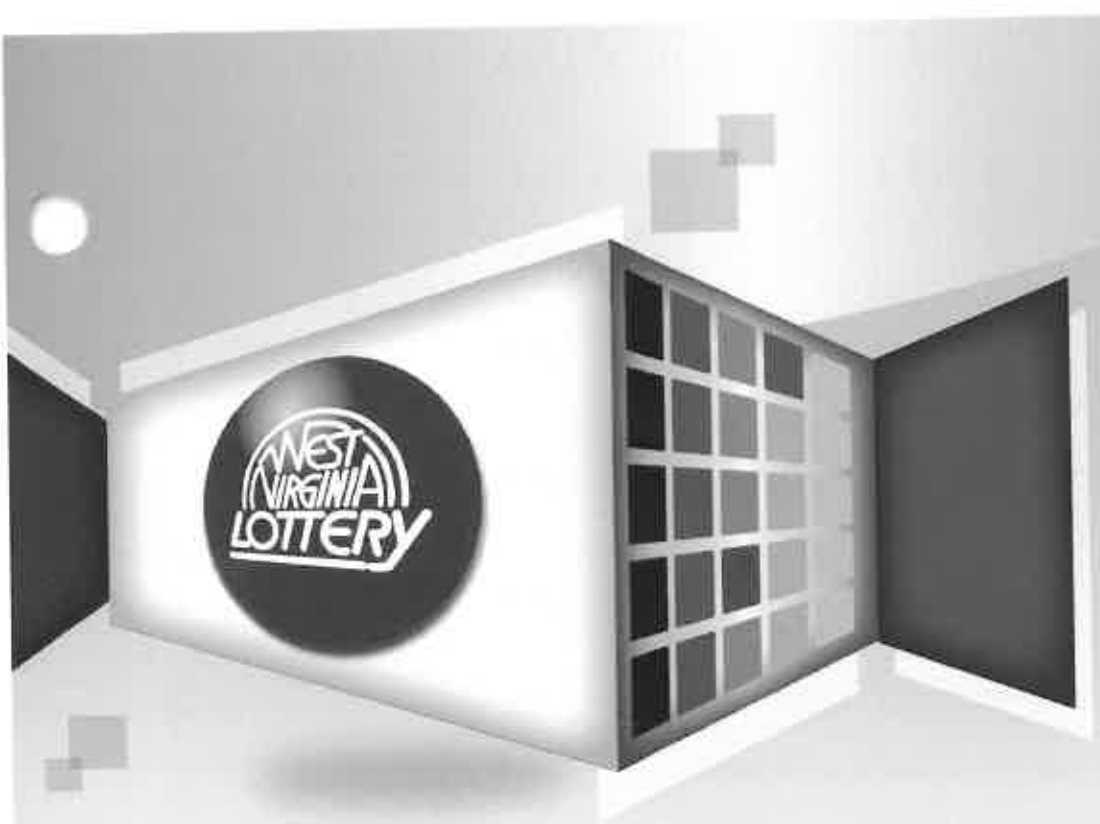
2013 SG ANNUAL REPORT (10-K)

SG
SCIENTIFIC GAMES



2012 SG ANNUAL REPORT (10-K)

SG
SCIENTIFIC GAMES



2013 & 2014 SG 8-K AND PROXY STATEMENTS

SG
SCIENTIFIC GAMES



2013 AND 2014 SCIENTIFIC GAMES 8-K AND PROXY STATEMENTS

As required by Section 4, Subsection 3.2.2, Financial Viability, we are providing paper copies of our SEC Form 10-K for most recent year-end and SEC Form 10-Q for all quarters since filing of 10-K. For your convenience, we have provided our SEC Forms 8-K since filing of 10-K and most recent proxy statements on DVD due to the extremely large volume of pages. If the Lottery prefers to have paper copies of these documents, please notify us and we will send them separately.