SCIENTIFIC GAMES CORP
Form DEF 14A
April 29, 2019

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

SCHEDULE 14A

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

Filed by the Registrant

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material under §240.14a-12

SCIENTIFIC GAMES CORPORATION

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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o Fee paid previously with preliminary materials.

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

April 29, 2019

Dear Stockholder:

You are cordially invited to attend the annual meeting of stockholders of Scientific Games Corporation to be held at 10:00 a.m. (local time) on Wednesday, June 12, 2019, at Brownstein Hyatt Farber Schreck, LLP, 100 North City Parkway, Suite 1600, Las Vegas, Nevada.

At the meeting, we will be electing twelve (12) members of our Board of Directors and conducting an advisory vote to approve executive officer compensation. We will also be asking our stockholders to approve an amendment and restatement of the Company’s 2003 Incentive Compensation Plan to, among other things, increase the number of shares of stock authorized for issuance thereunder. Finally, we will be asking our stockholders to ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm. These matters are described in detail in the accompanying Notice of Annual Meeting of Stockholders and Proxy Statement.

Even if you plan to attend the annual meeting in person, we encourage you to vote your shares right away using one of the advance voting methods described in the accompanying materials.

We look forward to seeing you at the annual meeting.

Sincerely,

Barry L. Cottle

President and Chief Executive Officer

The accompanying Proxy Statement is dated April 29, 2019, and is first being mailed to our stockholders about or before April 30, 2019.

SCIENTIFIC GAMES CORPORATION
6601 Bermuda Road
Las Vegas, NV 89119
NOTICE OF ANNUAL MEETING
OF STOCKHOLDERS

Notice is hereby given that the annual meeting of stockholders of Scientific Games Corporation (the "Company") will be held at 10:00 a.m. (local time) on Wednesday, June 12, 2019, at Brownstein Hyatt Farber Schreck, LLP, 100 North City Parkway, Suite 1600, Las Vegas, Nevada, for the following purposes:

1. To elect twelve (12) members of the Company's Board of Directors to serve for the ensuing year and until their respective successors are duly elected and qualified.
2. To approve, on an advisory basis, the compensation of the Company's named executive officers.
3. To approve an amendment and restatement of the Company's 2003 Incentive Compensation Plan to, among other things, increase the number of shares of stock authorized for issuance thereunder.
4. To ratify the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2019.
5. To consider and act upon any other matter that may properly come before the meeting or any adjournment thereof.

Only stockholders of record at the close of business on April 15, 2019 are entitled to receive notice of and to vote at the meeting and any adjournment thereof. A list of the holders will be open to the examination of stockholders for ten days prior to the date of the meeting, between the hours of 9:00 a.m. and 5:00 p.m., at the office of the Corporate Secretary of the Company at 6601 Bermuda Road, Las Vegas, NV 89119 and will be available for inspection at the meeting itself.

To obtain directions to attend the meeting and vote in person, please telephone the Company at (702) 532-8125.

Whether you plan to be personally present at the meeting or not, we encourage you to submit your vote by proxy as soon as possible using one of the advance voting methods (see page 1 of the accompanying Proxy Statement for additional details).

Important Notice Regarding the Availability of Proxy Materials for the
Annual Meeting of Stockholders to be held on June 12, 2019:
The Proxy Statement and 2018 Annual Report will be available
about or before April 30, 2019 through the Investors link on our website at
www.scientificgames.com or through www.proxyvote.com.

By Order of the Board of Directors

Michael A. Quartieri
Executive Vice President, Chief Financial Officer,
Treasurer and Corporate Secretary

Dated: April 29, 2019

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SCIENTIFIC GAMES CORPORATION
6601 Bermuda Road
Las Vegas, NV 89119

PROXY STATEMENT
GENERAL INFORMATION
This Proxy Statement is furnished in connection with the solicitation by the Board of Directors (the "Board") of Scientific Games Corporation ("Scientific Games," the "Company," "we" or "us") of proxies to be voted at the annual meeting of stockholders to be held at 10:00 a.m. (local time) on Wednesday, June 12, 2019, at Brownstein Hyatt Farber Schreck, LLP, 100 North City Parkway, Suite 1600, Las Vegas, Nevada, and any adjournment or postponement of the meeting, for the purposes set forth in the Notice of Annual Meeting of Stockholders.
Notice and Access to Proxy Materials
We expect our proxy materials, including this Proxy Statement and our 2018 Annual Report, to be made available to stockholders on or about April 30, 2019 through the Investors link on our website at www.scientificgames.com or through www.proxyvote.com. In accordance with the rules of the Securities and Exchange Commission ("SEC"), most stockholders will not receive printed copies of these proxy materials unless they request them. Instead, most stockholders will receive by mail a "Notice of Internet Availability of Proxy Materials" that contains instructions as to how they can view our materials online, how they can request copies be sent to them by mail or electronically by email and how they can vote online (the "Notice").

Stockholders Entitled to Vote
All stockholders of record at the close of business on April 15, 2019 are entitled to vote at the meeting. At the close of business on April 15, 2019, 92,685,135 shares of common stock were outstanding. Each share is entitled to one vote on all matters that properly come before the meeting.
Voting Procedures
You may vote your shares by proxy without attending the meeting. You may vote your shares by proxy over the Internet by following the instructions provided in the Notice, or, if you receive printed proxy materials, you can also vote by mail or telephone pursuant to instructions provided on the proxy card. If you are voting over the Internet or by telephone, you will need to provide the control number that is printed on the Notice or proxy card that you receive.
If you are the record holder of your shares, you may also vote your shares in person at the meeting. If you are not the record holder of your shares (i.e., they are held in "street" name by a broker, bank or other nominee), you must first obtain a proxy issued in your name from the record holder giving you the right to vote the shares at the meeting.

Voting Matters

Stockholders are being asked to vote on the following matters at the annual meeting:

Proposal	Board's Recommendation
Proposal 1: Election of Directors (page 4) The Board and the Nominating and Corporate Governance Committee believe that the twelve (12) director nominees possess a combination of qualifications, experience and judgment necessary for a well-functioning Board and the effective oversight of the Company.	FOR each Nominee
Proposal 2:	FOR

Approval, on an Advisory Basis, of the Compensation of the Company's Named Executive Officers (page 62)

The Company has designed its executive compensation program to attract and retain executive talent, foster excellent business performance and align compensation with the long-term interests of our stockholders. The Board and the Compensation Committee value stockholders' opinions and will take into account the outcome of the advisory vote when considering future executive compensation decisions.

Proposal 3: Approval of an Amendment and Restatement of the Company's 2003 Incentive Compensation Plan (as currently amended and restated, the "2003 Plan") (page 65)

FOR

The Board and the Compensation Committee have approved an amendment and restatement of the 2003 Plan to increase the number of shares available under the 2003 Plan by 3,500,000 shares and make certain other updates described herein. The Company is asking stockholders to approve the amendment and restatement of the 2003 Plan so that the Company will be able to continue to, among other things, attract, retain, motivate and reward executives, employees, directors and other persons who provide services to the Company and encourage long-term service by such individuals.

FOR

Proposal 4: Ratification of the Appointment of Deloitte & Touche LLP (“Deloitte”) as the Company’s Independent Registered Public Accounting Firm (page

77) The Audit Committee has appointed Deloitte to serve as our independent registered public accounting firm for the fiscal year ending December 31, 2019. As a matter of good corporate governance, stockholders are being asked to ratify the Audit Committee's appointment of Deloitte.

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

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

Changing Your Vote

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

Quorum

The presence, in person or by proxy (regardless of whether the proxy has authority to vote on all matters), of the holders of a majority of the shares entitled to vote at the meeting constitutes a quorum for the transaction of business.

Vote Required

Assuming a quorum is present, directors will be elected (Proposal 1) by a plurality of the votes cast in person or by proxy at the meeting.

Each of the other proposals requires the affirmative vote of a majority of the shares entitled to vote represented at the meeting.

Effect of Withheld Votes or Abstentions

If you vote “WITHHOLD” in the election of directors or vote “ABSTAIN” (rather than vote “FOR” or “AGAINST”) with respect to any other proposal, your shares will count as present for purposes of determining whether a quorum is present. A “WITHHOLD” vote will have no effect on the outcome of the election of directors (Proposal 1), and an “ABSTAIN” vote will have the effect of a negative vote on the other proposals (Proposals 2, 3 and 4).

Effect of Broker Non-Votes

A broker “non-vote” occurs when a broker or nominee holding shares for a beneficial owner does not vote on a particular proposal because the broker or nominee does not have discretionary voting power on that item and has not received specific instructions from the beneficial owner. If any broker “non-votes” occur at the meeting, the broker “non-votes” will count for purposes of determining whether a quorum is present but will not have an effect on any proposals presented for your vote. A broker or other nominee holding shares for a beneficial owner may not vote these shares with respect to the election of directors (Proposal 1), advisory vote on approval of named executive officer compensation (Proposal 2) or approval of the amendment and restatement of the 2003 Plan (Proposal 3) without specific instructions from the beneficial owner as to how to vote with respect to such proposals. Brokers and other nominees will have discretionary voting power to vote without instructions from the beneficial owner on the ratification of the appointment of our independent registered public accounting firm (Proposal 4) and, accordingly, your shares may be voted by your broker or nominee on Proposal 4 without your instructions.

PROPOSAL 1
ELECTION OF DIRECTORS

The Board is elected by our stockholders to oversee the management of the business and affairs of the Company. The Board serves as the ultimate decision-making body of the Company, except for those matters reserved for or shared with stockholders. The Board appoints our executives, who are charged with conducting the business and affairs of the Company, subject to oversight by the Board.

Nominees for Election

The Board has nominated for election as a director to the Board the twelve (12) persons named below to serve for a one-year term until the next annual meeting of stockholders of the Company and until their successors have been duly elected and qualified or until their earlier death, resignation or removal. Except for Mr. Jack A. Markell and Ms. Maria T. Vullo, each of the director nominees served as a director during 2018 and is presently serving as a director. Additionally, except for Messrs. Kneeland C. Youngblood and Jack A. Markell and Ms. Maria T. Vullo, each of the director nominees was previously elected to the Board by our stockholders. Mr. Youngblood was recommended for consideration by the Nominating and Corporate Governance Committee and was elected to the Board by the other members of the Board on August 1, 2018. Mr. Jack A. Markell and Ms. Maria T. Vullo were recommended for consideration by the Nominating and Corporate Governance Committee by some of our non-employee directors. Four of the nominees (Messrs. Perelman, Meister and Schwartz and Ms. Townsend) were designated for election to the Board by MacAndrews & Forbes Incorporated, our largest stockholder, pursuant to its rights under a stockholders' agreement with us (discussed more fully below). Pursuant to its rights under such agreement, MacAndrews & Forbes Incorporated has the right to designate four nominees for election to the Board.

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

The name, age (as of April 5, 2019), business experience and certain other information regarding each of the nominees for director are set forth below.

Name	Age	Position with the Company	Director Since
Ronald O. Perelman	76	Director (Chairman)	2003
Barry L. Cottle	57	Director; President and Chief Executive Officer	2018
Peter A. Cohen	72	Director (Vice Chairman, Lead Independent Director)	2000
Richard M. Haddrill	65	Director (Vice Chairman)	2014
David L. Kennedy	72	Director	2009
Paul M. Meister	66	Director	2012
Michael J. Regan	76	Director	2006
Barry F. Schwartz	69	Director	2003
Frances F. Townsend	57	Director	2010
Kneeland C. Youngblood	63	Director	2018
Jack A. Markell	58	Nominee	N/A
Maria T. Vullo	55	Nominee	N/A

Ronald O. Perelman was named Chairman of the Board in November 2013. Mr. Perelman has been Chairman of the Board and Chief Executive Officer of MacAndrews & Forbes Incorporated, a company that owns and manages a diversified portfolio of public and private companies and various affiliates, since 1980. Mr. Perelman is also Chairman of the Board of Revlon, Inc. and Revlon Consumer Products Corporation.

Barry L. Cottle has served as President and Chief Executive Officer of the Company since June 2018. Mr. Cottle joined the Company as Chief Executive, SG Interactive, in August 2015 to lead the strategy and growth plans of the Interactive group. Before joining the Company, Mr. Cottle served as Vice Chairman of Deluxe Entertainment Services Group Inc. from February 2015 until August 2015 while concurrently serving as Senior Vice President of Technology at MacAndrews & Forbes Incorporated from February 2015 until August 2017, where he helped drive digital innovation. Prior to that, he was the Chief Revenue Officer and Executive Vice President – Games for Zynga Inc. from January 2012 until October 2014, where he led corporate and business development, strategic partnerships, distribution, marketing and advertising and ultimately the Social Casino group. Previously, Mr. Cottle served as the Executive Vice President – Interactive for Electronic Arts Inc. from August 2007 to January 2012. Earlier in his career, Mr. Cottle served as the Founder/Chief Executive Officer of Quickoffice, Inc.; Chief Operating Officer of Palm, Inc.; and Senior Vice President of Disney TeleVentures, a division of The Walt Disney Company dedicated to creating interactive online/TV experiences.

Peter A. Cohen has served as Vice Chairman of the Board and Lead Independent Director since September 2004. Mr. Cohen is also a member of the Board of Directors of PolarityTE, Inc. Mr. Cohen was Chairman of Cowen Inc. (formerly known as Cowen Group, Inc.), a diversified financial services company, and served as Chairman and Chief Executive Officer from 2009 through December 2017. Mr. Cohen was a founding partner and principal of Ramius LLC, a private investment management firm formed in 1994 that was combined with Cowen in late 2009. Mr. Cohen served as a member of the board of directors of Chart Acquisition Corp. (which, as a result of a business combination, is now known as Tempus Applied Solutions Holdings, Inc.) from 2013 to 2015. From November 1992 to May 1994, Mr. Cohen was Vice Chairman of the Board and a director of Republic New York Corporation, as well as a member of its executive management committee. Mr. Cohen was Chairman and Chief Executive Officer of Shearson Lehman Brothers from 1983 to 1990.

Richard M. Haddrill has served as Vice Chairman of the Board since February 2018. Mr. Haddrill was employed as Executive Vice Chairman in December 2014, following the Company's acquisition of Bally Technologies, Inc. ("Bally") in November 2014 ("the "Bally Acquisition"). Mr. Haddrill is the founder and manager of The Groop, LLC, a private investment and advisory company formed in January 2018. He is also a member of the board of directors of Cornerstone OnDemand, Inc., a global provider of learning and human capital management software. Previously, Mr. Haddrill served as Chief Executive Officer of Bally from 2004 to 2012 and from May 2014 until the Bally Acquisition and he served on Bally's board of directors from 2003 until the Bally Acquisition, including serving as Chairman of the Bally board from 2012 to 2014. Prior to joining Bally, Mr. Haddrill served as Chief Executive Officer and as a member of the board of directors of Manhattan Associates, Inc., a global leader in software solutions to the supply-chain industry. Prior to that, he served as President and Chief Executive Officer of Powerhouse Technologies, Inc., a technology and gaming company involved in the video lottery industry and online lottery and pari-mutuel wagering systems. Mr. Haddrill also served on the board of directors of JDA Software Group, Inc., a leading provider of end-to-end integrated retail and supply chain planning and execution solutions, through 2012.

David L. Kennedy is currently Executive Vice President of MacAndrews & Forbes Incorporated, where he previously served as Senior Executive Vice President from 2009 until June 2016. Mr. Kennedy has served as a director of the Company since 2009, including serving as a Vice Chairman from 2009 through 2016. Mr. D. Kennedy has previously been an employee of the Company, most recently serving as Executive Vice Chairman from June 2014 to August 2014. Previously, he served as the Company's President and Chief Executive Officer from November 2013 to June 2014, and as Chief Administrative Officer from April 2011 until March 2012. During his 46-year business career, Mr. D. Kennedy held senior executive positions with Revlon, Inc. and The Coca-Cola Company and affiliates. In June 2016, he retired from the boards of Revlon, Inc., where he had served as Vice Chairman since 2009 (including serving in that capacity as an executive officer until November 2013) and as a director since 2006, and Revlon Consumer Products Corporation, where he had served as a director since 2006.

Paul M. Meister is co-founder, and since 2008, Chief Executive Officer of Liberty Lane Partners, LLC, a private investment company with diverse investments in healthcare, technology and distribution-related industries and is Vice Chairman and Co-Founder of Perspecta Trust, a New Hampshire based trust company. Mr. Meister served as President of MacAndrews & Forbes Incorporated from 2014 to 2018. Mr. Meister was appointed Executive Vice Chairman of Revlon, Inc. and served as the principal executive officer on an interim basis through May 2018 following the resignation of the Chief Executive Officer of Revlon, Inc. in January 2018. Mr. Meister previously served as Chairman and Chief Executive Officer of inVentiv Health, Inc., now Syneos Health Inc., a provider of commercial, consulting and clinical research services to the pharmaceutical and biotech industries, from 2010 until 2015. Mr. Meister was Chairman of Thermo Fisher Scientific Inc., a scientific instruments equipment and supplies company, from November 2006 until April 2007. He was previously Vice Chairman of Fisher Scientific International, Inc., a predecessor to Thermo Fisher, from 2001 to November 2006, and Chief Financial Officer of Fisher Scientific from 1991 to 2001. Prior to Fisher Scientific, Mr. Meister held executive positions with the Henley Group, Wheelabrator Technologies and Abex, Inc. Mr. Meister has served as a director of Revlon, Inc. since June 2016; and of Quanterix Corporation since 2013. He also previously served as a director of LKQ Corporation, a distributor of vehicle products, from 1999 until 2018; and vTv Therapeutics Inc., a clinical-stage bio pharmaceutical company, from 2015 until 2018.

Michael J. Regan is a former Vice Chairman and Chief Administrative Officer of KPMG LLP and was the lead audit partner for many Fortune 500 companies during his 40-year tenure with KPMG. Mr. Regan has been a member of the board of directors of Lifetime Brands, Inc., a global provider of kitchenware, tableware and other home products, since 2012. Mr. Regan also served as a member of the board of directors of DynaVox Inc. from 2011 to January 2015.

Barry F. Schwartz has been Vice Chairman of MacAndrews & Forbes Incorporated and various affiliates since December 2015. Mr. Schwartz was Executive Vice Chairman of MacAndrews & Forbes Incorporated and various affiliates from October 2007 to December 2015. Prior to that, he was Executive Vice President and General Counsel of MacAndrews & Forbes Incorporated and various affiliates since 1993 and Senior Vice President of MacAndrews & Forbes Incorporated and various affiliates from 1989 to 1993. Mr. Schwartz has been a director of Revlon, Inc. since November 2007 and Revlon Consumer Products Corporation since March 2004. Mr. Schwartz has also been a director of Gaming and Leisure Properties, Inc., a Pennsylvania real estate investment trust company, since May 2017. Mr. Schwartz has also served as a director of Harland Clarke Holdings Corp. from 2005 to 2014.

Frances F. Townsend is Executive Vice President of Worldwide Government, Legal and Business Affairs of MacAndrews & Forbes Incorporated. She has been with MacAndrews & Forbes Incorporated since October 2010. Ms. Townsend was a corporate partner at the law firm of Baker Botts LLP from April 2009 to October 2010. Prior to that, she was Assistant to President George W. Bush for Homeland Security and Counterterrorism and chaired the Homeland Security Council from May 2004 until January 2008. Prior to serving the President, Ms. Townsend was the first Assistant Commandant for Intelligence for the U.S. Coast Guard and spent 13 years at the U.S. Department of Justice in various senior positions. She also serves on numerous governmental advisory and nonprofit boards. Ms. Townsend is a trustee on the board of the New York City Police Foundation and the Intrepid Sea, Air & Space Museum. She is also a member of the Boards at the Council on Foreign Relations and the Trilateral Commission. Ms. Townsend has been a director of The Western Union Company since 2013, and Freeport-McMoRan Inc., an international mining company with headquarters in Phoenix, Arizona, since 2013. Ms. Townsend has also served as a director of SIGA Technologies, Inc. from 2011 to 2014.

Kneeland C. Youngblood has served as a founding partner of Pharos Capital Group, LLC, a private equity firm that invests in the healthcare service sector since 1998. Mr. Youngblood has served as a director of Mallinckrodt plc, a specialty pharmaceutical company, since June 2013 and a director of TPG Pace Holdings Corp. since June 2017. He is also a member of the Council on Foreign Relations and has served as a trustee of the Dallas Police and Fire Pension System since 2017. Mr. Youngblood has previously served on the boards of directors of Pace Holdings Corp. (from 2015 to 2017), Starwood Hotels & Resorts Worldwide, Inc. (from 2001 to 2012), The Gap, Inc. (from 2006 to 2012) and Burger King Holdings, Inc. (from 2004 to 2010).

Jack A. Markell, nominee, served as the 73rd Governor of Delaware from 2009 to 2017. During his tenure, Governor Markell was focused on improving Delaware's schools and positioning its citizens for future prosperity by launching and scaling important workforce development efforts. Governor Markell served as Chair of the National Governors Association and the Democratic Governors Association. Governor Markell previously was elected three times as Delaware's State Treasurer prior to becoming Governor of the State. Prior to public service, Governor Markell had a career in business, banking and consulting, including serving as Senior Vice President for Corporate Development at Nextel Communications, Inc. Governor Markell's other professional experience includes working in a senior management position at Comcast Corporation, as an associate at McKinsey and Company and as a banker at First Chicago Corporation. Governor Markell has also been a member of the board of directors of Graham Holdings Company since 2017, and FS Credit Real Estate Income Trust, Inc. since 2018. Governor

Markell also serves on the board of directors of Jobs for America's Graduates, Upstream USA, Vemo Education and Symbiont.io Inc. and serves as a member of the board of trustees of the Annie E. Casey Foundation, Delaware State University and Strada Education Network.

Maria T. Vullo, nominee, served as the Superintendent of the New York State Department of Financial Services (the "DFS") from 2016 to 2019 where she was responsible for the regulation of New York's financial services industry. Ms. Vullo managed an agency staff of 1,400 employees with a budget in excess of $250 million. Prior to assuming the role of DFS Superintendent, Ms. Vullo was a litigation partner for 20 years with Paul, Weiss, Rifkind, Wharton & Garrison LLP. She is an experienced trial and appellate litigator in civil, criminal and regulatory matters. In addition, Ms. Vullo served as Executive Deputy Attorney General for Economic Justice under Attorney General Andrew Cuomo in New York State. In that role, Ms. Vullo supervised the Bureaus of Investor Protection, Real Estate Finance, Antitrust, Consumer Protection, and Internet. Ms. Vullo was twice nominated by the New York State Commission on Judicial Nomination to be an Associate Judge of the New York Court of Appeals. She also has served as a member of numerous nonprofit boards where she has assumed leadership positions.

Designees of MacAndrews & Forbes Incorporated

Messrs. Perelman, Meister and Schwartz and Ms. Townsend were designated for election to the Board by MacAndrews & Forbes Incorporated pursuant to its rights under a stockholders' agreement with us dated September 6, 2000, as supplemented by agreements dated June 26, 2002, October 10, 2003 and February 15, 2007. The stockholders' agreement was originally entered into with holders of our Series A Convertible Preferred Stock in connection with the initial issuance of such preferred stock and provides for, among other things, the right of the holders to designate up to four members of our Board based on their ownership of preferred stock or the common stock issued upon conversion thereof. All of the preferred stock was converted into common stock in August 2004. MacAndrews & Forbes Incorporated, which owned approximately 92% of the preferred stock prior to conversion and currently owns approximately 38.9% of our outstanding common stock, currently has the right to designate up to four directors based on its level of share ownership. The percentages that must be maintained in order to designate directors are as follows: (a) 20% to designate four directors; (b) 16% to designate three directors; (c) 9% to designate two directors; and (d) 4.6% to designate one director. Such percentages, in each case, are to be determined based on our fully diluted common stock subject to certain exclusions of common stock or other securities that may be issued in the future.

Qualifications of Directors

Our directors are responsible for overseeing the management of the Company's business and affairs, which requires highly skilled and experienced individuals. The Nominating and Corporate Governance Committee is responsible for evaluating and making recommendations to the Board concerning the appropriate size and needs of the Board with the objective of maintaining the necessary experience, skills and independence on the Board. The Nominating and Corporate Governance Committee and the Board believe that there are general qualifications that are applicable to all directors and other skills and experience that should be represented on the Board as a whole, but not necessarily by each director. The Nominating and Corporate Governance Committee and the Board consider the experience and qualifications of prospective directors individually and in the context of the Board's overall composition, and make no distinction in the evaluation of nominees recommended by directors, the President and Chief Executive Officer, third parties or our stockholders in accordance with the provisions contained in our Amended and Restated Bylaws.

In its assessment of prospective directors, the Nominating and Corporate Governance Committee and the Board generally consider, among other factors, the individual's character and integrity, experience, judgment, independence and ability to work collegially, as well as the ability of a potential nominee to devote the time and effort necessary to fulfill his or her responsibilities as a director. The Nominating and Corporate Governance Committee and the Board also assess particular qualifications, attributes, skills and experience that they believe are important to be represented on the Board as a whole, in light of the Company's business. These include a high level of financial literacy, relevant chief executive officer or similar leadership experience, gaming, lottery, social and digital gaming industry experience, experience with global operations, exposure to the development and marketing of technology and consumer products, and legal and regulatory experience.

As a matter of practice, the Nominating and Corporate Governance Committee and the Board also consider the diversity of the backgrounds and experience of prospective directors as well as their personal characteristics (e.g., gender, ethnicity, age) in evaluating, and making decisions regarding, Board composition, in order to facilitate Board deliberations that reflect a broad range of perspectives. The Nominating and Corporate Governance Committee and the Board believe that the Board is comprised of a diverse group of individuals.

The Nominating and Corporate Governance Committee and the Board believe that each nominee has valuable individual skills and experiences that, taken together, provide the variety and depth of knowledge, judgment and vision necessary for the effective oversight of the Company. As indicated in the foregoing biographies, the nominees have extensive experience in a variety of fields, including gaming, lottery, social and digital gaming (Messrs. Cottle, Haddrill and a number of our other long-serving directors), global operations (all directors), technology (Messrs. Cottle, Haddrill, D. Kennedy and Meister), consumer products and marketing (Messrs. Perelman, Cottle, Haddrill, D. Kennedy and Schwartz), legal and regulatory (Messrs. Markell and Schwartz and Madams Townsend and Vullo), investment and financial services (Messrs. Perelman, Cohen, D. Kennedy, Markell, Meister, Schwartz and Youngblood and Ms. Vullo) and public accounting (Mr. Regan), each of which the Board believes provides valuable knowledge about important elements of our business. Most of our nominees have leadership experience at major companies or organizations that operate inside and outside the United States and/or experience on other companies' boards, which provides an understanding of ways other companies address various business matters, strategies, corporate governance and other issues. As indicated in the foregoing biographies, the nominees have each demonstrated significant leadership skills, including as a chief executive officer (Messrs. Perelman, Cottle, Cohen, Haddrill, D. Kennedy, Meister and Schwartz), as a chief administrative officer of a major accounting firm (Mr. Regan), as chair of the Homeland Security Council and an officer in the U.S. Coast Guard (Ms. Townsend), as the Governor of the State of Delaware (Mr. Markell) and as the Superintendent of the New York State Department of Financial Services (Ms. Vullo). Messrs. Markell and Youngblood and Madams Townsend and Vullo have extensive public policy, government or regulatory experience, which can provide valuable insight into issues faced by companies in regulated industries such as that of the Company. Mr. Cottle has served as a senior executive and director of other gaming and entertainment companies, which service has given him deep knowledge of the Company and its businesses and directly relevant management experience. Mr. Youngblood has experience managing and advising a number of public and private companies. The Nominating and Corporate Governance Committee and the Board believe that these skills and experiences, together with their other qualities, qualify each nominee to serve as a director of the Company.

THE BOARD RECOMMENDS A VOTE "FOR" EACH OF THE TWELVE (12) NOMINEES

Corporate Governance

Overview. The Company is committed to good corporate governance, which we believe promotes the long-term interests of our stockholders and strengthens Board and management accountability. Highlights of our corporate governance structure and policies include:

Corporate Governance Highlights

• Annual election of all directors
• Ten independent director nominees
• Entirely independent Board committees (other than Compliance Committee)
• Regular executive sessions of independent directors
• Separate Chairman and Chief Executive Officer roles
• Regular Board and committee self-evaluations
• Director and officer stock ownership guidelines
• Risk management oversight by the Board and committees
• Cash and equity compensation clawback policy
• Anti-hedging policy
• Executive compensation based on pay-for-performance philosophy
• Code of Business Conduct (and related training)
• Stockholder right to call special meetings
• Stockholder right to act by written consent
• Absence of an "anti-takeover" rights plan and other "anti-takeover" provisions

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

(1) the director has been employed by the Company (or any subsidiary) at any time within the past three years, other than service as an interim executive officer for a period of less than one year;

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

(3) the director or an immediate family member of the director has accepted any compensation (including any political contribution to a director or family member) from the Company (or any subsidiary) in excess of $120,000 during any period of 12 consecutive months within the past three years other than (a) for Board or Board committee service, (b) in the case of the family member, as compensation for employment other than as an executive officer, (c) benefits under a tax-qualified retirement plan or non-discretionary compensation or (d) compensation for service as an interim executive officer for a period of less than one year;

(4) the director or an immediate family member of the director is a partner, controlling shareholder or executive officer of an organization (including a charitable organization) that made payments to, or received payments from, the Company for property or services in the current year or in any of the past three years that exceed the greater of 5% of the recipient's consolidated gross revenues or $200,000, other than (a) payments arising

solely from investments in the Company's securities or (b) payments under non discretionary charitable contribution matching programs;

(5) the director or an immediate family member of the director is employed as an executive officer of another entity where at any time during the past three years any of the executive officers of the Company served on the compensation committee of such other entity; or

(6) the director or an immediate family member of the director is a current partner of the Company's outside auditor, or was a partner or employee of the Company's outside auditor who worked on the Company's audit at any time during any of the past three years.

In applying these standards, the Board determined that each of Messrs. Cohen, D. Kennedy, Markell, Meister, Perelman, Regan, Schwartz and Youngblood, and Madams Townsend and Vullo, qualify as independent directors, and none has a business or other relationship that would interfere with the director's exercise of independent judgment. Messrs. Cottle and Haddrill do not qualify as independent directors.

The full text of the Board's Director Independence Guidelines, including information on the additional independence requirements applicable to Board committee members, can be accessed through the Investors — Corporate Governance link on our website at www.scientificgames.com.

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

Board Leadership Structure. As described above, all of the director nominees qualify as independent directors, other than Mr. Cottle, our President and Chief Executive Officer, and Mr. Haddrill, our former Executive Vice Chairman from 2014 through February 2018. The Audit, Compensation and Nominating and Corporate Governance Committees are comprised entirely of independent directors. The Compliance Committee is comprised of independent directors, a non-independent director and an industry consultant. The Board has the flexibility to select the leadership structure that is most appropriate for the Company and its stockholders and has determined that the Company and its stockholders are best served by not having a formal policy regarding whether the same individual should serve as both Chairman of the Board and Chief Executive Officer. This approach allows the Board to elect the most qualified director as Chairman of the Board, while maintaining the ability to separate the Chairman of the Board and Chief Executive Officer roles when deemed appropriate. The Chairman of the Board and Chief Executive Officer roles are currently held by two different individuals.

Messrs. Cohen and Haddrill serve as Vice Chairmen of the Board, and the Board has also designated Mr. Cohen as the lead independent director. If the positions of Chairman of the Board and Chief Executive Officer were held by the same individual, Mr. Cohen's lead independent director responsibilities would include presiding over regularly held executive sessions of independent directors, facilitating communication between the independent directors and the Chief Executive Officer, and coordinating the activities of the independent directors. Mr. Cohen also provides assistance to the Board and the committees of the Board in their evaluations of management's performance, and he carries out other duties that the Board assigns to him from time to time in areas of governance and oversight.

The Board believes its current leadership structure is appropriate because it effectively allocates authority, responsibility and oversight between management and the independent members of the Board.

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

The Company has implemented internal processes and controls to identify and manage risks and to communicate with the Board regarding risk management. These include an enterprise risk management program, regular internal management meetings that identify risks and discuss risk management, a Code of Business Conduct (the "Code") (and related training), a strong ethics and compliance function that includes suitability reviews of customers, partners, vendors and other persons/entities with which the Company does business, an internal and external audit process, internal approval and signature authority processes and legal department review of contracts. In connection with these processes and controls, management regularly communicates with the Board, Board committees and individual directors regarding identified risks and the management of these risks. Individual directors often communicate directly with senior management on matters relating to risk management. In particular, the Board committee chairs regularly communicate with members of senior management, including the Chief Executive Officer, to discuss potential risks in connection with accounting and audit matters, compensation matters, compliance matters and financing-related matters.

The Board committees, which meet regularly and report to the full Board, play significant roles in carrying out the Board's risk oversight function. In particular, the Audit Committee oversees risks related to the Company's financial statements, the financial reporting process, accounting, cybersecurity and certain legal matters. The Audit Committee also oversees the internal audit function and regularly meets in private with both the Vice President of Internal Audit (who reports functionally to the Chief Financial Officer and has a direct reporting line to the Audit Committee) and representatives of the Company's independent auditing firm. The Compensation Committee evaluates risks associated with the Company's compensation programs and discusses with management procedures to identify and mitigate such risks. See "Executive Compensation — Compensation Discussion and Analysis — Compensation Program as it Relates to Risk" below. The Compliance Committee is active in overseeing the Company's program with respect to compliance with the laws applicable to the Company's business, including gaming laws, as well as compliance with the Code and related policies by employees, officers, directors and other representatives of the Company. In addition, the Compliance Committee oversees a compliance review process, which is designed to ensure that the vendors, consultants, customers and business partners of the Company are "suitable" or "qualified" as those terms are used by applicable gaming and lottery authorities, and regularly meets separately with the Senior Vice President, Chief

Compliance Officer and Corporate Director of Security (who reports functionally to the Chief Executive Officer and has a direct reporting line to the Compliance Committee).

Board Meetings. The Board held a total of five meetings during 2018, including three at which executive sessions were held with no members of management present. During 2018, all incumbent directors attended at least 75% of the total number of meetings of the Board and committees of the Board on which they served.

Board Committees. The Board has four standing committees: the Audit Committee; the Compensation Committee; the Compliance Committee; and the Nominating and Corporate Governance Committee. All committees are comprised solely of independent directors with the exception of the Compliance Committee, which is comprised of four independent directors, as well as Mr. Cottle, and Patricia Becker, a gaming industry consultant.

During 2018, the Board also maintained an Executive and Finance Committee, which included four independent directors (Messrs. Meister, Perelman, Cohen and Schwartz) as well as two non-independent directors (Messrs. Haddrill and Cottle). The Executive and Finance Committee met as needed to support the Board in the performance of its duties between regularly scheduled Board meetings, to implement the policy decisions of the Board and to provide strategic guidance and oversight to the Company. The Executive and Finance Committee did not hold any meetings during 2018. On April 29, 2019, the Board resolved to eliminate the Executive and Finance Committee as a standing committee of the Board and reallocate its responsibilities among the Board and ad hoc Board committees from time to time.

Mr. Gerald J. Ford, who is a member of the Board as well as the Audit Committee and Nominating and Corporate Governance Committee, and Judge Gabrielle K. McDonald, who is a member of the Board and the Compliance Committee, are not being nominated for re-election. Mr. Ford's and Judge McDonald's directorships will expire upon the election of their successors, at which time they will no longer be members of their respective committees. The Board has approved charters for each Board committee, which can be accessed through the Investors — Corporate Governance link on our website at www.scientificgames.com. The current membership of each committee is as shown in the table below.

Audit Committee	Compensation Committee	Compliance Committee	Nominating and Corporate Governance Committee
Michael J. Regan (Chair)	Peter A. Cohen (Chair)	Frances F. Townsend (Chair)	Gerald J. Ford (Chair)
Peter A. Cohen	Paul M. Meister	Barry L. Cottle	Michael J. Regan
Gerald J. Ford	Barry F. Schwartz	Gabrielle K. McDonald	Frances F. Townsend
	Kneeland C. Youngblood	Barry F. Schwartz	
		Kneeland C. Youngblood	
		Patricia Becker	

Audit Committee. The Audit Committee is responsible for hiring the Company's independent registered public accounting firm and for overseeing the accounting, auditing and financial reporting processes of the Company. In the course of performing its functions, the Audit Committee reviews, with management and our independent registered public accounting firm, the Company's internal accounting controls, the financial statements, the report and recommendations of our independent registered public accounting firm, the scope of the audit and the qualifications and independence of the auditor. The Audit Committee also oversees the Company's internal audit function. The Board has determined that each member of the Audit Committee is independent under the listing standards of the NASDAQ Stock Market, the independence standards under the Exchange Act, and the Company's Director Independence Guidelines, and that Mr. Regan qualifies as an "audit committee financial expert" within the meaning of Item 407(d)(5) of Regulation S-K of the rules of the SEC. The Audit Committee held six meetings during 2018.

Compensation Committee. The Compensation Committee sets the compensation of the President and Chief Executive Officer and other senior executives of the Company, administers the equity incentive plans and executive compensation programs of the Company, determines eligibility for, and awards under, such plans and programs and makes recommendations to the Board with regard to the adoption of new employee benefit plans and equity incentive plans and with respect to the compensation program for non-employee directors. The Board has determined that each member of the Compensation Committee is independent under the listing standards of the NASDAQ Stock Market. The Compensation Committee held four meetings during 2018.

Compliance Committee. The Compliance Committee is responsible for providing oversight of the Company's program with respect to compliance with laws and regulations applicable to the business of the Company, including gaming and anticorruption laws, and with respect to compliance with the Code by employees, officers, directors and other representatives of the Company. The Compliance Committee held six meetings during 2018.

Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee is responsible for identifying individuals who are qualified to become directors, recommending nominees for membership on the Board and on committees of the Board, reviewing and recommending corporate governance principles, procedures and practices and overseeing the annual self-assessments of the Board and its committees. The Board has determined that each member of the Nominating and Corporate Governance Committee is independent under the listing standards of the NASDAQ Stock Market. The Nominating and Corporate Governance Committee held four meetings during 2018.

The Nominating and Corporate Governance Committee does not have specific qualifications that must be met by a candidate for director and will consider individuals suggested as candidates by our stockholders in accordance with the provisions contained in our Amended and Restated Bylaws. Each notice of nomination submitted in this manner must contain the information specified in our Amended and Restated Bylaws, including, but not limited to, information with respect to the beneficial ownership of our common stock held by the proposing stockholder and any voting or similar agreement the proposing stockholder has entered into with respect to our common stock. To be timely, the notice must be received at our principal executive offices not less than 90 days nor more than 120 days prior to the first anniversary of the date of the prior year's annual meeting of stockholders. If the annual meeting of stockholders is advanced by more than 30 days, or delayed by more than 60 days, from the anniversary of the preceding year's annual meeting of stockholders, notice by the stockholder, to be timely, must be received no earlier than the 120th day prior to the annual meeting of stockholders and no later than the later of (i) the 90th day prior to the annual meeting of stockholders or (ii) the tenth day following the day on which we publicly announce the date of the annual meeting of stockholders if the first public announcement of the date of such annual meeting is less than 100 days prior to the date of such annual meeting.

Each notice of nomination should include the nominee's qualifications and other relevant biographical information and provide confirmation of the nominee's consent to serve as a director. The Nominating and Corporate Governance Committee will review the candidate's background, experience and abilities, and the contributions the candidate can be expected to make to the collective functioning of the Board and the needs of the Board at the time. In prior years, candidates have been identified through recommendations made by directors, the President and Chief Executive Officer and third parties. The Nominating and

Corporate Governance Committee anticipates that it would use these sources as well as stockholder recommendations to identify candidates in the future.

Stockholder Communications with Directors. Stockholders may communicate with the Board or an individual director by sending a letter to the Board or to a director's attention care of the Corporate Secretary of the Company at Scientific Games Corporation, 6601 Bermuda Road, Las Vegas, NV 89119. The Corporate Secretary will open, log and deliver all such correspondence (other than advertisements, solicitations or communications that contain offensive or abusive content) to directors on a periodic basis, generally in advance of each Board meeting.

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

Compensation Committee Interlocks and Insider Participation. None of the Compensation Committee members (i) has ever been an officer or employee of the Company or (ii) was a participant in a Related Person Transaction (as defined in "Certain Relationships and Related Person Transactions") in 2018. None of the Company's executive officers serves, or in 2018 served, as a member of the board of directors or compensation committee of any entity that has one or more of its executive officers serving, or who in 2018 served, as a member of the Company's Board of Directors or the Compensation Committee.

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

Director Compensation

The following describes the compensation paid to each of our directors in 2018, including M. Gavin Isaacs, who resigned as a director effective December 3, 2018, but excluding those directors who also served as executive officers of the Company during 2018. The compensation of our directors in 2018 who also served as executive officers of the Company (Mr. Cottle, our President and Chief Executive Officer, and Kevin M. Sheehan, a former director and our former President and Chief Executive Officer) is disclosed in the section entitled "Executive Compensation".

Non-Employee Director Compensation. The compensation program for Eligible Directors (as defined below) consists of annual retainers and equity awards (the "Eligible Director compensation program"). In 2018, under the Eligible Director compensation program, Eligible Directors were entitled to receive:

(1) an annual retainer for service on the Board of $75,000;

(2) an annual retainer (in lieu of fees per committee meeting) of $10,000 ($15,000, in the case of the Audit Committee) for service on a committee (excluding for service on the Executive and Finance Committee);

(3) an annual retainer for the chairs of the Compensation Committee, the Compliance Committee and the Nominating and Corporate Governance Committee of $20,000 (and an annual retainer for the chair of the Audit Committee of $35,000); and

(4) an annual grant of restricted stock units ("RSUs") with a grant date value of $160,000 and a four-year vesting schedule, provided such Eligible Director satisfied the Board's attendance requirement for the prior calendar year, as discussed below.

New Eligible Directors generally receive stock options for 10,000 shares of our common stock (with a four-year vesting schedule), in lieu of the annual grant of RSUs, upon joining the Board. If elected to the Board at the Annual Meeting, Mr. Markell and Ms. Vullo will receive this grant shortly following the Annual Meeting. For 2018, "Eligible Directors" consisted of all directors other than Messrs. Cottle, Sheehan, Haddrill and Isaacs. Messrs. Cottle, Sheehan, Haddrill and Isaacs were instead compensated based on their employment or consulting agreement with the Company, as applicable. The compensation for Messrs. Cottle and Sheehan is discussed in the section entitled "Executive Compensation", and the compensation for Messrs. Haddrill and Isaacs is described below.

The elements of the Eligible Director compensation program are evaluated and determined by the Compensation Committee, which takes into account competitive director compensation data provided by its independent compensation consultant, Compensation Advisory Partners LLC, or CAP, for companies in a peer group of comparably sized companies in related industries as well as a general industry group of comparably sized companies. The Compensation Committee uses the comparative data provided by CAP as a general indicator of relevant market conditions, but does not set specific benchmark targets for total director compensation or for individual elements of the Eligible Director compensation program. No changes were made to the Eligible Director compensation program for 2018.

Awards of stock options and RSUs are subject to forfeiture if an Eligible Director leaves the Board prior to the scheduled vesting date for any reason, except that the vesting of such awards would accelerate in full upon an Eligible Director ceasing to serve on the Board due to death or disability.

The number of RSUs awarded in 2018 was determined by dividing the grant date value of $160,000 by the average of the high and low sales prices of our common stock on the grant date and rounding down to the nearest whole number. As a result, 2,787 RSUs were awarded to each Eligible Director in 2018.

Eligible Directors with unexcused absences exceeding 25% of the meetings held by the Board and committees on which they served in the prior year are not eligible to receive an annual award of RSUs except that Eligible Directors with less than six months of service in the prior year are not subject to such threshold with respect to the first grant made after becoming a director. All Eligible Directors serving at the time of grant (June 2018) satisfied the attendance requirements applicable for the 2018 awards.

Compensation Arrangements with non-Eligible Directors. During 2018, in lieu of participating in the Eligible Director compensation program, Messrs. Haddrill and Isaacs were compensated for their service as Vice Chairmen pursuant to agreements with the Company, as described below. Messrs. Cottle's and Sheehan's compensation is discussed in the section entitled "Executive Compensation".

Under Mr. Haddrill's employment agreement, as Executive Vice Chairman, Mr. Haddrill received (i) an annual base salary of $1,500,000 and (ii) a target annual incentive opportunity in an amount determined by the Compensation Committee in accordance with the then applicable annual incentive plan. Mr. Haddrill's employment agreement expired on December 31, 2017 and Mr. Haddrill remained employed by the Company at the same salary through February 25, 2018, but did not receive annual incentive compensation for 2018.

In accordance with Mr. Haddrill's employment agreement, following its expiration, Mr. Haddrill and the Company entered into a consulting agreement, effective as of February 26, 2018. Mr. Haddrill's consulting agreement provided that in exchange for certain consulting services, including in connection with his continued service as Vice Chairman of the Board, from February 26, 2018 through December 31, 2018, Mr. Haddrill generally received consulting fees of $125,000 per month. The Company and Mr. Haddrill have subsequently amended his consulting agreement and extended it through December 31, 2020. Pursuant to the amended terms, for his continued provision of services, Mr. Haddrill will receive consulting fees of $41,666.67 per month, pro-rated for any partial month, and will be eligible for an annual award of equity in accordance with the Eligible Director compensation program outlined above.

Mr. Isaacs entered into a consulting agreement with the Company, effective January 1, 2017, upon the expiration of his employment agreement on December 31, 2016. Under his consulting agreement, Mr. Isaacs was entitled to a monthly consulting fee of $83,333.33 and certain continued medical benefits in exchange for certain consulting services, including his continued service as Vice Chairman of the Board, through June 30, 2018, subject to extension upon agreement by Mr. Isaacs and the Company. The Company and Mr. Isaacs agreed to extend the term of the consulting agreement through December 31, 2018. In addition, under the terms of Mr. Isaacs' consulting agreement, any unvested equity awards held by Mr. Isaacs as of the commencement of his consultancy, January 1, 2017, remained outstanding and continued to vest in accordance with their original vesting schedule, provided that all outstanding equity awards would vest on June 30, 2018, in all cases, subject to Mr. Isaac's continued employment through the applicable date and the achievement of any applicable performance criteria. Mr. Isaacs resigned as a director of the Company effective December 3, 2018 and his consulting agreement expired at the end of 2018.

Director Compensation for 2018. The table below shows the compensation earned by each of our directors for 2018; other than Messrs. Cottle and Sheehan, whose compensation is reflected in the Summary Compensation Table below.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($) (1)	Option Awards ($) (2)	Total ($)
Ronald O. Perelman	75,000 (3)	159,974	—	234,974
Peter A. Cohen	110,000 (3)	159,974	—	269,974
Richard M. Haddrill	1,653,846 (4)	—	—	1,653,846
Viet Dinh (6)	63,750 (3)	159,974	—	223,724
Gerald J. Ford	110,000 (3)	159,974	—	269,974
M. Gavin Isaacs (7)	1,000,000 (5)	—	—	1,000,000
David L. Kennedy	75,000 (3)	159,974	—	234,974
Judge Gabrielle K. McDonald	85,000 (3)	159,974	—	244,974
Paul M. Meister	85,000 (3)	159,974	—	244,974
Michael J. Regan	120,000 (3)	159,974	—	279,974
Barry F. Schwartz	102,771 (3)	159,974	—	262,745
Frances F. Townsend	101,685 (3)	159,974	—	261,659
Kneeland C. Youngblood (8)	39,584 (3)	—	190,833	230,417

(1) Reflects the grant date fair value of RSUs awarded during 2018 to all Eligible Directors, computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation—Stock Compensation (“FASB ASC Topic 718”). The grant date fair value of the RSUs was determined by multiplying the number of shares subject to the award by the average of the high and low sales prices of our common stock on the grant date. For additional information, see Note 18 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2018.

(2) Reflects the grant date fair value of stock options awarded to Mr. Youngblood in connection with his appointment to the Board in June 2018, computed in accordance with FASB ASC Topic 718. The fair value of the stock options is estimated on the date of grant using the Black-Scholes option pricing model. For a discussion of valuation assumptions, see Note 18 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2018.

(3) Reflects annual retainers earned by Eligible Directors for 2018, except, in the case of Messrs. Dinh and Youngblood, the amounts are pro-rated to reflect the portion of the year the individual spent on the Board. In the case of Mr. Schwartz and Ms. Townsend, the amounts listed also reflect pro-rata adjustments to their retainers due to Mr. Schwartz’s resignation, and Ms. Townsend’s subsequent appointment, as the Chair of the Compliance Committee in May 2018.

(4) Reflects Mr. Haddrill’s base salary paid under his employment agreement and consulting fees described above.

(5) Reflects fees paid to Mr. Isaacs under his consulting agreement described above.

(6) Mr. Dinh resigned from the Board on September 15, 2018.

(7) Mr. Isaacs resigned from the Board on December 3, 2018.

(8) Mr. Youngblood joined the Board on August 1, 2018.

The table below shows the number of stock options and unvested RSUs held by each of our directors as of December 31, 2018; except for Messrs. Cottle and Sheehan, whose stock options and unvested RSUs are reflected in the Outstanding Equity Awards at Fiscal Year-End Table below:

Name	Stock Options (in shares)	RSUs
Ronald O. Perelman	—	18,614 (1)
Peter A. Cohen	—	18,614 (1)
Richard M. Haddrill	—	—
Viet Dinh	—	—
Gerald J. Ford	—	18,614 (1)
M. Gavin Isaacs	297,707 (2)	—
David L. Kennedy	—	18,614 (1)
Judge Gabrielle K. McDonald	10,000 (3)	18,614 (1)
Paul M. Meister	10,000 (3)	18,614 (1)
Michael J. Regan	—	18,614 (1)
Barry F. Schwartz	—	18,614 (1)
Frances F. Townsend	—	18,614 (1)
Kneeland C. Youngblood	10,000 (3)	—

(1) Reflects, for Eligible Directors on the applicable grant date, RSUs as described in more detail below:

Grant Date	Unvested Quantity	Vesting Schedule
June 10, 2015	2,485	Four-year vesting; 2,485 shares to vest on June 10, 2019
June 15, 2016	8,677	Four-year vesting; 4,338 and 4,339 shares to vest on June 15, 2019 and 2020, respectively
June 19, 2017	4,665	Four-year vesting; 1,555 shares to vest on each of June 19, 2019, 2020 and 2021
June 13, 2018	2,787	Four-year vesting; 696 shares to vest on June 13, 2019 and 697 shares to vest on each of June 13, 2020, 2021 and 2022

(2) For Mr. Isaacs, reflects stock options described in more detail below:

Grant Type	Grant Date	Unexercised Quantity	Exercise Price	Vesting Schedule
Stock Options	June 9, 2014	40,296	$8.73	Four-year vesting; the unexercised options vested on June 9, 2018
Stock Options	April 27, 2015	52,493	$12.83	Four-year vesting, modified under consulting agreement; the unexercised options vested on June 30, 2018
Stock Options	June 21, 2016	102,459	$9.65	Four-year vesting, modified under consulting agreement; the unexercised options vested on June 30, 2018
Performance Stock Options	June 21, 2016	102,459	$9.65	Four-year vesting, modified under consulting agreement; performance contingency has been met, the unexercised options vested on June 30, 2018

(3) Reflects stock options granted to Judge McDonald and Messrs. Meister and Youngblood on October 30, 2014, March 20, 2012 and August 6, 2018, respectively, in connection with the applicable director's joining the Board, each with a four-year vesting schedule and an exercise price of $9.65, $11.10 and $37.35, respectively. Judge McDonald's and Mr. Meister's stock options vested and became exercisable on the first four anniversaries of their respective date of grant, and Mr. Youngblood's stock options will vest and become exercisable on the first four anniversaries of their date of grant.

Director Stock Ownership Guidelines

The stock ownership guidelines are intended to align the financial interests of our officers and directors with the interests of our stockholders. Under the guidelines, directors, other than our President and Chief Executive Officer, who is subject to the officer stock ownership requirements, are required to own the lesser of (i) the number of shares of our common stock equal to five times the director's annual retainer divided by the preceding 200-day average closing price of such shares and (ii) 15,000 shares of our common stock. Shares of our common stock held directly or indirectly, including shares acquired upon the exercise of stock options, shares held within retirement and deferred compensation plans, time-vesting RSUs and shares owned by immediate family members will count for purposes of the policy, whereas outstanding (vested or unvested) stock options and performance-conditioned RSUs will not count. Each covered director has five years to comply from the later of the effective date of the policy and the date the director became subject to the policy. At present, all of our covered directors are in compliance with the ownership guidelines. Mr. Youngblood joined the Board in August 2018 and will have until August 2023 to satisfy the required level of ownership.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), requires our officers and directors, and persons who beneficially own more than ten percent of our common stock, to file initial reports of ownership and reports of changes in their ownership with the SEC. Based on a review of the copies of the reports that our directors, officers and ten percent holders filed with the SEC and on the representations made by such persons, we believe all applicable filing requirements were met during 2018.

SECURITY OWNERSHIP

The following table sets forth certain information as to the security ownership of each person known to us to be the beneficial owner of more than five percent of the outstanding shares of our common stock, each of our directors and director nominees, each of our named executive officers and all of our directors and executive officers as a group. The number of shares and the percentages of beneficial ownership set forth below are calculated as of March 29, 2019 based on outstanding shares of 92,659,280. Except as otherwise indicated, the stockholders listed in the table below have sole voting and investment power with respect to the shares indicated.

Shares of Common Stock		
Name and Address of Beneficial Owner	Number [1]	Percent [1]
The ROP Revocable Trust dated 1/9/2018 35 East 62nd Street New York, New York 10065	36,138,768 [2]	39.0 %
MacAndrews & Forbes Incorporated 35 East 62nd Street New York, New York 10065	36,050,736 [3]	38.9 %
Fine Capital Partners, L.P. 590 Madison Avenue, 27th Floor New Nork, New York 10022	8,951,929 [4]	9.7 %
Sylebra HK Company Limited Floor 20, 28 Hennessy Road Wan Chai, Hong Kong	8,619,044 [5]	9.3 %
Nantahala Capital Management, LLC 19 Old Kings Highway S, Suite 200 Darien, CT 06820	8,090,485 [6]	8.7 %
BlackRock, Inc. 55 East 52nd Street New York, New York 10055	6,144,630 [7]	6.6 %
Vanguard Group Inc. PO Box 2600, V26 Valley Forge, Pennsylvania 19482	5,034,964 [8]	5.4 %
Ronald O. Perelman	36,138,768 [9]	39.0 %
Barry L. Cottle	76,287	*
Peter A. Cohen	260,857	*
Richard M. Haddrill	271,638	*
Gerald J. Ford	383,286	*
David L. Kennedy	31,927	*
Judge Gabrielle K. McDonald	20,549	*
Paul M. Meister	58,044	*
Michael J. Regan	65,504	*
Barry F. Schwartz	116,852	*
Frances F. Townsend	61,150	*
Kneeland C. Youngblood	—	*
Michael A. Quartieri	155,881	*
James C. Kennedy	192,292	*
Michael F. Winterscheidt	5,880	*
Douglas B. Albregts [10]	—	*
Kevin M. Sheehan [11]	62,108	*
David W. Smail [12]	52,747	*
Jack A. Markell [13]	—	*
Maria T. Vullo [13]	—	*
All current directors, nominees and executive officers as a group (consisting of 19 persons) [14]	37,661,158	40.6 %

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

(1)

In accordance with SEC rules, this column includes shares that a person has a right to acquire within 60 days of March 29, 2019 through the exercise or conversion of stock options, RSUs or other securities. Such securities are deemed to be outstanding for the purpose of calculating the percentage of outstanding securities owned by such person but are not deemed to be outstanding for the purpose of calculating the percentage owned by any other person. The securities reported for the directors and named executive officers listed in the table above include shares subject to the following awards as to which the equivalent number of underlying shares may be acquired through exercise or conversion within 60 days of March 29, 2019:

Judge McDonald 10,000 stock options; Mr. Meister 10,000 stock options; Mr. Quartieri 105,726 stock options; Mr. J. Kennedy 124,051 stock options.

(2) Mr. Perelman is the beneficiary and trustee of The ROP Revocable Trust dated 1/9/2018 and beneficially owns MacAndrews & Forbes Incorporated.

(3) Includes shares held by SGMS Acquisition Corporation, RLX Holdings Two LLC, SGMS Acquisition Two LLC, SGMS Acquisition Three LLC and MacAndrews & Forbes Group, LLC (whose sole member is MacAndrews & Forbes LLC), which are part of a diverse array of businesses owned by MacAndrews & Forbes Incorporated, whose Chairman and Chief Executive Officer is Mr. Perelman. MacAndrews & Forbes Incorporated has sole voting and dispositive power with respect to 36,050,736 shares, SGMS Acquisition Corporation has sole voting and dispositive power with respect to 26,385,736 shares, RLX Holdings Two LLC has sole voting and dispositive power with respect to 3,125,000 shares, SGMS Acquisition Two LLC has sole voting and dispositive power with respect to 4,795,000 shares, SGMS Acquisition Three LLC has sole voting and dispositive power with respect to 770,000 shares, and MacAndrews & Forbes Group, LLC, of which MacAndrews & Forbes LLC is sole member, has sole voting and dispositive power with respect to 975,000 shares. The shares so owned are, or may from time to time be, pledged to secure obligations of MacAndrews & Forbes Incorporated or its affiliates.

(4) Based on a Schedule 13G filed with the SEC on February 14, 2019 by Fine Capital Partners, L.P., Fine Capital Advisors, LLC and Ms. Debra Fine, reporting beneficial ownership as of December 31, 2018. The Schedule 13G states that each such person has shared voting power and shared dispositive power with respect to 8,938,929 shares and Ms. Debra Fine has sole voting power and sole dispositive power with respect to 13,000 shares.

(5) Based on an amendment to Schedule 13G filed with the SEC on February 14, 2019 by Sylebra HK Company Limited, Sylebra Capital Management Limited and Mr. Daniel Patrick Gibson, reporting beneficial ownership as of December 31, 2018. The Schedule 13G states that each such person has shared voting power and shared dispositive power with respect to 8,619,044 shares.

(6) Based on a Schedule 13G filed with the SEC on February 14, 2019 by Nantahala Capital Management, LLC, Mr. Wilmot B. Harkey and Mr. Daniel Mack, reporting beneficial ownership as of December 31, 2018. The Schedule 13G states that each such person has shared voting power and shared dispositive power with respect to 8,090,485 shares.

(7) Based on an amendment to Schedule 13G filed with the SEC on February 6, 2019 by BlackRock, Inc., reporting beneficial ownership as of December 31, 2018. The Schedule 13G states that BlackRock, Inc. has sole voting power with respect to 6,026,155 shares and sole dispositive power with respect to 6,144,630 shares.

(8) Based on an amendment to Schedule 13G filed with the SEC on February 13, 2019 by Vanguard Group Inc., reporting beneficial ownership as of December 31, 2018. The Schedule 13G states that Vanguard Group Inc. has sole voting power with respect to 113,840 shares, shared voting power with respect to 11,386 shares, sole dispositive power with respect to 4,914,338 shares and shared dispositive power with respect to 120,626 shares.

(9) Includes 88,032 shares held by The ROP Revocable Trust dated 1/9/2018, of which Mr. Perelman is the beneficiary and trustee. The ROP Revocable Trust dated 1/9/2018 is also the sole stockholder of MacAndrews & Forbes Incorporated. Also includes the 36,050,736 shares reported in footnote 3 above, which may be deemed to be beneficially owned by Mr. Perelman, as the beneficial owner of MacAndrews & Forbes Incorporated. Mr. Perelman’s address is 35 East 62nd Street, New York, New York 10065.

(10) On February 14, 2019, Mr. Albregts separated from employment with the Company.

(11) Mr. Sheehan served as President and Chief Executive Officer from August 4, 2016 until June 1, 2018.

(12) Mr. Smail served as Executive Vice President and Chief Legal Officer from August 3, 2015 until September 3, 2018.

(13) Mr. Markell and Ms. Vullo are not presently serving as directors.

(14) Includes 128,253 shares issuable upon exercise of stock options and 4,009 shares issuable upon vesting of RSUs as to which the equivalent number of underlying shares may be acquired through exercise or conversion within 60 days of March 29, 2019.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Introduction

This Compensation Discussion and Analysis provides a detailed description of our executive compensation philosophy and program, the compensation decisions made by the Compensation Committee and the matters considered in making such decisions. The Company’s executive compensation program is administered by the Compensation Committee, referred to in this section as the “Committee.” The Committee is responsible for determining the compensation of the Company’s President and Chief Executive Officer and other executive officers of the Company, and for overseeing the Company’s executive compensation program.

Our executive compensation program is designed to attract, reward and retain our executive officers. This Compensation Discussion and Analysis focuses on the compensation of our “named executive officers” for the fiscal year ended December 31, 2018, who were:

Executive	Position
Barry L. Cottle	President and Chief Executive Officer (1)
Kevin M. Sheehan	Former President and Chief Executive Officer (1)
Michael A. Quartieri	Executive Vice President, Chief Financial Officer, Treasurer and Corporate Secretary
James C. Kennedy	Executive Vice President and Group Chief Executive of Lottery (2)
Michael F. Winterscheidt	Chief Accounting Officer
Douglas B. Albregts	Executive Vice President and Group Chief Executive of Gaming (3)
David W. Smail	Former Executive Vice President and Chief Legal Officer (4)

(1) Mr. Cottle succeeded Mr. Sheehan as President and Chief Executive Officer, effective as of June 1, 2018.

(2) On January 1, 2019, Mr. Kennedy transitioned to Chairman of Lottery, a non-executive role.

(3) On February 14, 2019, following the end of our 2018 fiscal year, Mr. Albregts separated from employment with the Company.

(4) Mr. Smail ceased to be Executive Vice President and Chief Legal Officer, effective as of September 3, 2018.

As used in this Compensation Discussion and Analysis and the tables and narratives that follow, "SGICP” refers to our annual management incentive compensation program.

Executive Summary

Scientific Games is a leading developer of technology-based products and services and associated content for the worldwide gaming, lottery, social and digital gaming industries. Our portfolio of revenue-generating activities primarily includes supplying gaming machines and game content, casino-management systems and table game products and services to licensed gaming entities; providing instant and draw-based lottery products, lottery systems and lottery content and services to lottery operators; providing social casino solutions to retail consumers and regulated gaming entities, as applicable; and providing a comprehensive suite of digital real-money gambling and sports wagering solutions, distribution platforms, content, products and services. We also gain access to technologies and pursue global expansion through strategic acquisitions and equity investments.

We report our results of operations in four business segments — Gaming, Lottery, Social and Digital — representing our different products and services. Starting with the second quarter of 2018, we changed our business segment measure of profit or loss from operating income (loss) to Attributable EBITDA, and starting with the fourth quarter of 2018, we refer to such measure as Adjusted EBITDA (with no changes in definition or calculation).

Our 2018 executive compensation program reflected key business priorities relating to operational and financial considerations, including the realization of ongoing cost savings, the creation of cash flow and continued innovation to provide best in class content and systems for our gaming, lottery, social and digital product lines worldwide.

Financial performance in 2018 improved in key areas relevant to management incentives: revenues for SGICP purposes (herein referred to as “SGICP Revenue,” a non-GAAP financial measure, with reconciliation provided to revenue in Appendix A) grew $274 million compared to 2017, EBITDA for SGICP purposes (herein referred to as “SGICP EBITDA,” a non-GAAP financial measure, with reconciliation provided to Business Segment Adjusted EBITDA and Consolidated Net Loss in Appendix A) grew $55 million compared to 2017 and SGICP EBITDA minus capital expenditures (“CapEx”) (herein referred to as “SGICP EBITDA minus CapEx,” a non-GAAP financial measure, with reconciliation provided to Business Segment Adjusted EBITDA and Consolidated Net Loss in Appendix A) decreased by $4 million compared to 2017 due in part to increased capital expenses. Despite our improved performance, bonus payouts for 2018 generally fell compared to 2017 as a result of the high degree of rigor embedded in the financial performance targets and the payout scale established by the Committee.

Compensation Program Highlights for 2018

The following is a summary of the highlights of the Company’s executive compensation program:

- Executive pay is substantially at risk because it largely consists of one or more types of performance-based compensation that vary in value based on our stock price, or that can only be earned upon achievement of pre-approved financial targets. The amount of 2018 at-risk pay as a percentage of total compensation for our President and Chief Executive Officer and the average of the other named executive officers is shown below (excluding former employees, Messrs. Sheehan, Albregts and Smail):

Executive	Target At Risk Pay[1]
Mr. Cottle	94%
Other Named Executive Officers (excluding former employees, Messrs. Sheehan, Albregts and Smail)	55%

(1) Calculated based off total compensation, as reported in the “Summary Compensation Table”. At-Risk Pay consists of the grant date value of equity awards granted to the applicable executive and the value of the annual incentive compensation actually paid to the applicable executive.

- 2018 SGICP annual cash bonuses to our named executive officers (excluding former employees, Messrs. Sheehan, Albregts and Smail) paid out between 25.5% and 52.2% of target based on achievement of SGICP Revenue, SGICP EBITDA and SGICP EBITDA minus CapEx goals and the Committee’s assessment of other relevant factors. Below target payout, despite improved performance, demonstrated the high degree of rigor embedded in the financial performance targets and the payout scale established by the Committee.

- SGICP annual cash bonuses have varied over the past five years as shown below. As noted, despite improved performance for 2018, bonus payouts decreased as a result of more challenging performance goals.

Actual SGICP Annual Cash Bonus as a % of Target Bonus Opportunity				
Employees with Company-wide Responsibilities				
2014	2015	2016	2017	2018
12%	36%	73%	99.9%	25.5%

- In order to appropriately motivate and retain management, the Committee approved 2018 annual equity awards at the full target opportunity for named executive officers. 2017 and 2016 annual equity awards were also made at the full target opportunity. Providing competitive equity award opportunities in recent years was a priority after prior year reductions to annual equity award values in order to manage potential dilution and share usage under the 2003 Plan.
- 2018 annual equity awards for named executive officers, other than Mr. Winterscheidt, included the use of performance-conditioned stock options that vest over time, but only if the 60-trading day average closing stock price of our common stock meets or exceeds 120% of the strike price of the stock options (i.e., $71.22 per share in the case of Mr. Cottle's award, $44.82 per share in the case of Mr. Albregts' award and $49.36 per share in the case of the other eligible named executive officers (in each case, the "120% Performance Goal")), vesting on the later of (i) the scheduled vesting date per the time-vesting schedule described below and (ii) the date upon which the 120% Performance Goal is achieved. Those performance-conditioned stock options would be forfeited if the 120% Performance Goal was not achieved by June 1, 2022 in the case of Mr. Cottle and March 20, 2022 in the case of the other eligible named executive officers and comprised one-third of the 2018 annual equity grant for such officers; time-vesting stock options and time-vesting RSUs each also comprised one-third of the grant. The 120% Performance Goal for all eligible named executive officers, other than Messrs. Cottle and Albregts, was achieved on June 25, 2018, and, therefore, the performance-conditioned stock options for such individuals will vest in accordance with the time-vesting schedule as follows: 25% of the stock options will vest per year on each of the first four anniversaries of March 20, 2018.

Commitment to Good Governance and Best Practices

As part of its ongoing review of our executive compensation program, the Committee considers the results of our last "say on pay" proposal (approved by approximately 99.75% of the votes cast at the 2018 annual meeting of stockholders). To ensure its commitment to good governance of our executive compensation program, the Committee has taken a number of actions in recent years that it believes should be viewed favorably by our stockholders. Those actions include the following:

- No guaranteed salary increases. Our named executive officers are not entitled to contractual inflation-based salary increases.
- Challenging financial objectives for annual cash bonus and performance-conditioned equity awards. Performance metrics support important business priorities. In general, no portion of the 2018 SGICP cash bonus attributable to a particular financial metric was payable unless at least 95% of the targeted amount

was achieved, and the payout percentage at this minimum threshold level was generally 50% of an executive's target bonus opportunity. As a result of this rigorous payout scale, 2018 bonus payouts for employees with Company-wide responsibilities were only 25.5%.

- Inclusion of performance-conditioned stock options in 2018. As mentioned above, vesting of certain stock option awards was contingent on a challenging stock price target of attaining the 120% Performance Goal, which was achieved on June 25, 2018 for all eligible named executive officers other than Messrs. Cottle and Albregts.
- Stock ownership guidelines. The Company's stock ownership guidelines apply to our directors, President and Chief Executive Officer and executive officers who report directly to our President and Chief Executive Officer. The guidelines encourage a long-term perspective in managing the Company and further align the interests of our executive officers and directors with the interests of stockholders. See "- Corporate Governance Policies - Stock Ownership Guidelines" below for additional information.
- Clawback policy. The Company's "clawback" policy subjects cash and equity incentive compensation paid to senior executives (including the named executive officers) to recovery in the event that the Company's financial statements are restated due to fraud or gross misconduct by the applicable executives. See "- Corporate Governance Policies - Clawback Policy" below for additional information.
- No hedging policy. The Company prohibits employees and directors from engaging in hedging transactions. See "- Corporate Governance Policies - No Hedging Policy" below for additional information.
- Independent compensation consulting firm. The Committee benefits from its use of an independent compensation consulting firm, CAP, which provides no other services to the Company.
- Periodic risk assessment. The Committee has concluded that our executive compensation program does not encourage behaviors that would create risks reasonably likely to have a material adverse effect on the Company.
- No excise tax gross-ups. We do not agree to pay excise tax gross-ups.
- No above-market returns. We do not offer preferential or above-market returns on compensation deferred by our executive officers.
- No loans to executive officers. We do not make personal loans to our executive officers.

Objectives and Components of Compensation Program

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

The principal components of the Company's executive compensation program consist of base salaries, annual performance-based incentive compensation and long-term incentive compensation. The Company also has employment agreements with named executive officers that include severance and change of control arrangements. The following is a description of the Company's compensation elements and the objectives they are designed to support:

Element of Compensation	Rationale	Linkage to Compensation Objective
Base Salary	* Provides fixed level of compensation	* Attracts and retains executive talent
Annual Incentive Compensation (cash bonuses)	* Target level of annual incentive compensation provides an attractive total cash opportunity that incentivizes achievement of the Company's financial goals by tying payouts to Company financial performance, with actual annual incentive compensation payouts depending upon Company and, in certain circumstances, individual performance	* Fosters excellent business performance * Aligns executive and stockholder interests by linking all or a portion of compensation to the annual performance of the Company * Attracts and retains executive talent
Long-Term Incentive Compensation (stock options, performance-conditioned equity awards and time-vesting RSUs)	* Target level of long-term incentive compensation provides a market-competitive equity opportunity * Conditioning certain equity awards upon achievement of multi-year financial performance targets or defined levels of share price appreciation aligns executive pay with stockholder interests * Time-vesting RSUs promote executive retention	* Aligns executive and stockholder interests by linking a portion of compensation to long-term Company performance * Fosters excellent business performance that creates value for stockholders * Attracts and retains executive talent * Encourages long-term service
Severance and Change of Control Protections	* Severance provisions under employment agreements provide benefits to ease an employee's transition in the event of an unexpected employment termination by the Company due to changes in the Company's employment needs * Change in control provisions under employment agreements and equity incentive plans encourage employees to remain focused on the best interests of the Company in the event of rumored or actual fundamental corporate changes	* Attracts and retains executive talent * Encourages long-term service

Base Salary

The base salaries of the Company's executive officers are reviewed on an annual basis in light of the competitive marketplace, the executive officer's responsibilities, experience and contributions and internal equity considerations. Internal equity in this context means ensuring that executives in comparable positions are rewarded comparably. Mr. Cottle received a base salary increase of $750,000, from $1,000,000 to $1,750,000, in connection with this promotion to President and Chief Executive Officer. Mr. Winterscheidt received a base salary increase of $12,750, from $425,000 to $437,750 in 2018. There were no other changes to the named executive officers' base salaries in 2018.

Beginning in 2019, in connection with a renewal and extension of the employment agreements with Messrs. Quartieri and Winterscheidt, Mr. Quartieri’s annual base salary will increase by $75,000, from $600,000 to $675,000, and Mr. Winterscheidt’s annual base salary will increase by $37,250, from $437,750 to $475,000.

Annual Incentive Compensation

Annual cash bonuses under the SGICP are based upon (i) the Company's performance relative to the achievement of financial targets, (ii) each business unit's performance relative to the achievement of financial targets for executives directly involved with the operation of those units, as well as (iii) for certain executives, an assessment of the executive's performance and contribution, including factors not quantitatively measurable by financial results. If the applicable financial performance targets are met or exceeded, participants are eligible to receive SGICP cash bonuses based on a pre-established target percentage of their base salaries, which target percentages for the named executive officers ranged from 50.0% to 100.0% of their base salaries.

The Company's annual incentive compensation program is designed to align the executives' bonus opportunities with the Company's growth objectives, including the generation of free cash flow to pay down debt. The Committee determines an individual's annual incentive payout based on the Company's or the applicable business unit's (i) SGICP Revenue, (ii) SGICP EBITDA and (iii) SGICP EBITDA minus CapEx, each measured relative to pre-approved performance targets, but retains discretion to reduce the payout, including based on the executive's performance and contribution.

Although we disclose Adjusted EBITDA, or AEBITDA, in our quarterly earnings releases, we use a definition with certain modifications to AEBITDA for compensation measures, referred to herein as SGICP EBITDA for our SGICP targets. AEBITDA (as defined in our earnings release filed with the Company's Current Report on Form 8-K on February 21, 2019) includes adjustments for: (1) restructuring and other, which includes charges or expenses attributable to: (i) employee severance; (ii) management changes; (iii) restructuring and integration; (iv) M&A and other, which includes: (a) M&A transaction costs, (b) purchase accounting, (c) unusual items (including certain legal settlements) and (d) other non-cash items; and (v) cost savings initiatives; (2) depreciation and amortization expense and impairment charges (including goodwill impairment charges); (3) change in fair value of investments and remeasurement of debt; (4) interest expense; (5) income tax expense (benefit); (6) stock-based compensation; and (7) loss (gain) on debt financing transactions. In addition to the preceding adjustments, we exclude earnings from equity method investments and add (without duplication) our pro-rata share of the EBITDA of our equity investments, which represents our share of earnings (whether or not distributed to us) before income tax expense, depreciation and amortization expense, and interest (income) expense, net of our joint ventures and minority investees.

The Committee reviews the design of the annual incentive compensation plan each year with a view to realizing desired corporate objectives and in light of management's recommendation as to financial targets and payout structure. In recent years, this review has focused on structuring an annual cash bonus payout scale that the Committee deems appropriate in light of our growth objectives and our interest in managing incentive compensation costs. For 2018, the Committee approved an annual cash bonus payout structure under which achievement of targeted financial performance would result in the payout of 100% of a named executive officer's target bonus opportunity. The payout structure was approved based on the recommendation of our President and Chief Executive Officer (other than with respect to his own payout) and in order to competitively reward executives for the achievement of targeted goals.

In general, no portion of the 2018 SGICP cash bonus attributable to a particular financial metric was payable unless at least 95% of the targeted amount was achieved, and the payout percentage at this minimum threshold level was generally 50% of an executive's target bonus opportunity. Bonuses in excess of an executive's target bonus opportunity were generally payable only if the financial results exceeded 100% of the targeted amount for the applicable financial metric. Had the Company achieved 110% or greater of the targeted amount for each financial metric, the calculated annual cash bonus for each of the named executive officers with Company wide responsibilities would have been multiplied by 200%. The multiplier is applied ratably for achievement between performance levels. Because of the unique nature of its business relative to our other business units, the payout curve for the Social business unit, of which Mr. Cottle was the head until he became President and Chief Executive Officer in June 2018, differs from those above, and target payout would occur if 92% of the performance targets were achieved.

The 2018 annual cash bonus amounts for the eligible named executive officers with Company-wide responsibilities were determined based on attainment of the consolidated financial performance targets for three equally weighted metrics: SGICP Revenue, SGICP EBITDA and SGICP EBITDA minus CapEx. The targets set in 2018 for consolidated financial performance are shown below.

		Annual Cash Bonus Payout as Percentage of Target Award			
		Threshold	Target	Stretch	Maximum
		50%	100%	150%	200%
SGICP Revenue	Target ($ millions)	$3,254	$3,425	$3,597	$3,768
	% of Target	95%	100%	105%	110%
SGICP EBITDA	Target ($ millions)	$1,226	$1,290	$1,355	$1,419
	% of Target	95%	100%	105%	110%
SGICP EBITDA minus CapEx	Target ($ millions)	$877	$923	$970	$1,016
	% of Target	95%	100%	105%	110%

The weightings of metrics were calculated as follows for our executive officers with Company-wide responsibilities who participated in the SGICP, which included Messrs. Cottle (beginning in June 2018), Quartieri and Winterscheidt:

Performance Measure	Level Weighting	Metric Weighting	Overall Weighting
Consolidated			
SGICP Revenue	100%	×33.3%	=33.3%
SGICP EBITDA	100%	×33.3%	=33.3%
SGICP EBITDA minus CapEx	100%	×33.3%	=33.3%

The annual cash bonus amounts for the named executive officers directly managing the operation of a business unit were generally determined based on the same metrics with the same relative weightings, except the outcomes were determined, for all business units other than Social, based on a combination of 50% consolidated results and 50% business unit results, and for the Social business unit, 100% business unit results. The weightings of metrics were calculated as follows for our executive officers who directly managed the operation of a business unit (other than the global Social business unit), including Mr. J. Kennedy, the head of the global Lottery business unit during 2018, and Mr. Albregts, the head of the global Gaming business unit during 2018:

Performance Measure	Level Weighting	Metric Weighting	Overall Weighting
Consolidated			
SGICP Revenue	50%	×33.3%	=16.6%
SGICP EBITDA	50%	×33.3%	=16.6%
SGICP EBITDA minus CapEx	50%	×33.3%	=16.6%
Business Unit			
SGICP Revenue	50%	×33.3%	=16.6%
SGICP EBITDA	50%	×33.3%	=16.6%
SGICP EBITDA minus CapEx	50%	×33.3%	=16.6%

Prior to becoming President and Chief Executive Officer in June 2018, Mr. Cottle was the head of the global Social business unit, and his annual cash bonus amount for 2018 was calculated at a blended rate based on the payout for the global Social business unit (five-twelfths) and the payout for those with Company-wide responsibilities (seven-twelfths). Bonus payouts for the global Social business for 2018 were based solely on business unit performance measures, which consisted of SGICP Revenue (33% weighting) and SGICP EBITDA (67% weighting). The Committee determined that it was appropriate to measure results of the global Social business for purposes of the SGICP without reference to consolidated results because the global Social business was judged to have the potential to grow at a greater rate than our other business segments. By increasing their focus on the SGICP Revenue and SGICP EBITDA of the global Social business, employees would participate more directly in the success of the business, assisting in our ability to attract and retain critical talent in a highly competitive labor market.

Performance Measure	Level Weighting	Metric Weighting	Overall Weighting
Business Unit			
SGICP Revenue	100%	×33.3%	=33.3%
SGICP EBITDA	100%	×66.7%	=66.7%

Based on the 2018 annual cash bonus payout structure, the named executive officers had the following bonus opportunities:

Executive	Threshold Annual Bonus Opportunity (% of Base Salary)		Target Annual Bonus Opportunity (% of Base Salary)		Maximum Annual Bonus Opportunity (% of Base Salary)	
Mr. Cottle(1)	50	%	100	%	200	%
Mr. Sheehan	50	%	100	%	200	%
Mr. Quartieri	37.5	%	75	%	150	%
Mr. J. Kennedy	37.5	%	75	%	150	%
Mr. Winterscheidt	25	%	50	%	100	%
Mr. Albregts	50	%	100	%	200	%
Mr. Smail	37.5	%	75	%	150	%

(1) Mr. Cottle's annual bonus opportunity for 2018 was based on a blended base salary rate, based on his base salary prior to June 1, 2018 (five-twelfths) and his base salary following June 1, 2018 (seven-twelfths).

Company-Wide Annual Cash Bonus Results

For Messrs. Quartieri and Winterscheidt, each of whom had Company-wide responsibilities for all of 2018, and Mr. Cottle, who had Company-wide responsibilities beginning in June 2018, the SGICP Revenue, SGICP EBITDA and SGICP

EBITDA minus CapEx results for annual cash bonuses under the SGICP in 2018 represented achievement of 97.7%, 89.5% and 84.1%, respectively, of our targeted 2018 financial goals. In the case of Mr. Cottle, his annual bonus for 2018 was calculated at a blended rate based on Mr. Cottle's base salaries prior to and following June 1, 2018 as well as the differing roles he had as the head of the global Social business unit through May 2018 and thereafter, as the President and Chief Executive Officer of the Company. For Messrs. Sheehan and Smail, as part of their separation agreements, they received $191,250 and $76,500, respectively, as an annual cash bonus under the SGICP, representing a pro-rata portion of the incentive compensation that would have been payable to each of them for 2018, based on their having Company-wide responsibilities, had they remained in employment with the Company for the entire year.

As shown in the table below, the resulting overall 2018 annual cash bonuses paid to Messrs. Quartieri and Winterscheidt, and the portion of the 2018 annual cash bonus paid to Mr. Cottle covering the period beginning in June and ending December 31, 2018, represented 25.5% of their target annual cash bonus opportunities:

		2018 ($ millions)				
	Weighting	95% Target Achievement (50% payout)	100% Target Achievement (100% payout)	SGICP Results (1)	Results (% of Target Achievement)	Weighted Actual Payout (% of Target Bonus Opportunity)
Consolidated						
SGICP Revenue	33.3%	$3,254	$3,425	$3,345	97.7 %	25.5 %
SGICP EBITDA	33.3%	$1,226	$1,290	$1,154	89.5 %	—
SGICP EBITDA minus CapEx	33.3%	$877	$923	$776	84.1 %	—
				Weighted Total:		25.5 %

(1) Refer to Appendix A for reconciliation of 2018 SGICP Revenue, SGICP EBITDA and SGICP EBITDA minus CapEx, which are non-GAAP financial measures.

Global Lottery Annual Cash Bonus Results

For Mr. J. Kennedy, who was the head of the global Lottery business unit in 2018, the global Lottery SGICP Revenue, SGICP EBITDA and SGICP EBITDA minus CapEx results for annual cash bonuses under the SGICP in 2018 represented 95.6%, 97.5% and 100%, respectively, of targeted 2018 financial goals. The portion of Mr. J. Kennedy's annual cash bonus based on consolidated SGICP Revenue, SGICP EBITDA and SGICP EBITDA minus CapEx was calculated as described in the above section relating to executive officers with Company-wide responsibilities. As shown in the table below, the resulting overall 2018 annual cash bonus paid to Mr. J. Kennedy represented 56.1% of his target annual cash bonus opportunity.

	Weighting	2018 ($ millions) 95% Target Achievement (50% payout)	100% Target Achievement (100% payout)	SGICP Results (1)	Results (% of Target Achievement)	Weighted Actual Payout (% of Target Bonus Opportunity)
Consolidated						
SGICP Revenue	16.6%	$3,254	$3,425	$3,345	97.7 %	12.8 %
SGICP EBITDA	16.6%	$1,226	$1,290	$1,154	89.5 %	—
SGICP EBITDA minus CapEx	16.6%	$877	$923	$776	84.1 %	—
Global Lottery						
SGICP Revenue	16.6%	$804	$846	$834	98.6 %	14.3 %
SGICP EBITDA	16.6%	$303	$319	$311	97.4 %	12.3 %
SGICP EBITDA minus CapEx	16.6%	$235	$247	$247	100.0 %	16.7 %
				Weighted Total:		56.1 %

(1) Refer to Appendix A for reconciliation of 2018 SGICP Revenue, SGICP EBITDA and SGICP EBITDA minus CapEx, which are non-GAAP financial measures.

Global Gaming Annual Cash Bonus Results

For Mr. Albregts, who was the head of the global Gaming business unit in 2018, the global Gaming SGICP Revenue, SGICP EBITDA and SGICP EBITDA minus CapEx results for annual cash bonuses under the SGICP in 2018 represented 97.8%, 92.1% and 85.2%, respectively, of targeted 2018 financial goals. Had Mr. Albregts remained employed by the Company and eligible to receive an annual cash bonus for 2018, the portion of his bonus based on consolidated SGICP Revenue, SGICP EBITDA and SGICP EBITDA minus CapEx would have been calculated as described in the above section relating to executive officers with Company-wide responsibilities. However, upon his separation from employment with the Company on February 14, 2019, Mr. Albregts forfeited his 2018 annual cash bonus.

Global Social Annual Cash Bonus Results

For Mr. Cottle, who was the head of the global Social business unit through May 2018, the global Social SGICP Revenue and SGICP EBITDA results for annual cash bonuses under the SGICP in 2018 represented 90.4% and 94.8%, respectively, of targeted 2018 financial goals. The portion of Mr. Cottle's annual cash bonus based on consolidated SGICP Revenue, SGICP EBITDA and SGICP EBITDA minus CapEx was calculated as described in the above section relating to executive officers with Company-wide responsibilities. As shown in the table below, the resulting overall 2018 annual cash bonus paid to Mr. Cottle represented 52.2% of his target annual cash bonus opportunity and is based on a pro-rated bonus for his role as the global head of the Social business unit through May 2018 plus a pro-rated bonus for his role as the President and Chief Executive Officer of the Company beginning in June 2018.

	Weighting	2018 ($ millions) 95% Target Achievement (50% payout) (1)	100% Target Achievement (100% payout) (1)	SGICP Results (2)	Results (% of Target Achievement)		Weighted Actual Payout (% of Target Bonus Opportunity)	
Consolidated								
SGICP Revenue	33.3%	$3,254	$3,425	$3,345	97.7	%	25.5	%
SGICP EBITDA	33.3%	$1,226	$1,290	$1,154	89.5	%	—	
SGICP EBITDA minus CapEx	33.3%	$877	$923	$776	84.1	%	—	
Global Social								
SGICP Revenue	33%	$368	$460	$416	90.4	%	29.0	%
SGICP EBITDA	67%	$108	$143	$135	94.8	%	88.7	%
				Weighted Total:			117.6	%
				Weighted Total (3):			52.2	%

(1) For the global Social business, a 200% payout was associated with 100% of target achievement during 2018 and the threshold payout, equal to 30%, was established at 80% of target achievement rather than 95% of target achievement, resulting in a correspondingly higher payout level for 2018.

(2) Refer to Appendix A for reconciliation of 2018 SGICP Revenue, SGICP EBITDA and SGICP EBITDA minus CapEx, which are non-GAAP financial measures.

(3) Weighted Total for Mr. Cottle's blended payout rate, based on global Social performance only (five-twelfths) and consolidated performance only (seven-twelfths).

Summary

In summary, the Committee approved annual cash bonuses for 2018 for the eligible named executive officers as shown below:

Executive	Actual Annual Bonus Award	Award as a % of Target Annual Bonus Opportunity	Award as a % of Base Salary
Mr. Cottle	$750,312	52.2%	42.9%
Mr. Sheehan(1)	$191,250	25.5%	10.6%
Mr. Quartieri	$114,750	25.5%	19.1%
Mr. J. Kennedy	$305,044	56.1%	42.1%
Mr. Winterscheidt	$55,271	25.5%	12.6%
Mr. Albregts(2)	—	—	—
Mr. Smail(3)	$76,500	25.5%	19.1%

(1) The pro-rated bonus payout for Mr. Sheehan was made pursuant to his separation agreement, as described below in "Potential Payments Upon Termination or Change in Control – Mr. Sheehan".

(2) Mr. Albregts' annual cash bonus for 2018 was forfeited in connection with his separation of employment from the Company.

(3) The pro-rated bonus payout for Mr. Smail was made pursuant to his separation agreement, as described below in "Potential Payments Upon Termination or Change in Control – Mr. Smail".

Long-Term Incentive Compensation

Annual Equity Awards

The Company's executive officers generally received annual long-term incentive compensation awards, comprised of time-vesting stock options, performance-conditioned stock options and/or time-vesting RSUs, which link their compensation to the long-term performance of the Company, align their interests with stockholders and encourage long-term service. Under the current equity award opportunity guidelines, eligible executives have a target annual equity award opportunity equal to a designated percentage of their base salary (with the actual award determined on or prior to the grant date, in the discretion of the Committee). Long-term incentive opportunities are the largest component of variable compensation for the executives, which appropriately ties a significant proportion of their compensation to the long-term performance of the business. The target annual equity award opportunities for 2018 are shown below:

Executive	Target Equity Award Opportunity for 2018 (% of Salary)
Mr. Cottle (1)	250%
Mr. Sheehan (2)	250%
Mr. Quartieri	125%
Mr. J. Kennedy	125%
Mr. Winterscheidt	70%
Mr. Albregts (3)	125%
Mr. Smail (4)	125%

(1) Mr. Cottle's 2018 annual equity awards were prorated to reflect the portion of the year he served as President and Chief Executive Officer.

(2) In accordance with the terms of his separation agreement, Mr. Sheehan's 2018 annual equity awards will continue to vest in accordance with their terms as if he were an employee of the Company during the period he continues to provide consulting services to the Company.

(3) Mr. Albregts' annual equity awards were forfeited upon his separation of employment from the Company.

(4) In accordance with the terms of his separation agreement, all unvested equity awards held by Mr. Smail became subject to accelerated vesting, and vested upon the effectiveness of his separation agreement.

In 2018, the Committee awarded Messrs. Cottle, Quartieri, Albregts, J. Kennedy, Sheehan and Smail one-third of the value of their annual equity awards in the form of time-vesting stock options, one-third in the form of performance-conditioned stock options and one-third in the form of time-vesting RSUs. Mr. Winterscheidt received his annual equity award solely in the form of time-vesting RSUs. The vesting of the performance-conditioned stock options was conditioned on the Company's common stock meeting or exceeding the 120% Performance Goal on or before March 20, 2022 in the case of Messrs. Quartieri, Albregts, J. Kennedy, Sheehan and Smail, and on or before June 1, 2022 in the case of Mr. Cottle. The 120% Performance Goal represented a 60-day average closing stock price meeting or exceeding 120% of the strike price of the stock options, which were granted on March 30, 2018 to Messrs. Quartieri, J. Kennedy, Sheehan and Smail, on June 1, 2018 to Mr. Cottle and on August 6, 2018 to Mr. Albregts. In each case, the grant date fair value or, in the case of the stock options, exercise price, was determined as the average of the high and low selling prices of the Company's common stock on the trading day immediately prior to the grant date. Upon satisfaction of the performance condition, the performance-conditioned stock options convert to time-vesting stock options that vest 25% per year on each of March 20, 2019 and the first three anniversaries of March 20, 2019, in the case of Messrs. Quartieri, Albregts, J. Kennedy, Sheehan and Smail, and June 1, 2019 and the first three anniversaries of June 1, 2019, in the case of Mr. Cottle. Except with respect to Messrs. Cottle's and Albregts' awards, the 120% Performance Goal was achieved on June 25, 2018. The time-vesting stock options and time-vesting RSUs are scheduled to vest in equal annual installments over a period of four years starting March 20, 2019, in the case of Messrs. Sheehan, Quartieri and J. Kennedy, and June 1, 2019, in the case of Mr. Cottle. Mr. Albregts' annual equity awards were forfeited upon his separation of employment from the Company. Pursuant to their respective separation agreements, the 2018 annual equity awards granted to Mr. Sheehan will continue to vest during the period he provides consulting services to the Company, while those granted to Mr. Smail vested in full upon his separation of employment from the Company.

Information regarding the 2018 annual equity awards is set forth below:

Executive	Date of Grants	Time-Vesting Stock Options (1)	Vesting Schedule of Time-Vesting Stock Options (2)	Performance-Conditioned Stock Options (1)	Vesting Schedule of Performance-Conditioned Stock Options (3)	Time-Vesting RSUs	Vest Sche Tim RSU
Mr. Cottle (4)	06/01/2018	28,415	4 years	28,415	4 years	14,406	4 yea
Mr. Sheehan (5)	03/30/2018	72,150	4 years	72,150	4 years	36,469	4 yea
Mr. Quartieri	03/30/2018	12,025	4 years	12,025	4 years	6,078	4 yea
Mr. J. Kennedy	03/30/2018	14,530	4 years	14,530	4 years	7,344	4 yea
Mr. Winterscheidt	03/30/2018	—	—	—	—	7,233	4 yea
Mr. Albregts (6)	08/06/2018	13,886	4 years	13,886	4 years	7,093	4 yea
Mr. Smail (7)	03/30/2018	12,025	4 years	12,025	4 years	6,078	4 yea

(1) Stock options were granted with an exercise price equal to the average of the high and low prices of our common stock on the trading day immediately prior to the grant date, which was $41.13 for Messrs. Sheehan, Quartieri, J. Kennedy and Smail, $59.35 for Mr. Cottle and $37.35 for Mr. Albregts.

(2) Awards vest in four equal annual installments beginning on March 20, 2019 for Messrs. Sheehan, Quartieri, J. Kennedy and Winterscheidt and June 1, 2019 for Mr. Cottle, in the case of Mr. Sheehan, subject to his providing consulting services through the relevant vesting date. Mr. Albregts' annual equity awards were forfeited upon his separation of employment from the Company. Mr. Smail's annual equity awards accelerated vesting as described below.

(3) Awards vest in four equal annual installments on March 20, 2019 and the first three anniversaries thereafter for Messrs. Sheehan, Quartieri and J. Kennedy, as a result of the 120% Performance Goal being achieved on or before March 20, 2022, in the case of Mr. Sheehan, subject to his providing consulting services as described below. In the case of Mr. Cottle, awards vest in four equal annual installments on June 1, 2019 and the first three anniversaries thereafter, subject to the 120% Performance Goal being achieved on or before June 1, 2022. Mr. Albregts' annual equity awards were forfeited upon his separation of employment from the Company. As a result of the 120% Performance Goal being achieved, Mr. Smail's award accelerated vesting as described below.

(4) Mr. Cottle's 2018 annual equity awards were prorated to reflect the portion of the year he served as President and Chief Executive Officer.

(5) In consideration for Mr. Sheehan agreeing to provide consulting services to the Company following his separation of employment from the Company, effective June 1, 2018, Mr. Sheehan will continue to vest in the annual equity awards granted to him in 2018 during the period in which he provides such services.

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(6) Mr. Albregts' annual equity awards were forfeited upon his separation of employment from the Company.

(7) In accordance with the terms of his separation agreement, all unvested equity held by Mr. Smail became subject to accelerated vesting and vested upon the effectiveness of his separation agreement.

Other 2018 Equity Awards

In connection with Mr. Cottle's appointment as President and Chief Executive Officer in June 2018, the Company granted to Mr. Cottle a special equity award consisting of 300,000 RSUs (the "Cottle Special RSUs"). The Cottle Special RSUs were granted on June 1, 2018, with 200,000 of the Cottle Special RSUs vesting on the third anniversary of the grant date based on the Company's achievement of certain AEBITDA targets measured from June 1, 2018 through May 31, 2021 (the "Performance-Conditioned Special RSUs") and the remaining Cottle Special RSUs (the "Time-Based Special RSUs") vesting one-third on each of the first three anniversaries of the grant date. In addition, during 2018, Mr. Cottle received a long-term incentive award (the "Social LTIP") in lieu of annual equity awards for his service as Chief Executive, SG Interactive, with a cash payout based on the growth in the AEBITDA of the Company's B2C (business to consumer) Social Casino Business. Payout under the Social LTIP would be equal to 8% of the amount by which 2020 AEBITDA exceeds 2017 AEBITDA for the Social Casino Business. In connection with the possible initial public offering of a minority interest in our Social gaming business, our Board, and the board of directors of SciPlay Corporation, the parent company of our Social gaming business, have approved replacing, effective upon the consummation of such offering, the Social LTIP with a performance-conditioned equity award with respect to SciPlay Corporation equity, with an expected grant date value of $12 million.

In 2018, we made a special grant of equity awards to Mr. Albregts in connection with his commencement of employment with the Company. The award was granted on June 4, 2018 and consisted of 50,000 RSUs, which would have vested one-third on each of the first three anniversaries of the grant date. This award was forfeited upon Mr. Albregts' separation of employment from the Company.

Retirement Plans

Executive officers are eligible to participate in our 401(k) retirement plan under the same rules that apply to other employees. The Company made a matching contribution of 100% of the first 1% of contributions and 50% of the next 5% of contributions (for a match of up to 3.5% of eligible compensation).

During 2018, we sponsored a non qualified deferred compensation plan that enabled executive officers and other eligible employees to defer receipt of up to 50% of their base salary and up to 100% of their annual cash bonus under the SGICP during their employment or for certain specified minimum deferral periods. The Company did not make any matching or profit sharing contributions under this plan. None of our named executive officers participated in our non-qualified deferred compensation plan, which was terminated on December 31, 2018.

Corporate Governance Policies

Stock Ownership Guidelines

The Committee approved stock ownership guidelines requiring our directors, President and Chief Executive Officer and executive officers who report to our President and Chief Executive Officer (including the current named executive officers) to acquire and maintain a meaningful ownership interest in the Company. These guidelines are intended to encourage a long-term perspective in managing the Company and to further align the interests of our executive officers and directors with the interests of our stockholders. Covered individuals are required to own the lesser of (i) a number of shares of our common stock equal to a specified multiple of annual base salary (or in the case of directors, other than our President and Chief Executive Officer, annual cash retainer for Board service) divided by the preceding 200-day average closing price of such shares and (ii) a fixed number of shares of our common stock. The stock ownership requirement varies based on position, as shown in the table below. Shares of our common stock held directly or indirectly, including shares acquired upon the exercise of stock options, shares held within retirement and deferred compensation plans, time-vesting RSUs and shares owned by immediate family members will count for purposes of the policy, whereas outstanding (vested or unvested) stock options and performance-conditioned RSUs will not count. Covered individuals will have five years to comply from the date the individual became subject to the policy or to an increased level under the policy. We expect covered individuals who do not meet the ownership requirements to retain at least 50% of the shares of our common stock that vest or are acquired upon exercise of stock options, net of applicable taxes, until the ownership requirements are met.

Job Level	Minimum Required Ownership Interest
President and Chief Executive Officer	Lesser of five times annual base salary and 475,000 shares
Group Chief Executives and Chief Financial Officer	Lesser of two times annual base salary and 70,000 shares
Other Executive Officers Reporting to the President and Chief Executive Officer	Lesser of annual base salary and 25,000 shares

The following table summarizes the ownership of our named executive officers against these guidelines as of December 31, 2018 (excluding former employees, Messrs. Sheehan, Albregts and Smail, who are no longer subject to these guidelines, and Mr. J. Kennedy, who transitioned to a non-executive role on January 1, 2019, and is therefore also no longer subject to these guidelines). All of our current named executive officers are in compliance with our guidelines.

Name	Lesser Of Ownership Requirement (# of Shares Based on Multiple of Salary)	Ownership Requirement (# of Shares/ Units)	Current Ownership (# of Shares/ Units)
Mr. Cottle [(1)]	237,200	475,000	190,693
Mr. Quartieri	32,500	70,000	73,059
Mr. Winterscheidt	11,900	25,000	24,454

(1) Mr. Cottle became subject to the guidelines upon becoming President and Chief Executive Officer of the Company on June 1, 2018 and will have until June 2023 to satisfy the requirements.

Clawback Policy

The Committee and the Board have previously approved a cash and equity compensation "clawback" policy. Under the policy, the Committee may, in its discretion, take any one or more of the following actions in the event of a restatement of our financial statements that the Committee determines was due to an executive's fraud or gross misconduct:

- cancel the executive's outstanding incentive compensation awards (defined as annual cash bonus and equity compensation, whether or not vested);
- disqualify the executive from receiving future incentive compensation awards;
- recoup incentive compensation paid or awarded to the executive from and after the date that is one year before the events giving rise to the restatement were discovered; and/or
- recoup the executive's gains from the sale of shares awarded as incentive compensation or the exercise of stock options from and after the date that is one year before the events giving rise to the restatement were discovered.

The Committee and the Board review and consider updates to this policy from time to time. In addition, to the extent that the SEC adopts final rules for clawback policies that require changes to our policy, we will revise our policy accordingly.

No Hedging Policy

The Committee also approved a policy prohibiting employees, officers and directors from hedging or engaging in similar transactions designed to protect against declines in the market price of our securities (including the securities of the Company's affiliates). In particular, employees and directors may not:

- purchase or sell options (e.g., puts, calls and collars) relating to our securities;
- purchase or sell other derivative securities designed to hedge or offset any decrease in the market value of our securities;
- engage in short sales of the Company's securities, including a "sale against the box"; or
- have standing orders regarding the Company's securities unless used only for a very brief period of time, except for purchases and sales under a Rule 10b5-1 trading plan that is approved by the Company's Chief Legal Officer.

Peer Group

As a general matter, the Committee uses compensation data derived from a peer group of companies as a general indicator of relevant market conditions for both executives' and non-employee directors' compensation, but does not set specific benchmark targets for total executive or non-employee director compensation or for individual elements of executive or non-employee director compensation.

The Committee, in consultation with its independent consultant, CAP, approved a peer group of 15 companies for fiscal year 2018. The peer group was comprised of Activision Blizzard, Inc., Alliance Data Systems Corporation, Boyd Gaming Corporation, Cadence Design Systems, Inc., Cardtronics plc., Crane Co., Daktronics Inc., Diebold Nixdorf, Inc., Electronic Arts

Inc., Everi Holdings Inc., Global Payments Inc., IAC/InterActiveCorp, International Game Technology PLC, Penn National Gaming, Inc. and Take-Two Interactive Software, Inc. As measured following the fourth quarter of fiscal 2018, the Company's trailing 12-month revenue was at the 52nd percentile of the peer group, while our market capitalization was at the 24th percentile.

Role of Management

The Committee works directly with our Chief Human Resources Officer on our executive compensation program and receives recommendations from the President and Chief Executive Officer regarding the compensation of executive officers, other than with respect to the President and Chief Executive Officer's own compensation. The Committee has the authority to follow these recommendations or make different determinations in its sole discretion.

Role of Compensation Consultant

The Committee has the sole authority to select and retain outside compensation consultants or any other consultants, legal counsel or other experts to provide independent advice and assistance in connection with the execution of its responsibilities. The Committee has engaged CAP to provide such independent advice, including:

- attending scheduled meetings of the Committee and providing advice and context on matters discussed in the meetings;
- periodically reviewing and recommending updates to our compensation peer group;
- conducting competitive compensation reviews with respect to senior executives and non employee directors;
- advising on long-term incentive programs generally, as well as on alternatives to historical equity grants;
- advising the Committee on legal and regulatory developments;
- advising on certain policies, including policies relating to stock ownership guidelines, compensation clawbacks and hedging prohibitions;
- advising on the design of annual incentives under the SGICP; and
- assisting in the review of the Company's compensation policies and practices, with a focus on incentive programs, from a risk management perspective.

CAP generally attends meetings of the Committee, is available to participate in executive sessions and communicates directly with the Committee's Chairman or the Committee's other members outside of meetings. CAP was retained by and reports directly to the Committee, which determines the scope of requested services and approves fee arrangements for its work, and CAP does not provide any other services to, or receive any other fees from, the Company without the prior approval of the Committee's Chairman.

In 2018, the Committee reviewed the independence of CAP in light of the criteria set forth in the final rules relating to compensation consultant independence that were issued by the SEC in June 2012. Based on this review, the Committee is satisfied that no conflicts of interest exist that interfere with the independence of CAP, and CAP is fully able to provide to the Committee independent advice regarding executive and non-employee director compensation.

Compensation Program as it Relates to Risk

The Company's management and the Committee, with the assistance of CAP, periodically review the Company's compensation policies and practices, focusing particular attention on incentive programs, so as to ensure that they do not encourage excessive risk-taking by the Company's employees. Specifically, this review includes the SGICP (in which executives generally participate), the Company's business unit bonus and commission plans (in which other employees participate) and the Company's long-term incentive plan. As discussed above, the SGICP is generally designed to reward achievement of annual results when measured against performance metrics, whereas the annual equity incentive program is designed to link a portion of compensation to long term Company performance. Management and the Committee do not believe that the Company's compensation program creates risks that are reasonably likely to have a material adverse impact on the Company for the following reasons:

- our incentive programs appropriately balance short- and long-term incentives, with a significant percentage of total compensation for the senior executive team provided in the form of incentive compensation focused on the Company's long-term performance;
- the SGICP uses multiple financial performance metrics that encourage executives and other employees to focus on the overall health of the business rather than on a single financial measure;
- a qualitative assessment of individual performance is generally a component of individual compensation payments;
- annual cash bonuses under the SGICP and business unit plans are capped;
- the Committee approved stock ownership guidelines applicable to senior executives and directors, a clawback policy with respect to cash and equity incentive compensation, and a hedging policy prohibiting transactions designed to protect against declines in the market price of our common stock;
- executive officers and certain other key employees with access to material nonpublic information must obtain permission from the Company's Chief Legal Officer to trade in shares of our common stock, even during an open trading period;
- Board and management processes are in place to oversee risk associated with the SGICP and business unit plans, including periodic business performance reviews by management and regular bonus accrual updates to the Committee; and
- the Company's risk management processes - including the Company's enterprise risk management program, Code (and related training), strong ethics and compliance function that includes suitability reviews of customers and other persons and entities with which the Company does business, internal approval processes and legal department review of contracts - mitigate the potential for undue risk-taking.

Employment Agreements; Severance and Change in Control Arrangements

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

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

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

The Company has change in control provisions in the 2003 Plan such that unvested stock options, RSUs and other equity awards would generally accelerate upon a change in control (as defined in the 2003 Plan). These provisions apply to all 2003 Plan participants. The Committee believes that these provisions are appropriate given that an employee's position could be adversely affected by a change in control even if he or she is not terminated.

We entered into an employment agreement in 2015 with Mr. Smail in connection with his commencement as Executive Vice President and Chief Legal Officer. We also entered into an employment agreement in 2016 with Mr. Sheehan in connection with his commencement as President and Chief Executive Officer. In connection with Messrs. Sheehan and Smail's separations of employment from the Company, we entered into a separation agreement with each of them, the terms of which are described below in "Potential Payments Upon Termination or Change in Control – Mr. Sheehan" and "Potential Payments Upon Termination or Change in Control – Mr. Smail", respectively.

Tax Deductibility of Executive Compensation

In implementing the Company's executive compensation program, the Committee's general policy is to consider any significant effects of Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), which limits a public company's tax deduction for compensation in excess of $1.0 million paid to the chief executive officer, chief financial officer and other named executive officers. While the Committee generally seeks to take advantage of favorable tax treatment in implementing the Company's executive compensation program, the Committee's ability to do so has been greatly reduced under the Tax Cuts and Jobs Act of 2017. As a result, the Committee has authorized compensation that does not qualify for tax deductibility in order to continue to provide a competitive compensation program that is aligned with stockholder interests.

Compensation Committee Report

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with the Company’s management. Based on that review and discussion, the Compensation Committee has recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement and the Company’s Annual Report on Form 10-K for the year ended December 31, 2018.

Compensation Committee

Peter A. Cohen, Chairman
Paul M. Meister
Barry F. Schwartz
Kneeland C. Youngblood

Summary Compensation Table

The table below shows the compensation of our current President and Chief Executive Officer, our former President and Chief Executive Officer, our Chief Financial Officer, our other three most highly compensated executive officers who were serving as executive officers as of December 31, 2018 and our former Executive Vice President and Chief Legal Officer, who would have been one of our other three most highly compensated executive officers if he was serving as an executive officer as of December 31, 2018. These seven individuals are the named executive officers for 2018.

Name and Principal Position	Year	Salary ($) (1)	Bonus ($) (2)	Stock Awards ($) (3)	Option Awards ($) (4)	Non Equity Incentive Plan Compensation ($) (5)	All Other Compensation ($) (6)	Total ($)
Barry L. Cottle (7) President and Chief Executive Officer	2018	1,406,731	—	18,659,996	1,709,970	750,312	85,008	22,612,017
Kevin M. Sheehan (7)	2018	830,769	—	1,499,970	2,999,554	191,250	2,184,437	7,705,980
Former President and	2017	1,800,000	—	1,499,990	2,999,978			